

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended September 30, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 1-4534

AIR PRODUCTS AND CHEMICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware

23-1274455

(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

7201 Hamilton Boulevard

Allentown, Pennsylvania

18195-1501

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (610)481-4911

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|--|--|
| Common Stock, par value \$1.00 per share | New York and Pacific |
| Preferred Stock Purchase Rights | New York and Pacific |
| 8 3/4% Debentures Due 2021 | New York |

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant on November 1, 1999 was \$6.44 billion. For purposes of the foregoing calculation (i) all directors and/or executive officers have been deemed to be affiliates, but the registrant disclaims that any such director and/or executive officer is an affiliate and (ii) registrant's Flexible Employee Benefit Trust, described under Item 12 of this Report, is deemed a non-affiliate.

The number of shares of Common Stock outstanding as of November 30, 1999 was 229,304,812.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Shareholders for the fiscal year ended September 30, 1999. With the exception of those portions which are incorporated by reference into Parts I, II, and IV of this Form 10-K, the Annual Report is not deemed to be filed.

Proxy Statement for Annual Meeting of Shareholders to be held January 27, 2000 . . . Part III.

FORWARD-LOOKING STATEMENTS

The forward-looking statements contained in this document are based on current expectations regarding important risk factors. Actual results may differ materially from those expressed. In addition to important risk factors and uncertainties referred to in the Management's Discussion and Analysis, which is included under Item 7 herein, such as those relating to the Year 2000, other important risk factors and uncertainties include the impact of worldwide economic growth, pricing of both the Company's products and raw materials such

as electricity, customer outages and customer demand, and other factors resulting from fluctuations in interest rates and foreign currencies, the impact of competitive products and pricing, success of cost control programs, and the impact of tax and other legislation and other regulations in the jurisdictions in which the Company and its affiliates operate.

Factors that might cause forward looking statements related to the BOC transaction to differ materially from actual results include, among other things, requirements or delays imposed by regulatory authorities to permit the transaction to be consummated, unanticipated tax and other costs in separating the ownership of BOC's businesses and assets, ability to amortize goodwill over 40 years, overall economic and business conditions, demand for the goods and services of Air Products or BOC or their respective affiliates, competitive factors in the industries in which each of them competes, changes in government regulation, success of implementing synergies and other cost reduction programs, the timing, impact, and other uncertainties of future acquisitions or combinations within relevant industries, fluctuations in interest rates and foreign currencies, and the price at which Air Products would issue additional equity, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Air Products and BOC and their respective affiliates operate.

TABLE OF CONTENTS

| | Page |
|--|------|
| | ---- |
| PART I. ITEM 1. Business..... | 1 |
| INDUSTRIAL GASES..... | 1 |
| Power Generation..... | 2 |
| Pure Air..... | 2 |
| BOC Transaction..... | 3 |
| CHEMICALS..... | 3 |
| Polymer Chemicals..... | 3 |
| Performance Chemicals..... | 3 |
| Chemical Intermediates..... | 4 |
| EQUIPMENT AND SERVICES..... | 5 |
| GENERAL..... | 5 |
| Foreign Operations..... | 5 |
| Technology Development..... | 5 |
| Raw Materials and Energy..... | 6 |
| Environmental Controls..... | 7 |
| Competition..... | 8 |
| Insurance..... | 8 |
| Employees..... | 8 |
| Year 2000..... | 8 |
| Executive Officers of the Company..... | 9 |
| ITEM 2. Properties..... | 10 |
| Industrial Gases..... | 10 |
| Chemicals..... | 10 |
| Equipment and Services..... | 11 |
| ITEM 3. Legal Proceedings..... | 11 |
| ITEM 4. Submission of Matters to a Vote of Security Holders..... | 11 |
| PART II ITEM 5. Market for the Company's Common Stock and Related Stockholder Matters..... | 11 |
| ITEM 6. Selected Financial Data..... | 11 |
| ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations..... | 12 |
| ITEM 7a. Quantitative and Qualitative Disclosures about Market Risk..... | 12 |
| ITEM 8. Financial Statements..... | 12 |
| ITEM 9. Disagreements on Accounting and Financial Disclosure..... | 12 |
| PART III ITEM 10. Directors and Executive Officers of the Company..... | 12 |
| ITEM 11. Executive Compensation..... | 12 |
| ITEM 12. Security Ownership of Certain Beneficial Owners and Management..... | 12 |
| ITEM 13. Certain Relationships and Related Transactions..... | 12 |
| PART IV ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K..... | 13 |
| Signatures..... | 16 |

PART I

ITEM 1. Business.

Through internal development and by acquisitions, Air Products and Chemicals, Inc. has established an internationally recognized industrial gas and related industrial process equipment business, and developed strong positions as a producer of certain chemicals.

The industrial gases business segment recovers and distributes industrial gases such as oxygen, nitrogen, argon, and hydrogen and a variety of medical and specialty gases. This segment also includes the Company's power generation and flue gas treatment businesses. The chemicals business segment produces and markets polymer chemicals, performance chemicals, and chemical intermediates. The equipment and services business segment supplies cryogenic and other process equipment and related engineering services.

Financial information concerning the Company's business segments appears in Note 20 to the Consolidated Financial Statements included under Item 8 herein, which information is incorporated herein by reference, as are all other specific references herein to information appearing in such 1999 Financial Review Section of the Annual Report.

As used in this Report, the term "Air Products" or "Company" includes subsidiaries and predecessors of the registrant or its subsidiaries, unless the context indicates otherwise.

INDUSTRIAL GASES

The principal industrial gases sold by the Company are oxygen, nitrogen, argon (primarily recovered by the cryogenic distillation of air), hydrogen, carbon monoxide, carbon dioxide (purchased, purified, or recovered through the processing of natural gas or the by-product streams from process plants), synthesis gas (combined streams of hydrogen and carbon monoxide), and helium (purchased or refined from crude helium). Medical and specialty gases are manufactured or blended by the Company or purchased for resale. The industrial gas segment now also includes the Company's power generation and flue gas treatment businesses. These businesses were formerly reported in the Equipment and Services segment.

The Company's industrial gas business involves two principal modes of supply:

"Tonnage" or "on-site" supply--For large volume or "tonnage" users of industrial gases, a plant is built adjacent to or near the customer's facility--hence the term "on-site". Alternatively, the gases are delivered through a pipeline from nearby locations. Supply is generally made under contracts having terms in excess of three years. In at least nine areas--the Houston (Texas) Ship Channel including the Port Arthur, Texas, area; "Silicon Valley", California; Los Angeles, California; Phoenix, Arizona; Decatur, Alabama; Central Louisiana; Rotterdam, The Netherlands; Singapore; and Bahia, Brazil--Air Products' hydrogen, oxygen, carbon monoxide, or nitrogen gas pipelines serve multiple customers from one or more centrally located plants. Industrial gas companies in which the Company has less than controlling interests have pipelines in Korea, Thailand, Malaysia, Taiwan, and South Africa.

Merchant supply--Smaller volumes of industrial gas products are delivered to thousands of customers in liquid or gaseous form by tanker trucks or tube trailers. These merchant customers use equipment designed and installed by Air Products to store the product near the point of use, normally in liquid state, and vaporize the product into gaseous state for their use as needed. Increasingly, some customers are being supplied by small on-site generators using noncryogenic technology based on adsorption and membrane technology, which, in certain circumstances, the Company sells to its customers. Merchant customers' contract terms normally are from three to five years. Merchant gases and various specialty gases are also delivered in cylinders, dewars, and lecture bottle sizes.

Oxygen, nitrogen, argon, and hydrogen sold to merchant customers are usually recovered at large "stand-alone" facilities located near industrial areas or high-tech centers, or at small noncryogenic generators, or are taken from tonnage plants used primarily to supply tonnage users. Tonnage plants are frequently designed to have more capacity than is required by their principal customer to recover additional product that is liquefied for sale to a merchant market. Air Products also designs and builds systems for recovering oxygen, hydrogen, nitrogen, carbon monoxide, and low dew point gases using adsorption technology.

Tonnage and merchant sales of atmospheric gases--oxygen, nitrogen, and argon--constituted approximately 26% of Air Products' consolidated sales in fiscal 1999 and were approximately 25% and 24% in fiscal years 1998 and 1997 respectively. Tonnage and merchant sales of industrial gases--principally oxygen, nitrogen, and hydrogen--to the chemical process industry and the electronics industry, the largest consuming industries, were approximately 14% and 9% respectively, of Air Products' consolidated sales in fiscal 1999.

Other important consumers of Air Products' industrial and specialty gases are the basic steel industry, the oil industry (which uses inert nitrogen for oil well stimulation and field pressurization and hydrogen and oxygen for refining), and the food industry (which uses liquid nitrogen for food freezing). Air Products believes that it is the largest liquefier of hydrogen which it supplies to many customers including the National Aeronautics and Space Administration for its space shuttle program.

Helium is sold for use in magnetic resonance imaging equipment, controlled atmospheres processes, and welding. Medical gases are sold in the merchant market to hospitals and clinics, primarily for inhalation therapy.

Specialty gases include fluorine products, rare gases such as xenon, krypton, and neon, and more common gases of high-purity or gases which are precisely blended as mixtures. Specialty chemicals for use by the electronics industry include silane, nitrogen trifluoride, carbon tetrafluoride, hexafluoromethane, and tungsten hexafluoride. These gases and chemicals are used in numerous industries and in electronic and laboratory applications. In certain circumstances, the Company sells equipment related to the use, handling, and storage of such specialty gases and specialty chemicals.

Sales of industrial gases to merchant customers and/or sales of specialty products to the electronics industry are made principally through field sales forces from 131 offices in 37 states in the United States and Puerto Rico, and from 191 offices in 24 foreign countries. In addition, industrial gas companies in which the Company has investments operate in more than 30 foreign countries.

Electricity and hydrocarbons, including natural gas as a feedstock for producing certain gases, are important to Air Products' industrial gas business. See "Raw Materials and Energy". The Company's large truck fleet, which delivers products to merchant customers, requires a readily available supply of gasoline or diesel fuel. Also, environmental and health laws and regulations will continue to affect the Company's industrial gas businesses. See "Environmental Controls".

Power Generation

Air Products operates and has 50% interests in a 49-megawatt fluidized-bed coal-fired power generation facility in Stockton, California; an 85-megawatt coal waste burning power generation facility in western Pennsylvania; a 120-megawatt gas-fired combined cycle power generation facility in Orlando, Florida; and a 24-megawatt gas-fired combined cycle power generation facility near Rotterdam, The Netherlands. A 112-megawatt gas-fueled power generation facility, in which the Company has a 48.9% interest, operates in Thailand and supplies electricity to a state-owned electricity generating authority and steam and electricity to an Air Products industrial gases affiliate.

Pure Air

Air Products operates and owns a 50% interest in a facility utilizing Mitsubishi Heavy Industries, Ltd. flue gas desulfurization (FGD) technology systems for removing sulfur dioxide from the flue gas of a coal-fired power generation plant in Indiana.

Additional information with respect to the Company's power generation and flue gas treatment businesses is included in Notes 8 and 16 to the Consolidated Financial Statements included under Item 8 herein.

BOC Transaction

In July 1999, the Company and L'Air Liquide S.A. of France agreed to the terms of a recommended offer under which they would acquire the BOC Group plc, the leading British industrial gases company. The Company will contribute approximately \$5.9 billion in cash to the transaction, expected to be funded initially with debt financing through or supported by a credit facility provided by The Chase Manhattan Bank.

This transaction provides a unique opportunity for the Company to acquire attractive, complementary assets that will increase its size and scale to compete around the world and extend its presence in high growth areas, advancing its strategy of building a leading global industrial gas company. Additional information about the acquisition is included in Note 18 to the Consolidated Financial Statements included under Item 8 herein.

CHEMICALS

The Company's chemicals businesses consist of polymer chemicals, performance chemicals, and chemical intermediates where the Company is able to differentiate itself by the performance of its products in the customer's application, the technical service which the Company provides, and the scale of production and the production technology employed by the Company.

Polymer Chemicals

Air Products' polymer chemicals are water-based and water-soluble products derived primarily from vinyl acetate monomer. The principal products of these businesses are polymer emulsions, pressure sensitive adhesives, and polyvinyl alcohol. Total sales from these businesses constituted approximately 14% of Air Products' consolidated sales in fiscal year 1999, and 12% in each of fiscal years 1998 and 1997.

Polymer Emulsions-The Company's major emulsion products are vinyl acetate homopolymer emulsions and AIRFLEX(R) vinyl acetate-ethylene copolymer emulsions. The Company also produces emulsions which incorporate vinyl chloride and various acrylates in the polymer. These products are used in adhesives, nonwoven fabric binders, paper coatings, paints, inks, and carpet backing binder formulations.

Air Products owns 65% of a world-wide joint venture with Wacker-Chemie GmbH that produces polymer emulsions and pressure sensitive adhesives. The Company also owns 20% of a world-wide joint venture with Wacker-Chemie that produces redispersible powders made from polymer emulsions.

Pressure Sensitive Adhesives-These products are water-based acrylic emulsions which are used for both permanent and removable pressure sensitive adhesives primarily for labels and tapes.

Polyvinyl Alcohol-These polymer products are water-soluble synthetic resins which are used in textile warp sizes, surface sizes for paper, adhesives, safety glass laminates, and as emulsifying agents in polymerization. As a co-product of polyvinyl alcohol, acetic acid is a merchant product sold to a variety of markets including textiles, pharmaceuticals, and electronics.

Performance Chemicals

Air Products' performance chemicals are differentiated from the competition based on their performance when used in the customer's products and the technical service which the Company provides. The principal products of these businesses are specialty additives, polyurethane additives, and epoxy additives. Total sales from these businesses constituted approximately 8% of Air Products' consolidated sales in each of fiscal years 1999, 1998, and 1997.

Specialty Additives-These products are primarily acetylenic alcohols and amines which are used as performance additives in coatings, lubricants, electro-deposition processes, agricultural formulations, and corrosion inhibitors.

Polyurethane Additives-These products include catalysts and surfactants which are used as performance control additives and processing aids in the production of both flexible and rigid polyurethane foam around the world. The principal end markets for polyurethane foams include furniture cushioning, insulation, carpet underlay, bedding, and automobile seating.

Epoxy Additives-These products include polyamides, aromatic amines, cycloaliphatic amines, reactive diluents, and specialty epoxy resins which are used as performance additives in epoxy formulations by epoxy manufacturers worldwide. The end markets for epoxies are coatings, flooring, adhesives, reinforced composites, and electrical laminates.

Chemical Intermediates

The chemical intermediates businesses use the Company's proprietary technology and scale of production to differentiate themselves from the competition. The principal intermediates sold by the Company include amines and polyurethane intermediates. The Company also produces certain industrial chemicals (ammonia, methanol, and nitric acid) as raw materials for its differentiated products. Total third-party sales from the chemical intermediates businesses constituted 11% of Air Products' consolidated sales in each of fiscal years 1999, 1998, and 1997.

Amines-The Company produces a broad range of amines using ammonia and methanol, which are both manufactured by Air Products, and other alcohol feedstocks purchased from various suppliers. Other, more specialized amines, are produced by the hydrogenation of purchased intermediates. Substantial quantities of these products are sold under long-term contracts to a small number of customers. These products are used by the Company's customers as raw materials in the manufacture of herbicides, pesticides, water treatment chemicals, animal nutrients, polyurethane coatings, artificial sweeteners, rubber chemicals, and pharmaceuticals. Ammonia is a feedstock for its alkylamines and the excess over this requirement is marketed as ammonium nitrate prills and solutions which are primarily used by customers as fertilizers or in other agricultural applications. Methanol is principally used by Air Products as a feedstock in methylamine production and the excess over this requirement is marketed to the methanol market.

Polyurethane Intermediates-The Company produces dinitrotoluene ("DNT") and toluene diamine ("TDA") for use as intermediates by the Company's customers in the manufacture of a major precursor of flexible polyurethane foam. The principal end markets for flexible polyurethane foams include furniture cushioning, carpet underlay, bedding, and seating in automobiles. Virtually all of the Company's production of DNT and TDA is sold under long-term contracts to a small number of customers.

* * *

Chemical sales are supported from various locations in the United States, England, Germany, Brazil, Mexico, The Netherlands, Japan, China, Singapore, and South Africa, and through sales representatives or distributors in most industrialized countries. Dry products are delivered in railcars, trucks, drums, bags, and cartons. Liquid products are delivered by barge, rail tank cars, tank-trailers, drums and pails, and, at one location, by pipeline.

The chemicals business depends on adequate energy sources, including natural gas as a feedstock for the production of certain products (see "Raw Materials and Energy"), and will continue to be affected by various environmental and health laws and regulations (see "Environmental Controls").

EQUIPMENT AND SERVICES

The Company designs and manufactures equipment for cryogenic air separation, gas processing, natural gas liquefaction, and hydrogen purification. Air Products also designs and builds systems for recovering hydrogen, nitrogen, carbon monoxide, carbon dioxide, and low dew point gases using membrane technology. Additionally, a broad range of plant design, engineering, procurement, and construction management services is provided for the above areas. Equipment is manufactured for use by the industrial gases segment and for sale in industrial markets which include the Company's international industrial gas affiliates.

The backlog of orders (including letters of intent) believed to be firm from other companies and equity affiliates for equipment was approximately \$175 million on September 30, 1999, approximately 27% of which relates to cryogenic air separation, as compared with a total backlog of approximately \$302 million on September 30, 1998. It is expected that approximately \$136 million of the backlog on September 30, 1999, will be completed during fiscal 2000.

GENERAL

Foreign Operations

Air Products, through subsidiaries and affiliates, conducts business in numerous countries outside the United States. The structure of the Air Products industrial gas business in Europe mirrors the Company's United States operation. Air Products' international business is subject to risks customarily encountered in foreign operations, including fluctuations in foreign currency exchange rates and controls, import and export controls, and other economic, political, and regulatory policies of local governments.

Majority and wholly owned industrial gas subsidiaries operate in Argentina, Brazil, Canada, Mexico, and throughout Europe and Asia in 14 and eight countries respectively. Subsequent to fiscal year end, the Company acquired the 51 percent of shares that it previously did not own in Korea Industrial Gases Ltd., the largest industrial gas company in Korea. There are 50% industrial gas joint ventures in Africa, Canada, South Africa, four countries in Europe, and two in Asia, and less than controlling interests in Canada and Mexico, two countries in Europe, and five in Asia. The Company has a 50% interest in a power generation facility in The Netherlands and a 48.9% interest in Thailand.

The principal geographic markets for the Company's chemical products are North America, Europe, Asia, Brazil, and Mexico. Majority and wholly owned subsidiaries operate in Germany, Italy, The Netherlands, the U.K., Australia, Singapore, and Korea. The Company also has 50% joint ventures in Japan for distribution of POLYCAT(R) and manufacture and sale of DABCO(R) amine catalysts. The polymer emulsions and pressure sensitive adhesives joint venture with Wacker-Chemie GmbH has headquarters in the United States and production facilities in the U.S., Germany, Mexico, and Korea. Headquarters for the 20% investment in the redispersible powder venture with Wacker-Chemie are in Germany with manufacturing facilities in Germany and the United States.

Financial information about Air Products' foreign operations and investments is included in Notes 8, 10, and 20 to the Consolidated Financial Statements included under Item 8 herein. Information about foreign currency translation is included in Note 1 to the Consolidated Financial Statements included under Item 8 herein, under "Foreign Currency", and information on Company exposure to currency fluctuations is included in Note 5 to the Consolidated Financial Statements included under Item 8 herein, under "Foreign Exchange Contracts". Export sales from operations in the United States to unconsolidated customers amounted to \$528 million, \$650 million, and \$571 million in 1999, 1998, and 1997 respectively. Total export sales in fiscal 1999 included \$43 million in export sales to affiliated customers. The sales to affiliated customers were primarily equipment sales.

Technology Development

Air Products conducts research and development principally in its laboratories located in Trexlertown, Pennsylvania, as well as in Manchester and Basingstoke, England; Utrecht, The Netherlands; and Barcelona, Spain. The Company also funds and works closely on research and development programs with a number of major universities and conducts a sizable amount of research work funded by others, principally the United States Government.

The Company's market-oriented approach to technology development encompasses research and development and engineering, as well as commercial development.

The amount expended by the Company on research and development during fiscal 1999 was \$123 million, and was \$112 million and \$114 during fiscal 1998 and 1997 respectively.

In the industrial gases and equipment and services segments, technology development is directed primarily to developing new and improved processes and equipment for the production and delivery of industrial gases and cryogenic fluids, developing new products, and developing new and improved applications for industrial gases. It is through such applications and improvements that the Company has become a major supplier to the electronics, polymer, petroleum, rubber, plastics, food processing, and paper industries. Through fundamental research into sieve and polymer materials, advanced process engineering, and integrated manufacturing methods, the Company discovers, develops, and improves the economics of noncryogenic gas separation technologies. Additionally, technology development for the equipment and services businesses is directed primarily to reducing the capital and operating costs of its facilities and to commercializing new technologies in gas production and separation and in power production.

In the chemicals segment, technology development is primarily concerned with new products and applications to strengthen and extend our present positions in polymer and performance chemicals. In addition, a major continuing effort supports the development of new and improved manufacturing technology for chemical intermediates and various types of polymers.

A corporate research group supports the research efforts of the Company's various businesses. This group includes the Company's Corporate Science and Technology Center which conducts exploratory research in areas important to the long-term growth of the Company's core businesses, e.g., gas and fluid separations, polymer science, organic synthesis, and fluorine chemicals.

As of November 1, 1999, Air Products owned 928 United States patents and 1,694 foreign patents. The Company is also licensed to practice under patents owned by others. While the patents and licenses are considered important, Air Products does not consider its business as a whole to be materially dependent upon any particular patent or patent license, or group of patents or licenses.

Raw Materials and Energy

The Company manufactures hydrogen, carbon monoxide, synthesis gas, anhydrous ammonia, carbon dioxide, and methanol principally from natural gas. Such products accounted for approximately 8% of the Company's consolidated sales in fiscal 1999. The Company's principal raw material purchases are chemical intermediates produced by others from basic petrochemical feedstocks such as olefins and aromatic hydrocarbons. These feedstocks are generally derived from various crude oil fractions or from liquids extracted from natural gas. The Company purchases its chemical intermediates from many sources and generally is not dependent on one supplier. However, with respect to vinyl acetate monomer which supports the polymer business, the Company is heavily dependent on a single supplier under a long-term contract which produces vinyl acetate monomer from several facilities. The Company characterizes the availability of these chemical intermediates as generally being readily available. The Company uses such raw materials in the production of emulsions, polyvinyl alcohol, amines, polyurethane intermediates, specialty additives, polyurethane additives, and epoxy additives. Such products accounted for approximately 34% of the Company's consolidated sales in fiscal 1999. Natural gas is an energy source at a number of the Company's facilities.

The Company's industrial gas facilities use substantial amounts of electrical power. Any shortage of electrical power or interruption of its supply or increase in its price which cannot be passed through to customers for competitive reasons will adversely affect the merchant industrial gas business of the Company.

In addition, the Company purchases finished and semi-finished materials and chemical intermediates from many suppliers. During fiscal 1999 no significant difficulties were encountered in obtaining adequate supplies of energy or raw materials.

Environmental Controls

The Company is subject to various environmental laws and regulations in the United States and foreign countries where it has operations. Compliance with these laws and regulations results in higher capital expenditures and costs. Additionally, from time to time the Company is involved in proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (the federal Superfund law), similar state laws, and the Resource Conservation and Recovery Act (RCRA) relating to the designation of certain sites for investigation and possible cleanup. Additional information with respect to these proceedings is included under Item 3, Legal Proceedings, below. The Company's accounting policies on environmental expenditures are discussed in Note 1 to the Consolidated Financial Statements included under Item 8 herein.

The amounts charged to earnings on an after-tax basis related to environmental protection totaled \$27 million in 1999, \$24 million in 1998, and \$26 million in 1997. These amounts represent an estimate of expenses for compliance with environmental laws, as well as remedial activities, and costs incurred to meet internal Company standards. Such costs are estimated to be approximately \$28 million in 2000 and \$29 million in 2001.

Although precise amounts are difficult to define, the Company estimates that in fiscal 1999 it spent approximately \$7 million on capital projects to control pollution (including expenditures associated with new plants) versus \$10 million in 1998. Capital expenditures to control pollution in future years are estimated at \$11 million in 2000 and \$10 million in 2001.

The exact amount to be expended by the Company and its power generation business joint ventures on equipment to control pollution will depend upon the timing of the capital projects and timing and content of regulations promulgated by environmental regulatory bodies during the life of any capital investment. Efforts are made to pass these costs through to customers. To the extent long-term contracts have been entered into for supply of product such as for the industrial gas on-site business and for certain chemical products, the cost of any environmental compliance generally is contractually passed through to the customer.

It is the Company's policy to accrue environmental investigatory and noncapital remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from \$10 million to a reasonably possible upper exposure of \$26 million. The balance sheet at September 30, 1999 includes an accrual of \$19 million. At September 30, 1998, the balance sheet accrual was \$23 million.

In addition to the environmental exposures discussed in the preceding paragraph, there will be spending at a Company-owned manufacturing site where the Company is undertaking RCRA remediation action. The Company estimates capital costs to implement the anticipated remedial program will range from \$23 to \$30 million. Spending was \$7.5 million through fiscal 1999 and is estimated at \$10 million for fiscal 2000 and \$1 million for 2001. Operating and maintenance expenses associated with continuing the remedial program are estimated to be approximately \$1 million per year beginning in fiscal 2000 and continuing for an estimated period of up to 30 years. A former owner and operator at the site has agreed to reimburse the Company approximately 20% of the costs incurred in the remediation. In fiscal 1999 an insurance recovery related to this environmental site was received in the amount of \$7.7 million. The cost estimates have not been reduced by the value of such reimbursement.

Actual costs to be incurred in future periods may vary from the estimates given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, the Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a materially adverse effect on its financial condition or results of operations in any one year.

Competition

The Company's businesses face strong competition from others, some of which are larger and have greater resources than Air Products.

Air Products' industrial gas business competes in the United States with three major sellers and with several regional sellers. Competition in industrial gas markets is based primarily on price, reliability of supply, and furnishing or developing applications for use of such gases by customers, and in some cases the provisions of other services or products such as power and steam generation. A similar competitive situation exists in European industrial gas markets in which the Company competes against one or more larger entrenched competitors in most countries.

The number of the Company's principal competitors in the chemicals business varies from product to product, and it is not practical to identify such competitors because of the broad range of the Company's chemical products and the markets served, although the Company believes it has a leading or strong market position in most of its chemical products. For amines the competition is principally from other large chemical companies that also have the ability to provide competitive pricing, reliability of supply, technical service assistance, and quality products and services. The possibility of back integration by large customers is the major competitive factor for the sale of polyurethane intermediates. In its other chemical products, the Company competes with a large number of chemical companies, some of which are larger, possess greater financial resources, and are more vertically integrated than the Company. Competition in these products is principally on the basis of price, quality, product performance, reliability of product supply, and technical service assistance.

The Company's equipment and services businesses and its power generation business compete in all aspects with a great number of firms, some of which have greater financial resources than Air Products. Another important factor in certain export sales is financing provided by governmental entities in the United States and the United Kingdom as compared with financing offered by their counterparts in other countries.

Competition is based primarily on technological performance, service, technical know-how, price, and performance guarantees. Air Products believes that its comprehensive project development capability, operating experience, engineering and financing capabilities, and construction management experience will enable it to compete effectively.

Insurance

The Company's policy is to obtain public liability and property insurance coverage that is currently available at what management determines to be a fair and reasonable price. The Company, for itself and its power generation and flue gas treatment joint venture affiliates for which it assumes turnkey construction or operating responsibility, maintains public liability and property insurance coverage at amounts which management believes are sufficient, after retention, to meet the Company's anticipated needs in light of historical experience to cover future litigation and claims. There is no assurance, however, that the Company will not incur losses beyond the limits of, or outside the coverage of, its insurance.

Employees

On September 30, 1999, the Company (including majority-owned subsidiaries) had approximately 17,400 full-time employees of whom approximately 7,200 were located outside the United States. The Company has collective bargaining agreements with unions at numerous locations which expire on various dates over the next three to four years. The Company considers relations with its employees to be satisfactory. The Company does not believe that any expiring collective bargaining agreements will result in a material adverse impact on the Company.

Year 2000

Software failures due to processing efforts potentially arising from calculations using the Year 2000 dates are a known risk. The Company is currently evaluating and managing the financial and operating risks associated with this problem. Additional information regarding the Company's Year 2000 efforts is included under Item 7 herein.

Executive Officers of the Company

The Company's executive officers and their respective positions and ages on December 15, 1999 follow. Except where indicated, each of the executive officers listed below has been employed by the Company in the position indicated during the past five fiscal years. Information with respect to offices held is stated in fiscal years.

| Name | Age | Office |
|---|-----|--|
| W. Douglas Brown (D) (E) | 53 | Vice President, General Counsel and Secretary (became Vice President, General Counsel and Secretary in 1999; Vice President-Administration, Gases and Equipment in 1997; Senior Vice President-Law and Secretary of American Ref-Fuel Company prior thereto) |
| Andrew E. Cummins (D) (E) | 55 | Group Vice President-Chemicals (became Group Vice President-Chemicals in 1999; Vice President-North America Gases in 1999; Vice President-General Industries Group in 1996; Vice President and General Manager-General Industries Division prior thereto) |
| Leo J. Daley (D) (E) | 53 | Vice President-Finance (became Vice President-Finance in 1998; Vice President and Treasurer prior thereto) |
| Robert E. Gadomski (D) (E) | 52 | Executive Vice President-Gases and Equipment (became Executive Vice President-Gases and Equipment in 1999; Executive Vice President-Chemicals, Asia, and Latin America in 1998; Executive Vice President-Chemicals in 1996; Group Vice President-Chemicals Group prior thereto) |
| John P. Jones III (A) (D) (E) | 49 | President and Chief Operating Officer (became President and Chief Operating Officer in 1998; Executive Vice President-Gases and Equipment in 1996; President-Air Products Europe, Inc. prior thereto) |
| Joseph J. Kaminski (A) (D) (E) | 60 | Corporate Executive Vice President (became Corporate Executive Vice President in 1996; Executive Vice President-Gases and Equipment prior thereto) |
| Ronaldo Sullam (D) (E) | 58 | President-Air Products Europe, Inc. (became President-Air Products Europe, Inc. in 1996; Senior Vice President-Strategic Marketing, Development, and Southern Europe in 1995; Vice President-Marketing and Development Europe and General Manager Southern Europe Division prior thereto) |
| Harold A. Wagner (A) (B) (C) (D) (E) | 64 | Chairman of the Board and Chief Executive Officer |

- - - - -
- (A) Member, Board of Directors.
 - (B) Member, Executive Committee of the Board of Directors.
 - (C) Member, Finance Committee of the Board of Directors.
 - (D) Member, Management Committee.
 - (E) Member, Corporate Executive Committee.

ITEM 2. Properties.

The principal executive offices of Air Products are located at its headquarters in Trexlertown, near Allentown, Pennsylvania. Additional administrative offices are located in owned facilities in Hersham, near London, England, and Brampton, near Toronto, Canada, and in leased facilities in the Allentown area, Pennsylvania; Tokyo, Japan; Hong Kong, the People's Republic of China; Singapore; and Sao Paulo, Brazil. The management considers the Company's facilities, described in more detail below, to be adequate to support the business efficiently. The following information with respect to properties is as of September 30, 1999.

Industrial Gases

The industrial gases segment has approximately 190 plant facilities in 38 states, the majority of which recover nitrogen, oxygen, and argon. The Company has eight facilities which produce specialty gases and 31 facilities which recover hydrogen throughout the United States. Helium is recovered at two plants in Kansas and Texas, and acetylene is manufactured at six plants in six states in the United States. There are 144 sales offices and/or cylinder distribution centers located in 39 states.

The property on which the above plants are located is owned by Air Products at approximately one-fourth of the locations, and leased by Air Products at the remaining locations. However, in virtually all cases, the plant itself is owned and operated by Air Products. Air Products owns approximately half of its sales offices and cylinder distribution centers, including related real estate, and leases the other half.

Air Products' European plant facilities total 64, and include eight plants which recover hydrogen, seven plants which manufacture dissolved acetylene, and one which recovers carbon monoxide. The majority of European plants recover nitrogen, oxygen, and argon. In addition, there are four specialty gas centers. There is a combined total of 123 sales offices and/or cylinder distribution centers in Europe, and several additional facilities located in Brazil, Canada, Japan, the People's Republic of China, Puerto Rico, Singapore, Indonesia, Taiwan, Korea, Malaysia, and the Middle East. Representative offices are located in Taiwan, and in Beijing and Shanghai in the People's Republic of China.

Chemicals

The chemicals segment manufactures amines, nitric acid, methanol, anhydrous ammonia, and ammonia products at its Pace, Florida facility; alkylamines at its St. Gabriel, Louisiana facility; polyvinyl acetate emulsions at its South Brunswick, New Jersey facility; styrene emulsions, styrene acrylics, polyvinyl acetate acrylics, and polyvinyl acetate emulsions at its San Juan del Rio facility in Mexico; polyvinyl acetate emulsions at its Cologne, Germany facility; nitric acid, dinitrotoluene, toluene diamine, polyvinyl alcohol, and acetic acid at its Pasadena, Texas facility; polyvinyl acetate emulsions, polyvinyl alcohol, acetic acid, and acetylenic chemicals at its Calvert City, Kentucky facility; specialty amines at its Wichita, Kansas facility; methylamines, dimethyl formamide, choline chloride, and dimethyl amino ethanol at its Teeside, England facility; and epoxy additives at its facilities in Manchester, England, Los Angeles, California, and Cumberland, Rhode Island. The chemicals segment manufactures polyurethane additives and polyurethane specialty products (AIRTHANE(R)/VERSATHANE(R)) at its Paulsboro, New Jersey facility which is leased in part and owned in part. The chemicals segment also manufactures polyvinyl acetate emulsions at five smaller locations.

The chemicals segment has 15 plant facilities, four sales offices, and two laboratories in the United States, and operates three plants, nine sales/representative offices, and four laboratories in Europe, two laboratories in Brazil, Korea, China, and Japan, one plant in Mexico, two plants in Korea, one plant in Brazil, and sales offices in Australia, Brazil, Mexico, Japan, Korea, and Singapore, and representative offices in Beijing, Shanghai, and Hong Kong in the People's Republic of China. Substantially all of the chemicals segment's plants and real estate are owned. Approximately 75% of the offices are leased by the Company and 25% are owned.

Equipment and Services

The principal facilities utilized by the equipment and services segment include five plants and two sales offices in the United States, two plants and two offices in Europe, one office in Japan, and one sales office in the People's Republic of China. Air Products owns approximately 50% of the facilities and real estate in this segment and leases the remaining 50%.

ITEM 3. Legal Proceedings.

In the normal course of business Air Products and its subsidiaries are involved in legal proceedings including proceedings involving governmental authorities. During April, 1999 the Kentucky Department of Environmental Protection ("KDEP") forwarded a Notice of Violation alleging the Company's Calvert City, Kentucky chemical manufacturing facility had exceeded the significant net emission rate for ozone (measured as volatile organic compounds ("VOCs")) of Kentucky's Prevention of Significant Air Quality regulation with respect to calendar years 1993, 1995, 1997, and related construction permits. KDEP has also cited the facility for delayed installation of a device to control VOCs. There are also other proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (the federal Superfund law), the Resource Conservation and Recovery Act (RCRA), and similar state environmental laws relating to the designation of certain sites for investigation or remediation. Presently there are approximately 45 sites on which a final settlement has not been reached where the Company, along with others, has been designated a Potentially Responsible Party by the Environmental Protection Agency or is otherwise engaged in investigation or remediation. The Company does not expect that any sums it may have to pay in connection with these matters would have a materially adverse effect on its consolidated financial position, nor is there any material additional exposure expected in any one year in excess of the amounts the Company currently has accrued. Additional information on the Company's environmental exposure is included under "Environmental Controls".

ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

ITEM 5. Market for the Company's Common Stock and Related Stockholder Matters.

The Company's Common Stock, ticker symbol "APD", is listed on the New York and Pacific Stock Exchanges. Market and dividend information for the Company's Common Stock appear under "Eleven-Year Summary of Selected Financial Data" on page 62 of the 1999 Financial Review Section of the Annual Report to Shareholders which is incorporated herein by reference. In addition, the Company has authority to issue 25,000,000 shares of preferred stock in series. The Board of Directors is authorized to designate the series and to fix the relative voting, dividend, conversion, liquidation, redemption and other rights, preferences, and limitations as between series. When preferred stock is issued, holders of Common Stock are subject to the dividend and liquidation preferences and other prior rights of the preferred stock. There currently is no preferred stock outstanding. The Company's Transfer Agent and Registrar is First Chicago Trust Company, a Division of Equiserve, P.O. Box 2506, Jersey City, New Jersey 07303-2506, telephone (800) 519-3111, TDD (201) 222-4955, internet website www.equiserve.com, and e-mail address equiserve@em.equiserve.com.

As of November 30, 1999 there were 11,922 record holders of the Company's Common Stock.

ITEM 6. Selected Financial Data.

The tabular information appearing under "Eleven-Year Summary of Selected Financial Data" on page 62 of the 1999 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The textual information appearing under "Management's Discussion and Analysis" on pages 23 through 30 of the 1999 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 7a. Quantitative and Qualitative Disclosures about Market Risk.

The textual information appearing under "Financial Instruments Sensitivity Analysis" on pages 30 and 31 of the 1999 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 8. Financial Statements.

The consolidated financial statements and the related notes thereto together with the report thereon of Arthur Andersen LLP dated October 29, 1999 appearing on pages 33 through 62 of the 1999 Financial Review Section of the Annual Report to Shareholders, are incorporated herein by reference.

ITEM 9. Disagreements on Accounting and Financial Disclosure

Not applicable.

PART III

ITEM 10. Directors and Executive Officers of the Company.

The biographical information relating to the Company's directors contained on pages 6 through 9 of the Proxy Statement relating to the Company's 2000 Annual Meeting of Shareholders is incorporated herein by reference. Biographical information relating to the Company's executive officers is set forth in Item 1 of Part I of this Report.

ITEM 11. Executive Compensation.

The information under "Director Compensation", "Report of the Management Development and Compensation Committee", "Executive Compensation Tables", "Severance and Other Change In Control Arrangements", and "Stock Performance Graph", appearing on pages 10 through 17 of the Proxy Statement relating to the Company's 2000 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management.

The information required for this Item is set forth in the sections headed "Persons Owning More than 5% of Air Products Stock" and "Air Products Stock Beneficially Owned by Officers and Directors" contained on pages 18 and 19 of the Proxy Statement relating to the Company's 2000 Annual Meeting of Shareholders and such information is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions.

Not applicable.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) The following documents are filed as a part of this Report:

1. The 1999 Financial Review Section of the Company's 1999 Annual Report to Shareholders. Information contained therein is not deemed filed except as it is incorporated by reference into this Report. The following financial information is incorporated herein by reference:

(Page references to 1999 Financial Review Section of the Annual Report)

| | |
|--|----|
| Management's Discussion and Analysis..... | 23 |
| Report of Independent Public Accountants..... | 32 |
| Consolidated Income for the three years ended 30 September 1999..... | 33 |
| Consolidated Balance Sheets at 30 September 1999 and 1998..... | 34 |
| Consolidated Cash Flows for the three years ended 30 September 1999..... | 35 |
| Consolidated Shareholders' Equity for the three years ended 30 September 1999..... | 36 |
| Notes to Consolidated Financial Statements..... | 37 |
| Business Segment and Geographic Information..... | 58 |
| Eleven-Year Summary of Selected Financial Data..... | 62 |

2. The following additional information should be read in conjunction with the financial statements in the Company's 1999 Financial Review Section of the Annual Report to Shareholders:

(Page references to this report)

| | |
|---|----|
| Report of Independent Public Accountants on Schedule..... | 18 |
| Consent of Independent Public Accountants..... | 18 |

Consolidated Schedule for the years ended 30 September 1999, 1998, and 1997 as follows:

Schedule

Number

| | |
|---|----|
| VIII Valuation and Qualifying Accounts..... | 19 |
|---|----|

All other schedules are omitted because the required matter or conditions are not present or because the information required by the Schedules is submitted as part of the consolidated financial statements and notes thereto.

3. Exhibits.

| Exhibit No. | Description |
|-------------|---|
| (3) | Articles of Incorporation and By-Laws. |
| 3.1 | By-Laws of the Company. (Filed as Exhibit 3.1 to the Company's Form 8-K Report dated September 18, 1997.)* |
| 3.2 | Restated Certificate of Incorporation of the Company. (Filed as Exhibit 3.2 to the Company's Form 10-K Report for the fiscal year ended September 30, 1987.)* |
| 3.3 | Amendment to the Restated Certificate of Incorporation of the Company dated January 25, 1996. (Filed as Exhibit 3.3 to the Company's Form 10-K Report for the fiscal year ended September 30, 1996.)* |
| (4) | Instruments defining the rights of security holders, including indentures. Upon request of the Securities and Exchange Commission, the Company hereby undertakes to furnish copies of the instruments with respect to its long-term debt. |
| 4.1 | Rights Agreement, dated as of March 19, 1998, between the Company and First Chicago Trust Company of New York. (Filed as Exhibit 1 to the Company's Form 8-A Registration Statement dated March 19, 1998, as amended by Form 8-A/A dated July 16, 1998).* |

- 4.2 Amended and Restated Credit Agreement dated as of September 16, 1999 among the Company, Additional Borrowers parties thereto, Lenders parties thereto, and The Chase Manhattan Bank (as amended).
- (10) Material Contracts.
- 10.1 1990 Deferred Stock Plan of the Company, as amended and restated effective October 1, 1989. (Filed as Exhibit 10.1 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*
- 10.2 1997 Long-Term Incentive Plan of the Company effective October 1, 1996. (Filed as Exhibit 10.2(c) to the Company's Form 10-K Report for the fiscal year ended September 30, 1996.)*
- 10.3 Amended and Restated 1997 Annual Incentive Plan of the Company effective April 1, 1998. (Filed as Exhibit 10.3(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1998.)*
- 10.4 Supplementary Pension Plan of the Company, as amended effective October 1, 1988. (Filed as Exhibit 10.4 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*
- 10.4(a) Amendment to the Pension Plan for Salaried Employees and the Pension Plan for Hourly Rated Employees of the Company, adopted September 20, 1995. (Filed as Exhibit 10.4(d) to the Company's Form 10-K Report for the fiscal year ended September 30, 1995.)*
- 10.4(b) Amendment to Supplementary Pension Plan of the Company, adopted September 20, 1995. (Filed as Exhibit 10.4(e) to the Company's Form 10-K Report for the fiscal year ended September 30, 1995.)*
- 10.4(c) Amendment to Supplementary Pension Plan of the Company, adopted November 2, 1995. (Filed as Exhibit 10.4(c) to the Company's Form 10-K Report for the fiscal year ended September 30, 1996.)*
- 10.5 Supplementary Savings Plan of the Company as amended October 1, 1989. (Filed as Exhibit 1.5 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*
- 10.5(a) Amendment to Supplementary Savings Plan of the Company effective April 1, 1998. (Filed as Exhibit 10.3(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1998.)*
- 10.6 Amended and Restated Deferred Compensation Plan for Directors of the Company, effective May 19, 1998. (Filed as Exhibit 10.6(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1998.)*
- 10.7 Stock Option Plan for Directors of the Company, effective January 27, 1994, as amended October 21, 1999.
- 10.8 Letter dated July 1, 1997 concerning pension for an executive officer. (Filed as Exhibit 10.7(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1998.)*
- 10.9 Letter dated July 7, 1997 concerning pension for an executive officer. (Filed as Exhibit 10.7(c) to the Company's Form 10-K Report for the fiscal year ended September 30, 1998.)*
- 10.10 Letter dated July 1, 1997 concerning pension for an executive officer.

- 10.11 Air Products and Chemicals, Inc. Severance Plan effective March 15, 1990. (Filed as Exhibit 10.8(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1992.)*
- 10.12 Air Products and Chemicals, Inc. Change of Control Severance Plan effective March 15, 1990. (Filed as Exhibit 10.8(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1992.)*
- 10.13 Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Supplementary Pension Plan dated as of August 1, 1999.
- 10.14 Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Supplementary Savings Plan dated as of August 1, 1999.
- 10.15 Form of Split Employment Contracts for an executive officer with the Company dated November 6, 1999 and with an affiliate of the Company dated June 4, 1996, and amended by letter dated November 6, 1999.
- 10.16 Form of Severance Agreements which the Company has with each of its U.S. Executive Officers and European Executive Officer.
- 10.17 Acquisition Agreement One by and between L'Air Liquide S.A. and the Company dated June 14, 1999 regarding the BOC transaction.**
- 10.18 Agreement by and between L'Air Liquide S. A. and the Company dated July 2, 1999 (and incorporating amendments made July 7, 1999) regarding the BOC transaction.**
- 10.19 Press Release regarding the BOC transaction dated July 13, 1999. (Reported as Item 5 in the Form 8-K filed on July 13, 1999.)*
- (11) Earnings per share.
- (12) Computation of Ratios of Earnings to Fixed Charges.
- (13) 1999 Financial Review Section of the Annual Report to Shareholders for the fiscal year ended September 30, 1999, which is furnished to the Commission for information only, and not filed except as expressly incorporated by reference in this Report.
- (21) Subsidiaries of the registrant.
- (24) Power of Attorney.
- (27) Financial Data Schedule, which is submitted electronically to the Securities and Exchange Commission for information only, and not filed.

(b) Reports on Form 8-K filed during the quarter ended September 30, 1999:

Current Reports on Form 8-K dated July 13, 1999, July 16, 1999, and July 23, 1999, were filed in which Item 5 of such Form was reported.

*Previously filed as indicated and incorporated herein by reference. Exhibits incorporated by reference are located in SEC File No. 1-4534.

**Certain information in this Exhibit has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 16, 1999

AIR PRODUCTS AND CHEMICALS, INC.
(Registrant)

By: /s/ Leo J. Daley

Leo J. Daley, Vice President--Finance
Principal Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature ----- | Title ----- | Date ---- |
|---|---|-------------------|
| /s/ Harold A. Wagner ----- (Harold A. Wagner) | Director and Chairman of the Board (Principal Executive Officer) | December 16, 1999 |
| /s/ Paul E. Huck ----- (Paul E. Huck) | Vice President and Corporate Controller (Principal Accounting Officer) | December 16, 1999 |
| * ----- (John P. Jones III) | Director and President (Principal Operating Officer) | December 16, 1999 |
| * ----- (Joseph J. Kaminski) | Director and Corporate Executive Vice President | December 16, 1999 |
| * ----- (Mario L. Baeza) | Director | December 16, 1999 |
| * ----- (Tom H. Barrett) | Director | December 16, 1999 |
| * ----- (L. Paul Bremer III) | Director | December 16, 1999 |
| * ----- (Robert Cizik) | Director | December 16, 1999 |

| | | |
|--|-----------------|--------------------------|
| <p style="text-align: center;">* ----- (Ursula F. Fairbairn)</p> | <p>Director</p> | <p>December 16, 1999</p> |
| <p style="text-align: center;">* ----- (Edward E. Hagenlocker)</p> | <p>Director</p> | <p>December 16, 1999</p> |
| <p style="text-align: center;">* ----- (James F. Hardymon)</p> | <p>Director</p> | <p>December 16, 1999</p> |
| <p style="text-align: center;">* ----- (Terry R. Lautenbach)</p> | <p>Director</p> | <p>December 16, 1999</p> |
| <p style="text-align: center;">* ----- (Ruud F. M. Lubbers)</p> | <p>Director</p> | <p>December 16, 1999</p> |
| <p style="text-align: center;">----- (Takeo Shiina)</p> | <p>Director</p> | <p>December 16, 1999</p> |
| <p style="text-align: center;">* ----- (Lawrason D. Thomas)</p> | <p>Director</p> | <p>December 16, 1999</p> |

* W. Douglas Brown, Vice President, General Counsel and Secretary, by signing his name hereto, does sign this document on behalf of the above noted individuals, pursuant to a power of attorney duly executed by such individuals which is filed with the Securities and Exchange Commission herewith.

/s/ W. Douglas Brown

 W. Douglas Brown
 Attorney-in-Fact

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To: Air Products and Chemicals, Inc.

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in Air Products and Chemicals, Inc.'s Annual Report to Shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated 29 October 1999. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule referred to in Item 14(a)(2) in this Form 10-K is the responsibility of the Company's management and is presented for the purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
29 October 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To: Air Products and Chemicals, Inc.

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 and Form S-3 (File Nos. 333-33851, 333-02461, 33-2068, 333-36231, 33-57023, 33-65117, 333-21145, 333-45239, 333-18955, 333-21147, 333-60147, 333-71405, 333-73105, and 333-90773).

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
15 December 1999

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES

SCHEDULE VIII--VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended 30 September 1999, 1998, and 1997

| Classification | Balance at Beginning of Period | Additions | | Other Changes Increase (Decrease) | | Balance at End of Period |
|--|--------------------------------------|-----------------------|---------------------------------|--|----------------------|--------------------------------|
| | | Charged to Expense | Charged to Other Accounts | Cumulative Translation Adjustments | Other | |
| (in millions of dollars) | | | | | | |
| Amounts deducted in the consolidated balance sheet from the asset to which it applies: | | | | | | |
| Year Ended 30 September 1999 | \$ 17 ===== | \$ 6 ==== | \$ 1 (1) ==== | \$ (1) ===== | \$ (11) (2) ===== | \$ 12 ===== |
| Allowance for doubtful accounts | | | | | | |
| Year Ended 30 September 1998 | \$ 20 ===== | \$ 6 ==== | \$ 3 (1) ==== | \$ - ==== | \$ (12) (2) ===== | \$ 17 ===== |
| Allowance for doubtful accounts | | | | | | |
| Year Ended 30 September 1997 | \$ 13 ===== | \$ 6 ==== | \$ 6 (1) ==== | \$ (1) ===== | \$ (4) (2) ===== | \$ 20 ===== |
| Allowance for doubtful accounts | | | | | | |

| Classification | Balance at Beginning of Period | Additions | | Other Changes Increase (Decrease) | | Balance at End of Period |
|--|--------------------------------------|-----------------------|---------------------------------|--|----------------------|--------------------------------|
| | | Charged to Expense | Charged to Other Accounts | Cumulative Translation Adjustments | Other | |
| (in millions of dollars) | | | | | | |
| Amounts deducted in the consolidated balance sheet from the asset to which it applies: | | | | | | |
| Year Ended 30 September 1999 | \$ - ==== | \$ 34 ===== | \$ - ==== | \$ - ==== | \$ (20) (3) ===== | \$ 14 ===== |
| Provision for global cost reduction | | | | | | |
| Year Ended 30 September 1998 | \$ - ==== | \$ - ==== | \$ - ==== | \$ - ==== | \$ - (3) ==== | \$ - ==== |
| Provision for global cost reduction | | | | | | |
| Year Ended 30 September 1997 | \$ - ==== | \$ - ==== | \$ - ==== | \$ - ==== | \$ - (3) ==== | \$ - ==== |
| Provision for global cost reduction | | | | | | |

NOTES:

- (1) Includes collections on accounts previously written off and additions applicable to businesses acquired.
- (2) Primarily includes write-offs of uncollectible accounts.
- (3) Charges to the accrual for termination payments.

=====

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of

September 16, 1999

among

AIR PRODUCTS AND CHEMICALS, INC.,
as the Initial Borrower,

The Additional Borrowers Parties Hereto,

The Lenders Parties Hereto,

DEUTSCHE BANK AG,
BANC ONE CAPITAL MARKETS, INC. and
HSBC BANK USA,
as Co-Syndication Agents,

DEUTSCHE BANK AG,
BANC ONE CAPITAL MARKETS, INC.,
HSBC BANK USA,
MORGAN STANLEY SENIOR FUNDING, INC.,
GOLDMAN SACHS CREDIT PARTNERS L.P. and
ABN AMRO BANK N.V.,
as Co-Arrangers,

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

=====

CHASE SECURITIES INC.,
as Lead Arranger and Sole Book Manager

TABLE OF CONTENTS

Page

ARTICLE I

| | |
|---|----|
| Definitions..... | 1 |
| SECTION 1.01. Defined Terms..... | 1 |
| SECTION 1.02. Classification of Loans and Borrowings..... | 20 |
| SECTION 1.03. Terms Generally..... | 21 |
| SECTION 1.04. Accounting Terms; GAAP..... | 21 |

ARTICLE II

| | |
|--|----|
| The Credits..... | 21 |
| SECTION 2.01. 364-Day Revolving Commitments..... | 21 |
| SECTION 2.02. Five-Year Revolving Commitments..... | 21 |
| SECTION 2.03. Procedure for Revolving Loan Borrowing..... | 22 |
| SECTION 2.04. Competitive Bid Procedure..... | 23 |
| SECTION 2.05. Funding of Borrowings..... | 25 |
| SECTION 2.06. Interest Elections..... | 25 |
| SECTION 2.07. Termination and Reduction of Commitments; Extension of Revolving Termination Date..... | 26 |
| SECTION 2.08. Repayment of Loans; Evidence of Debt..... | 28 |
| SECTION 2.09. Optional Prepayment of Loans..... | 28 |
| SECTION 2.10. Mandatory Prepayments and Commitment Reductions..... | 29 |
| SECTION 2.11. Facility Fees; Other Fees..... | 30 |
| SECTION 2.12. Interest..... | 30 |
| SECTION 2.13. Alternate Rate of Interest..... | 31 |
| SECTION 2.14. Increased Costs..... | 31 |
| SECTION 2.15. Break Funding Payments..... | 32 |
| SECTION 2.16. Taxes..... | 33 |
| SECTION 2.17. Payments Generally; Pro Rata Treatment; Sharing of Set-offs..... | 34 |
| SECTION 2.18. Mitigation Obligations; Replacement of Lenders..... | 35 |
| SECTION 2.19. Certain Funds Period..... | 36 |

ARTICLE III

| | |
|--|----|
| Representations and Warranties..... | 36 |
| SECTION 3.01. Organization; Powers..... | 36 |
| SECTION 3.02. Authorization; Enforceability..... | 36 |
| SECTION 3.03. Governmental Approvals; No Conflicts..... | 36 |
| SECTION 3.04. Financial Condition; No Material Adverse Change..... | 37 |

| | | |
|---------------|---|----|
| SECTION 3.05. | Properties..... | 37 |
| SECTION 3.06. | Litigation and Environmental Matters..... | 37 |
| SECTION 3.07. | Compliance with Laws and Agreements..... | 38 |

TABLE OF CONTENTS

Page

| | | |
|---------------|--|----|
| SECTION 3.08. | Investment and Holding Company Status..... | 38 |
| SECTION 3.09. | Taxes..... | 38 |
| SECTION 3.10. | ERISA..... | 38 |
| SECTION 3.11. | Disclosure..... | 38 |
| SECTION 3.12. | Federal Regulations..... | 38 |
| SECTION 3.13. | Subsidiaries..... | 39 |
| SECTION 3.14. | Solvency..... | 39 |
| SECTION 3.15. | Labor Matters..... | 39 |
| SECTION 3.16. | Year 2000 Matters..... | 39 |
| SECTION 3.17. | Mandatory Offers..... | 39 |
| SECTION 3.18. | Pari Passu Obligations..... | 39 |

ARTICLE IV

| | | |
|-----------------|--|----|
| Conditions..... | 39 | |
| SECTION 4.01. | Effective Date..... | 39 |
| SECTION 4.02. | Certain Funds Period..... | 41 |
| SECTION 4.03. | Initial Revolving Loans..... | 41 |
| SECTION 4.04. | Each Credit Event..... | 42 |
| SECTION 4.05. | Each Additional Borrower Credit Event..... | 42 |

ARTICLE V

| | | |
|----------------------------|---|----|
| Affirmative Covenants..... | 43 | |
| SECTION 5.01. | Financial Statements and Other Information..... | 43 |
| SECTION 5.02. | Notices of Material Events..... | 44 |
| SECTION 5.03. | Existence; Conduct of Business..... | 44 |
| SECTION 5.04. | Payment of Obligations..... | 44 |
| SECTION 5.05. | Maintenance of Properties; Insurance..... | 45 |
| SECTION 5.06. | Books and Records; Inspection Rights..... | 45 |
| SECTION 5.07. | Compliance with Laws..... | 45 |
| SECTION 5.08. | Use of Proceeds..... | 45 |
| SECTION 5.09. | Acquisition..... | 46 |
| SECTION 5.10. | Proceeds from Sale of Shares..... | 47 |
| SECTION 5.11. | Acquisition-Related Guarantors..... | 47 |
| SECTION 5.12. | Loan Stock..... | 47 |
| SECTION 5.13. | Additional Guarantors..... | 47 |
| SECTION 5.14. | Asset Divisions..... | 47 |

TABLE OF CONTENTS

Page

ARTICLE VI

| | |
|--|----|
| Negative Covenants..... | 47 |
| SECTION 6.01. Interest Coverage..... | 47 |
| SECTION 6.02. Maximum Leverage Ratio..... | 48 |
| SECTION 6.03. Indebtedness..... | 48 |
| SECTION 6.04. Liens..... | 49 |
| SECTION 6.05. Fundamental Changes..... | 50 |
| SECTION 6.06. Investments, Loans, Advances, Guarantees and Acquisitions; Hedging Agreements .. | 51 |
| SECTION 6.07. Transactions with Affiliates..... | 52 |
| SECTION 6.08. Restrictive Agreements..... | 52 |
| SECTION 6.09. Sales and Leasebacks..... | 53 |
| SECTION 6.10. Changes in Fiscal Periods..... | 53 |
| SECTION 6.11. Additional Borrowers..... | 53 |
| SECTION 6.12. Bidco..... | 53 |
| SECTION 6.13. Acquisition Agreement..... | 53 |

ARTICLE VII

| | |
|--|----|
| Events of Default..... | 53 |
| SECTION 7.01. Events of Default..... | 53 |
| SECTION 7.02. Target Group Exceptions..... | 55 |

ARTICLE VIII

| | |
|-----------------|----|
| The Agents..... | 56 |
|-----------------|----|

ARTICLE IX

| | |
|---|----|
| Miscellaneous..... | 57 |
| SECTION 9.01. Notices..... | 57 |
| SECTION 9.02. Waivers; Amendments..... | 58 |
| SECTION 9.03. Expenses; Indemnity; Damage Waiver..... | 58 |
| SECTION 9.04. Successors and Assigns..... | 59 |
| SECTION 9.05. Survival..... | 61 |
| SECTION 9.06. Counterparts; Integration; Effectiveness..... | 61 |
| SECTION 9.07. Severability..... | 61 |
| SECTION 9.08. Right of Setoff..... | 61 |
| SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process..... | 62 |
| SECTION 9.10. WAIVER OF JURY TRIAL..... | 62 |
| SECTION 9.11. Headings..... | 62 |
| SECTION 9.12. Confidentiality..... | 62 |

TABLE OF CONTENTS

| | Page |
|---|------|
| | ---- |
| SECTION 9.13. Interest Rate Limitation..... | 63 |
| SECTION 9.14. Additional Borrowers..... | 63 |
| SECTION 9.15. Conversion of Currencies..... | 64 |

SCHEDULES:

Schedule 1.01(a) -- Pricing Grid
Schedule 2.01 -- 364-Day Revolving Commitments
Schedule 2.02 -- Five-Year Revolving Commitments
Schedule 3.06 -- Disclosed Matters
Schedule 3.13 -- Material Subsidiaries
Schedule 6.03 -- Existing Indebtedness
Schedule 6.04 -- Existing Liens
Schedule 6.07 -- Transaction Affiliates
Schedule 6.08 -- Existing Restrictions

EXHIBITS:

Exhibit A -- Form of Assignment and Acceptance
Exhibit B-1 -- Form of Opinion of Cravath, Swaine & Moore
Exhibit B-2 -- Form of Opinion of Assistant General Counsel of the Parent
Exhibit C -- Form of Guarantee
Exhibit D -- Form of Additional Borrower Agreement
Exhibit E -- Form of Additional Borrower Termination

AMENDED AND RESTATED CREDIT AGREEMENT dated as of September 16, 1999, among AIR PRODUCTS AND CHEMICALS, INC., a Delaware corporation (the "Parent"), the ADDITIONAL BORROWERS parties hereto, the LENDERS parties hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

W I T N E S S E T H:

WHEREAS, the Parent and Air Liquide SA ("Perrier") collectively intend, through a company organized under the laws of England and Wales and owned equally, directly or indirectly, by the Parent and Perrier ("Bidco"), to acquire (the "Stock Acquisition") all of the issued and outstanding ordinary shares, 25 pence par value (the "Shares"), of The BOC Group plc, a public limited company organized under the laws of England and Wales ("Jaguar"), and, thereafter, to divide the assets and businesses of Jaguar through a reconstruction (the "Asset Divisions" and, together with the Stock Acquisition, the "Acquisitions") (the assets and businesses to be owned by Parent pursuant to the Asset Divisions are referred to as the "Apollo Businesses");

WHEREAS, the Parent and Perrier intend to effect the Stock Acquisition through a process that will include a preconditional bid by Bidco (the "Preconditional Bid"), recommended by Jaguar, for the shares of Jaguar and, following receipt of necessary regulatory approvals for the Stock Acquisition, a posted offer (the "Offer") for more than 50% of the Shares to which the Offer relates for the purposes of the Companies Act 1985 of England and Wales as amended (the "Companies Act"), which may be followed by a compulsory acquisition pursuant to which the Shares not tendered in the Offer will be acquired by Bidco;

WHEREAS, in order to finance the Stock Acquisition, to refinance existing indebtedness, to pay fees and expenses in connection with the Acquisitions and the financing thereof, to support commercial paper issued by the Parent, and to provide for the working capital and general corporate needs of the Parent and its subsidiaries prior to and following the Stock Acquisition, the Parent entered into a Credit Agreement, dated as of July 6, 1999 (the "Existing Credit Agreement"); and

WHEREAS, the Parent has requested that the Existing Credit Agreement be amended and restated in its entirety as set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereto hereby agree that, subject to the satisfaction of the conditions set forth in Section 4.01, the Existing Credit Agreement is hereby amended and restated to read in its entirety as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition Agreement" has the meaning set forth in Section 4.01(b).

"Acquisitions" has the meaning set forth in the recitals hereto.

"Additional Borrower" means, at any time, any Subsidiary designated as an Additional Borrower by the Parent (with the consent of the Administrative Agent (such consent not to be unreasonably withheld)) pursuant to Section 9.14 that has not ceased to be an Additional Borrower pursuant to such Section or Article VII; provided, that the Parent owns or Controls shares of Capital Stock representing at least 80% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of such Subsidiary.

"Additional Borrower Agreement" means an Additional Borrower Agreement substantially in the form of Exhibit D.

"Additional Borrower Termination" means an Additional Borrower Termination substantially in the form of Exhibit E.

"Administrative Agent" means The Chase Manhattan Bank, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agents" means (a) the Administrative Agent, (b) Deutsche Bank AG, Banc One Capital Markets, Inc. and HSBC Bank USA, as co-syndication agents (the "Co-Syndication Agents"), and (c) Deutsche Bank AG, Banc One Capital Markets, Inc., HSBC Bank USA, Morgan Stanley Senior Funding, Inc., Goldman Sachs Credit Partners L.P. and ABN Amro Bank N.V., as co-arrangers.

"Agreement" means this Amended and Restated Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Agreement Currency" has the meaning set forth in Section 9.15.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 0.50%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Apollo Businesses" has the meaning set forth in the recitals hereto.

"Applicable Creditor" has the meaning set forth in Section 9.15.

"Applicable Percentage" means, with respect to any Lender, at any time, the percentage which (a) the sum of (i) such Lender's 364-Day Revolving Commitment (or, if the 364-Day Revolving Commitments have been terminated, the aggregate principal amount of such Lender's 364-Day Revolving Loans and 364-Day Competitive Loans outstanding) plus (ii) such Lender's Five-Year Revolving Commitment (or, if the Five-Year Revolving Commitments have been terminated, the aggregate principal amount of such Lender's Five-Year Revolving Loans and Five-Year Competitive Loans outstanding) then

constitutes of (b) the sum of (i) the 364-Day Revolving Commitments of all the Lenders (or, if the 364-Day Revolving Commitments have been terminated, the aggregate principal amount of all the 364-Day Revolving Loans and 364-Day Competitive Loans outstanding) plus (ii) the Five-Year Revolving Commitments of all the Lenders (or, if the Five-Year Revolving Commitments have been terminated, the aggregate principal amount of all the Five-Year Revolving Loans and Five-Year Competitive Loans outstanding).

"Applicable Rate" means, for any day, with respect to any Type of Loan, the rate for such Type of Loan as is indicated for such day on the Pricing Grid.

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in Dollars at the offices of such member in the United States; provided that if, as a result of any change in any law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be reasonably determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Asset Divisions" has the meaning set forth in the recitals hereto.

"Assignee" has the meaning set forth in Section 9.04(b).

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Base CD Rate" means the sum of (a) the Three-Month Secondary CD Rate multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

"Bidco" has the meaning set forth in the recitals hereto.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America, or any successor Governmental Authority.

"Borrowers" means the Parent and the Additional Borrowers.

"Borrowing" means (a) 364-Day Revolving Loans or Five-Year Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect or (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect.

"Borrowing Date" means any Business Day specified in a notice pursuant to Section 2.03 as a date on which a Borrower requests the Lenders to make Loans hereunder.

"Borrowing Request" means a request by a Borrower for a Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurocurrency Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar and Pound Sterling deposits in the London interbank market.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Capital Market Transaction" means (a) the issuance or sale in a registered public offering, Rule 144A/Regulation S transaction or private placement of Capital Stock (including equity-linked securities) or notes, debentures, instruments or other debt securities with a maturity in excess of one year or (b) the incurrence of loans with a maturity in excess of one year. "Capital Market Transaction" does not include any incurrence of Indebtedness by a Project Finance Company or JV Affiliate.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Certain Funds Commencement Date" has the meaning set forth in Section 4.02.

"Certain Funds Period" means the period beginning on the Certain Funds Commencement Date and ending on the earliest of:

(a) the later of (i) the date which falls 22 days after the Offer is declared unconditional in all respects and (ii) the date which is four months after the posting of the Offer, unless in either case on such date Bidco has become entitled to implement the Compulsory Acquisition procedures in respect of the Shares of Jaguar shareholders who have not accepted the Offer, in which case such date shall be the date falling nine weeks after the date on which it first became so entitled under Section 429 of the Companies Act to implement those procedures;

(b) the date of withdrawal of the Offer; and

(c) June 15, 2000.

"Certain Funds Termination Date" means the earliest of the dates specified in paragraphs (a), (b) and (c) of the definition of "Certain Funds Period" in this Section.

"Change in Control" means any of the following:

(a) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities and Exchange Act of 1934 of the United States of America, as in effect on the date hereof (the "Exchange Act")) or group of persons (as so used), other than the Parent, any company a majority of whose outstanding stock entitled to vote is owned directly or indirectly by the Parent (a "Controlled Subsidiary"), or a trustee of an employee benefit plan sponsored solely by the Parent and/or such a Controlled Subsidiary, is or becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Parent representing 20% or more of the combined voting power of the Parent's then-outstanding voting securities. Such a Change in Control will be deemed to have occurred on the first to occur of (i) the date securities are first

purchased by a tender or exchange offer, (ii) the date upon which the Parent first learns of the acquisition of 20% or more of such securities or (iii) the later of the effective date of an agreement for the merger, consolidation or other reorganization of the Parent or the date of approval thereof by a majority of the Parent's shareholders, as the case may be;

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

(c) any other event or series of events that, notwithstanding any prior paragraph in this definition to the contrary, is determined by a majority of the outside members of the board of directors of the Parent serving in office at the time such event or events occur to constitute a change in control of the Parent for the purposes of this Agreement or any agreement or arrangement relating to Indebtedness entered into by the Parent. Such a Change in Control will be deemed to have occurred on the date of such determination or on such date as the said majority of outside members of the board of directors of the Parent shall specify;

(d) except as contemplated pursuant to the Acquisition Agreement, Bidco shall cease to be, directly or indirectly, wholly-owned and Controlled by the Parent and Perrier or the Parent shall cease to own or Control, directly or indirectly, 50% of the Capital Stock of Bidco; or

(e) except as contemplated pursuant to the Acquisition Agreement, at any time after the last day of the Certain Funds Period, Jaguar shall cease to be, directly or indirectly, wholly-owned and Controlled by Bidco (or, if on the last day of the Certain Funds Period, Jaguar is not, directly or indirectly, wholly-owned and Controlled by Bidco, Bidco shall cease, directly or indirectly, to own and Control Jaguar to at least the same extent it did as of the last day of the Certain Funds Period).

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.14(c), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law but with which institutions similarly situated to such Lender customarily comply) of any Governmental Authority made or issued after the date of this Agreement.

"Chase" means The Chase Manhattan Bank, a New York banking corporation.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are 364-Day Revolving Loans, Five-Year Revolving Loans or Competitive Loans, and when used in reference to any Lenders, refers to whether such Lenders are 364-Day Revolving Lenders or Five-Year Revolving Lenders.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the 364-Day Revolving Commitment or the Five-Year Revolving Commitment of such Lender, as the case may be.

"Companies Act" has the meaning set forth in the recitals hereto.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Parent for Competitive Bids in accordance with Section 2.04.

"Competitive Loan" means a Loan made pursuant to Section 2.04.

"Compulsory Acquisition" means an acquisition by Bidco, pursuant to Sections 428 to 430F of the Companies Act, of all of the issued and outstanding Shares not then owned by Bidco.

"Consenting Lender" has the meaning set forth in Section 2.07(d).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (including items related to the Parent's share of Bidco's net income which is reflected in Consolidated Net Income even when such items are not reflected in the consolidated income statement of the Parent on a line by line basis) (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans), (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, and (e) any extraordinary, unusual or non-recurring expenses or losses (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business). For the purposes of calculating Consolidated EBITDA for any period of four consecutive fiscal quarters, if the Initial Funding Date shall have occurred, Consolidated EBITDA for such period shall be calculated after giving pro forma effect to the Acquisitions as if the Acquisitions occurred on the first day of such period.

"Consolidated Interest Coverage Ratio" means, for any period ending with the last day of any fiscal quarter of the Parent, the ratio of (a) Consolidated EBITDA for the four fiscal quarters then ended to (b) Consolidated Interest Expense for such fiscal quarters (or if such period ends less than one year after the Initial Funding Date, an annualization of the Consolidated Interest Expense for the period of the completed fiscal quarters commencing on or after the Initial Funding Date).

"Consolidated Interest Expense" means, for any period, total interest expense (including that attributable to Capital Lease Obligations) of the Parent and its Subsidiaries for such period plus capitalized interest for such period less interest income for such period, all determined on a consolidated basis in accordance with GAAP, except that Consolidated Interest Expense shall be adjusted to include any interest expense, interest income and capitalized interest of Bidco and its subsidiaries which is related to the Parent's share of the net income of Bidco and its subsidiaries which is reflected in Consolidated Net Income when such items have not been reflected in the consolidated financial statements of the Parent on a line by line basis and that Consolidated Interest Expense shall be further adjusted to exclude any non-recurring expenses incurred in connection with the financing of the Acquisitions.

"Consolidated Leverage Ratio" means, at any date, the ratio of (a) Consolidated Total Debt on such date to (b) Consolidated Total Capitalization on such date.

"Consolidated Net Equity" means, at any date, the amount which would appear as shareholders' equity or preferred stock on a consolidated balance sheet of the Parent and its Subsidiaries at such date in accordance with GAAP. For purposes of calculating Consolidated Net Equity at any date after the Initial Funding Date, Consolidated Net Equity shall be calculated after giving pro forma effect (to the extent the same has not occurred) to the receipt by the Parent from the issuance of Capital Stock after the date hereof of Net Cash Proceeds equal to \$1,000,000,000.

"Consolidated Net Income" means, for any period, the consolidated net income (or loss) of the Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Parent or is merged into or consolidated with the Parent or any of its Subsidiaries and (b) the income (or deficit) of any Person (other than a Subsidiary of the Parent and the Parent's proportional share of Bidco and its subsidiaries) in which the Parent or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Parent or such Subsidiary in the form of dividends or similar distributions.

"Consolidated Total Capitalization" means, at any date, the sum of (a) Consolidated Total Debt at such date plus (b) Consolidated Net Equity at such date.

"Consolidated Total Debt" means, at any date, the aggregate principal amount of all Indebtedness of the Parent and its Subsidiaries at such date, to the extent such Indebtedness would appear on a consolidated balance sheet of the Parent (excluding the notes thereto) at such date in accordance with GAAP, except that Consolidated Total Debt shall be adjusted to include any Indebtedness of Bidco and its subsidiaries which is related to the Parent's share of the interest expense of Bidco and its subsidiaries which is reflected in Consolidated Net Income (excluding Indebtedness provided by a member of the Group to Bidco) when such Indebtedness has not been reflected as Indebtedness on the consolidated balance sheet of the Parent. For purposes of calculating Consolidated Total Debt at any date after the Initial Funding Date, Consolidated Total Debt shall be calculated after giving pro forma effect (to the extent the same have not occurred) (a) to the receipt by the Parent from the issuance of Capital Stock (including equity-linked securities) after the date hereof of Net Cash Proceeds equal to \$1,000,000,000, and (b) to the use of such Net Cash Proceeds to reduce Consolidated Total Debt.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Co-Syndication Agents" has the meaning set forth in the definition of "Agents" contained in this Section 1.01.

"Currency" means Dollars or Pounds Sterling, as the case may be.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Designated Lenders" has the meaning set forth in Section 4.01(a).

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"Disposition" means, with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof.

"Dollar Equivalent" means, on any date of determination, with respect to any amount in Pounds Sterling, the equivalent in Dollars of such amount, determined by the Administrative Agent using the Exchange Rate with respect to Pounds Sterling then in effect.

"Dollars" or "\$" mean dollars in lawful currency of the United States of America.

"Effective Date" has the meaning set forth in Section 4.01, subject to the terms of the Escrow Letter dated September 16, 1999 from the Parent to the Persons listed on Schedule 1 thereto.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, binding notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Parent or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

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

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with Parent, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Parent or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Parent or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Parent or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Parent or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Parent or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Exchange Rate" means, with respect to any Currency on any date, the average of the bid and asked rates at which such Currency may be exchanged into any other relevant Currency, as set forth on such date on the relevant Reuters currency page at or about 11:00 A.M., London time, on such date. In the event that such rates do not appear on any Reuters currency page, the "Exchange Rate" with respect to such Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Parent or, in the absence of such agreement, such "Exchange Rate" shall instead be the Administrative Agent's spot rate of exchange in the London interbank market, at or about 11:00 A.M., local time, on such date for the purchase of the other relevant Currency with such Currency, for delivery two Business Days later; provided, that if at the time of any such determination, no such spot rate can reasonably be quoted, the Administrative Agent may use any reasonable method as it deems applicable to determine such rate, and such determination shall be conclusive absent manifest error.

"Excluded Foreign Subsidiary" means any Subsidiary organized under the laws of any jurisdiction outside the United States of America (other than, to the extent permitted by applicable Requirements of Law and contractual obligations to become parties to the Guarantee, Material Subsidiaries of the Parent acquired or created in connection with the Acquisitions which are organized under the laws of the United Kingdom or Australia).

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) income, corporation or franchise taxes, in each case, imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or is resident for tax purposes or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which any Borrower is located and (c) in the case of a Lender (other than an assignee pursuant to a request by the Borrowers under Section 2.18(b)), any United States withholding tax that (i) is imposed on amounts payable to the Lender as a result of such Lender failing to be a Qualifying Lender, unless such failure results from any change in any relevant law or double taxation treaty or in the interpretation or application thereof after the date such Lender became a party to this Agreement or (ii) is attributable to such Lender's failure to comply with Section 2.16(d), except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from any Borrower with respect to such withholding tax pursuant to Section 2.16(d).

"Existing Revolving Credit Facility" means the \$600,000,000 Revolving Credit Agreement dated January 31, 1996 (as amended), between the Parent, the other Borrowers named therein, the Lenders named therein, The First National Bank of Chicago, as Administrative Agent, Mellon Bank, N.A., as Documentation Agent, and ABN AMRO Bank N.V., as Global Currency Agent and Global Currency Lender.

"Extension Date" has the meaning set forth in Section 2.07(d).

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means, as to any Borrower, any of the chief financial officer, principal accounting officer or treasurer of such Borrower.

"First Amendment": the First Amendment, dated as of December 3, 1999, to this Agreement.

"Five-Year Competitive Loan" means a Loan made pursuant to Section 2.04 in a Five-Year Competitive Borrowing.

"Five-Year Revolving Commitment" means, with respect to any Lender, the obligation of such Lender, if any, to make Five-Year Revolving Loans in an aggregate principal amount not to exceed the amount set forth under the heading "Five-Year Revolving Commitment" opposite such Lender's name on Schedule 2.02 or in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original aggregate amount of the Five-Year Revolving Commitments is \$800,000,000.

"Five-Year Revolving Commitment Period" means the period from and including the Initial Funding Date to the Five-Year Revolving Termination Date.

"Five-Year Revolving Lender" means each Lender that has a Five-Year Revolving Commitment or that holds Five-Year Revolving Loans.

"Five-Year Revolving Loans" has the meaning set forth in Section 2.02.

"Five-Year Revolving Percentage" means, as to any Five-Year Revolving Lender at any time, the percentage which such Lender's Five-Year Revolving Commitment then constitutes of the Total Five-Year Revolving Commitments (or, at any time after the Five-Year Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Five-Year Revolving Loans then outstanding constitutes of the aggregate principal amount of the Five-Year Revolving Loans of all the Lenders then outstanding).

"Five-Year Revolving Termination Date" means the date which is the fifth anniversary of the Effective Date.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurocurrency Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"Funding Office" means the office of the Administrative Agent specified in Section 9.02 or such other office as may be specified from time to time by the Administrative Agent as its funding office or offices by written notice to the Borrowers and the Lenders.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means any nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Group" means, at any time of determination, the Parent and all its Subsidiaries (and "member of the Group" shall be construed accordingly).

"Guarantee" means the Guarantee to be executed and delivered by the Parent and each Subsidiary Guarantor, substantially in the form of Exhibit C, as the same may be amended, supplemented or otherwise modified from time to time, including by any supplement adding any Subsidiary Guarantor thereto. Any such supplement may be limited as required to comply with any contractual obligation or requirement of law binding upon such Subsidiary Guarantor or limiting its ability to guarantee the Loans and other obligations hereunder.

"Guaranteed Loan Notes" means loan notes of Bidco issued pursuant to the Offer at the election of Jaguar Shareholders, having the terms described in the Press Release and guaranteed by the Loan Notes Guarantor.

"Guarantee Obligation" of any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantors" means the Parent and the Subsidiary Guarantors, in their capacities as guarantors under the Guarantee.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services having the effect of a borrowing (excluding accounts payable incurred in the ordinary course of business), (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed but limited to the book value of such property when recourse is limited to such property, (f) all Guarantee Obligations of such Person in respect of Indebtedness of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (i) all obligations,

contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Initial Funding Date" has the meaning set forth in Section 4.03.

"Interest Election Request" means a request by a Borrower to convert or continue a Borrowing in accordance with Section 2.06.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, and (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

"Interest Period" means (a) with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the relevant Borrower may elect (or such other shorter period available generally in the interbank market as the Parent may agree with the Reference Lenders), and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than 7 days or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurocurrency Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurocurrency Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Jaguar" has the meaning set forth in the recitals hereto.

"Jaguar Shareholders" means the holders of the Shares from time to time.

"Judgment Currency" has the meaning set forth in Section 9.15.

"JV Affiliate" means any corporation, limited liability company, partnership, association or other entity (not itself being a member of the Group) at least 20% of any class of the Capital Stock of which is beneficially owned by a member of the Group.

"Lenders" means the Persons listed on Schedule 2.01 or 2.02 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"LIBO Rate" means, with respect to any Eurocurrency Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Markets screen (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in Dollars in the London interbank market for Dollars) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in Dollars with a maturity comparable to such Interest Period. In the event that such rate is not available with respect to any Eurocurrency Borrowing at such time for any reason, then the "LIBO Rate" with respect to such Eurocurrency Borrowing for such Interest Period shall be the average rate (rounded upwards to five decimal places) at which Dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London offices of the Reference Lenders in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, the Additional Borrower Agreements, the Guarantee and the Notes.

"Loan Notes Guarantor" means a financial institution selected by Bidco to guarantee the Guaranteed Loan Notes.

"Loan Parties" means the Parent and each Subsidiary of the Parent that is a party to a Loan Document.

"Loans" means the loans made by the Lenders to the Borrowers pursuant to this Agreement.

"Loan Stock" means Jaguar's (pound)100 million 12-1/4% Loan Stock due 2012/2017.

"Loan Stock Trust Deed" means the Trust Deed dated 15 October 1982 between, inter alia, Jaguar and Guardian Royal Exchange Assurance plc constituting (pound)100,000,000 12-1/4% Unsecured Loan Stock 2012/2017 (as from time to time amended, varied or waived).

"Major Default" shall mean and be deemed to have occurred if (a) the Parent shall default in the due performance or observance by it of any term, covenant or agreement contained in Section 5.09(e), (f), (i) or (j); or (b) there shall exist a Default or an Event of Default under Section 7.01(a), 7.01(b), 7.01(h), 7.01(i) or 7.01(j) in respect of the Parent or any of its Material Subsidiaries or Bidco or a Default or Event of Default under Section 7.01(n) in respect of the guarantee of the Parent pursuant to the Guarantee in respect of Loans to an Additional Borrower or a Default or Event of Default under Section 7.01(o).

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to

determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Margin Stock" has the meaning assigned to such term in Regulation U of the Board (including, so long as the same constitute Margin Stock under Regulation U, the Shares).

"Material Adverse Effect" means a material adverse effect on (a) the business, property, operations, condition (financial or otherwise) or prospects of the Parent and its Subsidiaries taken as a whole, (b) the ability of the Parent to perform its payment obligations under this Agreement and the other Loan Documents or (c) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights and remedies of the Administrative Agent or the Lenders hereunder or thereunder.

"Material Obligations" means Indebtedness (other than the Loans), and obligations in respect of one or more Hedging Agreements, of the Parent and its Subsidiaries in an aggregate principal amount exceeding \$50,000,000. For purposes of determining Material Obligations, the "principal amount" of the obligations of the Parent or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Parent or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Material Subsidiary" means, at any time of determination, each of the Subsidiaries of the Parent at such time listed on Schedule 3.13 and any other Subsidiary at any time having operations generating at least 5% of the Consolidated EBITDA for the most recent fiscal quarter.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" means, in connection with any Capital Markets Transaction (but not including in "Net Cash Proceeds" any replacements, refundings or refinancings of existing Indebtedness), the cash proceeds received from such issuance or incurrence, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith. In addition, no proceeds realized in a single transaction or series of related transactions shall constitute Net Cash Proceeds unless such proceeds shall exceed \$5,000,000.

"Non-Consenting Lender" has the meaning set forth in Section 2.07(d).

"Non-Executing Person" has the meaning set forth in Section 4.01(a).

"Note" means any promissory note issued pursuant to Section 2.08(e).

"OECD Country" means any country which is a member of the Organization for Economic Cooperation and Development.

"Offer" has the meaning set forth in the recitals hereto.

"Offer Documents" means the Press Release, any press release announcing the Offer and the Offer documentation subsequently to be posted by Bidco setting out the detailed terms of the Offer.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Panel" means the Panel on Takeovers and Mergers in the City of London.

"Parent" has the meaning set forth in the preamble hereto.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; and

(e) easements, zoning restrictions, rights-of-way, landlords' liens on property held under lease, tenants' rights under leases and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Parent or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or the United Kingdom or, if such obligations are in the currency of such country, any other OECD Country (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America or the United Kingdom), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any office of any commercial bank organized under the laws of the United States of America or any State thereof or the United Kingdom or, if

such obligations are in the currency of such country, any other OECD Country which has a combined capital and surplus and undivided profits of not less than \$1,000,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) any money market fund that invests primarily in the foregoing types of investments.

"Perrier" has the meaning set forth in the recitals hereto.

"Person" means any natural person, corporation, limited liability company, trust, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Parent or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pounds Sterling" and ["pound sterling sign"] means pounds sterling in lawful currency of the United Kingdom.

"Preconditional Bid" has the meaning set forth in the recitals hereto.

"Press Release" means the press announcement issued on July 13, 1999 by or on behalf of Bidco publicly announcing the Preconditional Bid and, subject to the satisfaction of certain conditions, a firm intention to make the Offer.

"Pricing Grid" means Schedule 1.01(a).

"Prime Rate" means the rate of interest per annum publicly announced from time to time by The Chase Manhattan Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Project Finance Company" means any Affiliate of the Parent (a) whose principal assets and business are the ownership, acquisition, development or operation of any asset or combination of assets whether directly or indirectly, (b) none of whose Indebtedness in respect of the financing of the ownership, acquisition development or operation of any such asset benefits from recourse to any member of the Group (other than such Affiliate or another Project Finance Company) in respect of any payment or repayment in respect thereof, except as expressly referred to in paragraph (b)(iii) of the definition of "Project Finance Indebtedness" and (c) which has been designated as such by the Parent by written notice to the Administrative Agent, provided that the Parent may give written notice to the Administrative Agent at any time that any Project Finance Company is no longer a Project Finance Company, whereupon it shall cease to be a Project Finance Company.

"Project Finance Indebtedness" means any Indebtedness which finances or otherwise relates to the acquisition, development, ownership or operation of an asset or combination of assets whether directly or indirectly:

(a) which is incurred by a Project Finance Company; or

(b) in respect of which the Person or Persons to whom such borrowing is or may be owed by the relevant debtor (whether or not a member of the Group) has or have no recourse whatsoever to any

member of the Group (other than to a Project Finance Company) for any payment or repayment in respect thereof other than:

(i) recourse to such debtor for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset or assets; or

(ii) recourse to such debtor for the purpose only of enabling amounts to be claimed in respect of such Indebtedness in an enforcement of any Lien given by such debtor over such asset or assets or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the debtor over the Capital Stock of the debtor if such debtor is a Project Finance Company) to secure such Indebtedness or to secure any recourse referred to in clause (iii) below provided that (A) the extent of such recourse to such debtor is limited solely to the amount of any recoveries made on any such enforcement, and (B) such Person or Persons are not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence proceedings for the winding up or dissolution of the debtor or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the debtor or any of its assets (save only for the assets the subject of such security); or

(iii) recourse (A) to such debtor generally, or directly or indirectly to a member of the Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages for breach of any obligation (not being a Guarantee Obligation or other payment obligation or any obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or procure compliance by another with any financial ratios or other tests of financial condition) by the Person against whom such recourse is available or (B) to the Capital Stock in or loans to or the assets of such debtor (if such debtor is a Project Finance Company) or any other Project Finance Company owned by a member of the Group.

"Qualifying Lender" means any Lender that is (a) a "United States person" (as defined in Section 7701(a)(30) of the Code) or (b) otherwise entitled to complete exemption from United States withholding tax on interest payable to it under this Agreement.

"Reference Lenders" means Chase and the Co-Syndication Agents.

"Register" has the meaning set forth in Section 9.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Five-Year Revolving Lenders" means, at any time, Lenders whose Five-Year Revolving Percentages aggregate at least 51%.

"Required Lenders" means, at any time, Lenders whose Applicable Percentages aggregate at least 51%.

"Required 364-Day Revolving Lenders" means, at any time, Lenders whose 364-Day Revolving Percentages aggregate at least 51%.

"Requirement of Law" means, as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule (including the Takeover Code) or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case

applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Restricted Margin Stock" means Margin Stock owned by the Parent or any Subsidiary which represents not more than 33-1/3% of the aggregate value (determined in accordance with Regulation U), on a consolidated basis, of the property and assets of the Parent and the Subsidiaries (other than any Margin Stock) that is subject to the provisions of Article 6 (including Section 6.04).

"Revolving Loan" means a Five-Year Revolving Loan or a 364-Day Revolving Loan.

"S&P" means Standard & Poor's Ratings Group.

"Sale/Leaseback Transaction" has the meaning set forth in Section 6.09.

"Shares" has the meaning set forth in the recitals hereto.

"Solvent" means, when used with respect to any Person, that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the expected amount of all "liabilities of such Person, contingent or otherwise", after giving effect to the expected value of rights of indemnity, contribution and subrogation, as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on the expected amount of its debts as and to the extent expected to such debts become absolute and matured, after giving effect to the expected value of rights of indemnity, contribution and subrogation, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature, after giving effect to the expected value of rights of indemnity, contribution and subrogation. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in Dollars of over \$100,000 with maturities approximately equal to three months, and (b) with respect to the LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurocurrency Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Sterling Equivalent" means, on any date of determination, with respect to any amount in Dollars, the equivalent in Pounds Sterling of such amount, determined by the Administrative Agent using the Exchange Rate with respect to Dollars then in effect.

"Stock Acquisition" has the meaning set forth in the recitals hereto.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Parent, but excluding any Project Finance Company the accounts of which would not be consolidated with those of the Parent in the Parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP on the date of determination.

"Subsidiary Guarantor" means, subject to Section 5.11, each Material Subsidiary of the Parent that is wholly owned at any time on or after the date hereof other than any Excluded Foreign Subsidiary.

"Takeover Code" shall mean the City Code on Takeovers and Mergers.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Three-Month Secondary CD Rate" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"364-Day Competitive Loan" means a Loan made pursuant to Section 2.04 in a 364-Day Competitive Borrowing.

"364-Day Revolving Commitment" means, with respect to any Lender, the obligation of such Lender, if any, to make 364-Day Revolving Loans in an aggregate principal amount not to exceed the amount set forth under the heading "364-Day Revolving Commitment" opposite such Lender's name on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original aggregate amount of the 364-Day Revolving Commitments is (pound)3,950,000,000. The 364-Day Revolving Commitments shall be converted to 364-Day Revolving Commitments denominated in Dollars on a date selected by the Parent that is not less than seven Business Days prior to the Initial Funding Date at the Exchange Rate then in effect. The Administrative Agent shall promptly notify each 364-Day Revolving Lender of such conversion and the amount of its 364-Day Revolving Commitment in Dollars after giving effect thereto.

"364-Day Revolving Commitment Period" means the period from and including the Initial Funding Date to the 364-Day Revolving Termination Date.

"364-Day Revolving Lender" means each Lender that has a 364-Day Revolving Commitment or that holds 364-Day Revolving Loans.

"364-Day Revolving Loans" has the meaning set forth in Section 2.01.

"364-Day Revolving Percentage" means, as to any 364-Day Revolving Lender at any time, the percentage which such Lender's 364-Day Revolving Commitment then constitutes of the Total 364-Day Revolving Commitments (or, at any time after the 364-Day Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's 364-Day Revolving Loans then outstanding constitutes of the aggregate principal amount of the 364-Day Revolving Loans of all the Lenders then outstanding).

"364-Day Revolving Termination Date" means the date which is 364 days after the Effective Date (subject to extension pursuant to Section 2.07).

"Total Five-Year Revolving Commitments" means, at any time, the aggregate amount of the Five-Year Revolving Commitments in effect.

"Total 364-Day Revolving Commitments" means, at any time, the aggregate amount of the 364-Day Revolving Commitments in effect.

"Transactions" means the execution, delivery and performance by the Borrowers of this Agreement and the Additional Borrower Agreements, the borrowing of Loans and the use of the proceeds thereof.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"Unconditional Offer Date" shall mean the date upon which the Offer has become or has been declared unconditional in all respects as permitted under Section 5.09.

"Unrestricted Margin Stock" means any Margin Stock owned by the Parent or any Subsidiary which is not Restricted Margin Stock.

"Whitewash Date" means, as to any Subsidiary organized in the United Kingdom acquired in connection with the Acquisitions, the date on which such Subsidiary is permitted to provide financial assistance in accordance with Sections 151-158 of the Companies Act in respect of the Loans.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "364-Day Revolving Loan"), by Type (e.g., a "Eurocurrency Loan") or currency (e.g., a "Dollar Loan") or by a combination thereof (e.g., a "364-Day Eurocurrency Revolving Loan" or a "Dollar Revolving Loan"). Borrowings also may be classified and referred

to by Class (e.g., a "364-Day Revolving Borrowing"), by Type (e.g., a "Eurocurrency Borrowing") or currency (e.g., a "Dollar Borrowing") or by a combination thereof (e.g., a "364-Day Eurocurrency Revolving Borrowing" or a "Dollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights and (f) references to amounts in Dollars shall refer, as appropriate, to the equivalent in Dollars of amounts in other currencies.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Parent notifies the Administrative Agent that the Parent requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Parent that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

The Credits

SECTION 2.01. 364-Day Revolving Commitments. Subject to the terms and conditions hereof, each 364-Day Revolving Lender severally agrees to make revolving credit loans ("364-Day Revolving Loans") to the Borrowers from time to time during the 364-Day Revolving Commitment Period in an aggregate principal amount at any one time outstanding which will not result in (a) the aggregate principal amount of outstanding 364-Day Revolving Loans of such Lender exceeding such Lender's 364-Day Revolving Commitment, (b) the sum of the aggregate principal amount of outstanding 364-Day Revolving Loans plus the aggregate principal amount of outstanding 364-Day Competitive Loans exceeding the Total 364-Day Revolving Commitments and (c) the aggregate outstanding principal amount of Revolving Loans to the Additional Borrowers exceeding \$200,000,000 at any time. During the 364-Day Revolving Commitment Period, the Borrowers may use the 364-Day Revolving Commitments by borrowing, prepaying, and reborrowing the 364-Day Revolving Loans in whole or in part, all in accordance with the terms and conditions hereof.

SECTION 2.02. Five-Year Revolving Commitments. Subject to the terms and conditions hereof, each Five-Year Revolving Lender severally agrees to make revolving credit loans ("Five-Year Revolving Loans")

to the Borrowers from time to time during the Five-Year Revolving Commitment Period in an aggregate principal amount at any one time outstanding which will not result in (a) the aggregate principal amount of outstanding Five-Year Revolving Loans of such Lender exceeding such Lender's Five-Year Revolving Commitment, (b) the sum of the aggregate principal amount of outstanding Five-Year Revolving Loans plus the aggregate principal amount of outstanding Five-Year Competitive Loans exceeding the Total Five-Year Revolving Commitments and (c) the aggregate outstanding principal amount of Revolving Loans to the Additional Borrowers exceeding \$200,000,000 at any time. During the Five-Year Revolving Commitment Period, the Borrowers may use the Five-Year Revolving Commitments by borrowing, prepaying, and reborrowing the Five-Year Revolving Loans in whole or in part, all in accordance with the terms and conditions hereof.

SECTION 2.03. Procedure for Revolving Loan Borrowing. (a) To request a 364-Day Revolving or Five-Year Revolving Borrowing, the relevant Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurocurrency Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletcopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the relevant Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with this Section:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing, and whether such Borrowing is to be a 364-Day Borrowing or a Five-Year Borrowing;
- (iv) in the case of a Eurocurrency Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the relevant Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Revolving Borrowing, then the relevant Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise in writing each affected Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

(b) Each 364-Day Revolving Loan or Five-Year Revolving Loan shall be made as part of a Borrowing consisting of 364-Day Revolving Loans or Five-Year Revolving Loans, as the case may be, made by the relevant Lenders ratably in accordance with their respective 364-Day Revolving Commitments or Five-Year Revolving Commitments, as the case may be. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any 364-Day Revolving Loan or Five-Year Revolving Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(c) Subject to Section 2.13, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurocurrency Loans as the relevant Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurocurrency Loans or Fixed Rate Loans as the Parent may request in accordance herewith. Each Lender at its option may make any Eurocurrency Revolving Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Revolving Loan; provided that any exercise of such option shall not affect the obligation of the Borrowers to repay such Revolving Loan in accordance with the terms of this Agreement.

(d) At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of ten Eurocurrency Revolving Borrowings outstanding.

SECTION 2.04. Competitive Bid Procedure. (a) Subject to the terms and conditions set forth herein, (i) from time to time following the initial Borrowing Date of Revolving Loans and during the 364-Day Revolving Commitment Period the Parent may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans in Dollars; provided that the sum of the aggregate principal amount of outstanding 364-Day Revolving Loans plus the aggregate principal amount of outstanding 364-Day Competitive Loans at any time shall not exceed the 364-Day Total Revolving Commitments, and (ii) from time to time following the initial Borrowing Date of Revolving Loans and during the Five-Year Revolving Commitment Period the Parent may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans in Dollars; provided that the sum of the aggregate principal amount of outstanding Five-Year Revolving Loans plus the aggregate principal amount of outstanding Five-Year Competitive Loans at any time shall not exceed the Five-Year Total Revolving Commitments. To request Competitive Bids, the Parent shall notify the Administrative Agent of such request by telephone, in the case of a Eurocurrency Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that the Parent may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Parent. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.04:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be a Eurocurrency Borrowing or a Fixed Rate Borrowing, and whether such Borrowing is a 364-Day Competitive Borrowing or a Five-Year Competitive Borrowing;
- (iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Parent's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Parent in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurocurrency Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Parent) of the Competitive Loan or Loans that the relevant Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the relevant Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Parent by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Parent may accept or reject any Competitive Bid. The Parent shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurocurrency Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Parent to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Parent shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Parent rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Parent shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Parent may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner determined by the Parent. A notice given by the Parent pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Parent at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds in Dollars by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in Dollars, to an account of the Borrower maintained with the Administrative Agent and designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request. All Revolving Loans shall be made in Dollars. All Competitive Loans shall be made in Dollars.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with this Agreement and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of such Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections. (a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the applicable Borrower may elect to convert any Revolving Borrowing to a different Type or to continue any Borrowing and, in the case of a Eurocurrency Borrowing, may elect Interest Periods therefor, all as provided in this Section. The relevant Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the relevant Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the relevant Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing; and

(iv) if the resulting Borrowing is a Eurocurrency Borrowing the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the relevant Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise in writing each affected Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the relevant Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrowers, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurocurrency Borrowing and (ii) unless repaid, each Eurocurrency Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Termination and Reduction of Commitments; Extension of Revolving Termination Date. (a) Unless previously terminated, (i) the 364-Day Revolving Commitments shall terminate on the 364-Day Revolving Termination Date and (ii) the Five-Year Revolving Commitments shall terminate on the Five-Year Revolving Termination Date.

(b) The Parent may at any time terminate, or from time to time reduce, the 364-Day Revolving Commitments or Five-Year Revolving Commitments; provided that (i) each reduction shall be in an amount that is not less than (pound)10,000,000 (or \$10,000,000, in the case of any reduction after the 364-Day Revolving Commitments are converted to Dollars in accordance with the terms hereof), in the case of the 364-Day Revolving Commitments, and \$10,000,000, in the case of the Five-Year Revolving Commitments, (ii) the Parent shall not terminate or reduce the 364-Day Revolving Commitments if, after giving effect to any concurrent prepayment of the 364-Day Revolving Loans in accordance with Section 2.09, the sum of the aggregate principal amount of outstanding 364-Day Revolving Loans plus the aggregate principal amount of outstanding 364-Day Competitive Loans would exceed the Total 364-Day Revolving Commitments, and (iii) the Parent shall not terminate or reduce the Five-Year Revolving Commitments if, after giving effect to any

concurrent prepayment of the Five-Year Revolving Loans in accordance with Section 2.09, the sum of the aggregate principal amount of outstanding Five-Year Revolving Loans plus the aggregate principal amount of outstanding Five-Year Competitive Loans would exceed the Total Five-Year Revolving Commitments.

(c) The Parent shall notify the Administrative Agent of any election to terminate or reduce the 364-Day Revolving Commitments or the Five-Year Revolving Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the affected Lenders of the contents thereof. Each notice delivered by the Parent pursuant to this Section shall be irrevocable; provided that a notice of termination of the 364-Day Revolving Commitments or the Five-Year Revolving Commitments delivered by the Parent may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Parent (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the 364-Day Revolving Commitments or the Five-Year Revolving Commitments shall be permanent.

(d) At least 30 days but not more than 60 days prior to the 364-Day Revolving Termination Date in effect at any time, the Parent, by written notice to the Administrative Agent, may request an extension of the 364-Day Revolving Termination Date in effect at such time for a period of 364 days from its then scheduled expiration. The Administrative Agent shall promptly notify each 364-Day Revolving Lender of such request, and each 364-Day Revolving Lender shall in turn, in its sole discretion, not earlier than 30 days but at least 20 days prior to such 364-Day Revolving Termination Date, notify the Parent and the Administrative Agent in writing as to whether such 364-Day Revolving Lender will consent to such extension. If any 364-Day Revolving Lender shall fail to notify the Administrative Agent and the Parent in writing of its consent to any such request for extension of the 364-Day Revolving Termination Date at least 20 days prior to the scheduled occurrence thereof at such time, such 364-Day Revolving Lender shall be deemed to be a Non-Consenting Lender with respect to such request. The Administrative Agent shall notify the Parent not later than 15 days prior to the scheduled 364-Day Revolving Termination Date in effect at such time of the decision of the 364-Day Revolving Lenders regarding the Parent's request for an extension of the 364-Day Revolving Termination Date. If all of the 364-Day Revolving Lenders consent in writing to any such request in accordance with the foregoing, the 364-Day Revolving Termination Date shall, effective as at the 364-Day Revolving Termination Date otherwise in effect at such time (the "Extension Date"), be extended for a period of 364 days from such Extension Date; provided that on each Extension Date, no Default shall have occurred and be continuing, or shall occur as a consequence thereof and the giving of a request for extension shall constitute a representation and warranty by the Parent that the representations and warranties contained in Article III are correct in all material respects on and as of the date of such notice and on such Extension Date, as though made on and as of such dates. If the Required 364-Day Revolving Lenders at such time consent in writing to any such request, the 364-Day Revolving Termination Date in effect at such time shall, effective as at the applicable Extension Date, be extended as to those 364-Day Revolving Lenders that so consented (each a "Consenting Lender") but shall not be extended as to any other 364-Day Revolving Lender (each a "Non-Consenting Lender"). To the extent that the 364-Day Revolving Termination Date is not extended as to any 364-Day Revolving Lender pursuant to this Section, the 364-Day Revolving Commitment of such Non-Consenting Lender shall automatically terminate in whole on such unextended 364-Day Revolving Termination Date without any further notice or other action by the Borrowers, such 364-Day Revolving Lender or any other Person; provided that such Non-Consenting Lender's rights under Sections 2.14, 2.16 and 9.03, shall survive the payment of the Loans of such 364-Day Revolving Lender as to matters occurring on or prior to such date and provided, further, that until such Non-Consenting Lender's outstanding Loans are repaid in full, all such Non-Consenting Lender's rights with respect to such Loans shall survive the 364-Day Revolving Termination Date. It is understood and agreed that no 364-Day Revolving Lender shall have any obligation whatsoever to agree to any request made by the Parent for any requested extension of the 364-Day Revolving Termination Date.

SECTION 2.08. Repayment of Loans; Evidence of Debt. (a) Each applicable Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each 364-Day Revolving Lender one-half of the then unpaid principal amount of each 364-Day Revolving Loan of such 364-Day Revolving Lender on the 364-Day Revolving Termination Date with respect to such Lender and the remaining one-half of the unpaid principal amount of such 364-Day Revolving Loan as of such 364-Day Revolving Termination Date on the first anniversary thereof, (ii) to the Administrative Agent for the account of each Five-Year Revolving Lender the then unpaid principal amount of each Five-Year Revolving Loan of such Five-Year Revolving Lender on the Five-Year Revolving Termination Date and (iii) to the Administrative Agent for the account of the applicable Lender the then unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan. Each applicable Borrower agrees to pay interest on its Revolving Loans from time to time in accordance with Section 2.12.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, if any, (ii) the amount of any principal or interest due and payable or to become due and payable from the applicable Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of any Borrower to repay its Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the applicable Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, but without prejudice to clause (c) above, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.09. Optional Prepayment of Loans. (a) Any Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that no Borrower shall have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) The applicable Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurocurrency Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment and (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the 364-Day Revolving Commitments or Five-Year

Revolving Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.07. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise each affected Lender of the contents thereof. Partial prepayments of 364-Day Revolving Loans or Five-Year Revolving Loans shall be in an aggregate principal amount of \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof. Each prepayment of a 364-Day Revolving Borrowing or Five-Year Revolving Borrowing shall be applied ratably to the 364-Day Revolving Loans or Five-Year Revolving Loans, respectively, included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.12.

SECTION 2.10. Mandatory Prepayments and Commitment Reductions. (a) If any Net Cash Proceeds from Capital Markets Transactions are received (other than from any Indebtedness permitted under Section 6.03 (other than paragraph (c)) by the Parent or any of its Subsidiaries, an amount equal to 100% of the Net Cash Proceeds thereof shall be applied on the date of such issuance or incurrence to the reduction of the Commitments as set forth in Section 2.10(b); provided, that, notwithstanding the foregoing, in the event of any such issuance or incurrence by Subsidiaries of the Parent that are acquired or created in connection with the Acquisitions prior to the Whitewash Date or, as applicable, the date any other applicable Requirement of Law or contractual obligation that may limit the portion of any such Net Cash Proceeds received by such Subsidiary that may be distributed or advanced to the Parent is eliminated, except to the extent that the Net Cash Proceeds therefrom may be lawfully distributed or advanced to the Parent, such Net Cash Proceeds shall be maintained as cash or invested in Permitted Investments and shall be applied to such prepayment or reduction only upon the Whitewash Date or such other date.

(b) Amounts to be applied in connection with reductions of the Commitments made pursuant to Section 2.10(a) shall be applied, without duplication, first, to reduce permanently the 364-Day Revolving Commitments, and second, to reduce permanently the Five-Year Revolving Commitments. To the extent that, after giving effect to any reduction thereof pursuant to this Section 2.10(b), the 364-Day Revolving Commitments or the Five-Year Revolving Commitments are less than the aggregate principal amount of the 364-Day Revolving Loans or the Five-Year Revolving Loans, as the case may be, the Parent shall prepay or cause to be prepaid such Loans. Each prepayment of the Loans under Section 2.10 shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid. Amounts to be applied pursuant to this Section shall be applied, first, to prepay ABR Borrowings, if applicable, and, second, to prepay Eurocurrency Borrowings. At the option of the Parent, amounts to be applied to prepay Eurocurrency Borrowings shall, if such prepayment would not occur on the last day of the relevant Interest Period, be deposited in the Prepayment Account (as defined below). The Administrative Agent shall apply any cash deposited in the Prepayment Account to prepay the relevant Eurocurrency Borrowings on the last day of the respective Interest Periods therefor (or, at the direction of the Parent, on any earlier date). For purposes of this Agreement, the term "Prepayment Account" shall mean an account established by the Parent with the Administrative Agent. The Administrative Agent will, at the request of the Parent, invest amounts on deposit in the Prepayment Account in Permitted Investments that mature prior to the last day of the applicable Interest Periods of the Eurocurrency Borrowings to be prepaid, provided that (i) the Administrative Agent shall not be required to make any investment that, in its sole judgment, would require or cause the Administrative Agent to be in, or would result in any, violation of any Requirement of Law and (ii) the Administrative Agent shall have no obligation to invest amounts on deposit in the Prepayment Account if a Default or Event of Default shall have occurred and be continuing. The Parent shall indemnify the Administrative Agent for any losses relating to the investments so that the amount available to prepay Eurocurrency Borrowings on the last day of the applicable Interest Periods therefor is not less than the amount that would have been available had no investments been made. Other than any interest earned on such investments, the Prepayment Account shall not bear interest. Interest or profits, if any, on such investments shall be deposited and reinvested and disbursed as described above. If the maturity of the Loans

has been accelerated pursuant to Article 7, the Administrative Agent shall apply amounts on deposit in the Prepayment Account to prepay the Eurocurrency Borrowings.

SECTION 2.11. Facility Fees; Other Fees. (a) The Parent agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the applicable rate per annum determined in accordance with the Pricing Grid on the daily amount of the 364-Day Revolving Commitment and Five-Year Revolving Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such 364-Day Revolving Commitment or Five-Year Revolving Commitment, as the case may be, terminates; provided that, if such Lender continues to have any Revolving Loans after its 364-Day Revolving Commitment or Five-Year Revolving Commitment, as the case may be, terminates, then such facility fee shall continue to accrue at the applicable rate per annum on the daily principal amount of such Lender's Revolving Loans from and including the date on which its 364-Day Revolving Commitment or Five-Year Revolving Commitment, as the case may be, terminates to but excluding the date on which such Lender ceases to have any Revolving Loans outstanding. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Revolving Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand.

(b) The Parent agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Parent and the Administrative Agent.

(c) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.12. Interest. (a) The Borrower of each Loan shall pay interest thereon as provided in this Section. The Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest at a rate per annum equal to (i) in the case of a Eurocurrency Loan (other than a Eurocurrency Competitive Loan), the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurocurrency Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at a rate per annum equal to the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided above.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the 364-Day Revolving Commitment Period or Five-Year

Revolving Commitment Period, as the case may be), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurocurrency Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(f) All interest and facility fees hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year), except that interest computed by reference to the Eurocurrency Loans and facility fees shall be computed on the basis of a year of 360 days and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.13. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required 364-Day Revolving Lenders or Required Five-Year Revolving Lenders, as applicable (or, in the case of a Eurocurrency Competitive Loan, the Lender that is required to make such Loan), that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the affected Borrowers and Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies such Borrowers and Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurocurrency Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any request by a Borrower for a Eurocurrency Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the relevant Borrower for Eurocurrency Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.14. Increased Costs. (a) If any Governmental Authority of the jurisdiction of any currency (or any other jurisdiction in which the funding operations of any Lender shall be conducted with respect to such currency) shall have in effect any reserve, liquid asset or similar requirement with respect to any category of deposits or liabilities customarily used to fund loans in such currency, or by reference to which interest rates applicable to Loans in such currency are determined (including any such additional cost as is contemplated by the definition of "Statutory Reserve Rate" in Section 1.01), and the result of such requirement shall be to increase the cost to such Lender of making or maintaining any Loan in such currency (other than an ABR Loan) by an amount deemed by such Lender to be material, and such Lender shall deliver to the Parent a notice requesting compensation under this paragraph and setting forth the applicable additional cost, then the Parent will pay or cause the applicable Borrower to pay to such Lender on each Interest Payment Date with respect to each affected Loan an amount that shall compensate such Lender for such additional cost (which, in the case of any additional cost as is contemplated by such definition of "Statutory Reserve Rate" shall be at the Statutory Reserve Rate).

(b) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender; or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement, Eurocurrency Loans or Fixed Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Parent shall pay or shall cause the applicable Borrower to pay to such Lender such additional amount or amounts as to compensate such Lender for such additional costs incurred or reduction suffered.

(c) If any Lender determines that any Change in Law regarding capital requirements has the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Parent shall pay or shall cause the applicable Borrower to pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(d) A certificate of a Lender setting forth in reasonable detail the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a), (b) or (c) of this Section shall be delivered to the Parent and shall be conclusive absent manifest error. The Parent shall pay or cause the applicable Borrower to pay to such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(e) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Parent shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender notifies the Parent of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof.

(f) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.15. Break Funding Payments. In the event of (a) the payment of any principal of any Eurocurrency Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.07(b) and is revoked in accordance herewith), (d) the failure to

borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurocurrency Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Parent pursuant to Section 2.18, then, in any such event, the Parent shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurocurrency Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount determined by such Lender to be equal to the excess, if any, of (i) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the LIBO Rate for such Interest Period, over (ii) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for dollar deposits from other banks in the eurodollar market at the commencement of such period. A certificate of any Lender setting forth in reasonable detail any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Parent and shall be conclusive absent manifest error. The Parent shall or shall cause the applicable Borrower to pay to such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.16. Taxes. Any and all payments by or on account of any obligation of the Borrowers hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes except as required by applicable law. If any Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions of Indemnified Taxes and Other Taxes (including deductions applicable to additional sums payable under this Section) the Administrative Agent or the relevant Lenders (as the case may be) receive an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(a) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(b) The Borrowers shall indemnify the Administrative Agent and each Lender within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrowers by a Lender or by the Administrative Agent on its own behalf or on behalf of a Lender shall be conclusive absent manifest error.

(c) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrowers to a Governmental Authority, the Borrowers shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the relevant Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to such Borrower (with a

copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by such Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(e) If the Administrative Agent or any Lender receives a refund in respect of Indemnified Taxes or Other Taxes paid by the Borrowers, which in the sole judgment of such Lender is allocable to such payment, it shall promptly pay such refund, together with any other amounts paid by the relevant Borrower in connection with such refunded Taxes or Other Taxes, to such Borrower, net of all out-of-pocket expenses of such Lender incurred in obtaining such refund, provided, however, that such Borrower agrees to promptly return such refund to the Administrative Agent or the applicable Lender, as the case may be, if it receives notice from the Administrative Agent or applicable Lender that such Administrative Agent or Lender is required to repay such refund.

SECTION 2.17. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) Except as provided in Section 2.04, each borrowing by any Borrower from the Lenders hereunder, each payment by any Borrower on account of any facility fee and any reduction of the Commitments of the Lenders shall be made pro rata according to the respective 364-Day Revolving Percentages or Five-Year Revolving Percentages, as the case may be, of the relevant Lenders.

(b) Each payment (including each prepayment) by any Borrower on account of principal of and interest on its 364-Day Revolving Loans shall be made pro rata according to the respective outstanding amounts on account of the 364-Day Revolving Loans then due and payable to the 364-Day Revolving Lenders. Each payment (including each prepayment) by any Borrower on account of principal of and interest on its Five-Year Revolving Loans shall be made pro rata according to the respective outstanding amounts on account of the Five-Year Revolving Loans then due and payable to the Five-Year Revolving Lenders.

(c) Each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.14, 2.15 or 2.16, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York and except that payments pursuant to Sections 2.14, 2.15, 2.16 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars (based, if appropriate, on the Dollar Equivalent of the amount thereof).

(d) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and accrued interest thereon than the proportion received by any other relevant Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of other relevant Lenders to the extent necessary so that the benefit of all such payments shall be shared by the relevant Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their relevant respective Revolving Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this

paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Revolving Loans to any assignee or participant, other than to such Borrower or any subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(e) Unless the Administrative Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if such Borrower has not in fact made such payment, then each of the relevant Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(f) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(b) or 2.17(e), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.18. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.14, or if the Parent is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.14 or 2.16, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Parent hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.14, or if the Parent is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, or if any Lender defaults in its obligation to fund Loans hereunder, or if any Lender is a Non-Consenting Lender with respect to any request to extend the 364-Day Revolving Termination Date which is approved by the Required 364-Day Revolving Lenders, as applicable, or if any Lender does not approve any amendment, waiver or modification to this Agreement or any other Loan Document which has been approved by the Required Lenders, then the Parent may, so long as no Event of Default has occurred and is continuing, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Parent shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans), accrued interest thereon, accrued fees and all other amounts payable

to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.14 or payments required to be made pursuant to Section 2.16, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Parent to require such assignment and delegation cease to apply.

SECTION 2.19. Certain Funds Period. Notwithstanding any other provision of any Loan Document to the contrary, prior to and during the Certain Funds Period, unless a Major Default is continuing, no Lender shall (or shall be entitled to instruct the Administrative Agent to) cancel any of the Commitments (except at the request of the Parent or as expressly provided herein); refuse to make any Loan hereunder in accordance with the terms hereof (to the extent of any part of any of its relevant undrawn Commitments) or rescind, terminate or cancel this Agreement; or require repayment of any Loan or exercise any right of set-off or counterclaim in respect of any Loan. Immediately upon the expiry of the Certain Funds Period, all such rights, remedies and entitlements shall be available to the Administrative Agent and each of the Lenders, to the full extent set forth in this Agreement, notwithstanding that they may not have been exercised or been available for use during the Certain Funds Period.

ARTICLE III

Representations and Warranties

Each Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Such Borrower and each of its Subsidiaries is duly organized, validly existing and, to the extent applicable, in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure to be so organized, existing or qualified or to be in good standing, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.02. Authorization; Enforceability. The Transactions are within such Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by such Borrower. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party thereto, enforceable against each such Loan Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (which shall not include the Offer until the commencement of the Certain Funds Period or include the consummation of the Offer until the Initial Funding Date) (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, except where failure to obtain or make the same (either individually or in the aggregate) could not be reasonably expected to result in a Material Adverse Effect, (b) will not violate any applicable law or regulation or order of any Governmental Authority, except where any such violation (either individually or in the aggregate) could not be reasonably expected to result in a Material Adverse Effect, (c) will not violate any material provision of the charter, bylaws or other organizational document of such Borrower or any of its Subsidiaries, (d) will not violate or result in a default under any indenture, agreement

or other instrument binding upon such Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by such Borrower or any of its Subsidiaries, which could reasonably be expected to have a Material Adverse Effect, and (e) will not result in the creation or imposition of any Lien on any asset of any Borrower or any of its Subsidiaries.

SECTION 3.04 Financial Condition; No Material Adverse Change. (a) The audited consolidated balance sheets of Parent as at September 30, 1996, September 30, 1997 and September 30, 1998, and the related consolidated statements of income, cash flows and shareholders' equity for the fiscal years ended on such dates, reported on by and accompanied by an unqualified report from Arthur Andersen LLP, present fairly in all material respects the consolidated financial condition of Parent as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of Parent as at June 30, 1999, and the related unaudited consolidated statements of income and cash flows for the nine-month period ended on such date, present fairly in all material respects the consolidated financial condition of Parent as at such date, and the consolidated results of its operations and its consolidated cash flows for the nine-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). Neither the Parent nor any of its Subsidiaries has any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the most recent financial statements referred to in this paragraph (or the notes that accompany them).

(b) Since September 30, 1998, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Parent and its Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Such Borrower and each of its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for any such defects that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, and none of such property is subject to any Lien except as permitted by Section 6.04.

(b) Such Borrower and each of its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by such Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of such Borrower, threatened against or affecting such Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither such Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law,

(ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Such Borrower and each of its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Event of Default has occurred and is continuing.

SECTION 3.08. Investment and Holding Company Status. Neither such Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.09. Taxes. Such Borrower and each of its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves, (b) Taxes for which such Borrower or such Subsidiary has otherwise set aside on its books adequate reserves or (c) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. All of the reports, financial statements, certificates or other information furnished by or on behalf of such Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) (or, in the case of any such reports, financial statements, certificates or other information in respect of Jaguar and its subsidiaries, to the best knowledge of the Parent), taken as a whole, are complete and correct in all material respects and not misleading in any material respect in light of the circumstances under which they were made or delivered; provided that, with respect to projected financial information provided by the Parent, the Parent represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time, it being recognized by the Lenders that such projected financial information as to future events is not to be viewed as facts and that actual results during the period or periods covered by such projected financial information may differ from the projected results.

SECTION 3.12. Federal Regulations. No part of the proceeds of any Loans will be used for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect to the extent such use would constitute a violation of the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the applicable Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

SECTION 3.13. Subsidiaries. Schedule 3.13 sets forth the name and jurisdiction of incorporation of each Material Subsidiary of each Borrower as of the date hereof and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by any Loan Party, and as of the date hereof there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of any of the Borrower's Material Subsidiaries, except as created by the Loan Documents.

SECTION 3.14. Solvency. Each Loan Party is, and after giving effect to the Acquisitions and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

SECTION 3.15. Labor Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes against the Parent or any of its Subsidiaries pending or, to the knowledge of such Borrower, threatened; (b) hours worked by and payment made to employees of the Parent and its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from the Parent or any of its Subsidiaries on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the Parent or the relevant Subsidiary.

SECTION 3.16. Year 2000 Matters. The disclosure set forth under the heading "Year 2000 Readiness Disclosure" in the Parent's Form 10-Q filed with the Securities and Exchange Commission for the quarterly period ended June 30, 1999 is true and correct in all material respects as of the date of this Agreement. The costs to the Parent and its Subsidiaries that have not been incurred as of the date hereof for such reprogramming and testing and for the other reasonably foreseeable consequences to them of any improper functioning of other computer systems and equipment containing embedded microchips due to the occurrence of the year 2000 could not reasonably be expected to result in a Default or Event of Default or to have a Material Adverse Effect. Except for any reprogramming referred to above, the computer systems of the Parent and its Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient for the conduct of their business as currently conducted.

SECTION 3.17. Mandatory Offers. No circumstances have arisen (whether as a result of actions by the Parent or Bidco or otherwise) whereby a mandatory offer is required to be made under the terms of Rule 9 of the Takeover Code in respect of the Shares.

SECTION 3.18. Pari Passu Obligations. The Loans made to the Parent and the payment obligations of the Parent under the Guarantee constitute obligations of the Parent which are pari passu with all other unsecured Indebtedness of the Parent.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The Agreement shall become effective on the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02) (the date on which such conditions are satisfied or waived, the "Effective Date"):

(a) The Administrative Agent (or its counsel) shall have received (A) from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence reasonably satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement, provided, that, notwithstanding the foregoing, in the event that this Agreement has not been executed and conditionally delivered by each party listed on Schedule 2.01 or 2.02 on the date (which shall be no earlier than the date hereof) on which (x) all of the other conditions to the occurrence of the Effective Date shall have been satisfied or waived and (y) this Agreement shall have been executed and unconditionally delivered by the Parent and the Administrative Agent, then the condition set forth in this Section 4.01(a) shall nonetheless be satisfied on such date with respect to those parties listed on Schedule 2.01 or 2.02 which have executed and unconditionally delivered this Agreement on or before such date if on such date the Borrower and the Administrative Agent shall have designated one or more banks, financial institutions or other entities ("Designated Lenders") to assume with the consent of such Designated Lender, in the aggregate, all of the Commitments of the parties listed on Schedule 2.01 or 2.02 (the "Non-Executing Persons") which have not executed and unconditionally delivered this Agreement as of such date (Schedules 2.01 and 2.02 shall automatically be deemed to be amended to reflect the respective Commitments of the Designated Lenders and the omission of the Non-Executing Persons as Lenders hereunder) and (B) from the Parent and each Subsidiary Guarantor either (i) a counterpart of the Guarantee signed on behalf of such party or (ii) written evidence reasonably satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of the Guarantee) that such party has signed a counterpart of the Guarantee.

(b) The Agreement, dated July 2, 1999 (the "Acquisition Agreement"), between the Parent and Perrier shall not have been amended or waived in any material respect without the consent of the Administrative Agent.

(c) The Press Release shall not have been amended or waived in any material respect without the consent of the Administrative Agent.

(d) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers hereunder.

(e) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of (i) Cravath Swaine & Moore, New York counsel for the Parent and its Subsidiaries, substantially in the form of Exhibit B-1 and (ii) Robert F. Gerkens, Assistant General Counsel of the Parent, substantially in the form of Exhibit B-2, and covering such other matters relating to the Parent and Bidco, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Parent hereby requests such counsel to deliver such opinions.

(f) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Parent, the authorization of the Transactions and any other legal matters relating to the Parent, this Agreement or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(g) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Parent, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.04.

(h) Moody's and S&P shall have issued indicative ratings with respect to the Loans of at least Baa2 and BBB, respectively, and shall have issued indicative ratings (after giving effect to the Acquisitions) with respect to commercial paper of the Parent of at least A2 and P2, respectively.

The Administrative Agent shall notify the Parent and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, this Agreement shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on October 15, 1999 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Certain Funds Period. The Certain Funds Period shall commence on the date on or after the Effective Date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02) (the date on which such conditions are satisfied or waived, the "Certain Funds Commencement Date"):

(a) All conditions in the Preconditional Bid to the making of the Offer (including conditions with respect to required regulatory approvals) shall have been satisfied (or waived with the consent of the Required Lenders) in all material respects.

(b) The Offer shall have been posted to the Jaguar Shareholders as soon as practicable (and in any event within 28 days) after all conditions in the Preconditional Bid to the making of the Offer have been satisfied (or waived with the consent of the Required Lenders).

(c) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Certain Funds Commencement Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers hereunder.

SECTION 4.03. Initial Revolving Loans. The obligation of each Lender to make any Revolving Loan in respect of the financing of the Stock Acquisition during the Certain Funds Period is subject to the satisfaction (or waiver pursuant to Section 9.02) of the following conditions on the date of such Loan, which date shall in any event be on or after the Effective Date and on or prior to June 15, 2000 (the first date on which such conditions are satisfied or waived, the "Initial Funding Date"):

(a) The representations and warranties of the Borrowers set forth in Sections 3.01 (other than with respect to the corporate existence of Jaguar and its subsidiaries), 3.02, 3.03 (other than with respect to Jaguar and its subsidiaries), 3.07 (other than the last sentence thereof and other than with respect to Jaguar and its subsidiaries), 3.08 and 3.12 of this Agreement shall be true and correct in all material respects on and as of the date of such Borrowing.

(b) There shall not be in effect any injunction or restraining order of any Governmental Authority having jurisdiction to issue such injunction or restraining order prohibiting the making of the Loans made on such date, the use of the proceeds thereof or the consummation of the Offer or the Acquisitions.

(c) No Major Default shall have occurred and be continuing.

(d) In the case of the Revolving Loans made on the Initial Funding Date, the Offer shall have been declared unconditional in all respects on behalf of Bidco and no Default or Event of Default shall have occurred in respect of Section 5.09(j).

(e) In the case of the Revolving Loans made on the Initial Funding Date, the Administrative Agent shall have received copies of the Offer Documents, and of all other documents and materials filed or released publicly by the Parent or Bidco in connection with the Offer, certified as true and correct copies thereof as of the Initial Funding Date by the President, a Vice President or a Financial Officer of Bidco.

(f) In the case of the Revolving Loans made on the Initial Funding Date, the Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Initial Funding Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers hereunder.

(g) In the case of the Revolving Loans made on the Initial Funding Date, the Parent shall have provided irrevocable notice of termination of the Existing Revolving Credit Facility pursuant to the terms thereof and all amounts due and payable thereunder shall have been paid in full (it being agreed that no borrowings shall be made under the Existing Revolving Credit Facility after the Initial Funding Date and each Lender which is a lender under the Existing Revolving Credit Facility hereby waives any requirement for the giving of such notice under the Existing Revolving Credit Facility).

(h) Perrier shall have contributed (or shall simultaneously contribute) to Bidco its share of the purchase price of the Shares being acquired in the Offer in accordance with the Acquisition Agreement.

SECTION 4.04. Each Credit Event. The obligation of each Lender to make any Revolving Loan requested to be made by it on any date (other than the Revolving Loans made during the Certain Funds Period in connection with the Stock Acquisition) is subject to the satisfaction of the following conditions (in addition to the conditions otherwise applicable):

(a) The representations and warranties of the Borrowers set forth in Article III (other than those set forth in Sections 3.04 and 3.06) shall be true and correct in all material respects on and as of the date of such Borrowing, except to the extent such representations and warranties expressly relate to an earlier date.

(b) At the time of and immediately after giving effect to such Borrowing no Default or Event of Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrowers on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

SECTION 4.05. Each Additional Borrower Credit Event. The obligation of each Lender to make Revolving Loans hereunder to any Additional Borrower is subject to the satisfaction of the following conditions:

(a) The Administrative Agent (or its counsel) shall have received from each party thereto either (i) a counterpart of such Additional Borrowers Agreement or (ii) written evidence reasonably satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page thereof) that such party has signed a counterpart of such Additional Borrower Agreement.

(b) The Administrative Agent shall have received a favorable written opinion of counsel for such Additional Borrower (which counsel shall be reasonably acceptable to the Administrative Agent), in a form satisfactory to the Administrative Agent, and covering such of the representations in

Section 3.01, 3.02, 3.03 and 3.06(a) as may be reasonably requested by the Administrative Agent and such other matters relating to such Additional Borrower or its Additional Borrower Agreement as the Administrative Agent or the Required Lenders shall reasonably request.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of such Additional Borrower, the authorization of the Transactions relating to such Additional Borrower and any other legal or tax matters relating to such Additional Borrower, its Additional Borrower Agreement or such Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Parent covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Parent will furnish to the Administrative Agent:

(a) within 95 days after the end of each fiscal year of the Parent, its audited consolidated balance sheet and related statements of income, cash flows and stockholders' equity as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Arthur Andersen LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Parent and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 50 days after the end of each of the first three fiscal quarters of each fiscal year of the Parent, its consolidated balance sheet and related statements of income, cash flows and stockholders' equity as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Parent and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Parent (i) certifying as to whether a Default has occurred and is continuing and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.01 and 6.02 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to

in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default insofar as the same relates to any financial accounting matters covered by their audit (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Parent or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Parent to its shareholders generally, as the case may be; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Parent, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02. Notices of Material Events. The Parent will furnish to the Administrative Agent and each Lender prompt written notice of the following, promptly after a Financial Officer or other responsible officer of the Parent obtains knowledge thereof:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Parent or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Parent and its Subsidiaries in an aggregate amount exceeding \$25,000,000;

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect; and

(e) any formal notices delivered under the Acquisition Agreement.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Parent setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Parent will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.05.

SECTION 5.04. Payment of Obligations. The Parent will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, before the same shall become delinquent or in default, that, if not paid, could result in a Material Adverse Effect, except where (a) the validity or amount

thereof is being contested in good faith by appropriate proceedings, (b) the Parent or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. The Parent will, and will cause such of its Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations (it being understood that, to the extent consistent with prudent business practice of persons carrying on a similar business in a similar location, a program of self-insurance for first or other loss layers may be utilized).

SECTION 5.06. Books and Records; Inspection Rights. The Parent will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Parent will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07. Compliance with Laws. The Parent will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property (including, without limitation, Environmental Laws), except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds. The proceeds of the Loans will be used for financing the Acquisitions (including capitalization of Bidco by means of debt or equity in accordance with the Acquisition Agreement and, following the Initial Funding Date, to fund an escrow account for use to purchase or otherwise acquire Shares and including the funding of cash collateral provided by Bidco in connection with any Guaranteed Loan Notes issued pursuant to the Offer), to refinance existing Indebtedness, to pay fees and expenses in connection with the Acquisitions and the financing thereof, supporting commercial paper issued by the Parent, and providing for the working capital and general corporate needs of the Parent and its Subsidiaries prior to and following the Acquisitions. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X. If requested by the Administrative Agent, the Parent shall set forth in reasonable detail the use of the proceeds of each Borrowing of the Revolving Loans.

SECTION 5.09. Acquisition. (a) The Parent will, and will cause Bidco to, comply in all material respects with the Financial Services Act 1986 and the Companies Act and all other applicable laws and regulations relevant in the context of the Offer and use all reasonable endeavors to comply in all material respects with the Takeover Code.

(b) Subject to the provisions of the Takeover Code, the Parent will keep the Lenders and the Administrative Agent reasonably informed of, and will promptly respond to reasonable inquiries of the Administrative Agent regarding, the progress of the Offer and all material matters likely to affect the interests of the Lenders in respect of the Offer and consult with the Administrative Agent on all such matters.

(c) Subject to any requirements of the Takeover Code, the Parent will not, and will not permit Bidco to, issue any press release or make any statement during the course of the Offer which contains any information or statement concerning the Loan Documents or the Lenders except to the extent set forth in

the Loan Documents without first obtaining the prior approval of the information or statement from the Required Lenders (such approval not to be unreasonably withheld or delayed).

(d) Subject to this Section 5.09 and if Section 5.09(e) does not apply, after the Unconditional Offer Date, the Parent will, and will cause Bidco to, use all reasonable endeavors (which shall not include making any purchase in the market) to acquire all the Shares as soon as practicable.

(e) (i) As soon as reasonably practicable (and in any event within three Business Days) after it first becomes entitled to implement the Compulsory Acquisition procedures in respect of the Shares of Jaguar shareholders who have not accepted the Offer, the Parent shall notify the Administrative Agent thereof and (ii) as soon as reasonably practicable (and in any event within the time period prescribed by applicable law) after Bidco becomes entitled to apply the provisions of Part XIII A of the Companies Act in relation to the Shares, the Parent shall cause Bidco to dispatch the appropriate notices under Section 429 of the Companies Act.

(f) The Parent will, and will cause Bidco to, ensure that at no time shall circumstances arise whereby a mandatory offer is required to be made under the terms of Rule 9 of the Takeover Code in respect of the Shares.

(g) The Parent will not, and will not permit Bidco to, acquire any Shares in the market at a price above the price set forth in the Offer.

(h) The Parent will, and will cause Bidco to, procure that Jaguar is (i) removed from the Official List of London Stock Exchange Limited and from the listings of the New York Stock Exchange and (ii) re-registered as a private company (in each case) as soon as legally and reasonably practicable after Bidco has received acceptances from the holders of 90% of the Shares.

(i) The Parent will not, and will not permit Bidco to, declare the Offer unconditional as to acceptances without the consent of the Required Lenders (including the Agents) unless Bidco has acquired or has contracted to acquire (through the receipt of acceptances or otherwise) more than 50% of the Shares.

(j) The Parent will not, and will not permit Bidco to, amend, supplement, waive or otherwise modify any substantive term or condition of the Offer as described in the Press Release (including, without limitation, any increase in the consideration to be paid but excluding any extension of the time for acceptance of the Offer permitted under paragraph (k) below and excluding any waiver of the minimum acceptance conditions to any amount which is greater than 50% of the Shares) without the consent of the Required Lenders (including, in the case of any such increase in the consideration to be paid, the Agents) if such amendment, supplement, waiver or other modification could reasonably be expected to materially adversely affect the Lenders, provided that the consent of the Required Lenders (including the Agents) shall not be required in relation to any waiver of the conditions contained in the Press Release, relating to matters other than aggregate purchase price (including the terms of the Guaranteed Loan Notes), minimum acceptance conditions (to the extent that, after giving effect to such waiver, the minimum acceptance condition would be for 50% or less of the Shares) and required regulatory approvals, that is required by the Panel.

(k) The Parent will not, and will not permit Bidco to, extend the time for the acceptance of the Offer without the prior written consent of the Required Lenders if anything has occurred since the date of this Agreement or, as the case may be, the last extension of the time for the acceptance of the Offer that has had, or could reasonably be expected to have, a material adverse effect on the assets, business, financial condition or prospects of Jaguar and its subsidiaries and that could reasonably be expected to have a material adverse effect on the ability of the Loan Parties to perform their obligations under the Loan Documents when

compared to the position that would have applied had the material adverse effect in relation to Jaguar and its subsidiaries not occurred.

(1) The Parent will, and will cause Bidco to, give the Administrative Agent not less than two Business Days prior written notice of any proposed extension of the time for the acceptance of the Offer together with a certificate signed by two officers of the Parent confirming that as at the date of the certificate (which shall not be more than ten Business Days before the current expiry date of the Offer) to the best of their knowledge and belief (after reasonable enquiry) no material adverse effect in relation to Jaguar and its subsidiaries of the kind described in paragraph (k) above has occurred.

SECTION 5.10. Proceeds from Sale of Shares. In the event that the Parent or any of its Subsidiaries consummates any sale of any Unrestricted Margin Stock, so long as any Loans are outstanding hereunder, the Parent will either (a) hold the proceeds of such sale as cash or (b) invest such proceeds in Permitted Investments.

SECTION 5.11. Acquisition-Related Guarantors. Promptly following any applicable statutory waiting period, the Parent shall cause, to the extent permitted by applicable Requirements of Law and contractual restrictions, Material Subsidiaries acquired or created in connection with the Acquisitions to become Subsidiary Guarantors.

SECTION 5.12. Loan Stock. The Parent shall use reasonable commercial efforts to ensure that Clause 7 of the Loan Stock Trust Deed is amended, varied or waived as and to the extent necessary to permit Jaguar and its subsidiaries to make any Dispositions which are contemplated or required in connection with the Asset Divisions.

SECTION 5.13. Additional Guarantors. With respect to any Subsidiary which becomes a Subsidiary Guarantor after the Effective Date, the Parent shall promptly (but in any case within 14 days) cause such new Subsidiary (a) to become a party to the Guarantee and (b) to deliver to the Administrative Agent such certificates and opinions with respect to such Guarantee as the Administrative Agent shall reasonably request.

SECTION 5.14. Asset Divisions. The Parent shall, subject to Section 5.12, use its reasonable best efforts to complete in accordance with the Acquisition Agreement the Asset Divisions as soon as practicable after the Offer is declared unconditional.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, the Parent covenants and agrees with the Lenders that:

SECTION 6.01. Interest Coverage. The Parent will not permit for any period ending with the last day of any fiscal quarter commencing after the Initial Funding Date the Consolidated Interest Coverage Ratio to be less than 2.25 to 1.00 for the first three fiscal quarters commencing after the Initial Funding Date, 2.50 to 1.00 for the next succeeding four fiscal quarters and 3.00 to 1.00 for each fiscal quarter thereafter.

SECTION 6.02. Maximum Leverage Ratio. The Parent will not permit the Consolidated Leverage Ratio as of the last day of the first three fiscal quarters commencing after the Initial Funding Date to be greater than 0.72 to 1.00, will not permit the Consolidated Leverage Ratio as of the last day of the next succeeding four fiscal quarters to be greater than 0.69 to 1.00 and will not permit the Consolidated Leverage Ratio as of the last day of any subsequent fiscal quarter to be greater than 0.65 to 1.00.

SECTION 6.03. Indebtedness. The Parent will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created under the Loan Documents;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.03 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(c) Indebtedness of the Parent or any Subsidiary Guarantor issued pursuant to Capital Markets Transactions the Net Cash Proceeds of which are used to reduce the 364-Day Revolving Commitments and Five-Year Revolving Commitments in accordance with Section 2.10;

(d) Indebtedness of the Parent in respect of commercial paper issued by it, provided that the aggregate principal amount of such Indebtedness at any one time outstanding does not exceed the unused portion of the 364-Day Revolving Commitments and the Five-Year Revolving Commitments;

(e) Indebtedness of the Parent to any Subsidiary and of any Subsidiary to the Parent or any other Subsidiary;

(f) Guarantee Obligations incurred by the Parent in respect of Indebtedness of any Subsidiary and by any Subsidiary in respect of Indebtedness of the Parent or any other Subsidiary;

(g) Indebtedness of the Parent or its Subsidiaries incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and refinancings, extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness is incurred prior to or within 360 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness incurred after the date hereof permitted by this clause (g) shall not exceed \$25,000,000 at any time outstanding;

(h) Indebtedness of (i) any Person (including a subsidiary of Jaguar) that becomes a Subsidiary after the date hereof, provided that such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and (ii) the Parent (including Indebtedness issued pursuant to Capital Markets Transactions) incurred to refinance or replace existing Indebtedness of Jaguar and its subsidiaries;

(i) Indebtedness of the Parent or its Subsidiaries as an account party in respect of trade and performance letters of credit, or in respect of operating guarantees or warranties, in each case in the ordinary course of business;

(j) Project Finance Indebtedness of Project Finance Companies, and Guarantee Obligations of the Parent or any of its other Subsidiaries in respect of Project Finance Indebtedness and Indebtedness of JV Affiliates, provided that the aggregate principal amount of the Project Finance Indebtedness which is the subject of such Guarantee Obligations incurred after the date hereof, together with the aggregate principal amount of any Indebtedness of any JV Affiliate which is the subject of Guarantee Obligations incurred after the date hereof by the Parent and its Subsidiaries, does not exceed \$175,000,000;

(k) to the extent Bidco becomes a Subsidiary of the Parent, Indebtedness of Bidco in respect of the Guaranteed Loan Notes;

(l) Indebtedness of the Parent or its Subsidiaries as an account party in respect of letters of credit required to satisfy financing conditions of the Cantarell Nitrogen Project in Mexico, in which Jaguar or its subsidiaries are participants, which are imposed or required as a result of the Acquisitions; and

(m) Indebtedness of the Parent or its subsidiary to finance the purchase of the outstanding shares of Capital Stock of Korea Industrial Gases Ltd. not owned by the Parent and its Subsidiaries; and

(n) other unsecured Indebtedness in an aggregate principal amount not exceeding at any time outstanding \$200,000,000 from the date hereof to and including the Initial Funding Date, \$400,000,000 from immediately after the Initial Funding Date to the first anniversary of the Initial Funding Date and \$600,000,000 thereafter; provided that the aggregate principal amount of Indebtedness of the Parent's Subsidiaries permitted by this clause (n) shall not exceed \$100,000,000 at any time outstanding.

SECTION 6.04. Liens. The Parent will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it (other than Unrestricted Margin Stock), or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) (i) any Lien on any property or asset of the Parent or its Subsidiary (other than any Project Finance Company) existing on the date hereof and described in Schedule 6.04, or (ii) any Lien on any property or asset of any Project Finance Company existing on the date hereof; provided that, in any such case, such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Parent or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Parent or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on fixed or capital assets acquired, constructed or improved by the Parent or any Subsidiary; provided that (i) such security interests secure Indebtedness permitted by clause (g) of Section 6.03, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 360 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets, (iv) such security interests shall not apply to any other property or assets of the Parent or any Subsidiary and (v) extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(e) Liens securing Indebtedness permitted under Section 6.03(e);

(f) Liens in favor of any Governmental Authority, or any department, agency or political subdivision of any Governmental Authority, to secure partial, progress, advance or other payments pursuant to any contract or statute, including, without limitation, Liens to secure Indebtedness of the pollution control or industrial revenue bond type, or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of constructing or improving the property subject to such Liens;

(g) Liens in favor of any customer arising in respect of partial, progress, advance or other payments made by or on behalf of such customer for goods produced for or services rendered to such customer in the ordinary course of business not excluding the amount of such payments;

(h) Liens securing Hedging Agreements;

(i) Liens created by or resulting from any litigation or proceedings which are being contested in good faith; Liens arising out of judgments or awards against the Parent or any Subsidiary with respect to which the Parent or such Subsidiary is in good faith prosecuting an appeal or proceeding for review; or Liens incurred by the Parent or any Subsidiary for the purpose of obtaining a stay or discharge in the course of any legal proceeding to which the Parent or such Subsidiary is a party, provided that, in each case, if the amount received thereby is more than \$50,000,000, such Lien has not existed for more than 45 days;

(j) to the extent Bidco becomes a Subsidiary of the Parent, Liens in respect of cash collateral created by Bidco in favor of the Loan Notes Guarantor to secure its obligations in respect of the Guaranteed Loan Notes;

(k) Liens securing Indebtedness or other obligations not exceeding \$25,000,000 in the aggregate at any time outstanding; and

(l) Liens securing Project Finance Indebtedness of any Project Finance Company.

SECTION 6.05. Fundamental Changes. (a) The Parent will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets (other than Unrestricted Margin Stock), or all or substantially all of the stock of any of its Subsidiaries (other than Unrestricted Margin Stock) (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except for transactions contemplated by the Acquisition Agreement and except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Person may merge into a Borrower in a transaction in which a Borrower is the surviving corporation, (ii) any Person may merge into any Subsidiary in a transaction in which the surviving entity is a

Subsidiary, (iii) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to any Borrower or to another Subsidiary and (iv) any Subsidiary may liquidate or dissolve if the Parent determines in good faith that such liquidation or dissolution is in the best interests of the Parent and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.06.

(b) The Parent will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by the Parent and its Subsidiaries or Jaguar and its subsidiaries on the date of execution of this Agreement and businesses reasonably related thereto.

SECTION 6.06. Investments, Loans, Advances, Guarantees and Acquisitions; Hedging Agreements. (a) The Parent will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing which can be exercised during the term of this Agreement) of, make or permit to exist any loans or advances to, guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except for transactions contemplated by the Acquisition Agreement and except the following:

(i) Permitted Investments;

(ii) investments, loans and advances by the Parent or any of its Subsidiaries in connection with the purchase of the outstanding shares of Capital Stock of Korea Industrial Gases, Ltd. not owned by the Parent and its Subsidiaries, provided that the aggregate amount of all such investments, loans and advances permitted by this this Section 6.06(a)(ii) shall not exceed Korean Won 250 billion;

(iii) investments, loans and advances by the Parent or any of its Subsidiaries in the Parent or any of its Subsidiaries now or hereafter existing, provided that (A) the aggregate amount of all such investments, loans and advances and of Guarantee Obligations in respect of Indebtedness made after the date hereof by the Parent or any Subsidiary Guarantor in Subsidiaries which are not Subsidiary Guarantors shall not exceed \$200,000,000 from the date hereof to the first anniversary of the date hereof, and \$400,000,000 thereafter, and (B) the aggregate principal amount of such loans and advances made after the date hereof by any Subsidiary which is not a Subsidiary Guarantor to the Parent or a Subsidiary Guarantor on a basis that is not subordinated to the Loans or the guarantee thereof under the Guarantee to a Borrower or a Subsidiary Guarantor shall not exceed \$100,000,000 at any time;

(iv) Guarantee Obligations permitted by Section 6.03;

(v) investments, loans and advances by the Parent or any Subsidiary in JV Affiliates or Project Finance Companies now or hereafter existing; provided, that any investments, loans or advances made after the date hereof to JV Affiliates or Project Finance Companies shall not in the aggregate exceed, at any time, \$200,000,000 from the date hereof to the first anniversary of the date hereof, and \$400,000,000 thereafter; and

(vi) loans or advances to or investments in any Person other than a Subsidiary or the Parent, JV Affiliates or Project Finance Companies in the ordinary course of business in an aggregate principal amount not to exceed \$25,000,000 at any time; and

(vii) loans and advances to employees of the Parent or its Subsidiaries in the ordinary course of business (including, without limitation, for travel, entertainment and relocation expenses).

(b) The Parent will not, and will not permit any of its Subsidiaries to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Parent or any Subsidiary is exposed in the conduct of its business or the management of its liabilities or in connection with the Acquisitions.

SECTION 6.07. Transactions with Affiliates. The Parent will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates after the date hereof, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Parent or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrowers or between or among the Parent and its wholly owned Subsidiaries not involving any other Affiliate, (c) any issuance of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Parent and any loans or advances to employees of the Parent or its Subsidiaries in the ordinary course of business and (d) transactions contemplated by the Acquisition Agreement; provided, however, that the Parent and its Subsidiaries shall be permitted to continue current practices and honor current long-term contracts with the Affiliates identified on Schedule 6.07. The foregoing shall not apply to customary benefits to officers, directors and employees of the Parent and its Subsidiaries or to transactions with Project Finance Companies and JV Affiliates expressly contemplated hereby.

SECTION 6.08. Restrictive Agreements. The Parent will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Parent or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets (other than Unrestricted Margin Stock), or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Parent or any other Subsidiary or to guarantee Indebtedness of the Parent or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.08 or any extension or renewal of, or any amendment or modification not expanding the scope of, any such restriction or condition, (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary or assets pending such sale, provided such restrictions and conditions apply only to the Subsidiary or assets that are to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (v) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof and (vi) the foregoing shall not apply to transactions contemplated by the Acquisition Agreement.

SECTION 6.09. Sales and Leasebacks. The Parent will not, and will not permit any of its Subsidiaries to, enter into any arrangement after the date hereof with any Person providing for the leasing by the Parent or any Subsidiary of real or personal property that has been or is to be sold or transferred by the Parent or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Parent or such Subsidiary (a "Sale/Leaseback Transaction") unless, if the asset that is the subject of such Sale/Leaseback Transaction was acquired or constructed in contemplation

thereof, the transaction would be permitted as a financing under Section 6.04 (including all other Sale/Leaseback Transactions after the date hereof).

SECTION 6.10. Changes in Fiscal Periods. The Parent will not permit the fiscal year of the Parent to end on a day other than September 30 or change the Parent's method of determining fiscal quarters.

SECTION 6.11. Additional Borrowers. If the Parent ceases to own at least 80% of an Additional Borrower, the Parent shall, within 10 days after an officer of the Parent becomes aware of such cessation, cause such Subsidiary to cease be an Additional Borrower pursuant to an Additional Borrower Termination and to prepay all Loans made to it and outstanding at such time.

SECTION 6.12. Bidco. The Parent will not permit Bidco to engage in any business or activity or enter into any transaction, contractual obligation or other undertaking which is not expressly permitted by, or directly related or incidental to the transactions contemplated by, the Offer Documents, this Agreement or the Acquisition Agreement in connection with the consummation of the Acquisitions.

SECTION 6.13. Acquisition Agreement. The Parent will not amend, supplement, waive or otherwise modify in any material respect the Acquisition Agreement without the prior written consent of the Administrative Agent.

ARTICLE VII

Events of Default

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Parent or any Subsidiary in or in connection with this Agreement, the Guarantee, any Additional Borrower Agreement or any amendment or modification hereof or thereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement, the Guarantee, any Additional Borrower Agreement or any amendment or modification hereof or thereof, shall prove to have been incorrect in any material respect when made or deemed made;

(d) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02(a), 5.03 (with respect to the Parent's existence), 5.08, 5.09(e), 5.09(f), 5.09(i), 5.09(j) or in Article VI;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article) or the Guarantee, and such failure shall continue unremedied for a period of 30 days after the earlier to occur

of (i) the date on which a Financial Officer shall have discovered such default and (ii) the date on which written notice thereof has been given to the Parent by the Administrative Agent (at the request of any Lender);

(f) the Parent or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Obligations, when and as the same shall become due and payable beyond the applicable grace period therefor;

(g) any event or condition occurs that results in any Material Obligations (other than Project Finance Indebtedness which is not guaranteed by the Parent or any Subsidiary (other than a Project Finance Company)) becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of such Material Obligations or any trustee or agent on its or their behalf to cause all of such Material Obligations to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity (unless waived); provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Parent or any Material Subsidiary or any Additional Borrower or Bidco or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Parent or any Material Subsidiary or any Additional Borrower or Bidco or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Parent or any Material Subsidiary or any Additional Borrower or Bidco shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Parent or any Material Subsidiary or any Additional Borrower or Bidco or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action to authorize any of the foregoing;

(j) the Parent or any Material Subsidiary or any Additional Borrower or Bidco shall become unable, admit in writing or fail generally to pay its debts as they become due, including in respect of any Subsidiary organized under the laws of the United Kingdom for the purposes of Section 123 of the Insolvency Act 1986 (other than Section 123(1)(a), (b), (c) and (d), provided that, for purposes of this paragraph, the words "to the satisfaction of the court" shall be deemed to be omitted from Section 123(1)(e) and Section 123(2));

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$50,000,000 shall be rendered against the Parent, any Material Subsidiary, any Additional Borrower or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally

taken by a judgment creditor to attach or levy upon any assets of the Parent or any Material Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) a Change in Control shall occur;

(n) the guarantee contained in Section 2 of the Guarantee shall cease, for any reason, to be in full force and effect in accordance with its terms or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(o) the Acquisition Agreement ceases to be in full effect in all material respects prior to the completion of the Asset Divisions;

then, subject to Section 7.02, and in every such event (which, prior to the Certain Funds Termination Date, must result in a Major Default) (A) (other than an event with respect to a Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrowers, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower; (B) in case of any event with respect to the Parent or Bidco described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of each Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by such Borrower; and (C) in the case of any event with respect to an Additional Borrower described in clause (h) or (i) of this Article, (i) the eligibility of such Additional Borrower to borrow hereunder shall terminate and (ii) the Loans of such Additional Borrower shall become immediately due and payable, together with accrued interest thereon and all fees and other obligations of such Additional Borrower accrued hereunder without presentment, demand, protest or other notice of any kind, all of which are hereby waived.

SECTION 7.02. Target Group Exceptions. For a period of six months after the Unconditional Offer Date, the Events of Default set out in Section 7.01(c), (d) and (e) shall not apply to or in respect of any event with respect to the Apollo Businesses which exists on, or is a direct result of the occurrence of, the Unconditional Offer Date, provided that this exception shall not apply in relation to matters (other than those which exist on the Unconditional Offer Date) which the Parent (either directly or through control over its Subsidiaries) could reasonably be expected to have exercised control to prevent or cure in the time available since the Unconditional Offer Date.

ARTICLE VIII

The Agents

Each of the Lenders hereby irrevocably appoints each Agent as its agent and authorizes such Agent to take such actions on its behalf and to exercise such powers as are delegated to such Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

Each bank serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Parent or any Subsidiary or other Affiliate thereof as if it were not an Agent hereunder.

No Agent shall have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) no Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) no Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein, no Agent shall have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Parent or any of its Subsidiaries that is communicated to or obtained by the bank serving as an Agent or any of its Affiliates in any capacity. No Agent shall be liable for any action taken or not taken by it with the consent or at the request of the requisite Lenders or in the absence of its own gross negligence or wilful misconduct. No Agent shall be deemed to have knowledge of any Default unless and until written notice thereof is given to such Agent by the Parent, a Borrower or a Lender, and no Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Agents.

Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for any of the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Parent. Upon any such resignation, the Required Lenders shall have the right, with the prior written consent of the

Parent (such consent shall not be unreasonably withheld and shall not be required if an Event of Default under clause (h) or (i) of Section 7.01 has occurred and is continuing with respect to the Parent), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Parent to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Parent and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the any Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Notwithstanding anything to the contrary contained herein, no Lender identified as an "Agent", other than the Administrative Agent, shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or not taking action hereunder.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Parent or any Borrower, c/o Air Products and Chemicals, Inc., Attention of Corporate Secretary (Telecopy No. 610-481-8223);

(b) if to the Administrative Agent, to The Chase Manhattan Bank, Agent Bank Services Group, One Chase Manhattan Plaza, New York, New York 10081, Attention of Chris Gould (Telecopy No. (212) 552-5777), with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York 10017, Attention of Peter Dedousis (Telecopy No. (212) 270-7935).

(c) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement, the Guarantee nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Parent and the Required Lenders or by the Parent and the Administrative Agent with the consent of the Required Lenders (except that no consent is required to permit the termination of any Guarantee of any Guarantor in accordance with the terms thereof); provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate or amount of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of any payment of any principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) amend, modify or waive Section 2.17(a), (b), (c) or (e) in a manner that would alter the pro rata sharing of payments required thereby without the consent of the Lenders of the Class of Lenders (constituting Required 364-Day Revolving Lenders or Required Five-Year Revolving Lenders, as the case may be) adversely affected thereby, (v) amend, modify or waive any of the provisions of this Section or the definition of "Required Lenders" or release the Parent or all or substantially all of the other Guarantors from the Guarantee or the provisions of the first sentence of Section 9.04(a) without the written consent of each Lender, (vi) amend, modify or waive Section 5.09(i) without the written consent of the Administrative Agent and the Co-Syndication Agents, (vii) amend, modify or waive Section 2.10(b) without the written consent of the Required 364-Day Revolving Lenders or amend, modify or waive the definition of Required 364-Day Revolving Lenders without the written consent of all the 364-Day Revolving Lenders or (viii) amend, modify or waive the definition of Required Five-Year Revolving Lenders without the written consent of all the Five-Year Revolving Lenders; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of any Agent hereunder without the prior written consent of such Agent.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Parent shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or reasonable protection of its rights in connection with this Agreement, including its rights under this

Section, or in connection with the Loans made hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Parent shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Parent or any of its Subsidiaries, or any Environmental Liability related in any way to the Parent or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnitee. It is understood and agreed that, to the extent not precluded by a conflict of interest, each Indemnitee shall endeavor to work cooperatively with the Parent with a view toward minimizing the legal and other expenses associated with any defense and any potential settlement or judgment. To the extent reasonably practicable and not disadvantageous to any Indemnitee, it is anticipated that a single counsel may be used. Settlement of any claim or litigation involving any material indemnified amount will require the approval of the Parent (not to be unreasonably withheld).

(c) To the extent that the Parent fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought and as if all the Commitments of the Lenders had terminated at such time) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, the Borrowers shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by a Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, the Administrative Agent and the Parent must give their prior written consent to such assignment (which consent, in each case, shall not be unreasonably withheld or delayed), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 (or the Sterling Equivalent thereof) unless the Parent and the Administrative Agent otherwise consent, (iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and (iv) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; provided further that any consent of the Parent otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Section 7.01 has occurred and is continuing. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee hereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.15, 2.16 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrowers or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will

not, without the consent of each affected Participant, agree to any amendment, modification or waiver described in clauses (i), (ii), (iii), (iv), (v), (vii) and (viii) of the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.14, 2.15 and 2.16 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.14 or 2.16 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the prior written consent of the Parent.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.14, 2.15, 2.16 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, any separate letter agreements with respect to fees payable to the Administrative Agent and the Escrow Letter dated September 16, 1999 from the Parent to the Persons listed on Schedule 1 thereto constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, and the Loans have been accelerated pursuant to Section 7.01, each Lender is hereby authorized at any time after the

Certain Funds Termination Date and from time to time thereafter, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of a Borrower against any of and all the obligations of any other Borrower now or hereafter existing under this Agreement held by such Lender. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Borrower or its properties in the courts of any jurisdiction.

(c) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal

counsel and other advisors on a need-to-know basis (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Parent or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than a Borrower. For the purposes of this Section, "Information" means all information received from the Parent or any of its Subsidiaries relating to its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Parent or any of its Subsidiaries; provided that, (i) in the case of information received from the Parent or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential and (ii) with respect to disclosures pursuant to clauses (b) and (c) of this Section, unless prohibited by applicable law or court order, each Lender and the Administrative Agent shall notify the Parent of any request by any governmental agency or representative thereof or other Person (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) for disclosure of any such confidential information promptly after receipt of such request, and if practicable and permissible, before disclosure of such information. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. Additional Borrowers. On or after the Initial Funding Date, the Parent may designate any Subsidiary of the Parent (of which the Parent owns or Controls shares representing at least 80% of the ordinary voting power of the issued and outstanding Capital Stock of such Subsidiary) as an Additional Borrower by delivery to the Administrative Agent of an Additional Borrower Agreement executed by such Subsidiary and the Parent, and upon such delivery such Subsidiary shall for all purposes of this Agreement be an Additional Borrower and a party to this Agreement until the Parent shall have executed and delivered to the Administrative Agent an Additional Borrower Termination with respect to such Subsidiary, whereupon such Subsidiary shall cease to be an Additional Borrower and a party to this Agreement. Notwithstanding the preceding sentence, no Additional Borrower Termination will become effective as to any Additional Borrower at a time when any principal of or interest on any Loan to such Additional Borrower shall be outstanding hereunder; provided that such Additional Borrower Termination shall be effective to terminate such Additional Borrower's right to make further Borrowings under this Agreement. As soon as practicable upon receipt of an Additional Borrower Agreement, the Administrative Agent shall send a copy thereof to each Lender. Each

Additional Borrower hereby irrevocably appoints the Parent as its agent for service of process in respect of this Agreement and any Additional Borrower Agreement; provided that such appointment will not affect the right of any party to this Agreement to serve process on any Additional Borrower in any other manner permitted by law.

SECTION 9.15. Conversion of Currencies. (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto (including any Additional Borrower) agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of each Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrowers contained in this Section 9.15 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

AIR PRODUCTS AND CHEMICALS, INC.,

by /s/ Leo J. Daley

Name: Leo J. Daley
Title: Vice President

THE CHASE MANHATTAN BANK, individually
and as Administrative Agent,

by /s/ Peter Dedousis

Name: Peter Dedousis
Title: Managing Director

ABBEEY NATIONAL TREASURY SERVICES PLC,

by /s/ T. Rigby

Name: T. Rigby
Title: Head of Structured Finance

ABN AMRO BANK N.V.,

by /s/ David A. Mandell

Name: David A. Mandell
Title: SVP

by /s/ Kimberly S. Logsdon

Name: Kimberly S. Logsdon
Title: VP

BANCA COMMERCIALE ITALIANA --
NEW YORK BRANCH,

| | |
|--|--|
| by /s/ Charles Dougherty ----- Name: C. Dougherty Title: VP | /s/ Joseph Carlani Joseph Carlani VP |
|--|--|

BANCA DI ROMA -- NEW YORK BRANCH,

| | |
|---|---|
| by /s/ Steven Paly ----- Name: Steven Paly Title: VP | /s/ Alessandro Paoli Alessandro Paoli Asst. Treasurer |
|---|---|

BANCA MONTE DEI PASCHI DI SIENA S.P.A.,

by /s/ G. Natalicchi

Name: G. Natalicchi
Title: Senior Vice President & General
Manager

by /s/ Brian R. Landy

Name: Brian R. Landy
Title: Vice President

BANCA NAZIONALE DEL LAVORO S.P.A.,
NEW YORK BRANCH

by /s/ Giulio Giovine

Name: Giulio Giovine
Title: Vice President

by /s/ Leonardo Valentini

Name: Leonardo Valentini
Title: First Vice President

BANCO BILBAO VIZCAYA,

by /s/ John Martini

Name: John Martini
Title: Vice President

by /s/ Alejandro Lorca

Name: Alejandro Lorca
Title: Vice President

BANCO ESPANOL DE CREDITO, S.A.,
NEW YORK BRANCH

by /s/ Luis Basagoiti

Name: Luis Basagoiti
Title: Executive Vice-President

by /s/ Juan Calan

Name: Juan Calan
Title: Senior Vice-President

BANK HAPOLIM B.M.,

| | |
|-------------------------|---------------------|
| by /s/ Laura Anne Raffa | /s/ Shaun Bieidbort |
| ----- | |
| Name: Laura Anne Raffa | Shaun Bieidordbort |
| Title: FVP | VP |

BANK OF AMERICA, N.A.,

| |
|--------------------------|
| by /s/ Donald J. Chin |
| ----- |
| Name: Donald J. Chin |
| Title: Managing Director |

BANK OF CHINA,

| |
|-------------------------------|
| by /s/ Luo Jiashu |
| ----- |
| Name: Luo Jiashu |
| Title: Deputy General Manager |

THE BANK OF NOVA SCOTIA,

| |
|-----------------------------|
| by /s/ J. Alan Edwards |
| ----- |
| Name: J. Alan Edwards |
| Title: Authorized Signatory |

BANK OF TOKYO -- MITSUBISHI TRUST
COMPANY,

| |
|-----------------------|
| by /s/ Mark O'Connor |
| ----- |
| Name: Mark O'Connor |
| Title: Vice President |

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH,

| |
|------------------------------|
| by /s/ Richard L. Sted |
| ----- |
| Name: Richard L. Sted |
| Title: Senior Vice President |

| |
|----------------------------|
| by /s/ Thomas George |
| ----- |
| Name: Thomas George |
| Title: Vice President |
| Corporate Banking Division |

BARCLAYS BANK PLC,

by /s/ Terance Bullock

Name: Terance Bullock
Title: Vice President

BAYERISCHE HYPO-UND VEREINSBANK AG,
NEW YORK BRANCH,

by /s/ Alexander M. Blodi

Name: Alexander M. Blodi
Title: Director

by /s/ Imke Engelmann

Name: Imke Engelmann
Title: Associate Director

CAISSE DES DEPOTS ET CONSIGNATIONS,

by /s/ signed

Name:
Title:

CITIBANK, NA,

by /s/ Mary W. Corkran

Name: Mary W. Corkran
Title: Vice President

COMMERZBANK AG (NEW YORK BRANCH),

by /s/ Robert Donohue

Name: Robert Donohue
Title: Senior Vice President

by /s/ Andrew Lusk

Name: Andrew Lusk
Title: Assistant Treasurer

COMPAGNIE FINANCIERE DE CIC ET DE
L'UNION EUROPEENNE,

by /s/ D. J. Wilson /s/ A. de Gromard

Name: D. J. Wilson A. de Gromard
Title: Manager Senior Manager

CREDIT AGRICOLE INDOSUEZ,

by /s/ signed /s/ signed

Name:
Title: FVP VP

CREDIT COMMERCIAL DE FRANCE,

by /s/ Peter D. Campbell

Name: Peter D. Campbell
Title: Director Head of Corporate Banking

by /s/ Yves Meynial

Name: Yves Meynial
Title: Executive Vice President
& General Manager - UK

CREDIT LYONNAIS, NEW YORK BRANCH

by /s/ Vladimir Labun

Name: Vladimir Labun
Title: First Vice President - Manager

THE DAI-ICHI KANGYO BANK, LTD.,

by /s/ Matthew G. Murphy

Name: Matthew G. Murphy
Title: Vice President

DEUTSCHE BANK AG LONDON

by /s/ M. G. W. Starmer-Smith

Name: M. G. W. Starmer-Smith
Title: Senior Associate Director

by /s/ B. D. Stevenson

Name: B. D. Stevenson
Title: Managing Director

DRESDNER BANK AG,
NEW YORK AND GRAND CAYMAN
BRANCHES,

by /s/ Deborah Slusarczyk /s/ A. Richard Morris

Name: Deborah Slusarczyk A. Richard Morris
Title: Vice President First Vice President

FIRST COMMERCIAL BANK,
NEW YORK AGENCY,

by /s/ Vincent T. C. Chen

Name: Vincent T. C. Chen
Title: SVP & General Manager

FIRST UNION NATIONAL BANK,

by /s/ Constantin E. Chepurny

Name: Constantin E. Chepurny
Title: Senior Vice President

FLEET NATIONAL BANK, N.A.,

by /s/ Christopher W. Criswell

Name: Christopher W. Criswell
Title: Senior Vice President

THE FUJI BANK, LIMITED,

by /s/ Raymond Ventura

Name: Raymond Ventura
Title: Vice President & Manager

GOLDMAN SACHS CREDIT PARTNERS L.P.,

by /s/ signed

Name:
Title:

HSBC BANK USA,

by /s/ D. M. Zieske

Name: D. M. Zieske
Title: Assistant Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED,

by /s/ John Dippo

Name: John Dippo
Title: Senior Vice President

LEHMAN COMMERCIAL PAPER INC.,

by /s/ Michele Swanson

Name: Michele Swanson
Title: Authorized Signatory

MELLON BANK, N.A.,

by /s/ William M. Feathers

Name: William M. Feathers
Title: Assistant Vice President

MORGAN STANLEY SENIOR FUNDING, INC.

by /s/ Todd Vannucci

Name: Todd Vannucci
Title: Vice President

NATIONAL CITY BANK,

by /s/ Michael A. Heinricher

Name: Michael A. Heinricher
Title: Assistant Vice President

NORDDDEUTSCHE LANDESBANK GIROZENTRALE,

| | |
|---|--|
| by /s/ Stephanie Finnen ----- Name: Stephanie Finnen Title: Vice President | /s/ Josef Haas Josef Haas Vice President |
|---|--|

PARIBAS,

/s/ Donald W. Maley, Jr.

Donald W. Maley, Jr
Managing Director

by /s/ Paul Nicholas

Name: Paul Nicholas
Title: Vice President

ROYAL BANK OF CANADA,

by /s/ Sheryl L. Greenbery

Name: Sheryl L. Greenbery
Title: Senior Manager

THE SANWA BANK, LIMITED,
NEW YORK BRANCH

by /s/ Joseph E. Leo

Name: Joseph E. Leo
Title: Vice President and Area Manager

STANDARD CHARTERED BANK,

by /s/ David D. Cutting

Name: David D. Cutting
Title: Senior Vice President

/s/ Andrew Y. Ng

Andrew Y. Ng
Vice President
& CDM

THE SUMITOMO BANK, LIMITED,

by /s/ C. Michael Garrido

Name: C. Michael Garrido
Title: Senior Vice President

TORONTO DOMINION (TEXAS), INC.,

by /s/ Alva J. Jones

Name: Alva J. Jones
Title: Vice President

WACHOVIA BANK, N.A.

by /s/ James Barwis

Name: James Barwis
Title: Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH,

by /s/ Alan S. Bookspan

Name: Alan S. Bookspan
Title: Director

by /s/ Barry S. Wadler

Name: Barry S. Wadler
Title: Associate

WESTPAC BANKING CORPORATION,

by /s/ Tony Smith

Name: Tony Smith
Title: Vice President

FORTIS (USA) FINANCE LLC,

by /s/ Andrea S. Kantor

Name: Andrea S. Kantor
Title: Vice President

BANK ONE, NA (MAIN OFFICE CHICAGO),

| | |
|--|---|
| by /s/ David Snyder ----- Name: David Snyder Title: Senior Vice President | /s/ Eddie Matthews Eddie Matthews Senior V.P. |
|--|---|

THE ROYAL BANK OF SCOTLAND PLC

by /s/ Derek Weir

Name: Derek Weir
Title: Vice President

Pricing Grid

The Applicable Rate and facility fee applicable to the 364-Day Revolving Loans and the 364-Day Revolving Commitments and the Applicable Rate and facility fee applicable to the Five-Year Revolving Loans and Five-Year Revolving Commitments are, at any time, the Applicable Rate or facility fee set forth below opposite the then-applicable ratings by S&P and Moody's for the Loans:

| Ratings | 364-Day Revolving Facility | | | Five-Year Revolving Facility | | |
|-----------|------------------------------|--|-----------------|------------------------------|--|-----------------|
| | Applicable Rate ABR Loans | Applicable Rate Eurodollar Loans | Facility Fee | Applicable Rate ABR Loans | Applicable Rate Eurodollar Loans | Facility Fee |
| A/A2 | 0% | 0.41% | 0.09% | 0% | 0.375% | 0.125% |
| A-/A3 | 0% | 0.65% | 0.10% | 0% | 0.60% | 0.15% |
| BBB+/Baa1 | 0% | 0.875% | 0.125% | 0% | 0.825% | 0.175% |
| BBB/Baa2 | 0.10% | 1.10% | 0.15% | 0.05% | 1.05% | 0.20% |
| BBB-/Baa3 | 0.325% | 1.325% | 0.175% | 0.275% | 1.275% | 0.225% |
| BB+/Ba1 | 0.80% | 1.80% | 0.20% | 0.70% | 1.70% | 0.30% |

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Loans (after both Moody's and S&P shall have had ratings in effect for the Loans, it being understood that until such time as both Moody's and S&P have ratings in effect for the Loans, if either Moody's or S&P shall have a rating in effect for the Loans, the Applicable Rates and facility fees shall be determined based solely upon such rating), then such rating agency shall be deemed to have established a rating for the Loans equal to the applicable senior unsecured debt rating for the Parent then in effect; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Loans shall fall within different Categories, the Applicable Rates and facility fees shall be based on the higher (or lower, if the Parent's commercial paper is not rated at least P2 and A2 by Moody's and S&P, respectively) of the two ratings unless (in the case of Applicable Rates or facility fees based on the higher of two ratings) one of the two ratings is two or more Categories lower than the other, in which case the Applicable Rates and facility fees shall be determined by reference to the Category next above that of the lower of the two ratings; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Loans shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rates and facility fees shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. Subject to the next succeeding sentence, if the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, or if Moody's and S&P shall not have in effect a rating for the Loans or senior unsecured debt ratings for the Parent, the Parent and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rates and facility fees shall be determined by reference to the rating most recently in effect prior to such change or cessation. Notwithstanding the foregoing, until such time as Moody's or S&P shall initially have in effect a rating for the Loans, the Applicable Rates and facility fees shall be determined by reference to the indicative ratings referred to in Section 4.01(h) as the same may be adjusted from time to time.

TABLE OF CONTENTS

| | Page |
|---|------|
| | ---- |
| Stock Option Plan for Directors..... | 1 |
| Purposes of the Plan..... | 1 |
| Eligibility..... | 1 |
| Awards..... | 1 |
| Dilution Adjustments..... | 2 |
| Miscellaneous Provisions..... | 3 |
| Amendment and Discontinuance; No Discretion..... | 5 |
| Notice of Exercise of Stock Option..... | 6 |
| Notice of Administrative Procedures Regarding Transfer of Stock Option Awards..... | 7 |

=====
AIR PRODUCTS AND CHEMICALS, INC.

Stock Option Plan for Directors (the "Plan")*
=====

1. Purposes of the Plan

The purposes of this Plan are (i) to assist Air Products and Chemicals, Inc. (the "Company") in attracting and retaining individuals of superior talent, experience, and achievement as directors of the Company and (ii) to associate more closely the interests of such directors with those of the Company's shareholders by encouraging and enabling directors to acquire a financial interest in the Company through ownership in equity securities of the Company. Certain capitalized terms used herein have the meanings set forth in Section 6(i) hereof.

2. Eligibility

Participation in the Plan is limited to directors of the Company who have not ever been employees of the Company or any of its subsidiaries or their respective predecessors.

3. Awards

Two thousand (2,000) stock options ("Options" or "Stock Options") shall automatically be granted to each eligible director who is serving as a director of the Company immediately following the 1999 annual organizational meeting of the Board of Directors and immediately following each annual organizational meeting of the Board of Directors thereafter. Each such director shall receive an option agreement dated as of the date of each such organizational meeting of the Board of Directors, which shall be the date of grant of each such award, evidencing the automatic annual award of such Stock Options pursuant to this Plan. Stock Options are rights to purchase shares of common stock of the Company, par value \$1.00 ("Common Stock").1/

-

- -----
(*) Adopted by Board resolution on 21 October 1993; effective 27 January 1994; amended effective 21 October 1999.
1/ Amended and approved by the Board of Directors on 15 October 1998; effective - 15 October 1998.

All Stock Options granted under the Plan shall be granted on the following terms and conditions:

- (a) Price. The purchase price per share of Common Stock covered by each Stock Option shall be 100% of the Fair Market Value of a share of Common Stock on the date of grant of such Option.
- (b) Term and Exercisability. Stock Options shall become exercisable six (6) months from date of grant, and shall remain exercisable until the earlier of:
 - (i) ten (10) years and one (1) day from the date of grant, and
 - (ii) the date as of which the director ceases to serve as a member of the Board of Directors.

Notwithstanding the foregoing, the director (in the case he or she ceases to serve on the Board of Directors of the Company by reason of retirement or disability) or, the director's Designated Beneficiary or, if none, his or her legal representative (in the case of the director's death before or after retirement or disability), shall continue to have the same rights to exercise any unexercised portion of the director's Stock Option which is exercisable at the time of such termination or death, as the director would have had if he or she had continued to be an active director of the Company.

- (c) Exercise. A director wishing to exercise his or her Stock Option, in whole or in part, shall give written notice of such exercise to the Company, accompanied by full payment of the purchase price. The date of receipt of such notice and payment shall be the "Exercise Date" for such Stock Option or portion thereof.
- (d) Payment. The purchase price of shares of Common Stock purchased upon exercise of any Stock Option shall be paid in full in cash at the time of exercise of the Option.

4. Dilution Adjustments

Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, an equitable adjustment shall be made, as determined by the Board of Directors (but subject to the first paragraph of Section 6), in (i) the kind of shares subject to Options under the Plan, (ii) the number or kind of shares or purchase price per share subject to outstanding Stock Options, (iii) any other

aspect or aspects of the Plan or outstanding awards made thereunder as specified by the Board of Directors, or (iv) any combination of the foregoing, as shall be necessary to maintain the proportionate interest of the optionees and to preserve, without increasing, the value of outstanding awards. Such adjustments shall be made by the Board of Directors and shall be conclusive and binding for all purposes of the Plan.

5. Miscellaneous Provisions

- (a) The holder of a Stock Option shall have no rights as a Company shareholder with respect thereto unless, and until the date as of which, certificates for shares of Common Stock are issued upon exercise or payment in respect of such award.
- (b) No Stock Option or any rights or interests therein of the recipient thereof shall be assignable or transferable by such recipient except by gift to his or her family member(s) or to trust(s) of which such family member(s) are beneficiaries (but only on and after the date upon which, and to the extent such Stock Options have become exercisable in accordance with their terms, and subject to the administrative procedures and conditions set forth in the "Administrative Procedures Regarding Transfers of Stock Option Awards dated 21 October 1999" attached as Exhibit A); to his or her Designated Beneficiary; or by will or the laws of descent and distribution.
- (c) All Stock Options granted under the Plan shall be evidenced by agreements in such form and containing and/or incorporating such terms and conditions as are set forth in this Plan.
- (d) No shares of Common Stock shall be issued, delivered or transferred upon exercise of any Stock Options granted hereunder unless and until all legal requirements applicable to the issuance, delivery or transfer of such shares have been complied with including, without limitation, compliance with the provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the applicable requirements of the exchanges on which the Company's Common Stock may, at the time, be listed.
- (e) The Company shall require, as a condition of delivery of shares of Common Stock upon the exercise of a Stock Option, that the director or other person receiving such Common Stock pay to the Company at the time of distribution thereof the amount of any taxes which the Company is required to withhold with respect to such exercise. The obligation of the Company to make delivery of Common Stock shall be subject to currency or other restrictions imposed by any government.

- (f) Distributions of shares of Common Stock upon exercise, in payment or in respect of awards made under this Plan, may be made either from shares of authorized but unissued Common Stock reserved for such purpose by the Board of Directors or from shares of authorized and issued Common Stock reacquired by the Company and held in its treasury, as from time to time determined by the Board of Directors.
- (g) The costs and expenses of administering this Plan shall be borne by the Company and not charged to any award nor to any director receiving an award.
- (h) This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any award under this Plan and payment of awards shall be subordinate to the claims of the Company's general creditors.
- (i) In addition to the terms defined elsewhere herein, the following terms as used in this Plan shall have the following meanings:

"Designated Beneficiary" shall mean the person or persons last designated as such by the Participant on a form filed by him or her with the Company.

"Fair Market Value" of a share of Common Stock of the Company on any date set forth herein shall mean an amount equal to the mean of the high and low sale prices on the New York Stock Exchange, as reported on the composite transaction tape, for such date.

"Retirement" shall mean (i) resigning from serving as a director, failing to stand for re-election as a director or failing to be re-elected as a director after being duly nominated, and (ii) in any such case having the right to immediate or deferred pension benefits under the Company's Pension Plan for Directors as then in effect or, in the absence of such Pension Plan or another pension plan being applicable to any director, after at least six (6) full years of service as a director of the Company. More than six (6) months' service during any twelve (12) month period after a director's first election by the shareholders to the Board shall be considered as a full year's service for this purpose.

- (j) Notices. All notices to the Company under this Plan shall be in writing and shall be given as follows:

Corporate Secretary
Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501

- (k) Governing Law. This Plan shall be governed by the laws of the Commonwealth of Pennsylvania and shall be construed for all purposes in accordance with the laws of said Commonwealth except as may be required by the General Corporation Law of Delaware or by applicable federal law.

6. Amendment and Discontinuance; No Discretion

The Board of Directors of the Company may amend or modify this Plan; provided, however, that no amendment may affect a director's rights under any award of Stock Options under this Plan made prior to such amendment without such director's consent. The Board of Directors of the Company may suspend or discontinue this Plan in whole or in part at any time, but any such suspension or discontinuance shall not affect awards of Stock Options granted under this Plan prior thereto.

NOTICE OF
EXERCISE OF STOCK OPTION
GRANTED UNDER THE AIR PRODUCTS AND CHEMICALS, INC. (the "Company")
STOCK OPTION PLAN FOR DIRECTORS (the "Plan")

To: The Corporate Secretary
Air Products and Chemicals, Inc.

On _____ the Company granted me an option under the Plan to
purchase shares of its Common Stock at a price of \$ _____ per share.

I hereby give notice of exercise of my option to purchase _____ of such
shares by payment to the Company of \$ _____, the aggregate option
exercise price for such shares. My payment is made by a check enclosed herewith
and/or wire transfer of immediately available funds payable to the Company.

DELIVERY INSTRUCTIONS

Please register the shares in the following manner: Delivery Instructions:

Director's Name _____
Address _____

Soc Sec # _____

Signature of Director Acknowledgment and Receipt of
Completed Option Exercise Notice
Form and Payment of Option
Exercise Price:

Corporate Secretary's Office

Exercise Date

ADMINISTRATIVE PROCEDURES REGARDING TRANSFERS OF STOCK
OPTION AWARDS DATED 21 OCTOBER 1999 (THE "PROCEDURES")

Stock option awards granted under the Plan are transferable by the recipient of the award (the "director") on and after the date upon which, and to the extent, the option has become exercisable. Options may be transferred only in accordance with these Procedures. Directors are encouraged to seek financial and tax planning advice prior to transferring an option.

1. Exercisable options may be transferred by the director only by gift and only to the director's family members or to trusts of which such family members are beneficiaries. Family members include any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships.
2. Prior to making any transfer, the director and transferee must complete and sign the attached Election to Transfer Stock Options form and return it to the Corporate Secretary's Office. Transfers will not be effective until the form is received, acknowledged and accepted by the Secretary or an Assistant Corporate Secretary.
3. Following transfer, any Designation of Beneficiary previously filed by the director relating to transferred options is void and of no further force and effect as to the transferred options; and the transferred options may not be subsequently transferred by the transferee except by will or the laws of descent and distribution.
4. Except as otherwise provided in these Procedures, the transfer of options to the transferee also transfers the ancillary rights associated with the options under the applicable award agreement and the Plan (references herein to "options" to include both the stock options and such ancillary rights); and following transfer, the options will continue to be subject to the same terms and conditions as were applicable immediately prior to transfer under the applicable award agreement and the Plan.

5. Certain U.S. Tax Considerations

U.S. Resident Directors

Upon Transfer:

- o A director will incur gift taxes (including the generation skipping transfer tax, if applicable) on the transfer on the value of the option at the time of transfer unless the gift is incomplete, (e.g. if the director retained the power to determine when the options were exercised or to prevent sale of the optioned shares, the gift may not be complete for gift tax purposes). The Internal Revenue Service will respect the value placed on an option for gift tax purposes if the value is determined using a generally recognized option pricing model that takes into account exercise price, expected term, current trading price, expected volatility, expected dividends, and risk-free interest rates during the option's term. Neither the option nor the optioned shares will be included in the director's estate.

Upon Exercise:

- o When the transferee exercises, income is imputed to the director and will be reflected on the director's Form 1099.

Nonresident Directors

- o Nonresident directors will not be subject to gift tax on transfer of stock options. Neither the option nor the optioned shares will be included in the director's estate. Stock options will be subject to U.S. income tax upon the transferee's exercise unless exempted by treaty. [The Company is required to withhold U.S. income taxes upon exercises by a nonresident where the income arising therefrom is not exempt by treaty. In the Company's opinion, income realized upon option exercises is not exempt from U.S. tax under the U.S.-Netherlands treaty.] [In the Company's opinion, income realized upon stock option exercises is exempt from U.S. income tax under the U.S.-Japanese treaty.]

6. Certain U.S. Securities Laws Considerations for Active Directors.

- o We strongly recommend that while engaged in service to the Company, directors discuss in advance with the Corporate Secretary or his or her designee the possible implications of transferring options to enable the Company to assist the director in complying with the securities laws, including preparing any required reports for filing with the Securities and Exchange Commission and the New York Stock Exchange. The transfer

of an option must be reported as a gift transaction on the director's Form 5 (or voluntarily on an earlier Form 4).

- o If the transferee is a family member sharing the director's household or for whom the director is financially responsible, option exercise transactions by the transferee would also (a) need to be reported by the director on a Form 4 or 5, and any sale of the shares could be matched against non-exempt purchases made by the director, resulting in short-swing profit liability to the director; and (b) be limited to quarterly window periods for trading in Company stock.
- o With regard to transfer to trusts for family members, if the director does not have the power to revoke the trust (without the consent of another person) and does not have investment or voting power over the options (or shares obtained upon exercise) held by the trust, neither the trust nor the trustee will generally be subject to Section 16 nor will trust transactions be attributed to the director or subject to window periods. If the trustee is a Section 16 insider with regard to the Company with no pecuniary interest in, but with investment power over the trust assets, the trustee would be limited to selling the shares obtained by exercising the options only during quarterly window periods.
- o A transferee of a director may be subject to certain limitations under Rule 144 concerning, among other things, the number of shares of Company stock which may be sold during any three-month period and satisfaction of a holding period before shares purchased by exercising an Option may be sold.

Air Products and Chemicals, Inc.
(the "Company")

ELECTION TO TRANSFER STOCK OPTION
Granted Under The Stock Option Plan for Directors

Printed name of director or former director to whom options were granted (the "director"):

Social Security Number of director:

Address of director:

Telephone number of director:

I, the director, hereby elect to make a transfer of a stock option granted to me as follows:

Printed name of transferee:

Social Security Number or
Tax Identification Number of transferee:

Address of transferee:

Telephone number of transferee:

Relationship of transferee to director:

If transferee is a trust, list names of trustee and beneficiary(s) and relationship of beneficiary(s) to director:

Number of shares covered by option to be transferred:

Date option was awarded to director:

By signing below, I, the director, acknowledge receipt of a copy of the "Administrative Procedures Regarding Transfers of Stock Option Awards" (the "Procedures"). I further acknowledge that upon exercise of the option by the transferee, taxable income will be imputed to me, the director, and reported to the appropriate tax authorities. I understand that I am responsible for any taxes payable as a result of the exercise.

Signature of director

Date

By signing below, the transferee acknowledges receipt of a copy of the Procedures and agrees to comply with and be subject to the terms and conditions pursuant to which the option was granted (as modified by the Procedures), and agree not to further transfer the option.

Signature of transferee

Date

Receipt of this executed Election form is hereby acknowledged and accepted, and the requested transfer of stock option will be effective this _____ day of _____, _____.

AIR PRODUCTS AND CHEMICALS, INC.

By: _____
Name: _____
Title: _____

Memorandum

To: R. SULLAM Location: PRESIDENT
From: L V BROESE VAN GROENOU Location/ VP HR & PROCUREMENT
Telephone: 9901/H3
Date: 01.07.97
Subject: THE MECHANICS OF YOUR PENSION

cc: R. Blamey

Further to our most recent discussions, I am writing to clarify the mechanics of your pension arrangements. As indicated in the correspondence of 09/06/97 your entitlement is based on:

- o 40 years service at the age of 60
- o Using your final year's salary as the base
- o Plus the benefits earned by a special contribution made on your behalf in 1983
- o Less the French points pension
- o In addition you will receive a UK "old age" pension from age 65

As your entitlement is therefore defined and agreed, what remains is to describe the events leading up to your anticipated retirement date:

1. Every year Richard Blamey will inform the insurance company AG what the amount is they need to accrue. In his calculation he will need to check your latest salary as well as the French pension offset. On the basis of this information AG will inform Air Products what contribution is required.
2. In the year leading up to retirement we will assist you in establishing your exact entitlement to French Social Security. In our experience the domicile of the recipient is not an issue.
3. On the retirement date, all the components will be available to determine the sources of your pension. As the total entitlement is "fixed" your only decision will be to determine whether a lump sum or an annuity from the Belgian plan is the optimum solution for you.

If you have further detailed questions, I will make arrangements with Richard Blamey to discuss these with you.

Regards

/s/ L V Broese van Groenou

L V BORESE VAN GROENOU

AMENDED AND RESTATED
TRUST AGREEMENT
By and Between
AIR PRODUCTS AND CHEMICALS, INC.,
as Grantor
and
PNC BANK, N.A.
(formerly PROVIDENT NATIONAL BANK),
as Trustee

Dated as of August 1, 1999

Defined Benefit Pension Plans

INDEX

Page

ARTICLE I

THE TRUST AND TRUST FUND

| | | |
|------|-----------------------------------|---|
| 1.01 | The Trust..... | 2 |
| 1.02 | Investment of the Trust Fund..... | 3 |

ARTICLE II

USE AND RELEASE OF THE TRUST FUND:
PAYMENTS AND RETURN OF SURPLUS

| | | |
|------|---|----|
| 2.01 | Use of Trust Fund; Benefit Calculation Schedule and Participant Information..... | 6 |
| 2.02 | Payments to Participants..... | 7 |
| 2.03 | Payments to Creditors..... | 10 |
| 2.04 | Sufficiency of Trust Fund..... | 11 |
| 2.05 | Surplus Assets..... | 11 |
| 2.06 | Trust Actuary Determinations, etc..... | 12 |

ARTICLE III

TRUSTEE

| | | |
|------|--|----|
| 3.01 | Duties and Responsibilities..... | 12 |
| 3.02 | Legal Counsel..... | 13 |
| 3.03 | Trust Books and Records..... | 13 |
| 3.04 | Removal or Resignation of the Trustee and Designation of Successor Trustee..... | 14 |
| 3.05 | Reliance by Trustee; Third Parties..... | 15 |

INDEX

Page

| | | |
|------|----------------------------------|----|
| 3.06 | Inability of Company to Act..... | 15 |
| 3.07 | Indemnity..... | 15 |

ARTICLE IV

TRUST FUND TAXES; TRUSTEE FEES;
OTHER COSTS OF TRUST ADMINISTRATION

| | | |
|------|--|----|
| 4.01 | Trust Fund Taxes..... | 16 |
| 4.02 | Trustee Fees; Other Trust Administration Expenses..... | 16 |

ARTICLE V

CERTAIN DEFINITIONS

| | | |
|------|--|----|
| 5.01 | Change in Control or Change in Control of the Company..... | 17 |
| 5.02 | Company Stock..... | 19 |
| 5.03 | Company Stock Agreement..... | 19 |
| 5.04 | Current Plan Termination Liability..... | 19 |
| 5.05 | Designated Beneficiary..... | 19 |
| 5.06 | Determination of Taxability..... | 19 |
| 5.07 | Insolvent..... | 20 |
| 5.08 | Letter of Credit..... | 20 |
| 5.09 | Minimum Trust Amount..... | 21 |
| 5.10 | Participant Information..... | 21 |
| 5.11 | Participant Representatives..... | 21 |
| 5.12 | Savings Plan..... | 22 |
| 5.13 | Trust Actuary..... | 22 |

INDEX

Page

ARTICLE VI

TERMINATION, AMENDMENT AND WAIVER

| | | |
|------|---------------------------|----|
| 6.01 | Termination..... | 22 |
| 6.02 | Amendment and Waiver..... | 23 |

ARTICLE VII

GENERAL PROVISIONS

| | | |
|------|---|----|
| 7.01 | Further Assurances..... | 24 |
| 7.02 | Entire Agreement; Severability..... | 24 |
| 7.03 | Notices, etc..... | 24 |
| 7.04 | Trust Beneficiaries..... | 25 |
| 7.05 | Necessary Parties in Actions Affecting the Trust..... | 26 |
| 7.06 | Successors; Non-Alienation..... | 26 |
| 7.07 | Parties Interested Herein..... | 27 |
| 7.08 | No Personal Liability; Indemnification of Participant Representatives..... | 27 |
| 7.09 | Texts of Plans and Plan Amendments..... | 28 |
| 7.10 | Titles..... | 28 |
| 7.11 | Applicable Law..... | 28 |
| 7.12 | Counterparts..... | 29 |

AMENDED AND RESTATED TRUST AGREEMENT

AMENDED AND RESTATED TRUST AGREEMENT, by and between AIR PRODUCTS AND CHEMICALS, INC., a Delaware corporation (the "Company"), and PNC BANK, N.A. (formerly Provident National Bank), a national banking association, as trustee (the "Trustee"), said trust agreement initially dated as of December 1, 1987, and with the consent of the "Participant Representatives", as defined in Article V hereof, amended and restated effective October 31, 1989 and further amended by Amendment Nos. 1, 2, 3, and 4 as of April 25, 1991, April 30, 1993, May 1, 1995 and May 1, 1997, which amendments reflected, among other things, changes in the "Trust Amount" as defined in Article V hereof, and delivery to the Trustee of amendments of the "Letter of Credit", as defined in Article V hereof, extending the term and changing the amount of the Letter of Credit;

WHEREAS, the Company is obligated under the plan and agreements listed on Exhibit A hereto (together, the "Plans") to provide benefits to certain employees and past employees of the Company and certain of its subsidiaries (together with their "Designated Beneficiaries", as defined and provided in Article V hereof, the "Participants");

WHEREAS, the payment of benefits to be made and the obligations of the Company under the Plans are not funded or otherwise secured and the Company desires to assure that future payment of said benefits will not be improperly withheld for any reason including in the event of a "Change in Control of the Company", as defined in Article V hereof;

WHEREAS, for purposes of providing greater assurance that such benefits will not be improperly withheld, the Company entered into the Amended and Restated Trust Agreement with the Trustee and deposited with the Trustee the cash and other property described in Subsection 1.01(a) below, and may deposit with the Trustee, subject only to the claims of the Company's general creditors, amounts of cash and other property sufficient to pay accrued benefits under the Plans;

WHEREAS, the Company and the Trustee have determined to again amend and restate the Amended and Restated Trust Agreement, again with the consent of the Participant Representatives, effective August 1, 1999 as set forth herein (and referred to hereinafter as the "Trust Agreement") to, among other things, provide for increasing the Trust Amount and permit the contribution to and investment of Trust assets prior to a Change in Control in the form of "Company Stock", as defined in Article V hereof, in addition to Letters of Credit and cash;

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I
THE TRUST AND TRUST FUND

SECTION 1.01 The Trust.

(a) Establishment of Trust and Funding of Trust Amount. The Company established with the Trustee a trust (the "Trust") to consist of such sums of money and/or assets including Letters of Credit and "Company Stock Agreements", as defined in Article V hereof, as shall from time to time be paid or delivered to the Trustee (less such amounts distributed from the Trust pursuant to Sections 2.02, 2.03, 2.05 and 4.02 hereof or otherwise pursuant to the terms of this Trust Agreement), in whatever form held or invested as provided herein (the "Trust Fund"). The Company, concurrently with the establishment of the Trust, delivered to the Trustee to be held in the Trust \$100.00 in cash and a Letter of Credit in the amount of twenty-nine million dollars (\$29,000,000.00); and most recently, on May 1, 1999, delivered to the Trustee an amendment to the Letter of Credit increasing the amount of the Letter of Credit to the amount of sixty million dollars (\$60,000,000.00) (the "Trust Amount") to cover the "Current Plan Termination Liability", as defined in Article V hereof. The Trust Amount may be increased at any time by written notice to the Trustee from the Company and contribution of assets to the Trust sufficient to pay such increased Trust Amount, such increase to be effective, and this Subsection 1.01 to be amended as of, the date of written acceptance by the Trustee of such notice and contribution of assets.

(b) Maintenance of Trust Amount. The Trust Fund shall at all times be maintained at a level at least equal to the Trust Amount except as otherwise provided in Subsection 1.01(c). Accordingly, the Company shall be obligated to immediately reimburse the Trust for any Trust assets used to pay expenses of Trust administration or Plan benefits and shall reimburse the Trust for amounts paid in satisfaction of claims of the Company's general creditors as required by and in accordance with Section 2.03 hereof, so that the Trust Fund is promptly restored to at least the Trust Amount following any such payments from the Trust. Furthermore, in the event that the Trustee receives notice at any time from the issuing bank that, or with the effect that, the Letter of Credit will terminate prior to the end of the then-current term thereof, or if the Trustee has not received a replacement Letter of Credit on or before the eleventh (11th) day prior to the scheduled expiration of the term of the existing Letter of Credit, and the Company has not, by the eleventh (11th) day prior to the early termination or scheduled expiration of the Letter of Credit contributed cash and/or Company Stock to the Trust Fund equal to the Trust Amount, the Trustee shall, in the event of receipt of such notice from the issuing bank, immediately, and in the event of failure to replace the Letter of Credit prior to its scheduled expiration, on the day next

following such eleventh (11th) day (or on such later day which is the earliest day upon which the Letter of Credit will permit) draw the entire amount covered by such existing Letter of Credit.

(c) Ongoing Funding. The Company may, but shall have no obligation to, make additional contributions to the Trust from time to time, except that upon a Change in Control the Company shall be obligated to immediately, without notice or demand, contribute cash to the Trust in an amount equal to the Trust Amount. If the Trustee has not received payment of the Trust Amount in immediately available funds by 10:30 a.m. Eastern Standard or Daylight Savings Time (whichever is prevailing in Philadelphia, Pennsylvania) on the day on which the Change in Control of the Company occurs, the Trustee shall immediately draw the entire amount covered by any Letter of Credit and/or make a written demand for contribution to the Trust of any Company Stock reserved under a Company Stock Agreement addressed to the Board of Directors and chief executive officer of the Company, with a copy thereof to the Participant Representatives and the transfer agent and registrar for the Company Stock.

In addition, if at any time the Company calculates the Current Plan Termination Liability and the amount equal to 200% of the Current Plan Termination Liability as so calculated is certified by the "Trust Actuary," as defined in Article V hereof, to be less than the Trust Amount, such amount shall constitute the new Trust Amount thereafter required to be maintained in the Trust Fund. Upon receipt, prior to a Change in Control of the Company, by the Trustee of a written direction from the Company to reduce any Letter of Credit then held in the Trust accompanied by the Trust Actuary's certification of the new Trust Amount, the Trustee shall give notice to the issuing bank under the Letter of Credit to reduce the amount payable under such Letter of Credit to the amount of the new Trust Amount.

(d) Form of Contributions to and Reimbursements of the Trust. Any contribution to or reimbursement of the Trust made by the Company as required or permitted under Subsections 1.01(a), 1.01(b) or 1.01(c) may be made in whole or in part in the form of cash, by delivery or amendment of a Letter of Credit, and/or in the form of Company Stock except that the required contribution provided for in the first sentence of Subsection 1.01(c) shall be made in cash.

SECTION 1.02 Investment of the Trust Fund.

(a) Prior to a Change in Control. The Trust Fund shall be received, held, managed, disbursed and otherwise administered by the Trustee as provided in this Trust Agreement, and shall be invested and reinvested by the Trustee only in cash, cash equivalents, Letters of Credit and/or in Company Stock.

The Trust is intended to be a grantor trust within the meaning of Section 671 of the Internal Revenue Code (the "Code") and, except as hereinafter permitted in this Subsection 1.02(a), all interest and dividends earned on the investment of the Trust Fund shall be the property of the Company and shall not constitute a part of the Trust Fund. The interest and dividends earned in any calendar quarter shall be paid over to the Company by the Trustee as promptly as practicable after the end of each quarter or, at the option of the Company exercisable by delivering notice to the Trustee, shall be contributed to the Trust Fund.

(b) On and After a Change in Control. Subject to the terms of this Trust Agreement, the Trustee shall have complete and sole discretion and responsibility for the investment and reinvestment of the Trust Fund. Following receipt of any contribution of cash from the Company or the draw of proceeds under any Letter of Credit, the proceeds thereof while held in the Trust Fund shall be invested by the Trustee pending payment to Participants, taking into account, among other things, the timing and amount of anticipated cash requirements for payments required to be made from the Trust Fund, only in:

(i) government obligations, meaning direct obligations of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America;

(ii) government agency obligations, meaning direct obligations (including bonds, notes or participation certificates) of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by, any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Farmers Home Administration; Federal Home Loan Mortgage Corporation; Federal Housing Administration; Private Export Funding Corporation; Tennessee Valley Authority; or Federal National Mortgage Association;

(iii) state government obligations meaning direct and general obligations of any state of the United States on which the full faith and credit of the state is pledged and which are rated in the highest rating category by Moody's Investors Service, Inc. or Standard & Poors Corporation; and

(iv) interest-bearing demand or time deposits with, negotiable certificates of deposit issued by, or any short term investment in a common, collective or commingled trust fund or pooled investment fund maintained by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance

Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation, in any case with a combined capital and surplus of at least \$100,000,000.

The Trustee shall not be liable for any loss of income due to liquidation of any investment, including without limitation Company Stock, which the Trustee, in its sole discretion, believes necessary to make payments or to reimburse expenses under the terms of this Trust Agreement. All interest and other amounts earned on the investment of the Trust Fund shall constitute a part of the Trust Fund.

(c) Exercise of Rights Under Letters of Credit. Whether before or after a Change in Control of the Company, the Trustee shall exercise its rights as beneficiary of, and take all action reasonably necessary to enforce, the Letter of Credit as required or permitted hereunder and in accordance with the terms thereof, and will draw on the Letter of Credit whenever and to the fullest extent permitted by the terms thereof, without regard to whether the Company has directed the Trustee to take any such action or to refrain from taking any such action, and shall, to the maximum extent permitted by applicable law, be fully protected in doing so. The proceeds of any Letter of Credit shall be held, invested and disbursed by the Trustee as provided in this Trust Agreement.

(d) Certain Rights Regarding Company Stock Registered in the Name of the Trustee for the Benefit of the Trust.

(i) Voting Rights. The Trustee shall follow the directions of participants in the "Savings Plan," as defined in Article V hereof, with respect to the manner of voting of Company Stock held by the Trust on each matter pending before an annual or special meeting of stockholders of the Company or any action by written consent of stockholders in lieu of a meeting. In connection with any such meeting of stockholders or action by written consent in lieu of a meeting, the Trustee shall obtain from the Savings Plan trustee certification of the directions received from the Saving Plan participants (in the aggregate and not identifying any individual direction) directing the Savings Plan trustee whether and how to vote, abstain or act by written consent with respect to the Company Stock held by the Savings Plan. Upon receipt by the Trustee of such certification, the Trustee shall, on each such matter, vote, abstain or act by written consent with respect to the shares of Company Stock held by the Trust in the same proportion and manner as the Saving Plan participants directed the Savings Plan trustee with respect to the Company Stock held by the Savings Plan.

(ii) Tender or Exchange Offer. If a tender or exchange offer is commenced for Company Stock, the Trustee shall obtain from the Savings Plan trustee certification of the directions received from the

Savings Plan participants directing the Savings Plan trustee whether to tender or exchange the Company Stock held by the Savings Plan. Upon receipt by the Trustee of such certification, the Company Stock held by the Trustee shall be tendered or exchanged, or not tendered or exchanged, by the Trustee in the same proportion and manner as the Savings Plan participants directed the Savings Plan trustee with respect to the Company Stock held by the Savings Plan.

(iii) Confidentiality. All voting and other actions taken pursuant to the foregoing paragraphs (i) and (ii) of Subsection 1.02 (d), and the contents of any certification of directions received by the Savings Plan trustee as contemplated by such paragraphs (i) and (ii), shall be held confidential by the Trustee and shall not be divulged or released to any person, including officers and employees of the Company and its affiliates (other than (x) agents of the Trustee who are not affiliated with the Company or its affiliates or (y) by virtue of the execution by the Trustee of any proxy, consent or letter of transmittal for the shares of Company Stock held in the Trust).

(iv) Trustee Action. The Trustee shall not make any recommendations regarding the manner of exercising any rights under this Subsection 1.02(d), including whether or not any rights should be exercised.

ARTICLE II
USE AND RELEASE OF THE TRUST FUND:
PAYMENTS AND RETURN OF SURPLUS

SECTION 2.01 Use of Trust Fund; Benefit Calculation Schedule and Participant Information.

(a) General. Except as provided in Subsection 2.02(a) and Section 2.05 as to surplus assets, Section 2.03 as to Company creditors, and Section 4.02 as to Trustee fees and other Trust administration expenses, the Trust Fund shall be used solely to pay Plan benefits to Participants.

(b) Benefit Calculation Schedule and Participant Information. Attached hereto as Exhibit B is a schedule (said schedule,, together with all documents and materials attached thereto as annexes or referred to therein as having been provided to the Trustee by the Company, being hereinafter referred to as the current "Benefit Calculation Schedule") describing as of the date hereof how to calculate the basic or primary form of benefit and all alternative or optional forms of benefits payable under the applicable Plan. In addition, the Company has provided to the Trustee the "Participant Information" as defined in Article V hereof,

which is complete and accurate as of December 31, 1998, or such later date as indicated therein. During the first calendar quarter of each calendar year beginning with calendar year 2000, the Company has and shall continue to provide the Trustee with any revisions to the Benefit Calculation Schedule and updated Participant Information, in each case as of the end of the immediately preceding calendar year.

The Company may update the preceding annual Benefit Calculation Schedule and/or Participant Information as of a date subsequent to the preceding calendar year end at any time by providing an updated Benefit Calculation Schedule and/or Participant Information to the Trustee, and shall do so promptly upon a Change in Control. However, after a Change in Control, no additions to or deletions from the list of Plans covered by this Trust Agreement or to or from the Participant Information or any change in the description of how to calculate benefits included in the Benefit Calculation Schedule shall be permitted without the written consent of the Participant Representatives. If the Company should fail to provide to the Trustee any Benefit Calculation Schedule or Participant Information required hereby, the Participant Representatives may do so and the Trustee shall provide a copy thereof to the Company.

SECTION 2.02 Payments to Participants.

It is expected that any amount payable to any Participant under a Plan will be satisfied and paid by the Company, in whole or in part, from its general funds.

(a) Prior to a Change in Control. However, Plan benefits which remain unpaid for 30 days after receipt by the Company from the Trustee of a "Payment Demand", as defined in this Subsection 2.02(a), shall be paid from the Trust Fund, subject to reduction in the event of insufficiency of the Trust Fund as provided in Section 2.04, and the Trustee shall liquidate assets of the Trust Fund to make such payment or payments, including by drawing under any Letter of Credit or selling Company Stock registered in the name of the Trustee for the benefit of the Trust. As to Company Stock reserved under a Company Stock Agreement, the Trustee shall make a written demand for contribution of such Company Stock addressed to the Board of Directors and chief executive officer of the Company, with a copy thereof to the Participant Representatives and the transfer agent and registrar for the Company Stock.

For purposes hereof, a "Payment Demand" is a written demand for payment executed by the Trustee stating that the Trustee has received

(i) a written notice from the Participant Representatives of the Company's failure to make a benefit payment or payments owing to a Participant under a Plan after the Participant's written request to the Company's Plan Administrator for such payment, and

(ii) a written certification by the Trust Actuary, based upon the Benefit Calculation Schedule and Participant Information then applicable to the Plan, of the amount of and time at which such payment or payments were due and that the Trust Amount is sufficient (or the extent to which it is insufficient) to make such payment or payments in accordance with Section 2.04.

In addition, upon a "Determination of Taxability", as defined in Article V hereof, except if this Trust Agreement is revoked as permitted by Section 6.01, the Company shall either pay from its general funds or instruct the Trustee to pay an amount from the Trust Fund to each Participant equivalent to the amount previously included or which will be required to be included in the Participant's gross income for federal income tax purposes with respect to the Trust Fund, as well as an amount equivalent to the sum of all interest, penalties, additions to tax and similar amounts which such Participant owes or will owe with respect to the Trust Fund to all federal, state and local tax authorities (together, "Tax Penalties"). After such payment has been made in full, the Trustee shall return the remaining assets then comprising the Trust Fund to the Company, whereupon the Trust shall be terminated.

Company Stock registered in the name of the Trustee for the benefit of the Trust shall be transferred by the Trustee, and/or sold by the Trustee to obtain cash for transfer, to pay Plan benefits. To facilitate any such sales of such Company Stock, the Company shall register under the Securities Act of 1933, as amended (the "1933 Act"), such Company Stock as the Trustee may direct. The Trustee shall have no obligation to sell the Company Stock until such registration is complete. If the Trustee is required to sell Company Stock, the Trustee may engage agents to effect such sales and shall be reimbursed for the reasonable fees and expenses of such agents in accordance with Section 4.02.

(b) On and After a Change in Control. Following the termination of employment of any Participant and the delivery to the Trustee by the Company or by the Participant of a written notice of such termination and, if applicable, the election by the Participant of the form available under the Plan in which his Plan benefit is to be paid, the Trustee shall within ten days after the receipt thereof by the Trustee,

(i) provide a copy of such notice of termination and election of form of benefit to the Participant or the Company, as applicable, and to the Participant Representatives and the Trust Actuary, and

(ii) direct the Trust Actuary to calculate or verify the Plan benefit to which the Participant is entitled as soon as possible, based upon the

Benefit Calculation Schedule and Participant Information then applicable to the Plan.

The Trustee shall thereafter pay such benefit to the Participant in the form, amount or amounts and at the time or times specified by the Trust Actuary in writing to the Trustee, to the extent not paid by the Company from its general funds and subject to the sufficiency of the Trust Fund as provided in Section 2.04 at the time said payment or payments are due.

In addition, upon a Determination of Taxability, the Trustee shall pay to the Participants all of the assets comprising the Trust Fund in proportion to the amounts previously included or which will be required to be included in each respective Participant's gross income for federal income tax purposes with respect to the Trust Fund as specified in writing by the Trust Actuary, whereupon the Trust shall be terminated.

(c) Withholding Taxes. The Trustee, whether on its own behalf or on behalf of the Company, has the right and duty and shall deduct from each payment under this Section 2.02 any federal, state or local withholding or other taxes or charges which the Trustee or the Company may from time to time be required to deduct under applicable laws, and shall pay over to the appropriate government authority the amounts so withheld. The Trustee will notify the Company of any withholding it makes.

(d) Effect on Plan Rights. Distributions made from the Trust Fund to a Participant in respect of Plan benefits shall satisfy the Company's contractual obligation to pay benefits to such Participant under the respective Plan to the extent of the sum of (i) any payments received by the Participant from the Trust under Subsection 2.02(a) or 2.02(b) hereof and (ii) the amounts withheld by the Trustee in accordance with Subsection 2.02(c) hereof; provided, however, that in the event of a distribution upon a Determination of Taxability, the amount of such distribution which is equivalent to the sum of (x) all Tax Penalties and (y) all additional federal, state and local taxes which would be owed by the Participant with respect to a reimbursement payment for such Tax Penalties, shall not satisfy the Company's obligation to pay benefits to such Participant under the Plans unless and until the Company pays to such Participant, in addition to Plan benefits, the amounts described in clauses (x) and (y) above from the Trust Fund or from its general assets. The payment of Plan benefits to a Participant from the Trust Fund on a reduced basis because of the insufficiency of the Trust Fund at the time of such payment or payments, as provided in Section 2.04 hereof, shall not alter, affect or detract in any way from the Participant's right to receive the remainder of his Plan benefits from, and to enforce said right against, the Company. Except for payments made as a result of a Determination of Taxability, the payment of benefits from this Trust shall be as provided for in the Plans and payments from this Trust shall be consistent with the Plans as to timing and maximum amount.

SECTION 2.03 Payments to Creditors.

At all times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of general creditors of the Company as set forth in this Section 2.03, and at any time the Trustee has actual knowledge, or has determined, that the Company is "Insolvent," as defined in Article V hereof, the Trustee shall suspend any further payments from the Trust Fund to Participants and will hold the Trust Fund for the benefit of the Company's general creditors. The Board of Directors and the chief executive officer of the Company shall each have the duty to inform the Trustee of the Company's Insolvency. If the Company or a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall independently determine, within 30 days after receipt of such notice, whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payments of Plan benefits to Participants, shall hold the Trust assets for the benefit of the Company's general creditors, and shall resume payments of Plan benefits to Participants in accordance with this Trust Agreement only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent, if the Trustee initially determined the Company to be Insolvent).

Unless the Trustee has actual knowledge of the Company's Insolvency or has reason to believe that the Company is Insolvent, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's Insolvency as may be furnished to the Trustee which will give the Trustee a reasonable basis for making a determination concerning the Company's solvency. Nothing in this Trust Agreement shall in any way diminish any rights of any Participant to pursue his rights as a general creditor of the Company with respect to Plan benefits or otherwise.

If the Trustee discontinues payment of benefits from the Trust pursuant to this Section 2.03 and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments which would have been made to any Participant during the period of such discontinuance, less the aggregate amount of payments made to such Participant by the Company from its general assets during any such period of discontinuance. Such amount, if any, shall be paid together with interest thereon at the prime rate as determined by the Trustee for the period.

Any assets of the Trust applied to the satisfaction of claims of general creditors pursuant to this Section 2.03 shall, upon a determination by the Trustee that the Company is no longer Insolvent, be immediately reimbursed to the Trust by the Company, together with interest thereon at the rate specified in the preceding paragraph of this Section 2.03.

SECTION 2.04 Sufficiency of Trust Fund.

To the extent provided herein, the Trust Fund shall be used to pay Plan benefits to Participants in accordance with and in such forms, including lump sums, provided for under the respective Plan, all as such benefits may become due and payable from time to time under the terms of the applicable Plan; provided, however, that if at any time the fair market value of the Trust Fund is less than the Minimum Trust Amount, the amount to be paid to each such Participant from the Trust Fund at such time shall be reduced in proportion to the ratio which the aggregate fair market value of the Trust Fund bears to the applicable Minimum Trust Amount.

Such reduction of benefit payments shall continue until such time as the Trust Fund is again at least equal to the applicable Minimum Trust Amount or represents a larger ratio of the Current Plan Termination Liability. Thereupon, after payment in full (or at the higher ratio) of any Plan benefit payments which had previously been curtailed under this Section 2.04 and which have not otherwise been paid by the Company, together with interest thereon at the prime rate as determined by the Trustee for the period of nonpayment, the Trustee shall resume making Plan benefit payments in full (or at a larger ratio permitted under the terms of the preceding paragraph of this Section 2.04).

Following a Change in Control, the Trustee shall value the Trust Fund and direct the Trust Actuary to calculate the Minimum Trust Amount as of the end of each calendar quarter, promptly following the end of each calendar quarter. The Trustee shall be entitled to apply the resulting ratio to Plan benefits which may be paid from the Trust Fund to all benefit payments made until the next such required valuation by the Trustee and calculation by the Trust Actuary.

Notwithstanding the foregoing provisions of this Section 2.04, the Trustee shall have the right to pay all or an amount constituting a higher ratio of Plan benefits from the Trust Fund pursuant to the written direction of the Participant Representatives or if, upon the advice of the Trust Actuary, the Trustee believes that such an increase in current Plan benefit payments will not result in insufficient Trust assets to pay all remaining Plan benefits as and when due, for instance, when some but not all of the Plans have been terminated as defined in Section 5.07 hereof.

SECTION 2.0 Surplus Assets.

After payment in full of all Plan benefits in accordance with the Plans and payment of all expenses of administration of the Trust, including any fees that may be expected to be incurred in terminating the Trust, the Trustee shall deliver to the Company any remaining surplus assets of the Trust Fund.

SECTION 2.06 Trust Actuary Determinations, etc.

In connection with any certification, determination, calculation or verification of Plan benefits required to be made by the Trust Actuary as provided in Section 2.02 or of the Trust Amount or the "Minimum Trust Amount", as defined in Article V hereof, required to be made by the Trust Actuary under Subsection 1.01(c) or Section 2.04, respectively, the Trust Actuary shall be permitted to apply and rely on any administrative procedures and assumptions as to which the Trust Actuary and Participant Representatives agree, including without limitation, assumptions updating any such calculation to the date of payment from the date of the information contained in the most recent applicable Benefit Calculation Schedule and Participant Information. In addition, the Trust Actuary may require the Trustee to engage tax counsel acceptable to the Participant Representatives and/or the Company's or its successor's independent auditors to assist in the determination of the amounts payable to each Participant upon a Determination of Taxability as provided in Subsection 2.02(b) hereof.

ARTICLE III
TRUSTEE

SECTION 3.01 Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be limited to those expressly set forth in this Trust Agreement and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee. The Trustee shall not be liable for any act taken or omitted to be taken hereunder if taken or omitted to be taken by it in good faith.

If, pursuant to Section 2.03 hereof or otherwise, all or any part of the Trust Fund is at any time attached, garnished or levied upon by any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by a court affecting such property or any part thereof, then and in any of such events the Trustee shall give notice thereof to the Company and is authorized, in its sole discretion, to rely upon and comply with any such order, writ, judgment or decree, and it shall not be liable to the Company (or any of its subsidiaries) or any Participant by reason of such compliance even though such order, writ, judgment or decree subsequently may be reversed, modified, annulled, set aside or vacated.

SECTION 3.02 Legal Counsel.

The Trustee may engage legal counsel, including, prior to a Change in Control, counsel to the Company, and consult with such counsel with respect to the construction of this Trust Agreement, the duties of the Trustee hereunder, the transactions contemplated by this Trust Agreement or any act which the Trustee proposes to take or omit, and rely upon the advice of such counsel.

SECTION 3.03 Trust Books and Records.

(a) Maintenance; Inspection; Annual Statements. The Trustee shall maintain such books, records and accounts as may be necessary for the proper administration of the Trust Fund. During any period, whether before or after a Change in Control, when the Trust Fund is comprised of assets other than the \$100.00 in cash initially contributed to the Trust, earnings thereon, a Letter of Credit and/or Company Stock reserved under a Company Stock Agreement (a "Funded Period"), the Trustee shall maintain accounts of all its receipts, investments, disbursements, and other transactions and proceedings under this Trust Agreement. Such person or persons as the Company shall designate shall be allowed to inspect and audit such books of account of the Trustee relating to the Trust Fund upon request at any reasonable time during business hours.

Within 30 days after the close of each fiscal year of the Company during which any Funded Period occurred, the Trustee shall transmit to the Company and certify to the accuracy of, a written statement of its accounts and proceedings with respect to the Trust Fund for such year, which statement shall include a statement of assets and liabilities aggregated by categories and valued at fair market value as of the close of the year in question, and the net assets available for Plan benefits, including a statement of receipts and disbursements during the year, aggregated by general source and application.

(b) Additional Duties on and After a Change in Control. The Trustee shall continue to be obligated to keep the books and records, permit audit and inspection thereof, and to provide the annual written statements provided for in Subsection 3.03(a) above, and shall in addition provide a copy of such annual statements to, and shall permit audit and inspection of its books and records by, such person or persons as are designated to the Trustee in writing by the Participant Representatives.

(c) Settlement of Accounts. Notwithstanding any other provision of this Trust Agreement, in the event of the termination of the Trust, or the resignation or discharge of the Trustee, the Trustee shall have the right to a settlement of its accounts, which accounting may be made, at the option of the Trustee, either (i) by a judicial settlement in a court of competent jurisdiction or (ii) by agreement of

settlement, release and indemnity from the Company to the Trustee with the written consent of the Participant Representatives.

(d) Valuation of Company Stock. The Trustee shall value Company Stock at its fair market value for purposes of valuing the Trust Fund under any provision of this Trust Agreement including without limitation for preparing the reports, tax returns and filings contemplated by this Section 3.03 or Section 4.01. Fair market value shall mean for this purpose the closing price of a share of Company Stock on the trading day immediately preceding the date as of which said value is to be presented in such report, tax return or filing, as reported in the Wall Street Journal on the composite tape for issues listed on the New York Stock Exchange.

SECTION 3.04 Removal or Resignation of the Trustee and Designation of Successor Trustee.

(a) Removal. At any time prior to a Change in Control, the Company may remove the Trustee with or without cause, upon at least 60 days' notice in writing to the Trustee. The necessity for such prior notice may be waived by the mutual agreement of the Trustee and the Company. Within 60 days after any such notice of removal to the Trustee or prior to any earlier removal of the Trustee, the Company shall designate a successor Trustee qualified to act hereunder. At any time on or after a Change in Control, the Trustee may not be removed except by order of a court having competent jurisdiction or by written direction of the Participant Representatives.

(b) Resignation. The Trustee may resign at any time upon at least 60 days' notice in writing to the Company and, if the Trustee resigns prior to a Change in Control, the Company shall appoint a Successor Trustee qualified to act hereunder within 60 days after such notice of resignation. If the Company is unable to act or fails to appoint a Trustee, the Participant Representatives may appoint the Trustee. If the Trustee resigns at any time on or after a Change in Control, then the Trustee's resignation shall become effective only after the Trustee has designated a successor Trustee qualified to act hereunder with the written consent of the Participant Representatives. If the Trustee is unable to obtain such consent, it shall be entitled to petition a court of competent jurisdiction to appoint its successor, and the Trustee shall continue to serve until its successor accepts the Trust and receives delivery of the Trust Fund.

(c) Final Statement of Accounts. In the event of such removal or resignation, the Trustee shall duly file with the Company prior to a Change in Control, or a person or persons designated in writing by the Participant Representatives after a Change in Control, a written statement or statements of accounts and proceedings as provided in Subsection 3.03(a) hereof for the period since the last previous annual accounting for each Plan.

(d) Powers of Successor; Assignment of Trust Fund. Each such successor Trustee, during such period as it shall act as such, shall have the powers and duties herein conferred upon the initial Trustee, and the word "Trustee" wherever used herein, except where the context otherwise requires, shall be deemed to include any successor Trustee. Upon designation of a successor Trustee and delivery to the resigned or removed Trustee of written acceptance by the successor Trustee of such designation, such resigned or removed Trustee shall promptly assign, transfer, deliver and pay over to such Trustee, in conformity with the requirements of applicable law, the funds and properties in its control or possession then constituting the Trust Fund.

(e) Requirements as to Trustee. The Trustee and any successor thereto appointed hereunder shall be a commercial bank which is not an affiliate of the Company, but which is a national banking association or established under the laws of one of the states of the United States, and which has a combined capital and surplus of at least \$100,000,000.

SECTION 3.05 Reliance by Trustee; Third Parties.

The Trustee shall be fully protected in acting or omitting to act in reliance upon any instrument, certificate, letter or other document which it believes to be genuine. A third party dealing with the Trustee shall not be required to make inquiry as to the authority of the Trustee to take any action nor be under any obligation to follow the proper application by the Trustee of the proceeds of sale of any property sold by the Trustee or to inquire into the validity or propriety of any act of the Trustee.

SECTION 3.06 Inability of Company to Act.

If at any time the Company shall be incapable for any reason of giving instructions, directions or authorizations to the Trustee as herein provided, the Trustee may act without such instructions, directions or authorizations as it, in its discretion, shall deem appropriate or advisable under the circumstances for carrying out the provisions of the Plans or this Trust Agreement; provided, however, that the Trustee shall notify the Company in writing of any such actions taken pursuant to this Section 3.06.

SECTION 3.07 Indemnity.

The Company shall pay and shall protect, indemnify and save harmless the Trustee and its officers, employees and agents from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) of any nature arising from or relating to any action by or any

failure to act by the Trustee, its officers, employees or agents or the transactions contemplated by this Trust Agreement, including, but not limited to, any claim made by a Participant with respect to payments made or to be made by the Trustee, and any claim made, whether before or after a Change in Control, by the Company or its successor that this Trust Agreement is invalid, except to the extent that any such loss, liability, action, suit, judgment, demand, damage, cost or expense is caused by the gross negligence or willful misconduct of the Trustee, its officers, employees or agents.

ARTICLE IV
TRUST FUND TAXES; TRUSTEE FEES;
OTHER COSTS OF TRUST ADMINISTRATION

SECTION 4.01 Trust Fund Taxes.

The Company shall from time to time pay taxes of any and all kinds whatsoever which at any time are lawfully levied or assessed upon or become payable in respect of its interests in the Trust Fund, the income or any property forming a part thereof. To the extent that any taxes lawfully levied or assessed upon the Trust Fund are not paid by the Company, the Trustee shall contest the validity of such taxes in any manner deemed appropriate by the Company or its counsel, at Company expense, but only if it has received an indemnity bond or other security satisfactory to it to pay any such expense. The Company may itself contest the validity of any such taxes.

SECTION 4.02 Trustee Fees; Other Trust Administration Expenses.

The Trustee shall be entitled to compensation from the Company for its services as Trustee of the Trust, during any Funded Period as custodian of the assets of the Trust Fund and, following a Change in Control during any Funded Period, as investment manager of the assets of the Trust Fund, at such reasonable rates as may from time to time be agreed upon by the Trustee and the Company; provided, however, that such rates of fees as are in effect for such services on the effective date of this Trust Agreement shall not be increased for at least two years following the effective date of this Trust Agreement. In addition, the Company shall pay the expenses of administering the Trust. For purposes hereof, the expenses of administering the Trust shall include but not be limited to the following:

- (i) the foregoing fees of the Trustee;
- (ii) the reasonable fees and expenses of the Trustee's legal counsel referred to in Section 3.02 hereof;

(iii) the reasonable fees and expenses of the Trust Actuary and of the tax counsel and auditors referred to in Section 2.06 hereof;

(iv) the reasonable expenses of each of the Participant Representatives and the reasonable fees and expenses of any legal counsel to any or all of the Participant Representatives which may from time to time be engaged by the Participant Representatives to advise any or all of them with respect to the construction of this Trust Agreement and their actions as Representative Participants; and

(v) any losses, liabilities, damages, costs and expenses (including without limitation for reasonable attorney's fees and expenses) paid or incurred by the Trustee or the Participant Representatives for which the Company is obligated to provide indemnity pursuant to Section 3.07 or 7.08, respectively, and any expenses of Participants referred to in Section 7.04.

Regardless of the provisions of Section 2.04 or the sufficiency of the Trust Fund to make future payments required hereunder, the Trustee shall liquidate assets of the Trust Fund, including by drawing under any Letter of Credit, to pay or to reimburse itself for any such compensation and expenses of Trust administration not paid by the Company. Such payment or reimbursement shall be made by the Trustee within 60 days after receipt by the Company of the Trustee's invoice for, and supporting documentation evidencing the nature and amount of, such compensation and expenses and, notwithstanding the foregoing, within 20 days after written demand is made on the Company by an indemnitee for advancement of expenses incurred by an indemnitee in defending any proceeding as to which the Company is obligated to provide indemnity under this Trust Agreement or, as to any Participant Representative, under the Company's Certificate of Incorporation, and within 20 days after receipt of the expense statement and direction of the Participant Representatives to reimburse Participant expenses as provided in Section 7.04 hereof. If the Trust Fund does not have sufficient funds to pay such amounts, the Company will pay them.

ARTICLE V CERTAIN DEFINITIONS

As used in this Trust Agreement, in addition to other terms defined elsewhere herein, the following terms shall have the following meanings, unless the context clearly indicates otherwise:

SECTION 5.01 "Change in Control" or "Change in Control of the Company" shall mean the first to occur of any one of the events described below:

(a) Stock Acquisition. Any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), other than the Company or a corporation, a majority of whose outstanding stock entitled to vote is owned, directly or indirectly, by the Company (a "Subsidiary"), or a trustee of an employee benefit plan sponsored solely by the Company and/or such a Subsidiary, is or becomes, other than by purchase from the Company or such a Subsidiary, the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities. Such a Change in Control shall be deemed to have occurred on the first to occur of the date securities are first purchased by a tender or exchange offeror, the date on which the Company first learns of acquisition of 20% or more of such securities, or the later of the effective date of an agreement for the merger, consolidation or other reorganization of the Company or the date of approval thereof by a majority of the Company's shareholders, as the case may be.

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

(c) Other Events. Any other event or series of events which, notwithstanding any other provision of this definition, is determined, by a majority of the outside members of the Board of Directors of the Company serving in office at the time such event or events occur, to constitute a Change in Control of the Company for purposes of this Trust Agreement. Such a Change in Control shall be deemed to have occurred on the date of such determination or on such other date as such majority of the outside members of the Board shall specify.

The Board of Directors and the chief executive officer of the Company shall each have the duty to inform the Trustee of a Change in Control or of any event or events which they believe might occur which would constitute a Change in Control.

Notwithstanding the foregoing definition, a Change in Control shall be deemed to have occurred for purposes of this Trust Agreement when the Trustee has actual knowledge from a reliable source of such Change in Control. For this purpose, notice from the Company or Participant Representatives or a report filed with the Securities and Exchange Commission, a public statement issued by the Company, or a periodical of general circulation, including but not limited to The

New York Times or The Wall Street Journal shall be deemed to be a reliable source upon which the Trustee may rely. The Trustee has no affirmative obligation or duty to inquire about, investigate or consult the foregoing sources for purposes of determining whether a Change in Control has occurred.

SECTION 5.02 "Company Stock" shall mean the common stock, par value \$1.00 per share, of and issued by the Company, or any successor securities thereto; and shall be treated as having been contributed to the Trust for purposes of Section 1.01 hereof if such Company Stock is

(a) owned by the Trust and is represented by stock certificates registered in the name of and in the custody of the Trustee for the benefit of the Trust, or is reflected by book entry registration in the name of the Trustee for the benefit of the Trust on the books of the transfer agent and registrar for the Company Stock; or

(b) reserved under a Company Stock Agreement.

SECTION 5.03 "Company Stock Agreement" shall mean a written agreement of the Company with the Trustee under which the Company agrees to reserve Company Stock for contribution to the Trust, receipt of a copy of which agreement has been acknowledged by the transfer agent and registrar for the Company Stock.

SECTION 5.04 "Current Plan Termination Liability" shall mean that amount which is or would have been sufficient to make all payments that are or would have been due and payable under the Plans to all Participants, assuming the Plans and the employment of all Participants had been terminated and all Plan accrued benefits had vested (and using the Benefit Calculation Schedule and Participant Information then applicable to the Plans and, as to all defined benefit Plans, the assumptions set forth in Exhibit C hereto), as of the end of the most recently concluded calendar quarter or other date as of which the calculation of Current Plan Termination Liability is required or permitted to be made in accordance with this Trust Agreement.

SECTION 5.05 "Designated Beneficiary" shall mean the person designated by the Participant under each Plan as his or her beneficiary as indicated in the applicable Participant Information. Such person shall succeed to all of the rights of such Participant under this Trust Agreement upon such Participant's death with respect to the amounts of benefits to which such person is entitled under the terms of the Plan upon the Participant's death. The term "Participant" as used in this Trust Agreement shall include the Designated Beneficiary from and after the Participant's death.

SECTION 5.06 "Determination of Taxability" shall mean and shall be deemed to have occurred on the earlier of (a) the Internal Revenue Service (the "IRS") taking the written position, either through revenue rulings, letter rulings or other similar pronouncements, or the Code being amended in such a manner that

the Trust would not be a "grantor trust", if such position would result in the principal and income of the Trust Fund being treated as income of the Participants, or (b) a Participant's receipt of a statutory notice of deficiency (90-day letter) from the IRS which notice assesses an additional income tax by reason of the Participant's failure to include in his gross income any amounts in respect of any assets of the Trust Fund because of the existence of the Trust Fund prior to the date any amounts are payable to such Participant pursuant to this Trust Agreement. The determination as to whether either of the foregoing events has occurred shall be made by the Company or its successors with the concurrence, in writing, in that determination by the independent auditors to the Company, and in the event of a disagreement between the Company and those auditors, the Trust Fund shall be distributed as provided for in Section 2.02; provided, however, prior to a Change in Control, the Company may, in the event of an occurrence specified in (b) above, elect to challenge such assessment of additional tax on behalf of the affected Participant by whatever administrative or judicial means it deems appropriate, in which case a Determination of Taxability will not be deemed to have occurred until a final adverse determination is made without further right of appeal or judicial challenge or the Company determines to cease its challenge. If the Company elects to challenge such a determination, it shall pay directly or reimburse the Participant for all expenses of such challenge including any Tax Penalties incurred during the period beginning with the issuance of such 90-day letter and ending when the tax is paid or, if earlier, payment is made under Section 2.02 hereof, if the Participant does not unreasonably refuse to cooperate with the Company in its challenge of such tax. The Company shall keep the Participant informed of developments in the Company's challenge of such tax as is reasonably required to enable the Participant to cooperate with the Company in such challenge.

SECTION 5.07 "Insolvent" as to the Company shall mean

(i) the Company is unable to pay its debts as such debts become due, or

(ii) the Company is subject to a pending proceeding as a debtor under the Federal Bankruptcy Code, 11 U.S.C. Section 101 et seq., as amended, or any successor statute.

SECTION 5.08 "Letter of Credit" shall mean a standby irrevocable letter of credit delivered to the Trustee by a bank satisfying the requirements of Subsection 3.04(e) hereof (which bank may not be the Trustee) which has a fixed term of at least one year and provides for the payment of at least the Trust Amount. The Letter of Credit shall permit the Trustee to draw thereunder at any time that the Company is not "Insolvent" (a) prior to a Change in Control, amounts sufficient to pay any amount due and payable under Subsection 2.02(a) or Section 4.02 of this Trust Agreement upon and after the Company's failure to make any such payment required to be made by the Company under such Section within the time required

thereunder, and the entire Trust Amount upon and after the Company's failure to maintain or obtain a replacement Letter of Credit and/or to contribute cash to the Trust Fund in the amount of the Trust Amount as and by the time required by Subsection 1.01(a) of this Trust Agreement, and (b) the entire Trust Amount upon and after the Company's failure, as of 10:30 a.m. Eastern Standard or Daylight Savings Time (whichever is prevailing in Philadelphia, Pennsylvania) on the day on which the Change in Control of the Company occurs, to have made the payment required to be made by the Company under Subsection 1.01(c) of this Trust Agreement. The Letter of Credit shall be transferable to any successor Trustee. The term "Letter of Credit" as used in this Trust Agreement shall include the initial and all replacement and additional Letters of Credit conforming to the requirements of this definition.

SECTION 5.09 "Minimum Trust Amount" shall mean (a) 140% of the Current Plan Termination Liability or (b) at any time after the Plans have been terminated, the Current Plan Termination Liability plus a reasonable reserve, in an amount agreed to by the Trustee, Trust Actuary and Participant Representatives, sufficient to provide for all expenses and other costs of maintaining, administering and terminating the Trust and of paying all amounts required by this Trust Agreement, including without limitation, all reasonable fees and expenses of the Trustee, the Trust Actuary and the Participant Representatives. For purposes of this definition, "termination of the Plans" means any action, occurrence or event the effect or result of which is that no further benefits shall accrue to or for any Participant under any Plan, disregarding for this purpose any future vesting of benefits accrued under any Plan as of the date of such action, occurrence or event and any additional benefits which may accrue under any plan which is similar or succeeds any Plan.

SECTION 5.10 "Participant Information" shall mean (i) the name and date of birth of each Participant and of such Participant's Designated Beneficiary under the applicable Plan, (ii) the home address of each Participant and, if different, of the Participant's Designated Beneficiary, (iii) the vesting service and credited service and amount of compensation which would be the basis for calculating each Participant's benefit under the applicable Plan, (iv) the Participants (a) currently receiving Plan annuity benefit payments and (b) who have elected but not yet received a lump sum benefit payment under a Plan and the respective amounts of such annuity and lump sum benefits, and (v) such other information as may be necessary or appropriate to enable the Plan Actuary to calculate the Plan benefits to which each Participant is entitled.

SECTION 5.11 "Participant Representatives" shall mean initially those four individual Participants named in Exhibit D attached hereto. Any such person may elect at any time while he is a Participant not to continue as a Participant Representative by giving written notice thereof to the Trustee, the Company and the other Participant Representatives and appointing another Participant to

replace himself as a Participant Representative by naming such Participant in such notice. In the event that any such resigning Participant Representative fails or is unable for any reason (including due to his death or mental incapacity) to appoint an individual to replace himself as a Participant Representative or ceases to be a Participant in a Plan, the remaining Participant Representatives shall designate another Participant as his replacement by giving notice in writing to the Trustee of said replacement. Any appointment of a replacement Participant Representative shall be deemed accepted and effective if the written notice to the Trustee thereof is appropriately countersigned by such newly appointed Participant Representative and, until such time, actions taken by the remaining Participant Representatives shall be effective for all purposes of this Trust Agreement. In case of the inability or refusal of the Participant Representatives to act to appoint replacement Participant Representatives, the Trustee shall be entitled to petition a court of competent jurisdiction to appoint Participant Representatives.

SECTION 5.12 "Savings Plan" shall mean the Air Products and Chemicals, Inc. Retirement Savings and Stock Ownership Plan or, if such plan ceases to exist, any other broad-based employee benefit plan of the Company as designated by the Company.

SECTION 5.13 "Trust Actuary" shall mean such consulting actuary or firm of consulting actuaries (who is or are Enrolled Actuaries and Fellows in the Society of Actuaries) as the Trustee shall from time to time select, with the written consent of the Participant Representatives, to perform for and under contract with the Trustee the functions required of the Trust Actuary as provided in this Trust Agreement. The Participant Representatives shall have the right to direct the Trustee at any time to remove the actuary or firm of actuaries then serving as Trust Actuary, whereupon the Trustee shall select a new Trust Actuary, again with the written consent of the Participant Representatives. If the Trustee fails to appoint a Trust Actuary, the Participant Representatives may select and appoint an actuary or firm of actuaries to serve as Trust Actuary.

ARTICLE VI
TERMINATION, AMENDMENT AND WAIVER

SECTION 6.01 Termination.

This Trust Agreement may be terminated by the Company only upon payment in full of all Plan benefits to all Participants according to the provisions of the Plans as to timing and amount of benefits, upon funding of the entire applicable Trust Amount for the purpose of paying Plan benefits under a trust or trusts qualified under Section 401 of the Code or with the written consent of the Participant Representatives. In addition, this Trust Agreement shall terminate following a Determination of Taxability as provided in Section 2.02 (except that

prior to a Change in Control the Company may elect instead by action of its Employee Benefit Plans Committee or a successor committee with oversight responsibility for the administration of the Plans, to revoke this Trust Agreement if doing so will avoid the Trust Fund being treated as income of the Participants). Promptly upon any such termination or revocation of this Trust Agreement, the Trustee shall so notify the issuing bank.

SECTION 6.02 Amendment and Waiver.

(a) Prior to a Change in Control. Except as set forth in this Subsection 6.02(a), this Trust Agreement may not be amended except by an instrument in writing signed on behalf of the Company and the Trustee, with the written consent of the Participant Representatives. Without limiting the generality of the foregoing, this Trust Agreement may be amended, as aforesaid, to change or add to the permitted forms of contributions to the Trust specified in Subsection 1.01(d), the permitted forms of investments of the Trust Fund specified in Subsection 1.02(a), the required terms and conditions of replacement Letters of Credit as defined in Section 5.06, and the assumptions for calculating the Current Plan Termination Liability set forth in Exhibit C attached hereto. In addition, the Company and the Trustee, with the written consent of the Participant Representatives, may at any time waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of the Company, the Trustee or the Participant Representatives to any such amendment or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party and all of the Participant Representatives.

Notwithstanding the foregoing, any such amendment or waiver may be made by written agreement of the Company and the Trustee without obtaining the consent of any Participants including the Participant Representatives if such amendment or waiver is necessary to prevent the assessment of income tax on any Participants with respect to the Trust Fund prior to the date amounts are payable to Participants from the Trust Fund, or does not operate to adversely affect the rights of any Participant under this Trust Agreement with respect to Plan rights and benefits existing, vested in or accrued with respect to such Participant prior to the date of such amendment or waiver. Without limiting the generality of the immediately preceding sentence, the Company and the Trustee may amend this Trust Agreement without obtaining the consent of any Participants to: increase the Trust Amount as provided in Subsection 1.01 (a) hereof; add to the covenants and agreements of the Company contained in this Trust Agreement other covenants and agreements thereafter to be observed; surrender any right or power herein reserved to or conferred upon the Company; or cure any ambiguity or omission or cure, correct or supplement any defect or inconsistent provision contained in this Trust Agreement.

No such amendment or waiver relating to this Trust Agreement may be made with respect to a particular Participant unless such Participant has agreed in writing to such amendment or waiver. Any amendment made in accordance with this Subsection 6.02(a) may by its terms be retroactive. Any amendment to or waiver under this Trust Agreement permitted by this Subsection 6.02(a) may be approved on behalf of the Company by action of its Employee Benefit Plans Committee or other committee with oversight authority to administer the Plans.

(b) On and After a Change in Control. This Trust Agreement may not be amended by the Company or its successor or by the Trustee except as may be required by applicable law or with the written consent of the Participant Representatives.

ARTICLE VII
GENERAL PROVISIONS

SECTION 7.01 Further Assurances.

The Company shall, at any time and from time to time, upon the reasonable request of the Trustee, execute and deliver such further instruments and do such further acts as may be necessary or proper to effectuate the purposes of this Trust Agreement.

SECTION 7.02 Entire Agreement; Severability.

This Trust Agreement and the Plans and, while in effect, any Company Stock Agreement, together set forth the entire understanding of the parties with respect to the subject matter hereof and supersede any and all prior agreements, arrangements and understandings relating thereto. In the event that any provision of this Trust Agreement or the application thereof to any person or circumstances shall be determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Trust Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Trust Agreement shall be valid and enforced to the fullest extent permitted by law.

SECTION 7.03 Notices, etc.

Any notice, report, request, demand, waiver or consent requested, required or permitted hereunder shall be in writing and shall be given personally or by prepaid, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501

Attention: Corporate Secretary

If to the Trustee:

PNC Bank, N.A.
Investment, Management and Trust Division
398 North Main Street
Doylestown, PA 18901-3447

Attention: Peter M. Van Dine, Vice President

If to a Participant, to the address of such person as listed next to his or her name as shown on Exhibit B hereto or, if different or as to future additional Participants, in the most recent Participant Information.

If to the Participant Representatives, to the address indicated on Exhibit D or hereafter specified by written notice from the Participant Representatives, and if to a person designated by the Participant Representatives, to the address of such person specified in such designation.

A notice shall be deemed received upon the date of delivery if given personally or, if given by mail, upon the receipt thereof.

Any action of the Company pursuant to this Trust Agreement, including all orders, directions, instructions, approvals and objections of the Company to the Trustee, shall be in writing signed on behalf of the Company by its Vice President - Human Resources. Any information, request, certified Plan or Plan amendment, Benefit Calculation Schedule or Participant Information or other document or material delivered to the Trustee shall be in writing and may be signed by the Company's Vice President - Human Resources or any other duly authorized officer or employee of the Company or, to the extent applicable under this Trust Agreement, by the Participant Representatives or a person designated by the Participant Representatives.

SECTION 7.04 Trust Beneficiaries.

The Company shall have the right to enforce any provision of this Trust Agreement prior to a Change in Control and, on or after a Change in Control, any Participant shall have the right as a beneficiary of the Trust to enforce all terms

and provisions of this Trust Agreement with the same force and effect as if such person were a party hereto, except to the extent actions are required to be taken or consented to by the Participant Representatives. Notwithstanding the foregoing, no Participant shall have any beneficial ownership interest in or preferred claim as to any portion of the Trust Fund prior to receiving payment therefrom, since the rights of Participants hereunder are unsecured contractual rights only.

The Participants in each Plan as of the date hereof are listed in the initial Participant Information delivered to the Trustee by the Company concurrently herewith. As new persons become Participants in the Plans from time to time, they shall be included in the next following update of the Participant Information delivered to the Trustee by the Company.

It shall be the responsibility of the Company, without recourse to the Trust Fund, to reimburse any expenses (including attorneys' fees) incurred by a Participant after a Change in Control in connection with the enforcement of any rights hereunder of such Participant. If the Company fails or refuses to make such reimbursement, in whole or in part, within 20 days after receipt of demand therefor accompanied by appropriate documentation of such fees or other expenses, such Participant may, without prejudice to his right to receive full reimbursement from the Company, demand payment of such amount from the Trust Fund, in which case the Trustee, upon receipt from the Participant Representatives of a written direction to pay, shall make such payment as soon as practicable.

SECTION 7.05 Necessary Parties in Actions Affecting the Trust.

In any action, proceeding or judgment affecting the Trust the only necessary parties shall be the Company and the Trustee prior to a Change in Control and the Trustee and the affected Participants on and after a Change in Control and, except as otherwise required by applicable law, no other person shall be entitled to any notice or service of process. Any judgment entered shall to the maximum extent permitted by applicable law be binding and conclusive on all persons having or claiming to have any interest in the Trust.

SECTION 7.06 Successors; Non-Alienation.

(a) This Trust Agreement shall be binding upon and inure to the benefit of the Company and the Trustee and their respective successors and assigns.

(b) Any corporation into which the Trustee or the Company may be merged or with which it may be consolidated, or any corporation resulting from any merger, reorganization or consolidation to which the Trustee or the Company may be a party, or any corporation to which all or substantially all of the trust business of the Trustee or the business of the Company may be transferred shall be the successor of

the Trustee or the Company hereunder without the execution or filing of any instrument or the performance of any act.

(c) Except insofar as applicable law may otherwise require or as provided in Section 2.03 hereof, (i) no amount payable to or in respect of any Participant at any time under the Trust shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, garnishment, charge, encumbrance, execution or levy of any kind, and any attempt to so alienate, sell, transfer, assign, pledge, attach, garnish, charge, execute, levy or otherwise encumber any such amount, whether presently or thereafter payable, shall be void, and (ii) the Trust Fund shall in no manner be liable for or subject to the debts, liabilities, contracts, engagements or torts of any Participant.

SECTION 7.07 Parties Interested Herein.

Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Company, the Trustee and the Participants, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation, promise or agreement contained herein.

SECTION 7.08 No Personal Liability; Indemnification of Participant Representatives.

To the maximum extent permitted by applicable law as the same exists or may hereinafter be amended to further eliminate or limit the personal liability of such persons, no personal liability whatsoever shall attach to or be incurred by any employee, officer or director of the Company, the Trustee or the Trust Actuary, as such, or by any Participant Representative under or by reason of the terms or conditions contained in or implied from this Trust Agreement.

In consideration of and to induce the services of the Participant Representatives referred to in this Trust Agreement, the Company shall pay and shall defend, indemnify and save harmless each person who is or was at any time a Participant Representative, together with his respective heirs, executors and administrators, from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses incurred by the indemnitee in defending and investigating same) of any nature arising because of his status or election to discontinue as a Participant Representative or relating to any action by or any failure to act by the Participant Representative in such capacity or the transactions contemplated by this Trust Agreement, including, but not limited to, any claim made by a Participant, the Trustee or Trust, or the Company and any claim made, whether before or after a Change in Control, by the Company or its successor that this Trust Agreement is invalid, except to the extent

that any such loss, liability, action, suit, judgment, demand, damage, cost or expense is caused by acts or omissions not in good faith, the intentional misconduct or the knowing violation of law by the Participant Representative.

The rights of the Participant Representatives under this Section 7.08 are not exclusive of any other right which the Participant Representatives may have or hereafter acquire under any statute, the Company Certificate of Incorporation, by-law, agreement, vote of Company stockholders or disinterested directors of the Company, insurance policy or otherwise, and shall survive the resignation of any Participant Representative from his position as such. No modification to or deletion of this Section 7.08 by the Company shall adversely affect any right or protection of a Participant Representative existing at the time of such modification or deletion, without the written consent of such Participant Representative. Each Participant Representative shall have the right as a third party beneficiary of this Trust Agreement to enforce the terms and provisions of this Section 7.08 and Section 4.02 of this Trust Agreement with the same force and effect as if such person were a party hereto.

SECTION 7.09 Texts of Plans and Plan Amendments.

The Company has delivered true and complete copies of all Plan texts, amendments and descriptions to the Trustee, as well as of a true and complete copy of the Air Products and Chemicals, Inc. Pension Plan for Salaried Employees (the "Pension Plan") and the summary plan description thereof. The Company shall provide to the Trustee a copy of each amendment to any of the Plans and of the Pension Plan, promptly following the effective date thereof, together with a certification of the completeness and accuracy thereof and, following a Change in Control should the Company fail to do so, the Participant Representatives may supply and certify such amendments to the Trustee, whereupon the Trustee shall supply a copy thereof to the Company.

SECTION 7.10 Titles.

Titles to the Articles and Sections of this Trust Agreement are included for convenience only and shall not control the meaning or interpretation of any provision of this Trust Agreement, except that the Subsection headings including the language "Prior to a Change in Control." and "On and After a Change in Control" shall control the interpretation and meaning of the respective Subsections since the provisions thereof shall be applicable only as and when indicated by such headings.

SECTION 7.11 Applicable Law.

This Trust is created and accepted in the Commonwealth of Pennsylvania. To the maximum extent consistent with applicable law, this Trust Agreement and

the Trust established hereunder and the acts and transactions of the parties hereto and their respective successors, as well as of the Participant Representatives, shall be governed and construed, enforced, administered, and determined in accordance with the laws of the Commonwealth of Pennsylvania, except to the extent preempted by applicable federal law, and the Trustee shall be liable to account only in the courts of that state.

SECTION 7.12 Counterparts.

This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed to be the original although the others shall not be produced.

IN WITNESS WHEREOF, the parties have executed this TRUST AGREEMENT as of the date first written above.

AIR PRODUCTS AND CHEMICALS, INC.

Attest: By: /s/ J. P. McAndrew

J. P. McAndrew
Vice President -
Human Resources

/s/Karen G. Wright

Assistant Secretary

PNC BANK, N.A.

Attest: By: /s/ Peter M. Van Dine

Vice President

IN WITNESS WHEREOF, the undersigned Participant Representatives have executed this Trust Agreement in evidence of their consent to the amendments made thereto as of August 1, 1999 which are incorporated herein.

/s/ W. D. Brown

W. D. Brown
Participant Representative

/s/ Leo J. Daley

L. J. Daley
Participant Representative

/s/ J. J. Kaminski

J. J. Kaminski
Participant Representative

/s/ J. P. McAndrew

J. P. McAndrew
Participant Representative

COMPANY STOCK AGREEMENT

COMPANY STOCK AGREEMENT, (the "Agreement") by and between AIR PRODUCTS AND CHEMICALS, INC., a Delaware corporation, and PNC BANK, N.A., a national banking association, as trustee (the "Trustee"), under those certain Amended and Restated Trust Agreements between said parties effective 1 August 1999 (collectively, the "Trust Agreements");

WHEREAS, capitalized words used in this Agreement shall have the meanings set forth in the Trust Agreements except as otherwise provided herein;

WHEREAS, the Company (and SCWC Corp. as to the SCWC Corp. Retirement Plan and, together Air Products and Chemicals, Inc., the "Company") is obligated under the Plans to provide benefits to certain employees and past employees of the Company and certain of its subsidiaries;

WHEREAS, since the payment of benefits to be made and the obligations of the Company under the Plans are not funded or otherwise secured, the Company entered into the Trust Agreements to assure that future payment of said benefits will not be improperly withheld including in the event of a Change in Control of the Company;

WHEREAS, each of the Trust Agreements permits the Company to amend the Trust Agreement to increase the Trust Amount at which the Trust Fund under each Trust is to be maintained, at any time by written notice to the Trustee from the Company and contribution of assets to the Trust sufficient to pay such increased Trust Amount, such increase and amendment to be effective upon written acceptance by the Trustee of such notice and contribution of assets;

WHEREAS, the Trust Amounts under the Trust Agreements currently aggregate \$68,000,000, and the Trust Amounts as of 1 May 2001 are expected to aggregate \$96,600,000, specifically, as estimated by the Trust Actuary for the Pension Plan, \$87,000,000; by the Plan Administrator for the Savings Plan, \$8,100,000; and by the SCWC Corp. Retirement Plan Committee for the SCWC Pension Plan, \$1,500,000 (respectively, the "New Trust Amounts");

WHEREAS, upon execution of this Agreement the Trust Amounts under the Trust Agreements will be increased to the New Trust Amounts, after which the Company will be obligated under the Trust Agreements to maintain the Trust Funds at levels at least equal to the New Trust Amounts;

WHEREAS, each of the Trust Agreements permits the contribution to and investment of Trust assets prior to a Change in Control in the form of Company Stock in addition to Letters of Credit and cash; and provides that Company Stock shall be treated as having been contributed to the Trust if such Company Stock is

reserved for contribution to the Trust as evidenced by written agreement of the Company with the Trustee under which the Company agrees to reserve Company Stock for contribution to the Trust, receipt of a copy of which agreement has been acknowledged by the transfer agent and registrar for the Company Stock; and

WHEREAS, it is the intention of the parties hereto that this Agreement shall constitute such a Company Stock Agreement as defined in, and for all purposes under, the Trust Agreements;

NOW THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the parties hereto, intending to be legally bound, agree as follows:

1. The Company hereby gives notice to the Trustee that the Trust Amounts shall be increased to the New Trust Amounts and, by this Agreement, contributes assets to each Trust Fund within the meaning of and as permitted by the Trust Agreement, sufficient to pay the respective New Trust Amount under each Trust Agreement; and the Trustee hereby accepts such notice and contribution of assets to each Trust.
2. The Company covenants and agrees with the Trustee that it will cause all action to be taken which is necessary to maintain for prompt transfer to the Trustee for holding in the Trust under each Trust Agreement Company Stock with a fair market value (valued as provided in the Trust Agreement) at least equal to the respective New Trust Amount for such Trust (subject only to the claims of the Company's general creditors under federal and state law in the event of the Company's "Insolvency" as defined in the Trust Agreement).
3. Attached to this Agreement is a true and complete copy of the Certification and Direction initially directing Company Stock to be reserved for future contribution to the Trusts in accordance with this Agreement and the Trust Agreements.
4. This Agreement shall be governed and construed, enforced, administered, and determined in accordance with the laws of the Commonwealth of Pennsylvania.
5. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be the original although the others shall not be produced.

IN WITNESS WHEREOF, the parties have executed this AGREEMENT as of the date first written above.

AIR PRODUCTS AND CHEMICALS, INC.

Attest: By: /s/ Leo J. Daley

Vice President - Finance

/s/ Karen G. Wright

Assistant Secretary

PNC BANK, N.A.

Attest: By: /s/ Peter M. Van Dine

Vice President

ACKNOWLEDGEMENT OF RECEIPT

The undersigned, Fred T. Meyers, Assistant Vice President of First Chicago Trust Company of New York ("First Chicago"), stock transfer agent and registrar for the common stock of Air Products and Chemicals, Inc., hereby acknowledges receipt of this Company Stock Agreement on behalf of First Chicago on this ____ day of ____, 1999.

First Chicago Trust Company of New York

By: /s/ Frederick T. Meyers

Assistant Vice President

AMENDED AND RESTATED
TRUST AGREEMENT
By and Between
AIR PRODUCTS AND CHEMICALS, INC.,
as Grantor
and
PNC BANK, N.A.
(formerly PROVIDENT NATIONAL BANK),
as Trustee

Dated as of August 1, 1999

Supplementary Savings Plan

INDEX

Page

ARTICLE I

THE TRUST AND TRUST FUND

| | | |
|------|-----------------------------------|---|
| 1.01 | The Trust & Trust Fund..... | 2 |
| 1.02 | Investment of the Trust Fund..... | 3 |

ARTICLE II

USE AND RELEASE OF THE TRUST FUND:
PAYMENTS AND RETURN OF SURPLUS

| | | |
|------|---|----|
| 2.01 | Use of Trust Fund; Benefit Calculation Schedule and Participant Information..... | 6 |
| 2.02 | Payments to Participants..... | 6 |
| 2.03 | Payments to Creditors..... | 9 |
| 2.04 | Sufficiency of Trust Fund..... | 10 |
| 2.05 | Surplus Assets..... | 10 |
| 2.06 | Trust Actuary Determinations, etc..... | 10 |

INDEX

ARTICLE III
TRUSTEE

| | Page |
|---|------|
| | ---- |
| 3.01 Duties and Responsibilities..... | 11 |
| 3.02 Legal Counsel..... | 11 |
| 3.03 Trust Books and Records..... | 11 |
| 3.04 Removal or Resignation of the Trustee and Designation of Successor Trustee..... | 12 |
| 3.05 Reliance by Trustee; Third Parties..... | 13 |
| 3.06 Inability of Company to Act..... | 13 |
| 3.07 Indemnity..... | 14 |

INDEX

Page

ARTICLE IV

TRUST FUND TAXES; TRUSTEE FEES;
OTHER COSTS OF TRUST ADMINISTRATION

| | | |
|------|---|----|
| 4.01 | Trust Fund Taxes..... | 14 |
| 4.02 | Trustee Fees; Other Trust Administration..... | 14 |

ARTICLE V

CERTAIN DEFINITIONS

| | | |
|------|---|----|
| 5.01 | Change in Control..... | 15 |
| 5.02 | Company Stock..... | 16 |
| 5.03 | Company Stock Agreement..... | 17 |
| 5.04 | Current Plan Termination Liability..... | 17 |
| 5.05 | Designated Beneficiary..... | 17 |
| 5.06 | Determination of Taxability..... | 17 |
| 5.07 | Insolvent..... | 18 |
| 5.08 | Letter of Credit..... | 18 |
| 5.09 | Minimum Trust Amount..... | 18 |
| 5.10 | Participant Information..... | 19 |
| 5.11 | Participant Representatives..... | 19 |
| 5.12 | Savings Plan..... | 19 |
| 5.13 | Trust Actuary..... | 19 |

INDEX

Page

ARTICLE VI

TERMINATION, AMENDMENT AND WAIVER

| | | |
|------|---------------------------|----|
| 6.01 | Termination..... | 20 |
| 6.02 | Amendment and Waiver..... | 20 |

ARTICLE VII

GENERAL PROVISIONS

| | | |
|------|---|----|
| 7.01 | Further Assurances..... | 21 |
| 7.02 | Entire Agreement; Severability..... | 21 |
| 7.03 | Notices, etc..... | 21 |
| 7.04 | Trust Beneficiaries..... | 22 |
| 7.05 | Necessary Parties in Actions Affecting the Trust..... | 23 |
| 7.06 | Successors; Non-Alienation..... | 23 |
| 7.07 | Parties Interested Herein..... | 24 |
| 7.08 | No Personal Liability, Indemnification of Participant Representatives.... | 24 |
| 7.09 | Text of Plan and Plan Amendments..... | 24 |
| 7.10 | Titles..... | 25 |
| 7.11 | Applicable Law..... | 25 |
| 7.12 | Counterparts..... | 25 |

AMENDED AND RESTATED TRUST AGREEMENT

TRUST AGREEMENT, by and between AIR PRODUCTS AND CHEMICALS, INC., a Delaware corporation (the "Company"), and PNC BANK, N.A. (formerly Provident National Bank), a national banking association, as trustee (the "Trustee"), initially dated as of October 31, 1989, and with the consent of the "Participant Representatives", amended by Amendment Nos. 1, 2, 3, and 4 as of April 25, 1991, April 30, 1993, May 1, 1995 and May 1, 1997, which amendments reflected, among other things, changes in the "Trust Amount" as defined in Article V hereof, and delivery to the Trustee of amendments of the "Letter of Credit", as defined in Article V hereof, extending the term and changing the amount of the Letter of Credit;

WHEREAS, the Company is obligated under the plan specified on Exhibit A hereto (the "Plan") to provide benefits to certain employees and past employees of the Company and certain of its subsidiaries (together with their "Designated Beneficiaries", as defined and provided in Article V hereof, the "Participants");

WHEREAS, the payment of benefits to be made and the obligations of the Company under the Plan are not funded or otherwise secured and the Company desires to assure that future payment of said benefits will not be improperly withheld for any reason including in the event of a "Change in Control of the Company", as defined in Article V hereof;

WHEREAS, for purposes of providing greater assurance that such benefits will not be improperly withheld, the Company entered into the Trust Agreement, as amended, with the Trustee and deposited with the Trustee the cash and other property described in Subsection 1.01(a) below, and may deposit with the Trustee, subject only to the claims of the Company's general creditors, amounts of cash and other property sufficient to pay accrued benefits under the Plan; and

WHEREAS, the Company and the Trustee have determined to amend and restate the aforesaid trust agreement, as amended, again with the consent of the Participant Representatives, effective August 1, 1999 as set forth herein (and referred to hereinafter as the "Trust Agreement") to, among other things, provide for increasing the Trust Amount and permit the contribution to and investment of Trust assets prior to a Change in Control in the form of "Company Stock", as defined in Article V hereof, in addition to Letters of Credit and cash;

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I
THE TRUST AND TRUST FUND

SECTION 1.01 The Trust.

(a) Establishment of Trust and Funding of Trust Amount. The Company established with the Trustee a trust (the "Trust") to consist of such sums of money and/or assets including Letters of Credit and "Company Stock Agreements", as defined in Article V hereof, as shall from time to time be paid or delivered to the Trustee (less such amounts distributed from the Trust pursuant to Sections 2.02, 2.03, 2.05 and 4.02 hereof or otherwise pursuant to the terms of this Trust Agreement), in whatever form held or invested as provided herein (the "Trust Fund"). The Company, concurrently with the establishment of the Trust, delivered to the Trustee to be held in the Trust \$100.00 in cash and a Letter of Credit in the amount of four million dollars (\$4,000,000.00); and most recently, on May 1, 1999, delivered to the Trustee an amendment to the Letter of Credit increasing the amount of the Letter of Credit to six million five hundred thousand dollars (\$6,500,000.00) (the "Trust Amount") to cover the "Current Plan Termination Liability", as defined in Article V hereof. The Trust Amount may be increased at any time by written notice to the Trustee from the Company and contribution of assets to the Trust sufficient to pay such increased Trust Amount, such increase to be effective, and this Subsection 1.01 to be amended as of, the date of written acceptance by the Trustee of such notice and contribution of assets.

(b) Maintenance of Trust Amount. The Trust Fund shall at all times be maintained at a level at least equal to the Trust Amount except as otherwise provided in Subsection 1.01(c). Accordingly, the Company shall be obligated to immediately reimburse the Trust for any Trust assets used to pay expenses of Trust administration or Plan benefits and shall reimburse the Trust for amounts paid in satisfaction of claims of the Company's general creditors as required by and in accordance with Section 2.03 hereof, so that the Trust Fund is promptly restored to at least the Trust Amount following any such payments from the Trust. Furthermore, in the event that the Trustee receives notice at any time from the issuing bank that, or with the effect that, the Letter of Credit will terminate prior to the end of the then-current term thereof, or if the Trustee has not received a replacement Letter of Credit on or before the eleventh (11th) day prior to the scheduled expiration of the term of the existing Letter of Credit, and the Company has not, by the eleventh (11th) day prior to the early termination or scheduled expiration of the Letter of Credit contributed cash and/or Company Stock to the Trust Fund equal to the Trust Amount, the Trustee shall, in the event of receipt of such notice from the issuing bank, immediately, and in the event of failure to replace the Letter of Credit prior to its scheduled expiration, on the day next following such eleventh (11th) day (or on such later day which is the earliest day upon which the Letter of Credit will permit) draw the entire amount covered by such existing Letter of Credit.

(c) Ongoing Funding. The Company may, but shall have no obligation to, make additional contributions to the Trust from time to time, except that upon a Change in Control the Company shall be obligated to immediately, without notice or demand, contribute

cash to the Trust in an amount equal to the Trust Amount. If the Trustee has not received payment of the Trust Amount in immediately available funds by 10:30 a.m. Eastern Standard or Daylight Savings Time (whichever is prevailing in Philadelphia, Pennsylvania) on the day on which the Change in Control of the Company occurs, the Trustee shall immediately draw the entire amount covered by any Letter of Credit and/or make a written demand for contribution to the Trust of any Company Stock reserved under a Company Stock Agreement addressed to the Board of Directors and chief executive officer of the Company, with a copy thereof to the Participant Representatives and the transfer agent and registrar for the Company Stock.

In addition, if at any time the Company calculates the "Current Plan Termination Liability" and the amount equal to 200% of the Current Plan Termination Liability as so calculated is certified by the "Trust Actuary," as defined in Article V hereof, to be less than the Trust Amount, such amount shall constitute the new Trust Amount thereafter required to be maintained in the Trust Fund. Upon receipt, prior to a Change in Control of the Company, by the Trustee of a written direction from the Company to reduce any Letter of Credit then held in the Trust accompanied by the Trust Actuary's certification of the new Trust Amount, the Trustee shall give notice to the issuing bank under the Letter of Credit to reduce the amount payable under such Letter of Credit to the amount of the new Trust Amount.

(d) Form of Contributions to and Reimbursements of the Trust. Any contribution to or reimbursement of the Trust made by the Company as required or permitted under Subsections 1.01(a), 1.01(b) or 1.01(c) may be made in whole or in part in the form of cash, by delivery or amendment of a Letter of Credit and/or in the form of Company Stock, except that the required contribution provided for in the first sentence of Subsection 1.01(c) shall be made in cash.

SECTION 1.02 Investment of the Trust Fund.

(a) Prior to a Change in Control. The Trust Fund shall be received, held, managed, disbursed and otherwise administered by the Trustee as provided in this Trust Agreement, and shall be invested and reinvested by the Trustee only in cash, cash equivalents, Letters of Credit and/or in Company Stock.

The Trust is intended to be a grantor trust within the meaning of Section 671 of the Internal Revenue Code (the "Code") and, except as hereinafter permitted in this Subsection 1.02(a), all interest and dividends earned on the investment of the Trust Fund shall be the property of the Company and shall not constitute a part of the Trust Fund. The interest and dividends earned in any calendar quarter shall be paid over to the Company by the Trustee as promptly as practicable after the end of each quarter or, at the option of the Company exercisable by delivering notice to the Trustee, shall be contributed to the Trust Fund.

(b) On and After a Change in Control. Subject to the terms of this Trust Agreement, the Trustee shall have complete and sole discretion and responsibility for the investment and reinvestment of the Trust Fund. Following receipt of any contribution of cash from the Company or the draw of proceeds under any Letter of Credit, the proceeds thereof while

held in the Trust Fund shall be invested by the Trustee pending payment to Participants, taking into account, among other things, the timing and amount of anticipated cash requirements for payments required to be made from the Trust Fund, only in:

(i) government obligations, meaning direct obligations of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America;

(ii) government agency obligations, meaning direct obligations (including bonds, notes or participation certificates) of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by, any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Farmers Home Administration; Federal Home Loan Mortgage Corporation; Federal Housing Administration; Private Export Funding Corporation; Tennessee Valley Authority; or Federal National Mortgage Association;

(iii) state government obligations meaning direct and general obligations of any state of the United States on which the full faith and credit of the state is pledged and which are rated in the highest rating category by Moody's Investors Service, Inc. or Standard & Poors Corporation; and

(iv) interest-bearing demand or time deposits with, negotiable certificates of deposit issued by, or any short term investment in a common, collective or commingled trust fund or pooled investment fund maintained by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation, in any case with a combined capital and surplus of at least \$100,000,000.

The Trustee shall not be liable for any loss of income due to liquidation of any investment including without limitation Company Stock which the Trustee, in its sole discretion, believes necessary to make payments or to reimburse expenses under the terms of this Trust Agreement. All interest and other amounts earned on the investment of the Trust Fund shall constitute a part of the Trust Fund.

(c) Exercise of Rights Under Letters of Credit. Whether before or after a Change in Control of the Company, the Trustee shall exercise its rights as beneficiary of, and take all action reasonably necessary to enforce, the Letter of Credit as required or permitted hereunder and in accordance with the terms thereof, and will draw on the Letter of Credit whenever and to the fullest extent permitted by the terms thereof, without regard to whether the Company has directed the Trustee to take any such action or to refrain from taking any such action, and shall, to the maximum extent permitted by applicable law, be fully protected in doing

so. The proceeds of any Letter of Credit shall be held, invested and disbursed by the Trustee as provided in this Trust Agreement.

(d) Certain Rights Regarding Company Stock Registered in the Name of the Trustee for the Benefit of the Trust

(i) Voting Rights. The Trustee shall follow the directions of the participants in the "Savings Plan," as defined in Article V hereof, with respect to the manner of voting of Company Stock held by the Trust on each matter pending before an annual or special meeting of stockholders of the Company or any action by written consent of such stockholders in lieu of a meeting. In connection with any such meeting of stockholders or action by written consent in lieu of a meeting, the Trustee shall obtain from the Savings Plan trustee certification of the directions received from the Saving Plan participants (in the aggregate and not identifying any individual direction) directing the Savings Plan trustee whether and how to vote, abstain or act by written consent with respect to the Company Stock held by the Savings Plan. Upon receipt by the Trustee of such certification, the Trustee shall, on each such matter, vote, abstain or act by written consent with respect to the shares of Company Stock held by the Trust in the same proportion and manner as the Savings Plan participants directed the Savings Plan trustee with respect to the Company Stock held by the Savings Plan.

(ii) Tender or Exchange Offer. If a tender or exchange offer is commenced for Company Stock, the Trustee shall obtain from the Savings Plan trustee certification of the directions received from the Savings Plan participants directing the Savings Plan trustee whether to tender or exchange the Company Stock held by the Savings Plan. Upon receipt by the Trustee of such certification, the Company Stock held by the Trustee shall be tendered or exchanged, or not tendered or exchanged, by the Trustee in the same proportion and manner as the Savings Plan participants directed the Saving Plan trustee with respect to the Company Stock held by the Savings Plan.

(iii) Confidentiality. All voting and other actions taken pursuant to the foregoing paragraphs (i) and (ii) of Subsection 1.02 (d), and the contents of any certification of directions received by the Savings Plan trustee as contemplated by such paragraphs (i) and (ii), shall be held confidential by the Trustee and shall not be divulged or released to any person, including officers and employees of the Company and its affiliates (other than (x) agents of the Trustee who are not affiliated with the Company or its affiliates or (y) by virtue of the execution by the Trustee of any proxy, consent or letter of transmittal for the shares of Company Stock held in the Trust).

(iv) Trustee Action. The Trustee shall not make any recommendations regarding the manner of exercising any rights under this Subsection 1.02(d), including whether or not any rights should be exercised.

ARTICLE II
USE AND RELEASE OF THE TRUST FUND:
PAYMENTS AND RETURN OF SURPLUS

SECTION 2.01 Use of Trust Fund; Benefit Calculation Schedule and Participant Information.

(a) General. Except as provided in Subsection 2.02(a) and Section 2.05 as to surplus assets, Section 2.03 as to Company creditors, and Section 4.02 as to Trustee fees and other Trust administration expenses, the Trust Fund shall be used solely to pay Plan benefits to Participants.

(b) Benefit Calculation Schedule and Participant Information. Attached hereto as Exhibit B is a schedule (said schedule, together with all documents and materials attached thereto as annexes or referred to therein as having been provided to the Trustee by the Company, being hereinafter referred to as the current "Benefit Calculation Schedule") describing as of the date hereof how to calculate the benefits payable under the Plan. In addition, the Company has provided to the Trustee the "Participant Information" as defined in Article V hereof, which is complete and accurate as of December 30, 1998, or such later date as indicated therein. During the first calendar quarter of each calendar year beginning with calendar year 2000, the Company has and shall continue to provide the Trustee with any revisions to the Benefit Calculation Schedule and updated Participant Information, in each case as of the end of the immediately preceding calendar year.

The Company may update the preceding annual Benefit Calculation Schedule and/or Participant Information as of a date subsequent to the preceding calendar year end at any time by providing an updated Benefit Calculation Schedule and/or Participant Information to the Trustee, and shall do so promptly upon a Change in Control. However, after a Change in Control, no additions to or deletions from the list of Plans covered by this Trust Agreement or to or from the Participant Information or any change in the description of how to calculate benefits included in the Benefit Calculation Schedule shall be permitted without the written consent of the Participant Representatives. If the Company should fail to provide to the Trustee any Benefit Calculation Schedule or Participant Information required hereby, the Participant Representatives may do so and the Trustee shall provide a copy thereof to the Company.

SECTION 2.02 Payments to Participants.

It is expected that any amount payable to any Participant under a Plan will be satisfied and paid by the Company, in whole or in part, from its general funds.

(a) Prior to a Change in Control. However, Plan benefits which remain unpaid for 30 days after receipt by the Company from the Trustee of a "Payment Demand", as defined in this Subsection 2.02(a), shall be paid from the Trust Fund, subject to reduction in the event of insufficiency of the Trust Fund as provided in Section 2.04, and the Trustee shall liquidate assets of the Trust Fund to make such payment or payments, including by drawing under any Letter of Credit or selling Company Stock registered in the name of the Trustee for the benefit of the Trust. As to Company Stock reserved under a Company Stock Agreement, the Trustee shall make a written demand for contribution of such Company Stock addressed to the Board of Directors and chief executive officer of the Company, with a copy thereof to the Participant Representatives and the transfer agent and registrar for the Company Stock.

For purposes hereof, a "Payment Demand" is a written demand for payment executed by the Trustee stating that the Trustee has received

(i) a written notice from the Participant Representatives of the Company's failure to make a benefit payment or payments owing to a Participant under a Plan after the Participant's written request to the Company's Plan Administrator for such payment, and

(ii) a written certification by the Trust Actuary, based upon the Benefit Calculation Schedule and Participant Information then applicable to the Plan, of the amount of and time at which such payment or payments were due and that the Trust Amount is sufficient (or the extent to which it is insufficient) to make such payment or payments in accordance with Section 2.04.

In addition, upon a "Determination of Taxability", as defined in Article V hereof, except if this Trust Agreement is revoked as permitted by Section 6.01, the Company shall either pay from its general funds or instruct the Trustee to pay an amount from the Trust Fund to each Participant equivalent to the amount previously included or which will be required to be included in the Participant's gross income for federal income tax purposes with respect to the Trust Fund, as well as an amount equivalent to the sum of all interest, penalties, additions to tax and similar amounts which such Participant owes or will owe with respect to the Trust Fund to all federal, state and local tax authorities (together, "Tax Penalties"). After such payment has been made in full, the Trustee shall return the remaining assets then comprising the Trust Fund to the Company, whereupon the Trust shall be terminated.

Company Stock registered in the name of the Trustee for the benefit of the Trust shall be transferred by the Trustee, and/or sold by the Trustee to obtain cash for transfer, to pay Plan benefits. To facilitate any such sales of such Company Stock, the Company shall register under the Securities Act of 1933, as amended (the "1933 Act"), such Company Stock as the Trustee may direct. The Trustee shall have no obligation to sell the Company Stock until such

registration is complete. If the Trustee is required to sell Company Stock, the Trustee may engage agents to effect such sales and shall be reimbursed for the reasonable fees and expenses of such agents in accordance with Section 4.02.

(b) On and After a Change in Control. Following the termination of employment of any Participant and the delivery to the Trustee by the Company or by the Participant of a written notice of such termination and, if applicable, the election by the Participant of the form available under the Plan in which his Plan benefit is to be paid, the Trustee shall within ten days after the receipt thereof by the Trustee,

(i) provide a copy of such notice of termination and election of form of benefit to the Participant or the Company, as applicable, and to the Participant Representatives and the Trust Actuary, and

(ii) direct the Trust Actuary to calculate or verify the Plan benefit to which the Participant is entitled as soon as possible, based upon the Benefit Calculation Schedule and Participant Information then applicable to the Plan.

The Trustee shall thereafter pay such benefit to the Participant in the form, amount or amounts and at the time or times specified by the Trust Actuary in writing to the Trustee, to the extent not paid by the Company from its general funds and subject to the sufficiency of the Trust Fund as provided in Section 2.04 at the time said payment or payments are due.

In addition, upon a Determination of Taxability, the Trustee shall pay to the Participants all of the assets comprising the Trust Fund in proportion to the amounts previously included or which will be required to be included in each respective Participant's gross income for federal income tax purposes with respect to the Trust Fund as specified in writing by the Trust Actuary, whereupon the Trust shall be terminated.

(c) Withholding Taxes. The Trustee, whether on its own behalf or on behalf of the Company, has the right and duty and shall deduct from each payment under this Section 2.02 any federal, state or local withholding or other taxes or charges which the Trustee or the Company may from time to time be required to deduct under applicable laws, and shall pay over to the appropriate government authority the amounts so withheld. The Trustee will notify the Company of any withholding it makes.

(d) Effect on Plan Rights. Distributions made from the Trust Fund to a Participant in respect of Plan benefits shall satisfy the Company's contractual obligation to pay benefits to such Participant under the respective Plan to the extent of the sum of (i) any payments received by the Participant from the Trust under Subsection 2.02(a) or 2.02(b) hereof and (ii) the amounts withheld by the Trustee in accordance with Subsection 2.02(c) hereof; provided, however, that in the event of a distribution upon a Determination of Taxability, the amount of such distribution which is equivalent to the sum of (x) all Tax Penalties and (y) all additional federal, state and local taxes which would be owed by the Participant with respect to a

reimbursement payment for such Tax Penalties, shall not satisfy the Company's obligation to pay benefits to such Participant under the Plan unless and until the Company pays to such Participant, in addition to Plan benefits, the amounts described in clauses (x) and (y) above from the Trust Fund or from its general assets. The payment of Plan benefits to a Participant from the Trust Fund on a reduced basis because of the insufficiency of the Trust Fund at the time of such payment or payments, as provided in Section 2.04 hereof, shall not alter, affect or detract in any way from the Participant's right to receive the remainder of his Plan benefits from, and to enforce said right against, the Company. Except for payments made as a result of a Determination of Taxability, the payment of benefits from this Trust shall be as provided for in the Plan and payments from this Trust shall be consistent with the Plan as to timing and maximum amount.

SECTION 2.03 Payments to Creditors. At all times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of general creditors of the Company as set forth in this Section 2.03, and at any time the Trustee has actual knowledge, or has determined, that the Company is "Insolvent," as defined in Article V hereof, the Trustee shall suspend any further payments from the Trust Fund to Participants and will hold the Trust Fund for the benefit of the Company's general creditors. The Board of Directors and the chief executive officer of the Company shall each have the duty to inform the Trustee of the Company's Insolvency. If the Company or a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall independently determine, within 30 days after receipt of such notice, whether the Company is Insolvent and pending such determination, the Trustee shall discontinue payments of Plan benefits to Participants, shall hold the Trust assets for the benefit of the Company's general creditors, and shall resume payments of Plan benefits to Participants in accordance with this Trust Agreement only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent, if the Trustee initially determined the Company to be Insolvent).

Unless the Trustee has actual knowledge of the Company's Insolvency or has reason to believe that the Company is Insolvent, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's Insolvency as may be furnished to the Trustee which will give the Trustee a reasonable basis for making a determination concerning the Company's solvency. Nothing in this Trust Agreement shall in any way diminish any rights of any Participant to pursue his rights as a general creditor of the Company with respect to Plan benefits or otherwise.

If the Trustee discontinues payment of benefits from the Trust pursuant to this Section 2.03 and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments which would have been made to any Participant during the period of such discontinuance, less the aggregate amount of payments made to such Participant by the Company from its general assets during any such period of discontinuance. Such amount, if any, shall be paid together with interest thereon at the prime rate as determined by the Trustee for the period.

Any assets of the Trust applied to the satisfaction of claims of general creditors pursuant to this Section 2.03 shall, upon a determination by the Trustee that the Company is no longer

Insolvent, be immediately reimbursed to the Trust by the Company, together with interest thereon at the rate specified in the preceding paragraph of this Section 2.03.

SECTION 2.04 Sufficiency of Trust Fund. To the extent provided herein, the Trust Fund shall be used to pay Plan benefits to Participants in accordance with and in such forms, including lump sums, provided for under the respective Plan, all as such benefits may become due and payable from time to time under the terms of the applicable Plan; provided, however, that if at any time the fair market value of the Trust Fund is less than the Minimum Trust Amount, the amount to be paid to each such Participant from the Trust Fund at such time shall be reduced in proportion to the ratio which the aggregate fair market value of the Trust Fund bears to the applicable Minimum Trust Amount.

Such reduction of benefit payments shall continue until such time as the Trust Fund is again at least equal to the applicable Minimum Trust Amount or represents a larger ratio of the Current Plan Termination Liability. Thereupon, after payment in full (or at the higher ratio) of any Plan benefit payments which had previously been curtailed under this Section 2.04 and which have not otherwise been paid by the Company, together with interest thereon at the prime rate as determined by the Trustee for the period of nonpayment, the Trustee shall resume making Plan benefit payments in full (or at a larger ratio permitted under the terms of the preceding paragraph of this Section 2.04).

Following a Change in Control, the Trustee shall value the Trust Fund and direct the Trust Actuary to calculate the Minimum Trust Amount as of the end of each calendar quarter, promptly following the end of each calendar quarter. The Trustee shall be entitled to apply the resulting ratio to Plan benefits which may be paid from the Trust Fund to all benefit payments made until the next such required valuation by the Trustee and calculation by the Trust Actuary.

Notwithstanding the foregoing provisions of this Section 2.04, the Trustee shall have the right to pay all or an amount constituting a higher ratio of Plan benefits from the Trust Fund pursuant to the written direction of the Participant Representatives or if, upon the advice of the Trust Actuary, the Trustee believes that such an increase in current Plan benefit payments will not result in insufficient Trust assets to pay all remaining Plan benefits as and when due, for instance, when some but not all of the Plan have been terminated as defined in Section 5.07 hereof.

SECTION 2.05 Surplus Assets. After payment in full of all Plan benefits in accordance with the Plan and payment of all expenses of administration of the Trust, including any fees that may be expected to be incurred in terminating the Trust, the Trustee shall deliver to the Company any remaining surplus assets of the Trust Fund.

SECTION 2.06 Trust Actuary Determinations, etc. In connection with any certification, determination, calculation or verification of Plan benefits required to be made by the Trust Actuary as provided in Section 2.02 or of the Trust Amount or the "Minimum Trust Amount", as defined in Article V hereof, required to be made by the Trust Actuary under Subsection 1.01(c) or Section 2.04, respectively, the Trust Actuary shall be permitted to apply and rely on any

administrative procedures and assumptions as to which the Trust Actuary and Participant Representatives agree, including without limitation, assumptions updating any such calculation to the date of payment from the date of the information contained in the most recent applicable Benefit Calculation Schedule and Participant Information. In addition, the Trust Actuary may require the Trustee to engage tax counsel acceptable to the Participant Representatives and/or the Company's or its successor's independent auditors to assist in the determination of the amounts payable to each Participant upon a Determination of Taxability as provided in Subsection 2.02(b) hereof.

ARTICLE III
TRUSTEE

SECTION 3.01 Duties and Responsibilities. The duties and responsibilities of the Trustee shall be limited to those expressly set forth in this Trust Agreement and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee. The Trustee shall not be liable for any act taken or omitted to be taken hereunder if taken or omitted to be taken by it in good faith.

If, pursuant to Section 2.03 hereof or otherwise, all or any part of the Trust Fund is at any time attached, garnished or levied upon by any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by a court affecting such property or any part thereof, then and in any of such events the Trustee shall give notice thereof to the Company and is authorized, in its sole discretion, to rely upon and comply with any such order, writ, judgment or decree, and it shall not be liable to the Company (or any of its subsidiaries) or any Participant by reason of such compliance even though such order, writ, judgment or decree subsequently may be reversed, modified, annulled, set aside or vacated.

SECTION 3.02 Legal Counsel. The Trustee may engage legal counsel, including, prior to a Change in Control, counsel to the Company, and consult with such counsel with respect to the construction of this Trust Agreement, the duties of the Trustee hereunder, the transactions contemplated by this Trust Agreement or any act which the Trustee proposes to take or omit, and rely upon the advice of such counsel.

SECTION 3.03 Trust Books and Records.

(a) Maintenance; Inspection; Annual Statements. The Trustee shall maintain such books, records and accounts as may be necessary for the proper administration of the Trust Fund. During any period, whether before or after a Change in Control, when the Trust Fund is comprised of assets other than the \$100.00 in cash initially contributed to the Trust, earnings thereon, a Letter of Credit and/or Company Stock reserved under a Company Stock Agreement (a "Funded Period"), the Trustee shall maintain accounts of all its receipts, investments, disbursements, and other transactions and proceedings under this Trust Agreement. Such person or persons as the Company shall designate shall be allowed to inspect and audit such books of

account of the Trustee relating to the Trust Fund upon request at any reasonable time during business hours.

Within 30 days after the close of each fiscal year of the Company during which any Funded Period occurred, the Trustee shall transmit to the Company and certify to the accuracy of, a written statement of its accounts and proceedings with respect to the Trust Fund for such year, which statement shall include a statement of assets and liabilities aggregated by categories and valued at fair market value as of the close of the year in question, and the net assets available for Plan benefits, including a statement of receipts and disbursements during the year, aggregated by general source and application.

(b) Additional Duties On and After a Change in Control. The Trustee shall continue to be obligated to keep the books and records, permit audit and inspection thereof, and to provide the annual written statements provided for in Subsection 3.03(a) above, and shall in addition provide a copy of such annual statements to, and shall permit audit and inspection of its books and records by, such person or persons as are designated to the Trustee in writing by the Participant Representatives.

(c) Settlement of Accounts. Notwithstanding any other provision of this Trust Agreement, in the event of the termination of the Trust, or the resignation or discharge of the Trustee, the Trustee shall have the right to a settlement of its accounts, which accounting may be made, at the option of the Trustee, either (i) by a judicial settlement in a court of competent jurisdiction or (ii) by agreement of settlement, release and indemnity from the Company to the Trustee with the written consent of the Participant Representatives.

(d) Valuation of Company Stock. The Trustee shall value Company Stock at its fair market value for purposes of valuing the Trust Fund under any provision of this Trust Agreement including without limitation for preparing the reports, tax returns and filings contemplated by this Section 3.03 or Section 4.01. Fair market value shall mean for this purpose the closing price of a share of Company Stock on the trading day immediately preceding the date as of which said value is to be presented in such report, tax return or filing, as reported in the Wall Street Journal on the composite tape for issues listed on the New York Stock Exchange.

SECTION 3.04 Removal or Resignation of the Trustee and Designation of Successor Trustee.

(a) Removal. At any time prior to a Change in Control, the Company may remove the Trustee with or without cause, upon at least 60 days' notice in writing to the Trustee. The necessity for such prior notice may be waived by the mutual agreement of the Trustee and the Company. Within 60 days after any such notice of removal to the Trustee or prior to any earlier removal of the Trustee, the Company shall designate a successor Trustee qualified to act hereunder. At any time on or after a Change in Control, the Trustee may not be removed except by order of a court having competent jurisdiction or by written direction of the Participant Representatives.

(b) Resignation. The Trustee may resign at any time upon at least 60 days' notice in writing to the Company and, if the Trustee resigns prior to a Change in Control, the Company shall appoint a Successor Trustee qualified to act hereunder within 60 days after such notice of resignation. If the Company is unable to act or fails to appoint a Trustee, the Participant Representatives may appoint the Trustee. If the Trustee resigns at any time on or after a Change in Control, then the Trustee's resignation shall become effective only after the Trustee has designated a successor Trustee qualified to act hereunder with the written consent of the Participant Representatives. If the Trustee is unable to obtain such consent, it shall be entitled to petition a court of competent jurisdiction to appoint its successor, and the Trustee shall continue to serve until its successor accepts the Trust and receives delivery of the Trust Fund.

(c) Final Statement of Accounts. In the event of such removal or resignation, the Trustee shall duly file with the Company prior to a Change in Control, or a person or persons designated in writing by the Participant Representatives after a Change in Control, a written statement or statements of accounts and proceedings as provided in Subsection 3.03(a) hereof for the period since the last previous annual accounting for each Plan.

(d) Powers of Successor; Assignment of Trust Fund. Each such successor Trustee, during such period as it shall act as such, shall have the powers and duties herein conferred upon the initial Trustee, and the word "Trustee" wherever used herein, except where the context otherwise requires, shall be deemed to include any successor Trustee. Upon designation of a successor Trustee and delivery to the resigned or removed Trustee of written acceptance by the successor Trustee of such designation, such resigned or removed Trustee shall promptly assign, transfer, deliver and pay over to such Trustee, in conformity with the requirements of applicable law, the funds and properties in its control or possession then constituting the Trust Fund.

(e) Requirements as to Trustee. The Trustee and any successor thereto appointed hereunder shall be a commercial bank which is not an affiliate of the Company, but which is a national banking association or established under the laws of one of the states of the United States, and which has a combined capital and surplus of at least \$100,000,000.

SECTION 3.05 Reliance by Trustee; Third Parties. The Trustee shall be fully protected in acting or omitting to act in reliance upon any instrument, certificate, letter or other document which it believes to be genuine. A third party dealing with the Trustee shall not be required to make inquiry as to the authority of the Trustee to take any action nor be under any obligation to follow the proper application by the Trustee of the proceeds of sale of any property sold by the Trustee or to inquire into the validity or propriety of any act of the Trustee.

SECTION 3.06 Inability of Company to Act. If at any time the Company shall be incapable for any reason of giving instructions, directions or authorizations to the Trustee as herein provided, the Trustee may act without such instructions, directions or authorizations as it, in its discretion, shall deem appropriate or advisable under the circumstances for carrying out the provisions of the Plan or this Trust Agreement; provided, however, that the Trustee shall notify the Company in writing of any such actions taken pursuant to this Section 3.06.

SECTION 3.07 Indemnity. The Company shall pay and shall protect, indemnify and save harmless the Trustee and its officers, employees and agents from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) of any nature arising from or relating to any action by or any failure to act by the Trustee, its officers, employees or agents or the transactions contemplated by this Trust Agreement, including, but not limited to., any claim made by a Participant with respect to payments made or to be made by the Trustee, and any claim made, whether before or after a Change in Control, by the Company or its successor that this Trust Agreement is invalid, except to the extent that any such loss, liability, action, suit, judgment, demand, damage, cost or expense is caused by the gross negligence or willful misconduct of the Trustee, its officers, employees or agents.

ARTICLE IV
TRUST FUND TAXES; TRUSTEE FEES;
OTHER COSTS OF TRUST ADMINISTRATION

SECTION 4.01 Trust Fund Taxes. The Company shall from time to time pay taxes of any and all kinds whatsoever which at any time are lawfully levied or assessed upon or become payable in respect of its interests in the Trust Fund, the income or any property forming a part thereof. To the extent that any taxes lawfully levied or assessed upon the Trust Fund are not paid by the Company, the Trustee shall contest the validity of such taxes in any manner deemed appropriate by the Company or its counsel, at Company expense, but only if it has received an indemnity bond or other security satisfactory to it to pay any such expense. The Company may itself contest the validity of any such taxes.

SECTION 4.02 Trustee Fees: Other Trust Administration.

The Trustee shall be entitled to compensation from the Company for its services as Trustee of the Trust, during any Funded Period as custodian of the assets of the Trust Fund and, following a Change in Control during any Funded Period, as investment manager of the assets of the Trust Fund, at such reasonable rates as may from time to time be agreed upon by the Trustee and the Company; provided, however, that such rates of fees as are in effect for such services on the effective date of this Trust Agreement shall not be increased for at least two years following the effective date of this Trust Agreement. In addition, the Company shall pay the expenses of administering the Trust. For purposes hereof, the expenses of administering the Trust shall include but not be limited to the following:

(i) the foregoing fees of the Trustee;

(ii) the reasonable fees and expenses of the Trustee's legal counsel referred to in Section 3.02 hereof;

(iii) the reasonable fees and expenses of the Trust Actuary and of the tax counsel and auditors referred to in Section 2.06 hereof;

(iv) the reasonable expenses of each of the Participant Representatives and the reasonable fees and expenses of any legal counsel to any or all of the Participant Representatives which may from time to time be engaged by the Participant Representatives to advise any or all of them with respect to the construction of this Trust Agreement and their actions as Representative Participants; and

(v) any losses, liabilities, damages, costs and expenses (including without limitation for reasonable attorney's fees and expenses) paid or incurred by the Trustee or the Participant Representatives for which the Company is obligated to provide indemnity pursuant to Section 3.07 or 7.08, respectively, and any expenses of Participants referred to in Section 7.04.

Regardless of the provisions of Section 2.04 or the sufficiency of the Trust Fund to make future payments required hereunder, the Trustee shall liquidate assets of the Trust Fund, including by drawing under any Letter of Credit, to pay or to reimburse itself for any such compensation and expenses of Trust administration not paid by the Company. Such payment or reimbursement shall be made by the Trustee within 60 days after receipt by the Company of the Trustee's invoice for, and supporting documentation evidencing the nature and amount of, such compensation and expenses and, notwithstanding the foregoing, within 20 days after written demand is made on the Company by an indemnitee for advancement of expenses incurred by an indemnitee in defending any proceeding as to which the Company is obligated to provide indemnity under this Trust Agreement or, as to any Participant Representative, under the Company's Certificate of Incorporation, and within 20 days after receipt of the expense statement and direction of the Participant Representatives to reimburse Participant expenses as provided in Section 7.04 hereof. If the Trust Fund does not have sufficient funds to pay such amounts, the Company will pay them.

ARTICLE V CERTAIN DEFINITIONS

As used in this Trust Agreement, in addition to other terms defined elsewhere herein, the following terms shall have the following meanings, unless the context clearly indicates otherwise:

SECTION 5.01 "Change in Control" or "Change in Control of the Company" shall mean the first to occur of any one of the events described below:

(a) Stock Acquisition. Any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), other than the Company or a corporation, a majority of whose outstanding stock entitled to vote is owned, directly or indirectly, by the Company (a "Subsidiary"), or a trustee of an employee benefit plan sponsored

solely by the Company and/or such a Subsidiary, is or becomes, other than by purchase from the Company or such a Subsidiary, the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities. Such a Change in Control shall be deemed to have occurred on the first to occur of the date securities are first purchased by a tender or exchange offeror, the date on which the Company first learns of acquisition of 20% or more of such securities, or the later of the effective date of an agreement for the merger, consolidation or other reorganization of the Company or the date of approval thereof by a majority of the Company's shareholders, as the case may be.

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

(c) Other Events. Any other event or series of events which, notwithstanding any other provision of this definition, is determined, by a majority of the outside members of the Board of Directors of the Company serving in office at the time such event or events occur, to constitute a Change in Control of the Company for purposes of this Trust Agreement. Such a Change in Control shall be deemed to have occurred on the date of such determination or on such other date as such majority of the outside members of the Board shall specify.

The Board of Directors and the chief executive officer of the Company shall each have the duty to inform the Trustee of a Change in Control or of any event or events which they believe might occur which would constitute a Change in Control.

Notwithstanding the foregoing definition, a Change in Control shall be deemed to have occurred for purposes of this Trust Agreement when the Trustee has actual knowledge from a reliable source of such Change in Control. For this purpose, notice from the Company or Participant Representatives or a report filed with the Securities and Exchange Commission, a public statement issued by the Company, or a periodical of general circulation, including but not limited to The New York Times or The Wall Street Journal shall be deemed to be a reliable source upon which the Trustee may rely. The Trustee has no affirmative obligation or duty to inquire about, investigate or consult the foregoing sources for purposes of determining whether a Change in Control has occurred.

SECTION 5.02 "Company Stock" shall mean the common stock, par value \$1.00 per share, of and issued by the Company, or any successor securities thereto; and shall be treated as having been contributed to the Trust for purposes of Section 1.01 hereof if such Company Stock is

(a) owned by the Trust and is represented by stock certificates registered in the name of and in the custody of the Trustee for the benefit of the Trust, or is reflected by book entry registration in the name of the Trustee for the benefit of the Trust on the books of the transfer agent and registrar for the Company Stock; or

(b) reserved under a Company Stock Agreement.

SECTION 5.03 "Company Stock Agreement" shall mean a written agreement of the Company with the Trustee under which the Company agrees to reserve Company Stock for contribution to the Trust, receipt of a copy of which agreement has been acknowledged by the transfer agent and registrar for the Company Stock.

SECTION 5.04 "Current Plan Termination Liability" shall mean that amount which is or would have been sufficient to make all payments that are or would have been due and payable under the Plan to all Participants, assuming the Plan and the employment of all Participants had been terminated and all Plan accrued benefits had vested (and using the Benefit Calculation Schedule and Participant Information then applicable to the Plan), as of the end of the most recently concluded calendar quarter or other date as of which the calculation of Current Plan Termination-Liability is required or permitted to be made in accordance with this Trust Agreement.

SECTION 5.05 "Designated Beneficiary" shall mean the person designated by the Participant under each Plan as his or her beneficiary as indicated in the applicable Participant Information. Such person shall succeed to all of the rights of such Participant under this Trust Agreement upon such Participant's death with respect to the amounts of benefits to which such person is entitled under the terms of the Plan upon the Participant's death. The term "Participant" as used in this Trust Agreement shall include the Designated Beneficiary from and after the Participant's death.

SECTION 5.06 "Determination of Taxability" shall mean and shall be deemed to have occurred on the earlier of (a) the Internal Revenue Service (the "IRS") taking the written position, either through revenue rulings, letter rulings or other similar pronouncements, or the Code being amended in such a manner that the Trust would not be a "grantor trust", if such position would result in the principal and income of the Trust Fund being treated as income of the Participants, or (b) a Participant's receipt of a statutory notice of deficiency (90-day letter) from the IRS which notice assesses an additional income tax by reason of the Participant's failure to include in his gross income any amounts in respect of any assets of the Trust Fund because of the existence of the Trust Fund prior to the date any amounts are payable to such Participant pursuant to this Trust Agreement. The determination as to whether either of the foregoing events has occurred shall be made by the Company or its successors with the concurrence, in writing, in that determination by the independent auditors to the Company, and in the event of a disagreement between the Company and those auditors, the Trust Fund shall be distributed as provided for in Section 2.02; provided, however, prior to a Change in Control, the Company may, in the event of an occurrence specified in (b) above, elect to challenge such assessment of additional tax on behalf of the affected Participant by whatever administrative or judicial means

it deems appropriate, in which case a Determination of Taxability will not be deemed to have occurred until a final adverse determination is made without further right of appeal or judicial challenge or the Company determines to cease its challenge. If the Company elects to challenge such a determination, it shall pay directly or reimburse the Participant for all expenses of such challenge including any Tax Penalties incurred during the period beginning with the issuance of such 90-day letter and ending when the tax is paid or, if earlier, payment is made under Section 2.02 hereof, if the Participant does not unreasonably refuse to cooperate with the Company in its challenge of such tax. The Company shall keep the Participant informed of developments in the Company's challenge of such tax as is reasonably required to enable the Participant to cooperate with the Company in such challenge.

SECTION 5.07 "Insolvent" as to the Company shall mean

(i) the Company is unable to pay its debts as such debts become due,

or

(ii) the Company is subject to a pending proceeding as a debtor under the Federal Bankruptcy Code, 11 U.S.C. S 101 et seq., as amended, or any successor statute.

SECTION 5.08 "Letter of Credit" shall mean a standby irrevocable letter of credit delivered to the Trustee by a bank satisfying the requirements of Subsection 3.04(e) hereof (which bank may not be the Trustee) which has a fixed term of at least one year and provides for the payment of at least the Trust Amount. The Letter of Credit shall permit the Trustee to draw thereunder at any time that the Company is not "Insolvent" (a) prior to a Change in Control, amounts sufficient to pay any amount due and payable under Subsection 2.02(a) or Section 4.02 of this Trust Agreement upon and after the Company's failure to make any such payment required to be made by the Company under such Section within the time required thereunder, and the entire Trust Amount upon and after the Company's failure to maintain or obtain a replacement Letter of Credit and/or to contribute cash to the Trust Fund in the amount of the Trust Amount as and by the time required by Subsection 1.01(a) of this Trust Agreement, and (b) the entire Trust Amount upon and after the Company's failure, as of 10:30 a.m. Eastern Standard or Daylight Savings Time (whichever is prevailing in Philadelphia, Pennsylvania) on the day on which the Change in Control of the Company occurs, to have made the payment required to be made by the Company under Subsection 1.01(c) of this Trust Agreement. The Letter of Credit shall be transferrable to any successor Trustee. The term "Letter of Credit" as used in this Trust Agreement shall include the initial and all replacement and additional Letters of Credit conforming to the requirements of this definition.

SECTION 5.09 "Minimum Trust Amount" shall mean (a) 140% of the Current Plan Termination Liability or (b) at any time after the Plan have been terminated, the Current Plan Termination Liability plus a reasonable reserve, in an amount agreed to by the Trustee, Trust Actuary and Participant Representatives, sufficient to provide for all expenses and other costs of maintaining, administering and terminating the Trust and of paying all amounts required by this Trust Agreement, including without limitation, all reasonable fees and expenses of the Trustee, the Trust Actuary and the Participant Representatives. For purposes of this definition, "termination of the Plan" means any action, occurrence or event the effect or result of which is

that no further benefits shall accrue to or for any Participant under any Plan, disregarding for this purpose any future vesting of benefits accrued under any Plan as of the date of such action, occurrence or event and any additional benefits which may accrue under any plan which is similar or succeeds any Plan.

SECTION 5.10 "Participant Information" shall mean (i) the name of each Participant and of such Participant's Designated Beneficiary under the Plan, (ii) the home address of each Participant and, if different, of the Participant's Designated Beneficiary, (iii) the account balances reflecting each Participant's benefit under the Plan, (iv) form of payment elected by each Participant, (v) the Annual Salary, applicable Elective Deferral and interest rate accruing on Supplementary Savings Account balances (as all of such terms are defined in the Plan) and (vi) such other information as may be necessary or appropriate to enable the Plan Actuary to calculate the Plan benefits to which each Participant is entitled.

SECTION 5.11 "Participant Representatives" shall mean initially those four individual Participants named in Exhibit D attached hereto. Any such person may elect at any time while he is a Participant not to continue as a Participant Representative by giving written notice thereof to the Trustee, the Company and the other Participant Representatives and appointing another Participant to replace himself as a Participant Representative by naming such Participant in such notice. In the event that any such resigning Participant Representative fails or is unable for any reason (including due to his death or mental incapacity) to appoint an individual to replace himself as a Participant Representative or ceases to be a Participant in a Plan, the remaining Participant Representatives shall designate another Participant as his replacement by giving notice in writing to the Trustee of said replacement. Any appointment of a replacement Participant Representative shall be deemed accepted and effective if the written notice to the Trustee thereof is appropriately countersigned by such newly appointed Participant Representative and, until such time, actions taken by the remaining Participant Representatives shall be effective for all purposes of this Trust Agreement. In case of the inability or refusal of the Participant Representatives to act to appoint replacement Participant Representatives, the Trustee shall be entitled to petition a court of competent jurisdiction to appoint Participant Representatives.

SECTION 5.12 "Savings Plan" shall mean the Air Products and Chemicals, Inc. Retirement Savings and Stock Ownership Plan or, if such plan ceases to exist, any other broad-based employee benefit plan of the Company as designated by the Company.

SECTION 5.13 "Trust Actuary" shall mean such consulting actuary or firm of consulting actuaries (who is or are Enrolled Actuaries and Fellows in the Society of Actuaries) as the Trustee shall from time to time select, with the written consent of the Participant Representatives, to perform for and under contract with the Trustee the functions required of the Trust Actuary as provided in this Trust Agreement. The Participant Representatives shall have the right to direct the Trustee at any time to remove the actuary or firm of actuaries then serving as Trust Actuary, whereupon the Trustee shall select a new Trust Actuary, again with the written consent of the Participant Representatives. If the Trustee fails to appoint a Trust Actuary, the

Participant Representatives may select and appoint an actuary or firm of actuaries to serve as Trust Actuary.

ARTICLE VI
TERMINATION, AMENDMENT AND WAIVER

SECTION 6.01 Termination. This Trust Agreement may be terminated by the Company only upon payment in full of all Plan benefits to all Participants according to the provisions of the Plan as to timing and amount of benefits, upon funding of the entire applicable Trust Amount for the purpose of paying Plan benefits under a trust or trusts qualified under Section 401 of the Code or with the written consent of the Participant Representatives. In addition, this Trust Agreement shall terminate following a Determination of Taxability as provided in Section 2.02 (except that prior to a Change in Control the Company may elect instead by action of its Employee Benefit Plans Committee or a successor committee with oversight responsibility for the administration of the Plan, to revoke this Trust Agreement if doing so will avoid the Trust Fund being treated as income of the Participants). Promptly upon any such termination or revocation of this Trust Agreement, the Trustee shall so notify the issuing bank.

SECTION 6.02 Amendment and Waiver.

(a) Prior to a Change in Control. Except as set forth in this Subsection 6.02(a), this Trust Agreement may not be amended except by an instrument in writing signed on behalf of the Company and the Trustee, with the written consent of the Participant Representatives. Without limiting the generality of the foregoing, this Trust Agreement may be amended, as aforesaid, to change or add to the permitted forms of contributions to the Trust specified in Subsection 1.01(d), the permitted forms of investments of the Trust Fund specified in Subsection 1.02(a), the required terms and conditions of replacement Letters of Credit as defined in Section 5.06, and the assumptions for calculating the Current Plan Termination Liability set forth in Exhibit C attached hereto. In addition, the Company and the Trustee, with the written consent of the Participant Representatives, may at any time waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of the Company, the Trustee or the Participant Representatives to any such amendment or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party and all of the Participant Representatives.

Notwithstanding the foregoing, any such amendment or waiver may be made by written agreement of the Company and the Trustee without obtaining the consent of any Participants including the Participant Representatives if such amendment or waiver is necessary to prevent the assessment of income tax on any Participants with respect to the Trust Fund prior to the date amounts are payable to Participants from the Trust Fund, or does not operate to adversely affect the rights of any Participant under this Trust Agreement with respect to Plan rights and benefits existing, vested in or accrued with respect to such Participant prior to the date of such amendment or waiver. Without limiting the generality of the immediately preceding sentence, the Company and the Trustee may amend this Trust Agreement without obtaining the consent of any Participants to: increase the Trust Amount as provided in Subsection 1.01(a) hereof; add to

the covenants and agreements of the Company contained in this Trust Agreement other covenants and agreements thereafter to be observed; surrender any right or power herein reserved to or conferred upon the Company; or cure any ambiguity or omission or cure, correct or supplement any defect or inconsistent provision contained in this Trust Agreement.

No such amendment or waiver relating to this Trust Agreement may be made with respect to a particular Participant unless such Participant has agreed in writing to such amendment or waiver. Any amendment made in accordance with this Subsection 6.02(a) may by its terms be retroactive. Any amendment to or waiver under this Trust Agreement permitted by this Subsection 6.02(a) may be approved on behalf of the Company by action of its Employee Benefit Plans Committee or other committee with oversight authority to administer the Plan.

(b) On and After a Change in Control. This Trust Agreement may not be amended by the Company or its successor or by the Trustee except as may be required by applicable law or with the written consent of the Participant Representatives.

ARTICLE VII
GENERAL PROVISIONS

SECTION 7.01 Further Assurances. The Company shall, at any time and from time to time, upon the reasonable request of the Trustee, execute and deliver such further instruments and do such further acts as may be necessary or proper to effectuate the purposes of this Trust Agreement.

SECTION 7.02 Entire Agreement; Severability. This Trust Agreement and the Plan and, while in effect, any Company Stock Agreement, together set forth the entire understanding of the parties with respect to the subject matter hereof and supersede any and all prior agreements, arrangements and understandings relating thereto. In the event that any provision of this Trust Agreement or the application thereof to any person or circumstances shall be determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Trust Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Trust Agreement shall be valid and enforced to the fullest extent permitted by law.

SECTION 7.03 Notices. etc. Any notice, report, request, demand, waiver or consent requested, required or permitted hereunder shall be in writing and shall be given personally or by prepaid, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501

Attention: Corporate Secretary

If to the Trustee: PNC Bank, N.A.
Investment, Management and Trust Division
398 North Main Street
Doylestown, PA 18901-3447

Attention: Peter M. Van Dine, Vice President

If to a Participant, to the address of such person as listed next to his or her name as shown on Exhibit B hereto or, if different or as to future additional Participants, in the most recent Participant Information.

If to the Participant Representatives, to the address indicated on Exhibit D or hereafter specified by written notice from the Participant Representatives, and if to a person designated by the Participant Representatives, to the address of such person specified in such designation.

A notice shall be deemed received upon the date of delivery if given personally or, if given by mail, upon the receipt thereof.

Any action of the Company pursuant to this Trust Agreement, including all orders, directions, instructions, approvals and objections of the Company to the Trustee shall be in writing signed on behalf of the Company by its Vice President - Human Resources. Any information, request, certified Plan or Plan amendment, Benefit Calculation Schedule or Participant Information or other document or material delivered to the Trustee shall be in writing and may be signed by the Company's Vice President Human Resources or any other duly authorized officer or employee of the Company or, to the extent applicable under this Trust Agreement, by the Participant Representatives or a person designated by the Participant Representatives.

SECTION 7.04 Trust Beneficiaries. The Company shall have the right to enforce any provision of this Trust Agreement prior to a Change in Control and, on or after a Change in Control, any Participant shall have the right as a beneficiary of the Trust to enforce all terms and provisions of this Trust Agreement with the same force and effect as if such person were a party hereto, except to the extent actions are required to be taken or consented to by the Participant Representatives. Notwithstanding the foregoing, no Participant shall have any beneficial ownership interest in or preferred claim as to any portion of the Trust Fund prior to receiving payment therefrom, since the rights of Participants hereunder are unsecured contractual rights only.

The Participants in the Plan as of the date hereof are listed in the initial Participant Information delivered to the Trustee by the Company concurrently herewith. As new persons become Participants in the Plan from time to time, they shall be included in the next following update of the Participant Information delivered to the Trustee by the Company.

It shall be the responsibility of the Company, without recourse to the Trust Fund, to reimburse any expenses (including attorneys' fees) incurred by a Participant after a Change in Control in connection with the enforcement of any rights hereunder of such Participant. If the Company fails or refuses to make such reimbursement, in whole or in part, within 20 days after receipt of demand therefor accompanied by appropriate documentation of such fees or other expenses, such Participant may, without prejudice to his right to receive full reimbursement from the Company, demand payment of such amount from the Trust Fund, in which case the Trustee, upon receipt from the Participant Representatives of a written direction to pay, shall make such payment as soon as practicable.

SECTION 7.05 Necessary Parties In Actions Affecting the Trust. In any action, proceeding or judgment affecting the Trust the only necessary parties shall be the Company and the Trustee prior to a Change in Control and the Trustee and the affected Participants on and after a Change in Control and, except as otherwise required by applicable law, no other person shall be entitled to any notice or service of process. Any judgment entered shall to the maximum extent permitted by applicable law be binding and conclusive on all persons having or claiming to have any interest in the Trust.

SECTION 7.06 Successors; Non-Alienation.

(a) This Trust Agreement shall be binding upon and inure to the benefit of the Company and the Trustee and their respective successors and assigns.

(b) Any corporation into which the Trustee or the Company may be merged or with which it may be consolidated, or any corporation resulting from any merger, reorganization or consolidation to which the Trustee or the Company may be a party, or any corporation to which all or substantially all of the trust business of the Trustee or the business of the Company may be transferred shall be the successor of the Trustee or the Company hereunder without the execution or filing of any instrument or the performance of any act.

(c) Except insofar as applicable law may otherwise require or as provided in Section 2.03 hereof, (i) no amount payable to or in respect of any Participant at any time under the Trust shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, garnishment, charge, encumbrance, execution or levy of any kind, and any attempt to so alienate, sell, transfer, assign, pledge, attach, garnish, charge, execute, levy or otherwise encumber any such amount, whether presently or thereafter payable, shall be void, and (ii) the Trust Fund shall in no manner be liable for or subject to the debts, liabilities, contracts, engagements or torts of any Participant.

SECTION 7.07 Parties Interested Herein. Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer, upon, or to give to, any person, other than the Company, the Trustee and the Participants, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation, promise or agreement contained herein.

SECTION 7.08 No Personal Liability; Indemnification of Participant Representatives-. To the maximum extent permitted by applicable law as the same exists or may hereinafter be amended to further eliminate or limit the personal liability of such persons, no personal liability whatsoever shall attach to or be incurred by any employee, officer or director of the Company, the Trustee or the Trust Actuary, as such, or by any Participant Representative under or by reason of the terms or conditions contained in or implied from this Trust Agreement.

In consideration of and to induce the services of the Participant Representatives referred to in this Trust Agreement, the Company shall pay and shall defend, indemnify and save harmless each person who is or was at any time a Participant Representative, together with his respective heirs, executors and administrators, from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses (including, without limitation, reasonable attorneys, fees and expenses incurred by the indemnitee in defending and investigating same) of any nature arising because of his status or election to discontinue as a Participant Representative or relating to any action by or any failure to act by the Participant Representative in such capacity or the transactions contemplated by this Trust Agreement, including, but not limited to, any claim made by a Participant, the Trustee or Trust, or the Company and any claim made, whether before or after a Change in Control, by the Company or its successor that this Trust Agreement is invalid, except to the extent that any such loss, liability, action, suit, judgment, demand, damage, cost or expense is caused by acts or omissions not in good faith, the intentional misconduct or the knowing violation of law by the Participant Representative.

The rights of the Participant Representatives under this Section 7.08 are not exclusive of any other right which the Participant Representatives may have or hereafter acquire under any statute, the Company Certificate of Incorporation, by-law, agreement, vote of Company stockholders or disinterested directors of the Company, insurance policy or otherwise and shall survive the resignation of any Participant Representative from his position as such. No modification to or deletion of this Section 7.08 by the Company shall adversely affect any right or protection of a Participant Representative existing at the time of such modification or deletion, without the written consent of such Participant Representative. Each Participant Representative shall have the right as a third party beneficiary of this Trust Agreement to enforce the terms and provisions of this Section 7.08 and Section 4.02 of this Trust Agreement with the same force and effect as if such person were a party hereto.

SECTION 7.09 Texts of Plan and Plan Amendments. The Company has delivered true and complete copies of the Plan text, amendments and descriptions to the Trustee, as well as of a true and complete copy of the Air Products and Chemicals, Inc. Retirement Savings and Stock Ownership Plan (the "Savings Plan") and the summary plan description thereof. The Company

shall provide to the Trustee a copy of each amendment to the Plan and of the Savings Plan, promptly following the effective date thereof, together with a certification of the completeness and accuracy thereof and, following a Change in Control should the Company fail to do so, the Participant Representatives may supply and certify such amendments to the Trustee, whereupon the Trustee shall supply a copy thereof to the Company.

SECTION 7.10 Titles. Titles to the Articles and Sections of this Trust Agreement are included for convenience only and shall not control the meaning or interpretation of any provision of this Trust Agreement, except that the Subsection headings including the language "Prior to a Change in Control" and "On and After a Change in Control" shall control the interpretation and meaning of the respective Subsections since the provisions thereof shall be applicable only as and when indicated by such headings.

SECTION 7.11 Applicable Law. This Trust is created and accepted in the Commonwealth of Pennsylvania. To the maximum extent consistent with applicable law, this Trust Agreement and the Trust established hereunder and the acts and transactions of the parties hereto and their respective successors, as well as of the Participant Representatives, shall be governed and construed, enforced, administered, and determined in accordance with the laws of the Commonwealth of Pennsylvania, except to the extent preempted by applicable federal law, and the Trustee shall be liable to account only in the courts of that state.

SECTION 7.12 Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed to be the original although the others shall not be produced.

IN WITNESS WHEREOF, the parties have executed this AMENDED AND RESTATED TRUST AGREEMENT as of the date first written above.

AIR PRODUCTS AND CHEMICALS, INC.

Attest:

By: /s/ J. P. McAndrew

J. P. McAndrew
Vice President
Human Resources

/s/ Karen G. Wright

Assistant Secretary

PNB BANK, N.A.

By: /s/ Peter M. Van Dine

Vice President

Attest:

IN WITNESS WHEREOF, the undersigned Participant Representatives have executed this Trust Agreement in evidence of their consent to the amendments made thereto as of August 1, 1999 which are incorporated herein.

/s/ W. D. Brown

W. D. Brown
Participant Representative

/s/ Leo J. Daley

L. J. Daley
Participant Representative

/s/ J. J. Kaminski

J. J. Kaminski
Participant Representative

/s/ J. P. McAndrew

J. P. McAndrew
Participant Representative

COMPANY STOCK AGREEMENT

COMPANY STOCK AGREEMENT, (the "Agreement") by and between AIR PRODUCTS AND CHEMICALS, INC., a Delaware corporation, and PNC BANK, N.A., a national banking association, as trustee (the "Trustee"), under those certain Amended and Restated Trust Agreements between said parties effective 1 August 1999 (collectively, the "Trust Agreements");

WHEREAS, capitalized words used in this Agreement shall have the meanings set forth in the Trust Agreements except as otherwise provided herein;

WHEREAS, the Company (and SCWC Corp. as to the SCWC Corp. Retirement Plan and, together Air Products and Chemicals, Inc., the "Company") is obligated under the Plans to provide benefits to certain employees and past employees of the Company and certain of its subsidiaries;

WHEREAS, since the payment of benefits to be made and the obligations of the Company under the Plans are not funded or otherwise secured, the Company entered into the Trust Agreements to assure that future payment of said benefits will not be improperly withheld including in the event of a Change in Control of the Company;

WHEREAS, each of the Trust Agreements permits the Company to amend the Trust Agreement to increase the Trust Amount at which the Trust Fund under each Trust is to be maintained, at any time by written notice to the Trustee from the Company and contribution of assets to the Trust sufficient to pay such increased Trust Amount, such increase and amendment to be effective upon written acceptance by the Trustee of such notice and contribution of assets;

WHEREAS, the Trust Amounts under the Trust Agreements currently aggregate \$68,000,000, and the Trust Amounts as of 1 May 2001 are expected to aggregate \$96,600,000, specifically, as estimated by the Trust Actuary for the Pension Plan, \$87,000,000; by the Plan Administrator for the Savings Plan, \$8,100,000; and by the SCWC Corp. Retirement Plan Committee for the SCWC Pension Plan, \$1,500,000 (respectively, the "New Trust Amounts");

WHEREAS, upon execution of this Agreement the Trust Amounts under the Trust Agreements will be increased to the New Trust Amounts, after which the Company will be obligated under the Trust Agreements to maintain the Trust Funds at levels at least equal to the New Trust Amounts;

WHEREAS, each of the Trust Agreements permits the contribution to and investment of Trust assets prior to a Change in Control in the form of Company Stock in addition to Letters of Credit and cash; and provides that Company Stock shall be treated as having been contributed to the Trust if such Company Stock is reserved for contribution to the Trust as evidenced by written agreement of the Company with the Trustee under which the Company agrees to reserve Company Stock for contribution to the Trust, receipt of a copy of which agreement has been acknowledged by the transfer agent and registrar for the Company Stock; and

WHEREAS, it is the intention of the parties hereto that this Agreement shall constitute such a Company Stock Agreement as defined in, and for all purposes under, the Trust Agreements;

NOW THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the parties hereto, intending to be legally bound, agree as follows:

1. The Company hereby gives notice to the Trustee that the Trust Amounts shall be increased to the New Trust Amounts and, by this Agreement, contributes assets to each Trust Fund within the meaning of and as permitted by the Trust Agreement, sufficient to pay the respective New Trust Amount under each Trust Agreement; and the Trustee hereby accepts such notice and contribution of assets to each Trust.
2. The Company covenants and agrees with the Trustee that it will cause all action to be taken which is necessary to maintain for prompt transfer to the Trustee for holding in the Trust under each Trust Agreement Company Stock with a fair market value (valued as provided in the Trust Agreement) at least equal to the respective New Trust Amount for such Trust (subject only to the claims of the Company's general creditors under federal and state law in the event of the Company's "Insolvency" as defined in the Trust Agreement).
3. Attached to this Agreement is a true and complete copy of the Certification and Direction initially directing Company Stock to be reserved for future contribution to the Trusts in accordance with this Agreement and the Trust Agreements.
4. This Agreement shall be governed and construed, enforced, administered, and determined in accordance with the laws of the Commonwealth of Pennsylvania.
5. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be the original although the others shall not be produced.

IN WITNESS WHEREOF, the parties have executed this AGREEMENT as of the date first written above.

AIR PRODUCTS AND CHEMICALS, INC.

Attest:

By: /s/Leo J. Daley

Vice President - Finance

/s/ Karen G. Wright

Assistant Secretary

PNC BANK, N.A.

Attest:

By: /s/ Peter M. Van Dine

Vice President

ACKNOWLEDGEMENT OF RECEIPT

The undersigned, Fred T. Meyers, Assistant Vice President of First Chicago Trust Company of New York ("First Chicago"), stock transfer agent and registrar for the common stock of Air Products and Chemicals, Inc., hereby acknowledges receipt of this Company Stock Agreement on behalf of First Chicago on this ____ day of ____, 1999.

First Chicago Trust Company of New York

By: /s/ Frederick T. Meyers

Assistant Vice President

Air Products PLC
Hersham Place
Molesey Road
Walton on Thames
Surrey KT12 4RZ
England
Telephone: (44) (1932) 249200

6 November 1998

Ronaldo Sullam
8 Woodlands Road
Barnes, London SW13
England

Re: Employment Agreement between Air Products PLC and
Ronaldo Sullam Dated 1 June 1996 ("Agreement")

Dear Ron:

By the referenced Agreement, you have agreed to certain terms and conditions of your employment by Air Products PLC. Such terms and conditions include that performance of your duties under a second employment agreement entered into between AIRPROCHEM INC. and yourself shall take precedence over performance of your duties under the Agreement. As the employment agreement between AIRPROCHEM INC. and yourself has been superseded, it is necessary to amend paragraph 15 of the Agreement to read as follows:

15. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the parties with respect to Employee's employment with Company and his compensation therefor and supersedes any prior agreement between the parties, except: (a) that Air Products and Chemicals, Inc., the parent of Company, and Employee have entered into a separate, distinct and independent employment agreement dated 6 November 1998 relating to Employee's part-time services for Air Products and Chemicals, Inc. outside the United Kingdom and that, in the case of conflict, the performance of Employee's duties under that employment agreement shall take precedence over the performance of Employee's duties under this Agreement, and (b) that the Employment period set forth in paragraph 3 of this Agreement shall not be terminated or affected in any way, and Employee's remuneration under this Agreement shall not be changed, by the termination for any reason whatsoever of Employee's employment with Air Products and Chemicals, Inc., the express intention being that the two employments should, at

- 2 -

all times and under all circumstances, be separate and distinct from, and independent of, the other. The parties hereto expressly agree that the agreement dated 1 October 1992 between them is hereby superseded and other parties waive any right to prior notice to terminate or amend that agreement.

Please indicate your agreement to this amendment by signing one copy of this letter and returning it to me; whereupon the Agreement shall be deemed to be dated as of 6 November 1998.

Very truly yours,

/s/ L V Broese van Groenou

L V Broese van Groenou
Vice President
Human Resources & Procurement
on Behalf of Air Products PLC

Acknowledged and Agreed:

/s/ Ronaldo Sullam

Ronaldo Sullam

AIR PRODUCTS Europe Inc.
Hersham Place
Molesey Road
Walton-on-Thames
Surrey KT12 4RZ

[AIR PRODUCTS STYLIZED "A" LOGO]

Direct line telephone: 01932 249901

Our reference

Your reference

Date

12 April 1999

Mr. Ronaldo Sullam

8 Woodlands Road

Barnes, London SW13

England

Dear Ron,

The purpose of this letter is to confirm the intent of the dual employment contracts that you have executed with Air Products PLC and Air Products and Chemicals, Inc. These contracts supersede prior employment agreements that you executed with Air Products PLC and Airprochem Inc. dated 1 June 1996 and 1 October 1992. The purpose of these contracts is to set forth the split of your employment activities between those activities which take place within the United Kingdom and those which are performed off-shore and to satisfy the requirements of Inland Revenue regarding off-shore activities of non-domiciled individuals, which we understand to be your tax filing status. This letter will confirm that neither the most recent employment agreements nor those which they have replaced are intended to reduce or minimise any legal rights you may have as an employee either under your employment relationship with Air Products PLC and any of its affiliated companies prior to the execution of your employment contracts dated 1 October 1992 or under any applicable statutory law which pertains to your employment relationship with the company.

Very truly yours,

/s/ L. V. Broese van Groenou

L. V. Broese van Groenou

Vice President

Human Resources & Procurement

Telephone switchboard 01932 249200

Telefax 01932 249565

Telex 917243

Cables/Telegrams Lowtemp Walton-on Thames

Registered in England Number 103881

DATED 6 November 1998

AIR PRODUCTS AND CHEMICALS, INC.

and

RONALDO SULLAM

E M P L O Y M E N T A G R E E M E N T

THIS AGREEMENT is made as of the 6th day of November 1998 (hereinafter called the "Effective Date") by and between AIR PRODUCTS AND CHEMICALS, INC., a corporation which is organized and existing under the laws of the State of Delaware in the United States of America (hereinafter called "Company"), which has its principal office at 7201 Hamilton Boulevard, Allentown, PA 19185, U.S.A. and RONALDO SULLAM, a citizen of the Republic of Italy who resides at 8, Woodlands Road, Barnes, London, SW13, England (hereinafter called "Employee");

WHEREAS, Company wishes to assure itself of the availability of the advice and services of Employee in providing commercial and other services of various kinds to the "Operating Companies" (which are subsidiaries or affiliates of Company that are engaged principally in the manufacture and sale of industrial specialty and diving gases and related equipment) relating to their operations in continental Europe and certain other countries of the world outside of the United Kingdom of Great Britain and Northern Ireland, and participating in the Company's internal management committee, the Corporate Executive Committee, to provide advice on major capital projects, acquisitions and divestitures, commercial transactions, strategies of our major businesses, capital and operating plans, and significant policies for human resources, technology, information technology, quality, health, safety, environmental, public affairs, and other company-wide initiatives; and

WHEREAS, Company desires to enter into a contract of employment with Employee and Employee is willing to enter into such contract of employment;

NOW, THEREFORE, in consideration of the premises and the mutual covenants as set forth herein the parties hereto agree as follows:

1. SERVICES OF EMPLOYEE

Company hereby employs Employee during the Employment Period, as hereinafter defined, to perform the duties specified in the Schedule to this Agreement and Employee hereby accepts such employment by Company, all on and subject to the terms and conditions contained in this Agreement and to Company's corporate policies and practices that are in effect from time to time.

2. HOURS AND PLACES OF EMPLOYMENT

2.1 Employee's services, because of their nature and close connection to the places of business of the Company and Operating Companies, will be rendered almost entirely in the countries of continental Europe and the United States, but Employee will be required to travel on Company's business to other areas of the world (e.g., North and South America, Africa and Asia) and Employee shall not have to perform any services or duties whatsoever under this Agreement in the United Kingdom of Great Britain and Northern Ireland. Company shall have the right to require Employee to render services from time to time under this Agreement for at least 100 working days in the aggregate during each year of the Employment Period. Subject to the provisions of this paragraph 2 and paragraph 14 of this Agreement, Employee shall devote such time and attention to his duties under this Agreement, both within and outside normal working hours, as shall reasonably be required by Company for the provision of services to Operating Companies and in serving on the Corporate Executive Committee of the Company.

2.2 It is recognized by both parties that Employee is a citizen of Italy who is residing in the United Kingdom for the time being in connection with the performance of his employment and that the Company may at any time reasonably request Employee to remove to a country on the European Continent, the United States of America or elsewhere.

3. EMPLOYMENT PERIOD

The term of Employee's employment under this Agreement ("Employment Period") shall begin on the Effective Date and shall continue for an indefinite period after that date; provided however, that this Agreement and the employment may be terminated by either party by written notice thereof received by the other party not less than 180 days prior to the date of termination specified in such notice, provided that advance notice by Company to Employee shall not be required in the event of termination of Employee for cause.

4. REMUNERATION OF EMPLOYEE

For his services under this Agreement, Employee shall be entitled to such annual salary as may be determined from time to time during the Employment Period by Company. Such salary shall be paid in monthly instalments net of any appropriate deductions that may be required by applicable law, or by participatory employee benefit plans. The initial salary is set forth on Exhibit I. Employee will be considered from time to time for various incentive compensation awards under the Company's Long-Term Incentive Plan and Annual Incentive Plan. As a result of executing this Agreement and the performance of services hereunder, Employee does not obtain any right to receive any such incentive compensation award. Such awards as may be granted will be on the basis of Employee's performance and in the sole discretion of the Management Development and Compensation Committee of the Board of Directors of the Company. Any awards under the Company's Long-Term Incentive Plan, which have been granted to Employee prior to the commencement of this Agreement but which have not been fully earned shall, if earned during the course of the Agreement, be allocated to this Agreement on the basis of 50% of the total of any such award reduced by that time-apportioned amount deemed earned prior to commencement of this Agreement.

5. EXPENSES

Employee shall be entitled to be reimbursed for reasonable expenses that are incurred by him in connection with his duties under this Agreement and on a basis that conforms with Company's policy, including expenses for travel, entertainment and other usual business activities. Such reimbursement will be predicated upon prior presentation of an itemized account of such expenses, together with such vouchers or receipts for individual expense items as may from time to time be required under Company's established policies and procedures.

6. CONFIDENTIAL INFORMATION

Employee hereby ratifies and affirms and agrees to be bound by the employee confidentiality and patent agreement previously executed between Employee and Air Products PLC; provided that, Employee has executed contemporaneously herewith, attached as Exhibit II, an Employee Patent and Confidentiality agreement with the Company. The obligations therein shall apply during the Employment Period and thereafter, and shall supersede the prior agreement in the event of a conflict.

7. NOTICES

All notices, demands or other communications hereunder shall be effective if in writing and delivered personally or sent by pre-paid certified or registered airmail, addressed to the other party at the address set forth at the head of this Agreement or at such other address as may have been furnished by such other party in writing, and shall be deemed to have been received no later than seven (7) days after the date of mailing.

8. TAXES

It is understood and agreed that the Employee will not participate in the Company's tax equalization programs, as they exist from time to time, relative to expatriate and Third Country National employees. The parties acknowledge that the compensation and benefits provided for herein are provided on the basis that the Employee shall be responsible for his own tax affairs. No adjustment in compensation or benefits shall be made due to any changes in the tax laws of any country which have an impact upon the Employee in a manner different than that otherwise assumed or actually applying on the effective date hereof.

9. ADDITIONAL ACTION

Each of the parties to this Agreement shall execute and deliver such other documents and do such other acts and things as may be necessary or desirable to carry out the terms, provisions and purposes of this Agreement.

10. GOVERNING LAW

This Agreement and the relationships of the parties in connection with the subject matter of this Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Pennsylvania.

11. ENFORCEMENT

The failure to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement (or any part hereof), or the right of either party thereafter to enforce each and every provision in accordance with the terms of this Agreement.

12. AMENDMENTS

No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless made in writing and signed by both parties.

13. SEVERABILITY

If any severable provision of this Agreement is held to be invalid or unenforceable by any judgment of a tribunal of competent jurisdiction, the remainder of this Agreement shall not be affected by such judgment and the Agreement shall be carried out as nearly as possible according to its original terms and intent.

14. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the parties with respect to Employee's employment with Company and his compensation therefor and supersedes, with respect to periods occurring on or after the Effective Date, any prior agreement between the parties, except for the agreements described in paragraph 6 hereof.

The rights and responsibilities of Employee and Company with respect to Employee's employment with Company or any of its branches and his compensation therefore prior to the Effective Date shall be governed by the agreements between the parties as were then in effect. The parties hereto expressly agree that the agreement dated 1 June 1996 between Employee and Airprochem, a wholly-owned subsidiary of Company, is hereby superseded and Employee waives, and Company on behalf of Airprochem waives any right to prior notice to terminate or amend that agreement.

The parties acknowledge that the Employee and Air Products PLC ("APPLC") have entered into a separate, distinct and independent employment agreement relating to Employee's services for APPLC in the United Kingdom. APPLC has agreed with Employee that, in the case of conflict, the performance of Employee's duties under this Agreement shall take precedence over the performance of Employee's duties for APPLC. The parties hereto expressly agree that the Employment Period set forth in paragraph 3 of this Agreement shall not be terminated or affected in any way and Employee's remuneration under this Agreement shall not be changed, by the termination for any reason whatsoever of Employee's employment with APPLC, the

express intention being that the two employments shall be separate and distinct from, and independent of, the other.

15. COUNTERPARTS

This Employment Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed shall be an original, but all counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, Company has caused this Agreement to be signed by a duly authorized officer and Employee has hereunto set his hand effective as of the day and year above written.

AIR PRODUCTS AND CHEMICALS, INC.

RONALDO SULLAM

By: /s/ Joseph P. McAndrew

Joseph P. McAndrew

By: /s/ Ronaldo Sullam

THE SCHEDULE

The Employee duties shall be to:

1. Represent the Company and its affiliates within Europe and elsewhere outside of the United Kingdom as President of Air Products Europe, Inc.
2. Assist the management of the Operating Companies in their negotiations with major (especially multinational) customers of or suppliers to the business for the sale or purchase of industrial and specialty gases and related services;
3. Assist the Operating Companies in respect of their appointment , remuneration, promotion, retirement or release of operating personnel connected with the businesses;
4. Serve, if and so long as duly elected by the shareholders of the respective Operating Companies, on the Board of Directors or equivalent body of selected major Operating Companies organised and doing business in the countries of Continental Europe.
5. Serve, so long as elected by the shareholding affiliate or affiliates, as a director of Carbueros Metalicos and Sapio and to attend, in Spain and Italy, respectively, on behalf of the affiliate or affiliates, all Board meetings and to act on behalf of the affiliate or affiliates in representing them within Spain and Italy, respectively, with respect to those companies.
6. Serve, so long as elected by the shareholding affiliate or affiliates, as a director of any other companies affiliated with the Company and to attend, in the countries of operation of such companies, on behalf of the affiliate or affiliates, all Board meetings and to act on behalf of the affiliate or affiliates in representing them within the countries of operation of such companies, with respect to such companies.
7. Attend in the United States or elsewhere outside of the United Kingdom, to serve, if and so long as duly elected by the representative shareholders, as a member or alternate member of the board of directors or equivalent body of selected major Companies organised and doing business outside the countries of Continental Europe.

8. Represent the Company at professional meetings and conferences within Europe and elsewhere outside of the United Kingdom as President of Air Products Europe, Inc.
9. Report periodically to Company, at its offices in Allentown, Pennsylvania, U.S.A., regarding the investments of the Company and its affiliates within Europe and elsewhere outside of the United Kingdom.
10. Serve, so long as appointed by the Chairman of the Company, as a member of the Company's Management Committee and Corporate Executive Committee or any successor internal management committee, and any other committees of the Company to which he may be elected from time to time.

Exhibit I

The initial salary hereunder shall be FF 951,500, per annum. This salary shall be paid to the employee in French Francs. The salary will adjusted from time to time as provided herein and in the practices of the Company.

EMPLOYEE PATENT, COPYRIGHT AND CONFIDENTIAL INFORMATION AGREEMENT

In consideration of my employment by Air Products and Chemicals, Inc., its divisions, affiliates and subsidiaries (all, collectively, referred to hereinafter as the Company), I agree that I will:

- A. Communicate to the Company promptly and fully in writing, in such format as the Company may deem appropriate, all inventions made or conceived by me whether alone or jointly with others from my time of entering the Company's employ until I leave, and as requested, to assign to the Company those of such inventions which (1) relate to a field of business, research or investigation in which the Company has an interest, or (2) result from, or are suggested by, any work which I may do for or on behalf of the Company;
- B. Make and maintain adequate permanent records of all such inventions, in the form of memoranda, notebook entries, drawings, print-outs or reports relating thereto, in keeping with then current Company procedures. I agree that these records, as well as the inventions themselves, shall be and remain the property of the Company at all times;
- C. Cooperate with and assist the Company and its nominees, at their sole expense, during my employment and thereafter, in securing and protecting patent rights in which I am a named inventor or other similar rights in the United States and foreign countries. In this connection, I specifically agree to execute all papers which the Company deems necessary to protect its interests including the execution of assignments of invention and to give evidence and testimony, as may be necessary, to secure and enforce the Company's rights;
- D. Except as the Company may otherwise authorize in writing, not use or disclose to others, reproduce or copy at any time, except as my Company duties may require, either during or subsequent to my employment, any private information of the Company or of others as to whom the Company has an obligation of confidentiality which may come to my attention or be developed by me during the course of my employment other than information which is or becomes public knowledge in a lawful manner;
- E. Upon termination of my employment with the Company, deliver to it all records, data and memoranda of any nature which are in my possession or control and which relate to my employment or the activities of the Company, including, for example, notebooks, diaries, reports, photographs, films, manuals and computer software media.
- F. Following termination of my employment, honor and abide by my continuing obligation of confidentiality. I agree that, in any situation which arises and involves a question of my freedom to disclose particular information to a subsequent employer or anyone else, I will contact the Company in writing and elicit its opinion on my freedom to make such a disclosure.

It is also agreed that:

- G. All creative works which I produce during my employment and which relate to the Company's business or technology shall be considered to have been prepared for the Company as a part of and in the course of my employment. Any such work shall be owned by the Company regardless of whether it would otherwise be considered a work made for hire. Such works shall include, among other things, computer programs and documentation, non-dramatic literary works (e.g. professional papers and journal articles), visual arts (e.g. pictorial, graphic and three dimensional), sound recordings, motion pictures and other audiovisual works.
- H. Nothing in this agreement shall bind me or the Company to any specific period of service or employment, nor shall the termination of such employment in any way affect the obligations assumed by me herein. Further, this agreement replaces any and all prior agreements or understandings between me and the Company concerning these subjects;
- I. This agreement shall bind my heirs, executors, and administrators, and shall inure to the benefit of the successors and assigns of the Company.
- J. I will not disclose to any other employee of the Company any information as to which I owe a continuing obligation of confidentiality to a previous employer or client. Any inventions, patented or unpatented, which were made or conceived by me prior to my employment are excluded from the operation of this agreement, and I warrant that there are no such inventions, other than those listed by me in the space provided on the back of this document.

WITNESS: _____ (L.S.)
Signature of Employee

DATED:

(List invention information on the back of this agreement.)

To: J. P. McAndrew Dept./Loc.:

From: K. R. Petrini Dept./Ext.: Tax/14462

Date: 4 June 1996

Subject: R. Sullam Contract

As a result of his new responsibilities, Ron Sullam has executed new employment contracts. Attached is his Airprochem contract as prepared by Leonard and me. This replaces the existing Airprochem contract and is identical in all respects other than as to his duties and salary split. Please execute and return to me. I will arrange for copies to be made in Hershaw due to the paper size used and will return a copy to you for your records.

/s/ K. R. Petrini

K. R. Petrini

DATED 1st JUNE 1996

AIRPROCHEM INC.

and

RONALDO SULLAM

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made this 1st day of JUNE 1996 (hereinafter called the "Effective Date") by and between AIRPROCHEM INC., a corporation which is organized and existing under the laws of the State of Delaware in the United States of America (hereinafter called "Company"), which has its registered office at 1209 Orange Street, Wilmington, Delaware 19801, U.S.A. and which is a wholly-owned subsidiary of Air Products and Chemicals, Inc. (hereinafter called "Parent Company") and RONALDO SULLAM, a citizen of the Republic of Italy who resides at 8, Woodlands Road, Barnes, London, SW13, England (hereinafter called "Employee");

WHEREAS, Parent Company has requested Company to provide commercial and other services of various kinds to the "Operating Companies" (which are subsidiaries or affiliates of Parent Company that are engaged principally in the manufacture and sale of industrial specialty and diving gases and related equipment) relating to their operations in continental Europe and certain other countries of the world outside of the United Kingdom of Great Britain and Northern Ireland;

WHEREAS, Company desires to provide such services and wishes to assure itself of the availability of the advice and services of Employee among others in providing such services;

WHEREAS, Company desires to enter into a contract of employment with employee; and

WHEREAS, Employee is willing to enter into such contract of employment;

NOW, THEREFORE, in consideration of the premises and the mutual covenants as set forth herein the parties hereto agree as follows:

1. SERVICES OF EMPLOYEE

Company hereby employs Employee during the Employment Period, as hereinafter defined, to perform the duties specified in the Schedule to this Agreement and Employee hereby accepts such employment by Company, all on and subject to the terms and conditions contained in this Agreement and to Parent Company's corporate policies and practices that are in effect from time to time.

2. HOURS AND PLACES OF EMPLOYMENT

2.1 Employee's services, because of their nature and close connection to the places of business of the Parent Company and Operating Companies, will be rendered almost entirely in the countries of continental Europe, but Employee will be required to travel on Company's business to other areas of the world (e.g., North and South America, Africa and Asia) and Employee shall not have to perform any services or duties whatsoever under this Agreement in the United Kingdom of Great Britain and Northern Ireland. Company shall have the right to require Employee to render services from time to time under this Agreement for at least 100 working days in the aggregate during each year of the Employment Period. Subject to the provisions of this paragraph 2 and paragraph 14 of this Agreement, Employee shall devote such time and attention to his duties under this Agreement, both within and outside normal working hours, as shall reasonably be required by Company for the provision of services to Operating Companies and in serving on the committees of the Parent Company.

2.2 It is recognized by both parties that Employee is a citizen of Italy who is residing in the United Kingdom for the time being in connection with the performance of his employment and that the Company may at any time reasonably request Employee to remove to a country on the European Continent, the United States of America or elsewhere.

3. EMPLOYMENT PERIOD

The term of Employee's employment under this Agreement ("Employment Period") shall begin on the Effective Date and shall continue for an indefinite period after that date, provided however, that this Agreement and the employment may be terminated by either party by written notice thereof received by the other party not less than 180 days prior to the date of termination specified in such notice, provided that advance notice by Company to Employee shall not be required in the event of termination of Employee for cause.

4. REMUNERATION OF EMPLOYEE

For his services under this Agreement, Employee shall be entitled to such annual salary as may be determined from time to time during the Employment Period by Company. Such salary shall be paid in monthly instalments net of any appropriate deductions that may be required by applicable law, or by participatory employee benefit plans. The

initial salary is set forth on the Exhibit. Employee shall be entitled to the provision of a Pension and Life Insurance on a level and on a scale generally available to employees employed in capacities and with job classifications similar to Employee's. Employee will be considered from time to time for various incentive compensation awards under the Parent Company Long-Term Incentive Plan and Annual Incentive Plan. As a result of executing this Agreement and the performance of services hereunder, Employee does not obtain any right to receive any such incentive compensation award. Such awards as may be granted will be on the basis of Employee's performance and in the sole discretion of the Parent Company Management Development and Compensation Committee. Any awards under the Parent Company Long-Term Incentive Plan, which have been granted to Employee prior to the commencement of this Agreement but which have not been fully earned shall, if earned during the course of the Agreement, be allocated to this Agreement on the basis of 50% of the total of any such award reduced by that time-apportioned amount deemed earned prior to commencement of this Agreement.

The employee shall also receive an annual home leave trip to France for himself, his spouse and children. The Company shall reimburse the Employee the cost of travel to France and reasonable incidental expenses, but shall not pay for actual living expenses within France.

5. EXPENSES

Employee shall be entitled to be reimbursed for reasonable expenses that are incurred by him in connection with his duties under this Agreement and on a basis that conforms with Company's policy, including expenses for travel, entertainment and other usual business activities. Such reimbursement will be predicated upon prior presentation of an itemized account of such expenses, together with such vouchers or receipts for individual expense items as may from time to time be required under Company's established policies and procedures.

6. CONFIDENTIAL INFORMATION

Except as otherwise specifically agreed between the parties, Employee shall not, at any time during the Employment Period or thereafter, communicate or disclose to any unauthorized person or improperly use for his own account or business any Parent Company owned confidential information concerning the business or affairs of the Company, the Parent Company or of any Operating Companies or other related companies. The obligations contained in this paragraph 6 shall not apply in the event and to the extent that the information referred to in this paragraph 6 has become generally known to or available for use by the public, other than by an act or omission

of Employee in violation of the terms of this Agreement.

7. NOTICES

All notices, demands or other communications hereunder shall be effective if in writing and delivered personally or sent by pre-paid certified or registered airmail, addressed to the other party at the address set forth at the head of this Agreement or at such other address as may have been furnished by such other party in writing, and shall be deemed to have been received no later than seven (7) days after the date of mailing.

8. TAXES

It is understood and agreed that the Employee will not participate in the Company's tax equalization programs, as they exist from time to time, relative to expatriate and Third Country National employees. The parties acknowledge that the compensation and benefits provided for herein are provided on the basis that the Employee shall be responsible for his own tax affairs. No adjustment in compensation or benefits shall be made due to any changes in the tax laws of any country which have an impact upon the Employee in a manner different than that otherwise assumed or actually applying on the effective date hereof.

9. ADDITIONAL ACTION

Each of the parties to this Agreement shall execute and deliver such other documents and do such other acts and things as may be necessary or desirable to carry out the terms, provisions and purposes of this Agreement.

10. GOVERNING LAW

This Agreement and the relationships of the parties in connection with the subject matter of this Agreement shall be governed by and interpreted in accordance with the laws of Pennsylvania.

11. ENFORCEMENT

The failure to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement (or any part hereof), or the right of either party thereafter to enforce each and every provision in accordance with the terms of this Agreement.

12. AMENDMENTS

No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless made in writing and signed by both parties.

13. SEVERABILITY

If any severable provisions of this Agreement is held to be invalid or unenforceable by any judgment of a tribunal of competent jurisdiction, the remainder of this Agreement shall not be affected by such judgment and the Agreement shall be carried out as nearly as possible according to its original terms and intent.

14. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the parties with respect to Employee's employment with Company and his compensation therefore and supersedes with respect to periods occurring on or after the effective date any prior agreement between the parties. The rights and responsibilities of Employee and Company with respect to Employee's employment with Company or any of its branches and his compensation therefore prior to the effective date shall be governed by the agreements between the parties as were then in effect. The parties acknowledge that the Air Products Plc ("APPLC") have entered into a separate, distinct and independent employment agreement relating to Employee's services for APPLC in the United Kingdom. The parties hereto expressly agree that the agreement dated 1 October 1992 between them is hereby superseded and both parties waive any right to prior notice to terminate or amend that agreement.

APPLC has agreed with Employee that, in the case of conflict, the performance of Employee's duties under this Agreement shall take precedence over the performance of Employee's duties for APPLC. The parties hereto expressly agree that the Employment Period set forth in paragraph 3 of this Agreement shall not be terminated or affected in any way and Employee's remuneration under this Agreement shall not be changed, by the termination for any reason whatsoever of Employee's employment with APPLC,

the express intention being that the two employments shall be separate and distinct from, and independent of, the other.

15. COUNTERPARTS

This Employment Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed shall be an original, but all counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, Company has caused this Agreement to be signed by a duly authorized officer and Employee has hereunto set his hand the day and year above written.

AIRPROCHEM INC.

RONALDO SULLAM

By: /s/Joseph P. McAndrew

Joseph P. McAndrew

By: /s/ Ronaldo Sullam

THE SCHEDULE

The Employee duties shall be to:

1. To represent the Parent Company and its affiliates within Europe and elsewhere outside of the United Kingdom as President of Air Products Europe, Inc.
2. Assist the management of the Operating Companies in their negotiations with major (especially multinational) customers of or suppliers to the business for the sale or purchase of industrial and specialty gases and related services;
3. Assist the Operating Companies in respect of their appointment , remuneration, promotion, retirement or release of operating personnel connected with the businesses;
4. Serve, if and so long as duly elected by the shareholders of the respective operating companies, on the Board of Directors or equivalent body of selected major Operating Companies organised and doing business in the countries of Continental Europe.
5. Serve, so long as elected by the shareholding affiliate or affiliates, as a director of Carbueros Metalicos and Sapio and to attend, in Spain and Italy, respectively, on behalf of the affiliate or affiliates, all Board meetings and to act on behalf of the affiliate or affiliates in representing them within Spain and Italy, respectively, with respect to those companies.
6. Serve, so long as elected by the shareholding affiliate or affiliates, as a director of the Parent Company's direct or indirect investments in India and to attend, in India on behalf of the affiliate or affiliates, all Board meetings and to act on behalf of the affiliate or affiliates in representing them within India with respect to those companies.
7. Attend in the United States or elsewhere outside of the United Kingdom, to serve, if and so long as duly elected by the representative shareholders, as a member or alternate member of the Board of Directors or equivalent body of selected major Companies organised and doing business outside the countries of Continental Europe.
8. Represent the Parent Company at professional meetings and conferences within Europe and elsewhere outside of the United Kingdom as President of Air Products Europe, Inc.

9. To report periodically to the parent Company, at its offices in Allentown, Pennsylvania, U.S.A., regarding the investments of the Parent Company and its affiliates within Europe and elsewhere outside of the United Kingdom.
10. To attend periodically at the Parent Company's offices in Allentown, Pennsylvania, U.S.A. meetings of any committees to which he may be elected to serve from time to time.

The Exhibit

The initial salary hereunder shall be FF 800.000, per annum. This salary shall be paid to the employee in French Francs. The salary will adjusted from time to time as provided herein and in the practices of the Company.

Date:

Name

Address

Dear Name:

Air Products and Chemicals, Inc. ("Air Products") considers a sound and vital management to be essential to protecting and enhancing its best interests and those of its shareholders. In this connection, Air Products recognizes that, as is the case with any publicly held corporation, the possibility of a change in control of Air Products may develop, although no such change is now expected or contemplated.

The Management Development and Compensation Committee of the Air Products Board of Directors and the Board believe it imperative that the Company and the Board be able to rely upon key members of the Company's management to continue in their positions and to act in the best financial interests of Air Products shareholders in the event of a bid, offer or proposal to take control of Air Products and following any change in control of Air Products. Therefore, the Committee and the Board have determined that appropriate steps should be taken to protect key members of the Company's management against significant negative personal financial consequences that might result from a change in control, and to reinforce and

encourage the continued attention and dedication of such key members of management to their duties without distraction should the possibility of a change in control of Air Products ever arise.

In order to induce you to remain in the employ of the Company and to assure your continued dedication and the availability of your advice and counsel during the possibility and pendency of, and following, a change in the control of Air Products, Air Products agrees that it will provide you, or cause you to be provided the severance benefits set forth in this severance agreement ("the Agreement") in the event your employment with the Company is terminated subsequent to a Change in Control under the circumstances described herein.

1. DEFINITIONS

"Act" means the Securities Exchange Act of 1934.

"Annual Incentive Plan" shall mean the Air Products and Chemicals, Inc. 1997 Annual Incentive Plan and/or any similar, successor or substitute short-term bonus plan, program or pay practice.

"Base Salary" shall mean your total annual salary payable by the Company in accordance with its normal compensation practices, including any amounts deferred pursuant to the Savings Plans or Code Section 125.

"Board" shall mean the Board of Directors of Air Products.

"Cause" shall mean either of the following:

- (A) The willful and continued failure by you to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness or injury or any such actual or anticipated failure after the issuance by you of a Termination Notice for Good Reason), over a period of not less than sixty days after a demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or
- (B) The willful engaging by you in gross misconduct materially and demonstrably injurious to the Company; provided that no act or failure to act on your part will be considered willful if done, or omitted to be done, by you in good faith and with reasonable belief that your action or omission was in the best interest of the Company, or if any member of the Board who was not a party to such act or omission had actual knowledge of it for at least twelve months.

"Change in Control" shall mean the first to occur of:

- A. Stock Acquisition. Any "person", as such term is used in Sections 13(d) and 14(d) (2) of the Act, other than Air Products, or any corporation a majority of whose outstanding stock entitled to vote is owned, directly or indirectly, by Air Products (a

"Subsidiary"), or a trustee of an employee benefit plan sponsored solely by Air Products and/or such a Subsidiary, is or becomes, other than by purchase from Air Products or such a Subsidiary, the "beneficial owner", as such term is defined in Rule 13d-3 under the Act, directly or indirectly, of securities of Air Products representing 20% or more of the combined voting power of Air Products' then outstanding voting securities. Such a Change in Control will be deemed to have occurred on the first to occur of: the date securities are first purchased by a tender or exchange offeror, the date upon which Air Products first learns of the acquisition of 20% or more of such securities, or the later of the effective date of an agreement for the merger, consolidation or other reorganization of Air Products, or the date of approval thereof by a majority of Air Products' shareholders.

- B. Change in Board. During any period of two consecutive years, individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election or nomination for election by Air Products' shareholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period. Such a Change in Control will be deemed to have occurred on the date upon which the requisite majority of directors fails to be elected by the shareholders of Air Products.
- C. Other Events. Any other event or series of events which, notwithstanding any other provision of this definition to the contrary, is determined, by a majority of the outside

members of the Board serving in office at the time such event or events occur, to constitute a Change in Control of Air Products for purposes of this Agreement. Such a Change in Control will be deemed to have occurred on the date of such determination or on such other date as said majority of outside members of the Board shall specify.

Notwithstanding the foregoing, there shall not be a Change in Control if, in advance of such event, you agree in writing that such event shall not constitute a Change in Control.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Management Development and Compensation Committee of the Board or a successor Committee of the Board.

"Common Stock" means the common stock, \$1 par value, of Air Products.

"Company" means Air Products and any successor in interest thereto, and any affiliate of Air Products in which it holds, directly or indirectly, a controlling interest and to whom your employment has been transferred with your consent.

"Contract Period" shall mean the period commencing on a Change in Control and ending three years following the Change in Control.

"Disability" shall exist where, as a result of your incapacity due to physical or mental illness or injury you have been absent from the performance of your duties with the Company for at least six consecutive months.

"Fiscal Year" shall mean the fiscal year of the Company which commences on October 1 of each calendar year and ends on September 30 of the following calendar year, or such other fiscal year as the Company may adopt for keeping its financial records.

"Good Reason" shall mean the occurrence of any of the following without your consent:

- A. An adverse change, during the Contract Period, in your position or office with the Company, or a diminution in the duties, reporting responsibilities and authority with the Company which you held and performed during the ninety-day period immediately preceding the beginning of the Contract Period, or an assignment to you of duties or responsibilities, which, in your reasonable judgment, are not consistent with your status or position with the Company immediately prior to the Change in Control; provided that, any of the foregoing in connection with termination of your employment for Cause, Retirement or Disability shall not constitute Good Reason.
- B. The failure by the Company to pay you a Base Salary, in substantially equal installments conforming with the Company's normal pay practices, at a rate at least equal to your Base Salary rate in effect immediately before the beginning of the

Contract Period or a failure to increase such Base Salary each year, beginning one year after the last increase in your Base Salary occurring before the beginning of the Contract Period, by an amount which at least equals, on a percentage basis, the average annual percentage increase in your Base Salary during the three full Fiscal Years immediately preceding the beginning of the Contract Period; provided, however, that the Company may reduce your Base Salary or adjust your Base Salary on a smaller percentage basis if such reduction or adjustment is no less favorable to you on a percentage basis than the average annual percentage reduction or adjustment during the applicable Fiscal Year for all Highly Compensated Employees.

- C. The failure by the Company to continue the Annual Incentive Plan and/or initiate and maintain other plans, programs or practices providing you with benefits substantially similar in type and amount to those under the Annual Incentive Plan, or a failure to pay you bonus awards each year during the Contract Period under the Annual Incentive Plan or such similar bonus plan (together, the "Bonus Plans"), beginning no later than one year after the date of your last grant under the Annual Incentive Plan before the beginning of the Contract Period, at least equal in amount to the average of the bonus awards granted to you under the Annual Incentive Plan during and/or for each of the three full Fiscal Years immediately preceding the beginning of the Contract Period; provided, however, that the Company may reduce or adjust your bonus awards paid each year to a lower amount if such reduction or adjustment is on a basis no less favorable to you than the basis upon which it reduces or adjusts

awards under the Bonus Plans or comparable plans for all Highly Compensated Employees during the applicable Fiscal Year;

- D. The failure by the Company to continue the Long-Term Incentive Plan and/or initiate and maintain other plans, programs or practices providing you with benefits substantially similar in type and amount to those under the Long Term Incentive Plan or a failure to grant you awards each year under the Long Term Incentive Plan and/or such similar incentive plans (together, the "Incentive Plans"), beginning one year after your last grant under the Long Term Incentive Plan before the beginning of the Contract Period, at a level at least equal in the aggregate to the average value, determined based on valuation models normatively used by publicly held corporations of similar size to the Company in setting long term incentive compensation levels, of your aggregate annual awards granted each year under the Long Term Incentive Plan during and/or for the last three Fiscal Years preceding the beginning of the Contract Period; provided, however, that if the Company provides the Incentive Plans or comparable plans for Highly Compensated Employees, the Company may maintain the level of awards granted to you each year under the Incentive Plans at a lower value if such benefits are determined on a basis no less favorable to you than for all Highly Compensated Employees during the applicable Fiscal Year.

- E. The failure by the Company to pay you in respect of any of your deferred or other awards under the Bonus Plans or the Incentive Plans when due and payable under the terms of said Plans;
- F. The failure by the Company to pay (or reimburse you for) all reasonable moving expenses incurred by you relating to a change of your principal residence in connection with an employment related relocation required by the Company and indemnify you against any "loss" realized in the sale of your principal residence in connection with such relocation, defined as the difference between the actual sale price of such residence (net of all commissions, fees, taxes and other closing costs borne by seller) and the higher of (a) your aggregate investment in such residence or (b) the fair market value of such residence as determined by a real estate appraiser designated by you and reasonably satisfactory to the Company (who shall be either a member of the Society of Real Estate Appraisers, the American Institute of Real Estate Appraisers or the National Association of Independent Fee Appraisers);
- G. The failure by the Company to reimburse you for reasonable travel and other business expenses in accordance with the Company's applicable policies, procedures and practices provided that you properly account for such expenses in accordance with then applicable Company policy; and

- H. A material reduction in your aggregate benefits, such as the failure by the Company to either continue in effect any employee pension benefit or welfare benefit plan, program or practice in which you are eligible to participate immediately before the beginning of the Contract Period, including but not limited to, the Pension Plans, the Savings Plans, and the Company's life insurance, medical, dental, health and accident, disability, severance and paid vacation plans, programs and practices (such plans, programs and practices herein together referred to as the "APCI Benefit Plans"), or, in lieu thereof, to initiate and maintain other plans, programs or practices providing you with benefits substantially similar in type and amount to those under the APCI Benefit Plans, with your aggregate benefits under the APCI Benefit Plans and such similar benefit plans (together, the "Benefit Plans") comparable in type and amount to your benefits under the APCI Benefit Plans immediately before the beginning of the Contract Period, or the Company's failure to maintain for you any other material fringe benefit or perquisite enjoyed by you immediately before the beginning of the Contract Period.
- I. Any purported termination of your employment for Disability or for Cause which is not effected in accordance with the procedures required in Section 4.
- J. The failure of the Company to obtain the written assumption of this Agreement by any successor of the Company prior to the effectiveness of any such succession.

"Highly Compensated Employees" shall mean the highest paid one percent of employees of the Company together with all corporations, partnerships, trusts, or other entities controlling, controlled by, or under common control with, the Company.

"Long Term Incentive Plan" shall mean the Air Products and Chemicals, Inc. 1997 Long Term Incentive Plan and/or any similar, successor or substitute long-term incentive compensation plan or program.

"Notice Date" shall mean the date a Termination Notice prepared by the Company or you is received by you or the Company, respectively.

"Pension Plans" shall mean, the Air Products and Chemicals, Inc. Pension Plan for Salaried Employees, as amended from time to time together with any similar, succeeding or substitute plan, and the Supplementary Pension Plan of Air Products and Chemicals, Inc. as amended from time to time, together with any similar, succeeding or substitute plan, and any private annuity or pension agreement between you and the Company.

"Retirement" shall mean (1) your voluntary retirement before attaining the normal retirement age under the Pension Plans, with an immediate non-actuarially reduced pension under the Pension Plans, provided that Termination for Good Reason before such normal retirement age shall not be deemed a Retirement for purposes of this Agreement even though you are eligible for and elect to receive, an immediate non-actuarially reduced pension under the Pension Plans, or (2) Termination of Employment in accordance with any retirement

arrangement other than under the Pension Plans which is established with your consent with respect to you, provided that Termination for Good Reason shall not be deemed a Retirement for purposes of this Agreement even though you are eligible to retire, and receive benefits under, any such retirement arrangement, or (3) mandatory retirement as set forth under a policy of the Company as it existed prior to the Change in Control or as agreed to by you following a Change in Control.

"Savings Plans" shall mean the Air Products and Chemicals, Inc. Retirement Savings and Stock Ownership Plan, as amended from time to time, together with any similar, succeeding or substitute plan, and the Air Products and Chemicals, Inc. Supplementary Savings Plan, as amended from time to time, together with any similar, succeeding or substitute plan.

"Target Annual Bonus" shall mean the target bonus under the Annual Incentive Plan which is approved by the Committee for the applicable Fiscal Year for Highly Compensated Employees at your grade level or other comparable compensation level, or, if no such target bonus has been determined for such Fiscal Year, such target bonus for the most recent Fiscal Year for which one was determined;

"Termination Date" means the effective date of a Termination of Employment for any reason, including death, Disability, or Retirement, whether by the Company or you.

"Termination", "Termination of Employment" or "Termination of your Employment" shall mean the termination of your employment with the Company, whether by you or the Company.

"Termination Notice" shall mean the notice required by Subsection 3A.

2. TERM OF AGREEMENT

This Agreement will commence on the date of your signing hereof and will continue while you are in the active employment of the Company until 30 September 2001 and, beginning on 1 October 2001 and each one year anniversary thereof, the term of this Agreement will automatically be extended for one additional year unless, at least (90) ninety days prior to such date, either party gives written notice to the other that it does not wish to extend this Agreement. Notwithstanding any such written notice, if a Change in Control shall have occurred prior to receipt of the notice or does occur within (90) ninety days of receipt of the notice, the attempted termination of the Agreement by the Company shall be ineffective and the Agreement shall continue until the end of your Contract Period. If a Change in Control otherwise occurs during the term of this Agreement, this Agreement will continue in effect until the end of the Contract Period.

3. TERMINATION PROCEDURES

A. Termination Notice. During the Contract Period, any Termination of Employment by the Company or by you must be communicated by a written Termination Notice

to the other party hereto. The "Termination Notice" must (i) specify the Termination Date; (ii) indicate the specific provisions in this Agreement, if any, applicable to the Termination and set forth in reasonable detail the facts and circumstances, if any, claimed to provide a basis for application of the provision so indicated; (iii) if given by the Company to you for other than Disability or Cause, specify, with supporting calculations, the amount the Company believes to be payable to you under this Agreement as a result of such Termination; and (iv) contain a copy of any other notice, resolution, demand or other document required to effect a Termination under provisions of the Agreement identified in (ii) above.

B. Additional Termination Procedures.

(i) During the Contract Period the Company may not Terminate your Employment for Cause unless and until: (a) there has been delivered to you a copy of a resolution Terminating your Employment for Cause duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board; (b) such resolution was adopted at a meeting of the Board called and held for the purpose of considering such resolution; (c) you were provided reasonable notice of the Board's intent to consider the resolution and a reasonable opportunity, together with your counsel, to be heard by the Board at such meeting; and (d) the resolution finds, in the good faith opinion of the Board, that you have engaged in conduct constituting Cause and specifies the particulars thereof in detail, which particulars must be consistent with those specified in the notice of the Board meeting given to you.

(ii) During the Contract Period, the Company may not Terminate your Employment for Disability if you return to the performance of your duties on a substantially full-time basis within forty-five days of receiving the Termination Notice specifying Disability as the basis for Termination.

C. Termination Date. "Termination Date" shall be: (i) if your employment is terminated due to your death, the date of your death, (ii) if your employment is terminated for Disability, at least forty-five days after the Termination Notice is given (provided that you have not returned to the full-time performance of your duties during such period) and, (iii) if your employment is terminated for any other reason, the date specified in the Termination Notice by the party giving the Notice, which date must be at least forty-five days after the Termination Notice if given by you for Good Reason or by the Company for any reason other than Cause; provided, however, that if within forty-five days after any Termination Notice is given, the party receiving such Termination Notice notifies the other party that a dispute exists, the Termination Date will be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); and provided further, however, that your Termination Date shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence, and your Termination Date shall in no event be extended beyond the end of the Contract Period.

D. Continuation of Salary and Benefits During Pendency of Dispute. Until any dispute or controversy referred to in Subsection 3C above is finally resolved in accordance with such Subsection, the Company will (i) continue to pay you your full Base Salary at the higher of the rates in effect on the date your Termination Notice is received or immediately before any purported reduction in your Base Salary constituting Good Reason, and (ii) continue your participation in all Benefit Plans in which you were participating before such notice date provided that your continued participation in such Plans is possible under the general terms and conditions thereof. If your continued participation in any such Benefit Plan is barred by the terms thereof, the carrier or otherwise, the Company will arrange to provide you with benefits substantially similar to those which you would receive under such Plan. You will be entitled to seek specific performance of your rights under this Subsection 3D until your Termination Date during the dependency of any dispute or controversy arising under or in connection with this Agreement.

4. COMPENSATION UPON TERMINATION OF EMPLOYMENT.

A. Termination for Cause, Death, Disability, or Retirement. If during the Contract Period the Company terminates your employment for Cause, or your employment terminates due to death, Disability or Retirement, the Company shall pay to you on the Termination Date your full Base Salary and accrued vacation pay through the Termination Date, plus any benefits or awards which have been earned by you or become payable to you under any policy or employee compensation or benefit plan of the Company. The benefits payable to you, or due to your death, Disability, Retirement or other Termination of Employment under all Benefit

Plans, Bonus Plans and Incentive Plans in which you are participating before such Termination of Employment, will be paid as provided under such Plans and the Company will have no further obligation.

B. Termination Without Cause, Death, Retirement or Disability or for Good Reason. If during the Contract Period the Company Terminates your Employment other than for death, Retirement, Disability or Cause (it being understood that a purported termination for Disability or Cause which is disputed and finally determined not to have been proper or which is not effected in accordance with the procedures required in Section 3 will be a Termination other than for Cause or Disability), or you Terminate your Employment for Good Reason, then Air Products will provide you or cause you to be provided the payments and benefits described below in this Subsection 4B.

(i) Cash Payment. The Company will pay to you on or before the fifth day following your Termination Date, a lump sum cash payment equal to the sum of the following amounts:

(a) Your Base Salary through your Termination Date at the higher of the rate in effect on the Termination Date or the rate in effect immediately before any purported reduction in your Base Salary constituting Good Reason (such amount to be reduced by the amount of any Base Salary payments previously paid by the Company to you for the same period or any portion thereof under Subsection 3D above or otherwise);

(b) The product of (I) the amount of the Target Annual Bonus for which you would have been eligible if you had been employed by the Company on the last day of the Fiscal Year or other bonus performance cycle that includes your Termination Date, multiplied by (II) a fraction of which the numerator is the number of days which have elapsed in such Fiscal Year through the Termination Date and the denominator is 365.

(c) Three times the sum of (I) your Base Salary at the rate required by subparagraph (i)(a) above and (II) the Company matching contributions made and/or accrued in respect of your contributions to or deferrals under the Savings Plans during and/or for the last full Fiscal Year of the Company preceding your Termination Date;

(d) Three times the Target Annual Bonus for the Fiscal Year or other bonus performance cycle in which your Termination Date occurs; and

(e) A pension payment equal to the sum of (I) the difference between the actuarial present values as of the Termination Date of your accrued vested pension benefits under the Pension Plans and those pension benefits calculated by adding three years of service to the actual service credited under such plans for benefit accrual and vesting purposes, and (II) the present value as of the Termination Date of any early retirement subsidy available under the Pension Plans, for which you are not eligible due to Termination before satisfying age and service requirements for such subsidy, the value of such subsidy to be calculated on your benefit with the three additional years of credited service described in (I). For purposes of determining present values in calculating the pension payment, it shall be assumed that your

benefit will commence in the form of a straight life annuity on the later of the Termination Date or the date on which you could retire and commence a benefit under the Pension Plans without reduction for commencement before the normal retirement date under such Plans were you employed by the Company on such date. The interest rate used for such purposes shall be the average of the average monthly yields for municipal bonds published monthly by Moodys Investors' Service Inc. for the three months immediately preceding your Termination Date. For purposes of determining actuarial present values in calculating the pension payment, life expectancy assumptions most frequently used by the Plan's actuaries for other purposes shall be used. The calculation of the pension payment described in this subparagraph shall be made by a nationally recognized firm of enrolled actuaries acceptable to you and the Company. The Company shall pay the reasonable fees and expenses of such actuarial firm. The calculation made by such actuarial firm shall be binding on you and the Company.

(f) For purposes of subparagraphs (i)(c), (i)(d) and (i)(e) of this Subsection 4B, in the event you have attained age 62 on or before your Termination Date, the amounts payable shall be reduced to an amount which bears the same proportion to the unreduced amount as the number of months preceding your sixty-fifth birthday bears to thirty six.

(g) The amount of the payment described in (a)-(f) shall be reduced to the extent of any severance or redundancy benefit or payment sponsored by the Company and/or provided or required by applicable law or regulation, which is received by you on account of your Termination of Employment.

(h) If the amount of the payment described in (a)-(g) above cannot be finally determined on or before the fifth day following the Termination Date, the Company will pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payment and will pay the remainder of such payment as soon as the amount thereof can be determined but in no event later than the thirtieth day after your Termination Date.

(ii) Insurance and Welfare Benefit Plans. The Company will provide for you and your dependents following your Termination Date until the earlier of three years following your Termination Date or your death, benefits equivalent to those provided by the Company under all life insurance, medical, dental, health and accident, long term disability, long term care plans or programs in which you were participating on your Termination Date or, in the event of a reduction in such benefits constituting Good Reason, equivalent to those provided immediately before such reduction; provided that, such benefits will not be provided beyond the period of time during which they would have been provided to you under such plans or programs, as in effect on your Termination Date or immediately before a reduction constituting Good Cause, had you not been Terminated other than for death, Retirement, Disability or Cause or Terminated for Good Reason, and such benefits will be provided for at least the period during which they would have been provided to you were this Agreement not in effect. In the event of your death during such three-year period, benefits in respect of you or to your beneficiaries will be provided in accordance with the terms of such plans or programs applicable to active employees of the Company. Any continuation of benefits pursuant to this subparagraph shall not run concurrent with any continuation rights provided pursuant to the Consolidated Omnibus

Budget Reconciliation Act of 1985, as amended ("COBRA"), and for purposes of applying COBRA with respect to your coverage under any group health plan, the end of coverage under this subparagraph shall be deemed to be the date of a qualifying event resulting from the termination of a covered employee.

(iii) Legal Fees and Expenses. The Company will reimburse you for all legal and other fees and expenses incurred by you as a result of Termination of Employment, including without limitation all such fees and expenses, if any, reasonably incurred in verifying the amount of the benefits owed by the Company under this Agreement, in contesting or disputing the fact or nature of any such Termination, in seeking to obtain or enforce any right or benefit provided by this Agreement and/or in connection with any tax audit or proceeding with respect to payments made or to be made hereunder. The Company will pay, to the fullest extent permitted by law, all legal fees and expenses which you may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company of the validity or enforceability of, or liability under or as a result of, any provision of this Agreement or any guarantee of performance thereof.

(iv) Outplacement and Financial Counseling. The Company shall, within 30 days of the Termination Date, make available to you at the Company's expense, individual financial counseling and outplacement counseling at times and locations that are convenient to you, with a nationally recognized outplacement and financial counseling firm, respectively. The financial counseling firm may also provide you with tax counseling and tax preparation services. You may select the organizations that will provide the outplacement, financial and tax counseling;

however, the Company's obligation to provide you benefits under this paragraph (iv) shall be limited to \$10,000.

(v) Excise Tax. If any payment, distribution or acceleration of benefits, compensation or rights that is made by the Company to you or for your benefit, pursuant to this Agreement or otherwise, results in a liability to you for the excise tax imposed by Section 4999 of the Code, including any payment under this paragraph, the Company shall pay you an amount equal to such excise tax within ten days of the determination of such excise tax liability. The amount of such excise tax liability, including whether any such tax is properly applied, shall be determined by a nationally recognized public accounting firm acceptable to you and the Company, which firm shall provide you with a written opinion of the amount of the excise tax liability, if any. The Company shall pay the reasonable fees and expenses of such accounting firm. The determination of the firm shall be binding on you and the Company.

(vii) Interest on Unpaid Amounts. The Company shall pay you interest, compounded quarterly, on any unpaid amount determined to be payable by the Company to you under this Agreement from the date such amount would first have been payable to you during the Contract Period in accordance with the provisions of this Agreement until paid, such interest to be calculated on the basis of 120% of the applicable federal funds rate, as provided for in Section 1274(c) of the Code, in effect from time to time during the period of such nonpayment.

(viii) Mitigation. You shall not be obligated to seek other employment or take any other action to mitigate the amounts payable to you under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned as result of your employment by another employer, except that any continued insurance and welfare benefits provided for by paragraph (ii) shall not duplicate any benefits that are provided to you and your family by such other employer and shall be secondary to any coverage provided by such other employer.

(ix) Waiver. You will have the right to waive in writing prior to the date of payment or receipt any payment, benefit or portion thereof selected by you, which would otherwise be due to you from the Company under this Agreement or any other plan, arrangement or agreement with the Company, any person or entity whose actions result in the Change in Control or any person or entity affiliated with the Company or such person or entity.

C. Tax Withholding: Survival of Obligations. Any payments provided for under this Agreement shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company set forth in this Section 4 shall survive your Termination of Employment and the end of the Contract Period to the extent not previously performed in full.

5. INDEMNIFICATION

If you are made a party or threatened to be made a party to or are otherwise involved at any time before or during the Contract Period in any action, suit or proceeding, other than one

instituted by you or by the Internal Revenue Service, whether civil, criminal, administrative or investigative (hereinafter a "proceeding") by reason of the fact that you are a party to this Agreement, you will be indemnified and held harmless by the Company, to the fullest extent permitted by applicable law (regardless of the outcome of the proceeding), against all expense, liability and loss (including attorney's fees, judgments, fines and amounts paid in settlement) reasonably incurred or suffered by you in connection therewith. You will notify the Company in the event of the commencement or threat of commencement of any proceeding in respect of which indemnity may be sought under this Section.

The Company will at its expense participate in and assume the defense of any such proceeding, including the employment of counsel chosen by it (and as to whom you have no reasonable objection) and the payment of the fees and disbursements of such counsel. You will cooperate with the Company in respect of such defense and may retain separate counsel at your expense to participate in such defense. In the event that, in the opinion of your counsel, you and the Company or any other executive represented by the Company's counsel in such proceeding have a conflict of interest in respect of the proceeding, then you may employ counsel as separate counsel to represent or defend you in the proceeding and the Company will pay for the reasonable fees and disbursements of such counsel. The provisions of this paragraph shall be inapplicable to any proceeding instituted by the Company during the Contract Period which shall, as to your defense and fees and expenses thereof, be governed by paragraph (iii) of Subsection 4B hereof.

Your rights under this Section 5 are not exclusive of any other right which you may have or hereafter acquire under any statute, certificate of incorporation, by-law, agreement, insurance policy or otherwise, and shall survive your Termination of Employment and the end of the Contract Period.

6. SUCCESSORS; BINDING AGREEMENT

Air Products will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Air Products, to expressly, by written agreement in form and substance satisfactory to you, assume and agree to perform this Agreement in the same manner and to the same extent that Air Products would be required to perform it if no such succession had taken place. As used in this Agreement, during the Contract Period "Air Products" means Air Products as herein before defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 6 or which becomes bound by all the terms and provisions of this Agreement by operation of law or otherwise.

This Agreement will inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees, but neither this Agreement nor any of your rights or obligations hereunder may be assigned or pledged by you. If you should die while any amounts would still be payable to you under Subsection 4B hereof if you had continued to live, all such amounts, unless otherwise

provided herein, will be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there be no such designee, to your estate.

7. NOTICE

For purposes of this Agreement, notices and all other communications provided for in this Agreement must be in writing and will be deemed to have been duly given when delivered or mailed by United States certified mail, return receipt requested, postage prepaid, as to you, addressed to your address set forth on the first page of this Agreement, and as to Air Products, addressed to the address printed on the first page of this Agreement or such other location as you know to be the chief executive offices of Air Products directed to the attention of the chief executive officer of Air Products with a copy to the secretary of Air Products. You and Air Products may change your respective notice addresses hereunder by furnishing such new address to the other in writing in accordance herewith, except that notices of change of address will be effective only upon receipt.

8. MISCELLANEOUS

A. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by you and, an officer of the Company may be specifically designated by the Board (which will in any event include the Company's chief executive officer). No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or

provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

Notwithstanding the foregoing, prior to a Change in Control the Company may unilaterally amend this Agreement as may from time to time be required to assure that this Agreement does not violate or cause the Company to be in violation of applicable law or that any payment provided for hereunder would not be prohibited by applicable law; provided that all other employment or other agreements between the Company and other key members of its management substantially similar to this Agreement are similarly amended at such time.

B. Nondisclosure. You hereby ratify and affirm, and agree to be bound by, the terms and provisions of your Employee Patent and Confidential Information Agreement with the Company dated _____ (your "Employee Agreement") during the Contract Period and thereafter in accordance with the terms of your Employee Agreement, which Agreement is incorporated by reference herein and made a part hereof as if set forth in full herein.

C. Exclusive Agreement. Except for your Employee Agreement and any similar, succeeding or substitute agreement between you and the Company, no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. Notwithstanding any other provision of this Agreement, this Agreement does not affect the Company's right to terminate your employment or to alter your compensation, benefits, position or other terms and conditions of employment with the Company prior to a Change in Control, or

your right to resign from employment with the Company prior to a Change in Control, and any such termination, resignation or other action with respect to your terms and conditions of employment prior to a Change in Control will give rise to no rights or obligations in either of the parties hereto under this Agreement.

D. Other Plans and Programs. Nothing in this Agreement shall prevent or limit your continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company and for which you may qualify, nor shall anything herein limit or otherwise affect such rights as you may have under any such plan or program. Except as expressly provided herein, amounts which are vested benefits or which you are otherwise entitled to receive under any plan or program of the Company at or subsequent to your Termination Date shall be payable in accordance with such plan or program, unless you should expressly waive your rights thereto in writing.

E. Governing Law; Validity; References to Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision or provisions of this Agreement, which shall remain in full force and effect. All references herein to sections of the Act or the Code shall be deemed also to refer to any successor provisions to such sections.

F. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

AIR PRODUCTS AND CHEMICALS, INC.

By: _____
Title: Vice President - Human Resources

AGREED TO THIS ___ DAY OF _____ 1999

Enclosure

[Company]

Date:

Address

Dear Name:

Air Products and Chemicals, Inc. ("Air Products") considers a sound and vital management to be essential to protecting and enhancing its best interests and those of its shareholders. In this connection, Air Products recognizes that, as is the case with any publicly held corporation, the possibility of a change in control of Air Products may develop, although no such change is now expected or contemplated.

The Management Development and Compensation Committee of the Air Products Board of Directors and the Board believe it imperative that the Company and the Board be able to rely upon key members of the Company's management to continue in their positions and to act in the best financial interests of Air Products shareholders in the event of a bid, offer or proposal to take control of Air Products and following any change in control of Air Products. Therefore, the Committee and the Board have determined that appropriate steps should be taken to protect key members of the Company's management against significant negative personal financial consequences that might result from a change in control, and to reinforce and encourage the continued attention and dedication of such key members of management to their duties without distraction should the possibility of a change in control of Air Products ever arise.

In order to induce you to remain in the employ of Air Products and Air Products PLC, an indirect, wholly owned subsidiary of Air Products organized and existing under the laws of the United Kingdom ("APPLC"), pursuant to those certain respective Employment Agreements with Air Products and with APPLC each dated November 6, 1998 (as such agreements may be amended from time to time and including any similar, succeeding, or substitute employment agreements between you and the Company and APPLC, referred to herein together as your "Dual Employment Contracts"); to assure your continued dedication and the availability of your advice and counsel during the possibility and pendency of, and following, a change in the control of Air Products, Air Products agrees that it will provide you, or cause you to be provided the severance benefits set forth in this severance agreement ("the Agreement") in the event your employment with the Company is terminated subsequent to a Change in Control under the circumstances described herein.

1. DEFINITIONS

"Act" means the Securities Exchange Act of 1934.

"Annual Incentive Plan" shall mean the Air Products and Chemicals, Inc. 1997 Annual Incentive Plan and/or any similar, successor or substitute short-term bonus plans, program or pay practice.

"Base Salary" shall mean your total annual salary payable by the Company in accordance with its normal compensation practices.

"Board" shall mean the Board of Directors of Air Products.

"Cause" shall mean either of the following:

- (A) The willful and continued failure by you to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness or injury or any such actual or anticipated failure after the issuance by you of a Termination Notice for Good Reason), over a period of not less than sixty days after a demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or
- (B) The willful engaging by you in gross misconduct materially and demonstrably injurious to the Company; provided that no act or failure to act on your part will be considered willful if done, or omitted to be done, by you in good faith and with reasonable belief that your action or omission was in the best interest of the Company, or if any member of the Board who was not a party to such act or omission had actual knowledge of it for at least twelve months.

"Change in Control" shall mean the first to occur of:

- A. Stock Acquisition. Any "person", as such term is used in Sections 13(d) and 14(d) (2) of the Act, other than Air Products, or any corporation a majority of whose outstanding stock entitled to vote is owned, directly or indirectly, by Air Products (a "Subsidiary"), or a trustee of an employee benefit plans sponsored solely by Air Products and/or such a Subsidiary, is or becomes, other than by purchase from Air Products or such a Subsidiary, the "beneficial owner", as such term is defined in Rule 13d-3 under the Act, directly or indirectly, of securities of Air Products representing 20% or more of the combined voting power of Air Products' then outstanding voting securities. Such a Change in Control will be deemed to have occurred on the first to occur of: the date securities are first purchased by a tender or exchange offeror, the date upon which Air Products first learns of the acquisition of 20% or more of such securities, or the later of the effective date of an agreement for the merger, consolidation or other reorganization of Air Products, or the date of approval thereof by a majority of Air Products' shareholders.
- B. Change in Board. During any period of two consecutive years, individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election or nomination for election by Air Products' shareholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period. Such a Change in Control will be deemed to have occurred on the date upon which the requisite majority of directors fails to be elected by the shareholders of Air Products.

C. Other Events. Any other event or series of events which, notwithstanding any other provision of this definition to the contrary, is determined, by a majority of the outside members of the Board serving in office at the time such event or events occur, to constitute a Change in Control of Air Products for purposes of this Agreement. Such a Change in Control will be deemed to have occurred on the date of such determination or on such other date as said majority of outside members of the Board shall specify.

Notwithstanding the foregoing, there shall not be a Change in Control if, in advance of such event, you agree in writing that such event shall not constitute a Change in Control.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Management Development and Compensation Committee of the Board or a successor Committee of the Board.

"Common Stock" means the common stock, \$1 par value, of Air Products.

"Company" means Air Products and any successor in interest thereto, and any affiliate of Air Products in which it holds, directly or indirectly, a controlling interest and to whom your employment has been transferred with your consent, and shall mean Air Products and APPLC

jointly or severally, as the context requires, during any period of time in which your Dual Employment Contracts are in effect.

"Contract Period" shall mean the period commencing on a Change in Control and ending three years following the Change in Control.

"Disability" shall exist where, as a result of your incapacity due to physical or mental illness or injury you have been absent from the performance of your duties with the Company for at least six consecutive months.

"Fiscal Year" shall mean the fiscal year of the Company which commences on October 1 of each calendar year and ends on September 30 of the following calendar year, or such other fiscal year as the Company may adopt for keeping its financial records.

"Good Reason" shall mean the occurrence of any of the following without your consent:

- A. An adverse change, during the Contract Period, in your aggregate positions or offices with the Company, or a diminution in the aggregate duties, reporting responsibilities and authority with the Company which you held and performed during the ninety-day period immediately preceding the beginning of the Contract Period, or an assignment to you of duties or responsibilities, which, in your reasonable judgment, are not consistent with your status or positions with the Company immediately prior to the Change in Control; provided that, any of the

foregoing in connection with Termination of your Employment for Cause, Retirement or Disability shall not constitute Good Reason. Notwithstanding the above, it is understood that should you be asked to perform duties and to devote your full-time services in a position wholly within the Company but not within APPLC, that elimination of your employment with and duties specific to APPLC will not be considered a termination of your employment under, or of, this Agreement.

- B. The failure by the Company to pay you a Base Salary, in substantially equal installments conforming with the Company's normal pay practices, at a rate at least equal to your Base Salary rate in effect immediately before the beginning of the Contract Period or a failure to increase such Base Salary each year, beginning one year after the last increase in your Base Salary occurring before the beginning of the Contract Period, by an amount which at least equals, on a percentage basis, the average annual percentage increase in your Base Salary during the three full Fiscal Years immediately preceding the beginning of the Contract Period; provided, however, that the Company may reduce your Base Salary or adjust your Base Salary on a smaller percentage basis if such reduction or adjustment is no less favorable to you on a percentage basis than the average annual percentage reduction or adjustment during the applicable Fiscal Year for all Highly Compensated Employees.
- C. The failure by the Company to continue the Annual Incentive Plan and/or initiate and maintain other plans, programs or practices providing you with benefits substantially

similar in type and amount to those under the Annual Incentive Plan, or a failure to pay you bonus awards each year during the Contract Period under the Annual Incentive Plan or such similar bonus plans (together, the "Bonus Plans"), beginning no later than one year after the date of your last grant under the Annual Incentive Plan before the beginning of the Contract Period, at least equal in amount to the average of the bonus awards granted to you under the Annual Incentive Plan during and/or for each of the three full Fiscal Years immediately preceding the beginning of the Contract Period; provided, however, that the Company may reduce or adjust your bonus awards paid each year to a lower amount if such reduction or adjustment is on a basis no less favorable to you than the basis upon which it reduces or adjusts awards under the Bonus Plans or comparable plans for all Highly Compensated Employees during the applicable Fiscal Year;

- D. The failure by the Company to continue the Long Term Incentive Plan and/or initiate and maintain other plans, programs or practices providing you with benefits substantially similar in type and amount to those under the Long Term Incentive Plan or a failure to grant you awards each year under the Long Term Incentive Plan and/or such similar incentive plans (together, the "Incentive Plans"), beginning one year after your last grant under the Long Term Incentive Plan before the beginning of the Contract Period, at a level at least equal in the aggregate to the average value, determined based on valuation models normatively used by publicly held corporations of similar size to the Company in setting long term incentive compensation levels, of your aggregate annual awards granted each year under the

Long Term Incentive Plan during and/or for the last three Fiscal Years preceding the beginning of the Contract Period; provided, however, that if the Company provides the Incentive Plans or comparable plans for Highly Compensated Employees, the Company may maintain the level of awards granted to you each year under the Incentive Plans at a lower value if such benefits are determined on a basis no less favorable to you than for all Highly Compensated Employees during the applicable Fiscal Year.

- E. The failure by the Company to pay you in respect of any of your deferred or other awards under the Bonus Plans or the Incentive Plans when due and payable under the terms of said Plans;
- F. The failure by the Company to pay (or reimburse you for) all reasonable moving expenses incurred by you relating to a change of your principal residence in connection with an employment related relocation required by the Company and indemnify you against any "loss" realized in the sale of your principal residence in connection with such relocation, defined as the difference between the actual sale price of such residence (net of all commissions, fees, taxes and other closing costs borne by seller) and the higher of (a) your aggregate investment in such residence or (b) the fair market value of such residence as determined by a real estate appraiser designated by you and reasonably satisfactory to the Company.

- G. The failure by the Company to reimburse you for reasonable travel and other business expenses in accordance with the Company's applicable policies, procedures and practices provided that you properly account for such expenses in accordance with then applicable Company policy; and
- H. A material reduction in your aggregate benefits, such as the failure by the Company to either continue in effect any employee pension benefit or welfare benefit plans, program or practice in which you are eligible to participate immediately before the beginning of the Contract Period, including but not limited to, the Pension Plans, and APPLC's life insurance, medical, dental, health and accident, disability, severance and paid vacation plans, programs and practices (such plans, programs and practices herein together referred to as the "APCI Benefit Plans"), or, in lieu thereof, to initiate and maintain other plans, programs or practices providing you with benefits substantially similar in type and amount to those under the APCI Benefit Plans, with your aggregate benefits under the APCI Benefit Plans and such similar benefit plans (together, the "Benefit Plans") comparable in type and amount to your benefits under the APCI Benefit Plans immediately before the beginning of the Contract Period, or the Company's failure to maintain for you any other material fringe benefit or perquisite enjoyed by you immediately before the beginning of the Contract Period.
- I. The failure by the Company to continue in effect the tax equalization arrangements described in Exhibit B to this Agreement and, to the extent a United Kingdom tax

liability arises with respect to compensation arising from services performed outside of the United Kingdom during the Contract Period, bear the cost of such tax, limited to 50% of your compensation, (collectively, "Tax Equalization Arrangements").

- J. Any purported termination of your employment for Disability or for Cause which is not effected in accordance with the procedures required in Section 4.
- K. The failure of the Company to obtain the written assumption of this Agreement by any successor of the Company prior to the effectiveness of any such succession.

"Highly Compensated Employees" shall mean the highest paid one percent of employees of the Company together with all corporations, partnerships, trusts, or other entities controlling, controlled by, or under common control with, the Company.

"Long Term Incentive Plan" shall mean the Air Products and Chemicals, Inc. 1997 Long Term Incentive Plan and/or any similar, successor or substitute long-term incentive compensation plans or program.

"Notice Date" shall mean the date a Termination Notice prepared by the Company or you is received by you or the Company, respectively.

"Pension Plan" shall mean, the pension arrangements referred to in Exhibit A to this Agreement (said arrangements, as amended from time to time together with any similar, succeeding or substitute plan, contract or program).

"Retirement" shall mean (1) your voluntary retirement before attaining the normal retirement age under the Pension Plans, with an immediate non-actuarially reduced pension under the Pension Plans, provided that Termination for Good Reason before such normal retirement age shall not be deemed a Retirement for purposes of this Agreement even though you are eligible for and elect to receive, an immediate non-actuarially reduced pension under the Pension Plans, or (2) Termination of Employment in accordance with any retirement arrangement other than under the Pension Plans which is established with your consent with respect to you, provided that Termination for Good Reason shall not be deemed a Retirement for purposes of this Agreement even though you are eligible to retire, and receive benefits under, any such retirement arrangement, or (3) mandatory retirement as set forth under a policy of the Company as it existed prior to the Change in Control or as agreed to by you following a Change in Control.

"Target Annual Bonus" shall mean the target bonus under the Annual Incentive Plan which is approved by the Committee for the applicable Fiscal Year for Highly Compensated Employees at your grade level or other comparable compensation level, or, if no such target bonus has been determined for such Fiscal Year, such target bonus for the most recent Fiscal Year for which one was determined;

"Termination Date" means the effective date of a Termination of Employment for any reason, including death, Disability, or Retirement, whether by the Company or you.

"Termination", "Termination of Employment" or "Termination of your Employment" shall mean the termination of your employment with the Company, whether by you or the Company. It is understood, however, that should you be asked to perform duties and to devote your full-time services in a position wholly within the Company but not within APPLC, that elimination of your employment with and duties specific to APPLC will not be considered a termination of your employment under this Agreement.

"Termination Notice" shall mean the notice required by Subsection 3A.

2. TERM OF AGREEMENT

This Agreement will commence on the date of your signing hereof and will continue while you are in the active employment of the Company until 30 September 2001 and, beginning on 1 October 2001 and each one year anniversary thereof, the term of this Agreement will automatically be extended for one additional year unless, at least (90) ninety days prior to such date, either party gives written notice to the other that it does not wish to extend this Agreement. Notwithstanding any such written notice, if a Change in Control shall have occurred prior to receipt of the notice or does occur within (90) ninety days of receipt of the notice, the attempted termination of the Agreement by Air Products shall be ineffective and the Agreement shall continue until the end of your Contract Period. If a Change in Control

otherwise occurs during the term of this Agreement, this Agreement will continue in effect until the end of the Contract Period.

3. TERMINATION PROCEDURES

A. Termination Notice. During the Contract Period, any Termination of Employment by the Company or by you must be communicated by a written Termination Notice to the other party hereto. The "Termination Notice" must (i) specify the Termination Date; (ii) indicate the specific provisions in this Agreement, if any, applicable to the Termination and set forth in reasonable detail the facts and circumstances, if any, claimed to provide a basis for application of the provision so indicated; (iii) if given by the Company to you for other than Disability or Cause, specify, with supporting calculations, the amount the Company believes to be payable to you under this Agreement as a result of such Termination; and (iv) contain a copy of any other notice, resolution, demand or other document required to effect a Termination under provisions of the Agreement identified in (ii) above.

B. Additional Termination Procedures.

(i) During the Contract Period the Company may not Terminate your Employment for Cause unless and until: (a) there has been delivered to you a copy of a resolution Terminating your Employment for Cause duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board; (b) such resolution was adopted at a meeting of the Board called and held for the purpose of considering such resolution; (c) you

were provided reasonable notice of the Board's intent to consider the resolution and a reasonable opportunity, together with your counsel, to be heard by the Board at such meeting; and (d) the resolution finds, in the good faith opinion of the Board, that you have engaged in conduct constituting Cause and specifies the particulars thereof in detail, which particulars must be consistent with those specified in the notice of the Board meeting given to you.

(ii) During the Contract Period, the Company may not Terminate your Employment for Disability if you return to the performance of your duties on a substantially full-time basis within forty-five days of receiving the Termination Notice specifying Disability as the basis for Termination.

C. Termination Date. "Termination Date" shall be: (i) if your employment is terminated due to your death, the date of your death, (ii) if your employment is terminated for Disability, at least forty-five days after the Termination Notice is given (provided that you have not returned to the full-time performance of your duties during such period) and, (iii) if your employment is terminated for any other reason, the date specified in the Termination Notice by the party giving the Notice, which date must be at least forty-five days after the Termination Notice if given by you for Good Reason or by the Company for any reason other than Cause; provided, however, that if within forty-five days after any Termination Notice is given, the party receiving such Termination Notice notifies the other party that a dispute exists, the Termination Date will be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for

appeal therefrom has expired and no appeal has been perfected); and provided further, however, that your Termination Date shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence, and your Termination Date shall in no event be extended beyond the end of the Contract Period.

D. Continuation of Salary and Benefits During Pendency of Dispute. Until any dispute or controversy referred to in Subsection 3C above is finally resolved in accordance with such Subsection, the Company will (i) continue to pay you your full Base Salary at the higher of the rates in effect on the date your Termination Notice is received or immediately before any purported reduction in your Base Salary constituting Good Reason, and (ii) continue your participation in all Benefit Plans in which you were participating before such notice date provided that your continued participation in such Plans is possible under the general terms and conditions thereof. If your continued participation in any such Benefit Plans is barred by the terms thereof, the carrier or otherwise, the Company will arrange to provide you with benefits substantially similar to those which you would receive under such Plans. You will be entitled to seek specific performance of your rights under this Subsection 3D until your Termination Date during the dependency of any dispute or controversy arising under or in connection with this Agreement.

4. COMPENSATION UPON TERMINATION OF EMPLOYMENT.

A. Termination for Cause, Death, Disability, or Retirement. If during the Contract Period the Company terminates your employment for Cause, or your employment is terminated due to your death, Disability or Retirement, the Company shall pay to you or your representative in the event of death as of the Termination Date your full Base Salary and accrued vacation pay through the Termination Date, plus any benefits or awards which have been earned by you or become payable to you under any policy or employee compensation or benefit plans of the Company. The benefits payable to you, or due to your death, Disability, Retirement or other Termination of Employment under all Benefit Plans, Bonus Plans and Incentive Plans in which you are participating before such Termination of Employment, will be paid as provided under such Plans and the Company will have no further obligation, other than to continue Tax Equalization Arrangements.

B. Termination Without Cause, Death, Retirement or Disability or for Good Reason. If during the Contract Period the Company Terminates your Employment other than for death, Retirement, Disability or Cause (it being understood that a purported termination for Disability or Cause which is disputed and finally determined not to have been proper or which is not effected in accordance with the procedures required in Section 3 will be a Termination other than for Cause or Disability), or you Terminate your Employment for Good Reason, then Air Products will provide you or cause you to be provided the payments and benefits described below in this Subsection 4B.

(i) Cash Payment. The Company will pay to you on or before the fifth day following your Termination Date, a lump sum cash payment equal to the sum of the following amounts:

(a) Your Base Salary through your Termination Date at the higher of the rate in effect on the Termination Date or the rate in effect immediately before any purported reduction in your Base Salary constituting Good Reason (such amount to be reduced by the amount of any Base Salary payments previously paid by the Company to you for the same period or any portion thereof under Subsection 3D above or otherwise);

(b) The product of (I) the amount of the Target Annual Bonus for which you would have been eligible if you had been employed by the Company on the last day of the Fiscal Year or other bonus performance cycle that includes your Termination Date, multiplied by (II) a fraction of which the numerator is the number of days which have elapsed in such Fiscal Year through the Termination Date and the denominator is 365.

(c) Three times your Base Salary at the rate required by subparagraph (i) (a) above and;

(d) Three times the Target Annual Bonus for the Fiscal Year or other bonus performance cycle in which your Termination Date occurs; and

(e) A pension payment equal to the difference between the actuarial present values as of the Termination Date of the pension benefits you will receive under the Pension Plan and the pension benefits you would receive by adding three years of service to the actual service credited under such Plans for benefit accrual and vesting purposes. For purposes of determining present values in calculating this pension payment, it shall be assumed that your benefits will commence in the form of a straight life annuity as of the later of the Termination Date or the date on which you could retire and commence a benefit under the Pension Plan without reduction for commencement before the normal retirement date under such Plan were you employed by the Company on such date. The interest rate used for such purposes shall be the average of the average monthly yields for municipal bonds published monthly by Moodys Investors' Service Inc. for the three months immediately preceding your Termination Date. For purposes of determining actuarial present values in calculating the pension payment, life expectancy assumptions used by the Plans's actuaries for other purposes shall be used. The calculation of the pension payment described in this subparagraph shall be made by a nationally recognized firm of enrolled actuaries acceptable to you and the Company. The Company shall pay the reasonable fees and expenses of such actuarial firm. The calculation made by such actuarial firm shall be binding on you and the Company.

(f) For purposes of subparagraphs (i) (c), (i) (d) and (i) (e) of this Subsection 4B, in the event you have attained age 62 on or before your Termination Date, the amounts payable shall be reduced to an amount which bears the same proportion to the unreduced amount as the number of months preceding your sixty-fifth birthday bears to thirty six.

(g) The amount of the payment described in (a)-(f) shall be reduced to the extent of any severance or redundancy benefit or payment sponsored by the Company and/or provided or required by applicable law or regulation, which is received by you on account of your Termination of Employment.

(h) If the amount of the payment described in (a)-(g) above cannot be finally determined on or before the fifth day following the Termination Date, the Company will pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payment and will pay the remainder of such payment as soon as the amount thereof can be determined but in no event later than the thirtieth day after your Termination Date.

(ii) Insurance and Welfare Benefit Plans. The Company will provide for you and your dependents following your Termination Date until the earlier of three years following your Termination Date or your death, benefits equivalent to those provided by the Company under all life insurance, medical, dental, health and accident, long term disability, long term care plans or programs in which you were participating on your Termination Date or, in the event of a reduction in such benefits constituting Good Reason, equivalent to those provided immediately before such reduction; provided that, such benefits will not be provided beyond the period of time during which they would have been provided to you under such plans or programs, as in effect on your Termination Date or immediately before a reduction constituting Good Cause, had you not been Terminated other than for death, Retirement, Disability or Cause or

Terminated for Good Reason, and such benefits will be provided for at least the period during which they would have been provided to you were this Agreement not in effect. In the event of your death during such three-year period, benefits in respect of you or to your beneficiaries will be provided in accordance with the terms of such plans or programs applicable to active employees of the Company. Any continuation of benefits pursuant to this subparagraph shall not run concurrent with any continuation rights provided pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), and for purposes of applying COBRA with respect to your coverage under any group health plans, the end of coverage under this subparagraph shall be deemed to be the date of a qualifying event resulting from the termination of a covered employee.

(iii) Legal Fees and Expenses. The Company will reimburse you for all legal and other fees and expenses incurred by you as a result of Termination of Employment, including without limitation all such fees and expenses, if any, reasonably incurred in verifying the amount of the benefits owed by the Company under this Agreement, in contesting or disputing the fact or nature of any such Termination, in seeking to obtain or enforce any right or benefit provided by this Agreement and/or in connection with any tax audit or proceeding with respect to payments made or to be made hereunder. The Company will pay, to the fullest extent permitted by law, all legal fees and expenses which you may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company of the validity or enforceability of, or liability under or as a result of, any provision of this Agreement or any guarantee of performance thereof.

(iv) Outplacement and Financial Counseling. The Company shall, within 30 days of the Termination Date, make available to you at the Company's expense, individual financial counseling and outplacement counseling at times and locations that are convenient to you, with a nationally recognized outplacement and financial counseling firm, respectively. The financial counseling firm may also provide you with tax counseling and tax preparation services. You may select the organizations that will provide the outplacement, financial and tax counseling; however, the Company's obligation to provide you benefits under this paragraph (iv) shall be limited to \$10,000.

(v) Excise Tax. If any payment, distribution or acceleration of benefits, compensation or rights that is made by the Company to you or for your benefit, pursuant to this Agreement or otherwise, results in a liability to you for the excise tax imposed by Section 4999 of the Code, including any payment under this paragraph, the Company shall pay you an amount equal to such excise tax within ten days of the determination of such excise tax liability. The amount of such excise tax liability, including whether any such tax is properly applied, shall be determined by a nationally recognized public accounting firm acceptable to you and the Company, which firm shall provide you with a written opinion of the amount of the excise tax liability, if any. The Company shall pay the reasonable fees and expenses of such accounting firm. The determination of the firm shall be binding on you and the Company.

(vii) Interest on Unpaid Amounts. The Company shall pay you interest, compounded quarterly, on any unpaid amount determined to be payable by the Company to you under this Agreement from the date such amount would first have been payable to you

during the Contract Period in accordance with the provisions of this Agreement until paid, such interest to be calculated on the basis of 120% of the applicable federal funds rate, as provided for in Section 1274(c) of the Code, in effect from time to time during the period of such nonpayment.

(viii) Mitigation. You shall not be obligated to seek other employment or take any other action to mitigate the amounts payable to you under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned as result of your employment by another employer, except that any continued insurance and welfare benefits provided for by paragraph (ii) shall not duplicate any benefits that are provided to you and your family by such other employer and shall be secondary to any coverage provided by such other employer.

(ix) Waiver. You will have the right to waive in writing prior to the date of payment or receipt any payment, benefit or portion thereof selected by you, which would otherwise be due to you from the Company under this Agreement or any other plans, arrangement or agreement with the Company, any person or entity whose actions result in the Change in Control or any person or entity affiliated with the Company or such person or entity.

C. Tax Withholding: Survival of Obligations. Any payments provided for under this Agreement shall be paid net of any applicable withholding required under federal, state, or local law of the United States or the United Kingdom or other applicable taxing jurisdiction, provided the Company's tax equalization obligations to you shall include reimbursement to you, on a

grossed-up basis, of any United States taxes withheld from you that are not otherwise creditable against your U.K. tax liability and which do not actually reduce your U.K. tax, unless you have agreed to relocate and have relocated to the U.S. The obligations of the Company set forth in this Section 4 shall survive your Termination of Employment and the end of the Contract Period to the extent not previously performed in full.

5. INDEMNIFICATION

If you are made a party or threatened to be made a party to or are otherwise involved at any time before or during the Contract Period in any action, suit or proceeding, other than one instituted by you or by the Internal Revenue Service, whether civil, criminal, administrative or investigative (hereinafter a "proceeding") by reason of the fact that you are a party to this Agreement, you will be indemnified and held harmless by the Company, to the fullest extent permitted by applicable law (regardless of the outcome of the proceeding), against all expense, liability and loss (including attorney's fees, judgments, fines and amounts paid in settlement) reasonably incurred or suffered by you in connection therewith. You will notify the Company in the event of the commencement or threat of commencement of any proceeding in respect of which indemnity may be sought under this Section.

The Company will at its expense participate in and assume the defense of any such proceeding, including the employment of counsel chosen by it (and as to whom you have no reasonable objection) and the payment of the fees and disbursements of such counsel. You will cooperate with the Company in respect of such defense and may retain separate counsel at

your expense to participate in such defense. In the event that, in the opinion of your counsel, you and the Company or any other executive represented by the Company's counsel in such proceeding have a conflict of interest in respect of the proceeding, then you may employ counsel as separate counsel to represent or defend you in the proceeding and the Company will pay for the reasonable fees and disbursements of such counsel. The provisions of this Section shall be inapplicable to any proceeding instituted by the Company during the Contract Period which shall, as to your defense and fees and expenses thereof, be governed by paragraph (iii) of Subsection 4B hereof.

Your rights under this Section 5 are not exclusive of any other right which you may have or hereafter acquire under any statute, certificate of incorporation, by-law, agreement, insurance policy or otherwise, and shall survive your Termination of Employment and the end of the Contract Period.

6. SUCCESSORS; BINDING AGREEMENT

Air Products will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Air Products, to expressly, by written agreement in form and substance satisfactory to you, assume and agree to perform this Agreement in the same manner and to the same extent that Air Products would be required to perform it if no such succession had taken place. As used in this Agreement, during the Contract Period "Air Products" and "Company" mean Air Products and the Company as hereinbefore defined and any successor to the business and/or assets of Air

Products and the Company as aforesaid which executes and delivers the agreement provided for in this Section 6 or which becomes bound by all the terms and provisions of this Agreement by operation of law or otherwise.

This Agreement will inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees, but neither this Agreement nor any of your rights or obligations hereunder may be assigned or pledged by you. If you should die while any amounts would still be payable to you under Subsection 4B hereof if you had continued to live, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there be no such designee, to your estate.

7. NOTICE

For purposes of this Agreement, notices and all other communications provided for in this Agreement must be in writing and will be deemed to have been duly given when delivered or mailed by certified mail, return receipt requested, postage prepaid, as to you, addressed to your address set forth on the first page of this Agreement, and as to Air Products, addressed to the address printed on the first page of this Agreement or such other location as you know to be the chief executive offices of Air Products directed to the attention of the chief executive officer of Air Products with a copy to the secretary of Air Products. You and Air Products may change your respective notice addresses hereunder by furnishing such new address to the other in

writing in accordance herewith, except that notices of change of address will be effective only upon receipt.

8. MISCELLANEOUS

A. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by you and an officer of Air Products specifically designated by the Board (which will in any event include Air Products chief executive officer). No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

Notwithstanding the foregoing, prior to a Change in Control Air Products may unilaterally amend this Agreement as may from time to time be required to assure that this Agreement does not violate or cause the Company to be in violation of applicable law or that any payment provided for hereunder would not be prohibited by applicable law; provided that all other employment or other agreements between the Company and other key members of its management substantially similar to this Agreement are similarly amended at such time.

B. Nondisclosure. You hereby ratify and affirm, and agree to be bound by, the terms and provisions of your Employee Patent and Confidential Information Agreements with the Company dated November 6, 1998 (your "Employee Agreement") during the Contract Period and

thereafter in accordance with the terms of your Employee Agreement, which Agreement is incorporated by reference herein and made a part hereof as if set forth in full herein.

C. Exclusive Agreement. Except for your Dual Employment Contracts, Employee Agreement and any similar, succeeding or substitute agreement between you and the Company, no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. Effective with the commencement of your Contract Period, your Dual Employment Contracts shall be superseded by this Agreement to the extent inconsistent with this Agreement. Notwithstanding any other provision of this Agreement, this Agreement does not affect the Company's right to terminate your employment or to alter your compensation, benefits, position or other terms and conditions of employment under your Dual Employment Contracts prior to a Change in Control, or your right to resign from employment under your Dual Employment Contracts prior to a Change in Control, and any such termination, resignation or other action with respect to your terms and conditions of employment prior to a Change in Control will give rise to no rights or obligations in either of the parties hereto under this Agreement.

D. Other Plans and Programs. Nothing in this Agreement shall prevent or limit your continuing or future participation in any benefit, bonus, incentive or other plans or program provided by the Company and for which you may qualify, nor shall anything herein limit or otherwise affect such rights as you may have under any such plans or program. Except as expressly provided herein, amounts which are vested benefits or which you are otherwise

entitled to receive under any plans or program of the Company at or subsequent to your Termination Date shall be payable in accordance with such plans or program, unless you should expressly waive your rights thereto in writing.

E. Governing Law; Validity; References to Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision or provisions of this Agreement, which shall remain in full force and effect. All references herein to sections of the Act or the Code shall be deemed also to refer to any successor provisions to such sections.

F. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

AIR PRODUCTS AND CHEMICALS, INC.

By: _____
Title: Vice President - Human Resources

AGREED TO THIS DAY OF 1999

Enclosure

This Agreement made this 14th day of June, 1999 by and between L'AIR LIQUIDE, SA a limited liability corporation organized under the laws of France (hereinafter referred to as "A") and AIR PRODUCTS AND CHEMICALS, INC, a corporation organized under the laws of Delaware, USA (hereinafter referred to as "B").

WHEREAS, A and B have separately been invited by the Board of Directors of THE BOC GROUP PLC (hereinafter referred to as "Target") to submit bids or proposals for the purchase of all the outstanding shares of Target; and

WHEREAS, A has separately submitted to the Board of Directors of Target [*] successive bids to purchase the shares of Target, and each such bid has been rejected; and

WHEREAS, B has separately submitted to the Board of Directors of Target [*] successive bids to purchase the shares of Target, and each such bid has been rejected; and

WHEREAS, the Board of Directors of Target has encouraged A and B to make another bid, also advising each of A and B that another party has submitted a bid but not disclosing the price; and

WHEREAS, A and B have independently determined that each of them cannot justify raising their last rejected bid any further, for financial and other business reasons, including the raising of the funds necessary and the risks attendant thereto; and

WHEREAS, A and B believe that the only way in which they may be in a position to raise the bid price for the shares of Target, as desired by the Board of Directors of Target, is by making a joint proposal to the Board of Directors of Target, since, based on the current

- - - - -
*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

respective operation of each of A and B, various portions of the businesses of C are more valuable to one party than to the other;

Now, therefore, A and B agree as follows:

1. From and after the date of this Agreement to termination hereof, neither A nor B will separately submit (or express or imply an intention to submit) a proposal to the Board of Directors of Target or any other party to purchase (or agree to purchase or actually purchase) (a) all or some of the shares of Target or (b) any business or assets of the Target group (other than in the ordinary course of business). Provided however that each of A and B may (having giving notice to the other) confirm to Target that its latest proposal as rejected by the Target Board meeting held on 9 June 1999 remains open and unchanged, except to the extent necessary to make such proposal consistent with this Agreement. Subject thereto, neither party will amend the terms of such latest proposal (nor express or imply any intention so to do), which proposal may be implemented in accordance with clause 3.

2. Subject to clause 3, A and B will work together to formulate, agree upon and submit a joint proposal to the Board of Directors of Target to offer to acquire all the share capital of Target, exchanging between themselves such information as may be necessary, but not including the details of their previous proposals to Target, or any confidential information which would cause either A or B to be in breach of any confidentiality obligation to Target. Therefore, A and B will have present whenever the joint proposal is discussed between them or with Target their respective counsel to verify that this provision is complied with and that no competitively sensitive information about one of them is disclosed to the other.

3. A and B intend that the business of the Target group will be shared equally between them. If for any reason the latest proposal, as referred to in clause 1 above, of either A or B is accepted by the Board of Directors of Target, then the party whose proposal is accepted will in good faith enter into put and call options with the other over shares and assets

of the Target group so that the principles for the sharing of the assets of the Target group contained in the attached draft agreement of the parties (under which they propose to submit the joint proposal to the Board of Directors of Target) will be substantially fulfilled, except that the equal sharing ratio will change to [*] for the party whose proposal is accepted and [*] for the other party (or such other proportion as may be agreed by the parties). Those clauses indicated with a tick on, and the schedules to, the attached draft will be deemed to be incorporated in this Agreement mutatis mutandis.

4. In the circumstances set out in clause 3, the parties shall share in the said [*] proportion the costs and expenses incurred by each of them in relation to (a) the offer for Target (to the extent that such costs and expenses are of the type and at a rate customarily incurred in, and payable following announcement of, a public takeover offer in the UK) and (b) the sharing of the assets/shares of Target group (including any related costs, including taxation, incurred in the Target group).

5. This Agreement shall terminate on [*], unless any offer for Target as contemplated by this Agreement is announced, in which event this Agreement shall not be so terminated but shall continue until such offer lapses or is withdrawn or until [*] (if later).

6. This Agreement is governed by and shall be construed in accordance with English law. References to A or B shall include persons (other than the other party) acting in concert with the relevant party.

7. Neither party shall assign this Agreement to any other person, except affiliates controlled by a party, without the consent of the other party in writing.

8. Each party recognizes the irreparable harm that would occur to the other party if either party breaches its obligations under this Agreement. Accordingly, if either party

*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

shall breach any of its obligations hereunder, the other party shall, in addition to any claim for damages incurred or any other legal remedies available to it, be entitled to injunctive relief and/or specific performance with respect to any such breach.

9. Each clause shall represent a separate obligation of the parties and shall not be affected by the invalidity of any clause.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day first above written.

A

B

By GERARD LEVY

By JOHN PAUL JONES

Witnessed by Mike Dominianni

Witnessed by Doug Brown

ACQUISITION AGREEMENT TWO

This Agreement is made this ___ day of June 1999 by and between A and B.

WHEREAS, A and B, at the invitation of the Board of Directors of C, have separately submitted several bids or proposals to acquire all of the outstanding shares of C, which proposals have been rejected, and A and B have independently determined that each of them cannot justify further increasing their respective last rejected bids, for financial and other business reasons, including the raising of necessary funds and the risks attendant thereto.

WHEREAS, A and B believe that the only way in which they may be in a position to raise the price bid for the shares of C, as desired by the Board of Directors of C, is by making a joint bid to the Board of Directors of C, since various portions of the businesses of C are more valuable to one party than to the other.

WHEREAS, A and B intend to jointly develop a proposal for the possible acquisition of C (the "Proposed Acquisition") and desire to set forth the general terms and conditions upon which they will jointly negotiate the Proposed Acquisition, as well as the terms and principles upon which the Proposed Acquisition will be implemented and the assets and businesses of C will be allocated to each of the parties or jointly operated by them, recognizing that various asset divestitures will be required by the antitrust authorities of certain jurisdictions in order for the parties to consummate the Proposed Acquisition.

WHEREAS, in connection with the foregoing, A and B have entered into acquisition Agreement One, [dated the date hereof,] covering certain matters relating to the joint proposal.

NOW, THEREFORE, the parties agree as follows:

X 1. Formation and Functions of Special Committee.

(a) A and B each hereby designate the following representatives who shall constitute a ___ member special committee (the "Committee") that will be responsible for all negotiations, meetings and other contacts with C on behalf of the parties in connection with the Proposed Acquisition.

A
-

B
-

(b) The Committee (or such of its individual members or other representatives as shall be designated by the Committee from time to time) shall be the contact group for all communications between A and B, on the one hand, and C, on the other. The Committee shall be authorized to act upon the consent or approval of at least two representatives, which consent or approval includes at least one of the representatives appointed by each party. In the event the Committee cannot agree upon any matter, such matter shall be referred to the Chairman of A, ___, in the case of A, and the Chairman of B, ____, in the case of B, who shall confer together in order to mutually agree on an appropriate resolution of the matter. The Committee shall be responsible for supervising all negotiations with C and all other matters relating to the Proposed Acquisition and the implementation of all other provisions of this Agreement, provided that each party may form such working groups to report to that party's Committee members as it may determine and may rely on such representatives, advisors and other experts as it may deem appropriate. Each party may appoint successor representatives so that the total number of Committee representatives always totals _____. The Committee shall continue in existence throughout the consummation of the Proposed Acquisition and the implementation of the other matters provided for in this Agreement, including the period during which the parties are jointly operating any assets or businesses of C acquired in the Proposed Acquisition. The Committee shall in all matters

observe the preeminent principle that the parties could not anticipate all of the issues that will arise in making the Proposed Acquisition and implementing the allocation between the parties of the assets and businesses of C in accordance with the terms of this Agreement, and, therefore, the Committee is intended to resolve all questions with a spirit of fairness and understanding of each party's needs, attempting to avoid minor matters, in order to enable the parties to acquire their respective portions of such assets and businesses in accordance with the principles of this Agreement. Without attempting to limit the functions of the Committee, it shall have the following duties:

(i) settling the terms and conditions of the Proposed Acquisition, including price and other offer terms, and any agreements entered into with C or other parties relating thereto;

(ii) supervising the allocation of the assets and businesses of C between the parties in accordance with the principles set forth herein and the process of determining the final allocations of such assets and businesses;

(iii) settling the terms and conditions of appropriate joint venture or other agreements between A and B covering the conduct of those portions of the assets and businesses of C that will be owned and operated on a joint ownership basis by the parties following consummation of the Proposed Acquisition, as well as of appropriate arrangements to ensure the independent operation, following the consummation of the Proposed Acquisition, of assets and businesses required to be divested by the antitrust authorities of relevant jurisdictions;

(iv) supervising the various filings and submissions with governmental bodies and agencies, in order to obtain all necessary statutory, governmental and regulatory approvals for the Proposed Acquisition; and

(v) considering and resolving any concerns which may be raised by either party or its representatives relating to the transactions contemplated by this Agreement, including the Proposed Acquisition and the subsequent asset and business allocations and joint operation of certain businesses of C, in order to enable the parties to proceed in accordance with the general principles expressed herein.

X 2. Proposal Letter and Presentation of Proposal.

(a) A and B will agree upon the form of a proposal letter to be delivered to C (the "Proposal Letter"), the final form of which shall be approved by the Committee.

(b) The Committee shall be responsible for determining the manner, timing and method by which the Proposal Letter will be presented to and negotiated with C and for establishing and coordinating the procedures for responding to any requests for information or comment from, or otherwise communicating with, the press or other media, as well as determining the content of any such responses or communications.

\ 3. Financing.

Each party covenants and agrees that it has or will have sufficient funds available, whether in the form of borrowings, equity or any combination thereof, so as to enable it to proceed with the terms of the Proposal Letter and to conclude the Proposed Acquisition in accordance with the obligations undertaken herein and therein.

X 4. Structure of Proposed Acquisition.

The parties intend that the Proposed Acquisition would be effected through an offer for all of the outstanding shares of C under the relevant laws of England and the United States (the "Offer") followed by a compulsory acquisition of any shares not acquired in the offer if permitted by English law (the "Compulsory Acquisition"). The

Offer and the Compulsory Acquisition would be made by a new company incorporated by the parties under the laws of [England], with each party owning, directly or indirectly through wholly-owned subsidiaries, 50% of the outstanding share capital of the new company. Following the Offer and the Compulsory Acquisition, the parties intend to allocate the assets and businesses acquired through the Proposed Acquisition as provided in this Agreement.

X 5. Offer Price and Allocation of Assets and Businesses.

X (a) Offer Price

(i) The price to be offered by the parties in the Proposed Acquisition shall be as mutually agreed and set forth in the Proposal Letter or as otherwise determined by the Committee.

(ii) A and B shall each be responsible to fund 50% of the aggregate cash purchase price to be paid in the Proposed Acquisition.

\ (b) Actual Aggregate Purchase Price.

For purposes of this Section 5, the "actual aggregate purchase price" shall mean the sum of (i) the purchase price paid to acquire outstanding ordinary shares of C pursuant to the Offer and any Compulsory Acquisition or otherwise within the period of _____ months following the making of the Offer, (ii) any funds expended to acquire or cancel outstanding options to purchase ordinary shares of C to the extent not included in (i) above, and (iii) the aggregate amount of outstanding indebtedness for borrowed money of C group at the date the Proposed Acquisition is consummated. For purposes of this Agreement, the Proposed Acquisition shall be deemed to have been consummated upon the acquisition of more than [*] of the ordinary shares of C in the Offer.

*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

\ (c) [*].

The parties agree that, as soon as practicable following the consummation of the Proposed Acquisition, the [*] of C will be sold (whether to unaffiliated third parties, to A or to B) in accordance with such procedures and utilizing such advisors as the parties may mutually agree. The net proceeds of such sales shall be shared between the parties equally. For purposes of this Section 5, the "modified aggregate purchase price" for the Proposed Acquisition shall be the actual aggregate purchase price less the deemed fair market values of the [*] as set forth on Schedules I and II hereto.

\ (d) Schedules I and II.

Schedules I and II hereto have been prepared by A and B, respectively, to reflect the initial values which each party attributes to each country or region set forth thereon, which Schedules reflect allocations of all of the assets and businesses of C in approximately equal shares between the parties, and to designate the party which will have the primary right to be allocated such country or region (or, in those cases indicated in such Schedule, the proportionate asset sharing in such countries between the parties) in accordance with the procedures hereinafter set forth. The parties agree that the assets and businesses of C located in England shall have an agreed value equal to ___% of the modified aggregate purchase price as set forth on Schedules I and II and that the aggregate values of the assets and businesses of C located in England and the United States shall equal approximately [*] of the modified aggregate purchase price. The actual allocation of the specific assets and businesses of C located in England and the United States between the parties will be finally agreed upon prior to the consummation of the Proposed Acquisition. The parties acknowledge that the percentages of the modified aggregate purchase price allocated to England on Schedules I and II are based on the parties' agreed upon estimate of the recurring EBIT of the English

- - - - -
*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

operations of C for C's fiscal year ended September 30, 1998. Accordingly, should the parties, based upon their review of the recurring EBIT or EBITDA of the English operations of C for the twelve month period ending June 30, 1999 when the underlying financial information become available to the parties, determine (using the same methodology as used in the estimate above) that the EBIT or EBITDA of the English operations has changed, whether positive or negative, more than ___% from the fiscal 1998 estimate, the above percentage to be attributed to such operations shall be revised to reflect the EBIT or EBITDA for the twelve month period ending June 30, 1999 and appropriate corresponding adjustments shall be made to the Schedule I and Schedule II values for countries or regions other than England.

\ (e) Allocation Process for Countries and Regions other than England.

(i) As soon as practicable following the consummation of the Proposed Acquisition, the parties will determine the allocation between them of the assets and businesses located outside of England on the country or region basis as set forth on Schedules I and II, in accordance with the procedure hereinafter set forth.

(ii) With respect to each country or region other than England set forth on Schedules I and II, the party having the primary right to be allocated that country or region (or portion thereof) as indicated on Schedules I and II (the "primary party") shall give written notice to the other party of the value which the primary party is willing to allocate to such country or region, which value may be more or less than the values referred to in Schedules I and II.

(iii) The party receiving such written notice of the primary party's value for a country or region (or portion thereof) shall be entitled to give written notice to the primary party setting forth an increased value for such country or region (or portion thereof), provided

that such increased value exceeds the primary party's value by at least [*]. If no such notice of an increased value is provided, the assets and business of C located in such country or region (or portion thereof) shall be allocated to the primary party. If such notice of an increased value is provided, the primary party may elect to accept such increased value, in which case the assets and business of C located in such country or region (or portion thereof) will be allocated to the primary party at such increased value, or to reject such increased value, in which case such assets and business (or portion thereof) will be allocated to the other party at such increased value.

\ (f) It is intended that the aggregate values ultimately allocated between the parties pursuant to clauses (d) and (e) above will, as nearly as possible, result in equal 50% shares in such values for each party. Since the allocation of the assets and businesses of C located in England will result in an allocation of ___ % to A and ___ % to B, it is intended that the allocations to be made under clause (e) above should result in an allocation of ___ % to A and ___ % to B, based on the aggregate of the values allocated to countries or regions other than England determined in accordance with the procedure set forth in clause (e). If the procedure provided for in this clause (f) results in an aggregate allocation to either party under clauses (d) and (e) of less than 50% but more than [*], the difference shall be made up by a cash payment from the party with the allocation greater than 50% based on the values as finally determined in accordance with clauses (d) and (e). If such procedure results in such allocation to either party being [*] or less, the parties shall agree on such adjustments to the apportionment of the assets and businesses of C located in those countries or regions apportioned to one to the parties as are necessary to meet the above [*] test, provided that such adjustments shall be made in the order of the countries and/or regions having the highest values.

- -----
*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

X (g) In connection with any asset dispositions (other than of the [*] of C) required to be made in connection with securing regulatory approvals of the Proposed Acquisition in any jurisdiction, the parties agree that the party making the disposition shall be solely responsible for such disposition and such disposition shall be for the sole account of such party; provided, however, that the parties agree that assets so required to be divested shall be placed under independent management following the consummation of the Proposed Acquisition, with the party for whose account the assets are being divested retaining the economic interest therein. Each party shall have a 60-day right of first refusal in respect of any asset disposition to be made by the other party, so long as the sale of the relevant assets to the first party is permitted by the relevant antitrust authorities, which right shall be to acquire the relevant assets on terms not less favorable to the first party than those contained in any offer for such assets which the other party has determined to accept.

\ 6. Government Approvals.

(a) The parties acknowledge that the Proposed Acquisition will be subject to review by regulatory authorities in certain jurisdictions. In this connection, among other filings, A and B will be making filings under [Europe] and under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") in the United States.

(b) A and B each agrees to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or advisable to consummate as promptly as practicable the Proposed Acquisition and to cooperate with each other in connection with the foregoing. In furtherance of the foregoing, A and B shall use all reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Proposed Acquisition under any applicable law or regulation to enable the Proposed Acquisition to be completed in an expeditious manner.

*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

(c) Each of the parties shall promptly inform the other of any communication from any government or governmental or multinational authority regarding the Proposed Acquisition. If either party or any affiliate thereof receives a request for additional information or documentary material from any such government or authority with respect to the Proposed Acquisition, then such party will endeavor in good faith to make, or cause to be made, as soon as reasonably practicable, an appropriate response in compliance with such request.

(d) Without limiting the general nature of the parties' obligations set forth in clause (b) above, the following rules shall apply with respect to divestitures, if any, requested by the competent authorities. Each of the parties will make such divestitures, or agree to make such divestitures, as may be reasonably requested or required by any antitrust authorities to enable the Proposed Acquisition to be completed in an expeditious manner. [Any such divestitures shall be for the account of the party making the same, and] any divested assets may be sold to either A or B if allowed by the relevant antitrust authorities.

(e) Following the consummation of the Proposed Acquisition, the parties agree that they will exhaust all legal remedies in an effort to obtain all necessary approvals, including but not limited to appeals to the highest appellate court, tribunal or other body having jurisdiction over the matter in dispute, will seek rehearings where necessary and will continue with the approval processes until final determinations have been received.

(f) It is the parties' intent, to the extent practicable, to proceed with the consummation of the Proposed Acquisition at such time as all regulatory approvals have been received from the antitrust regulatory authorities of [the European Economic Community, the United States, Canada and Australia], notwithstanding the fact that final approvals have not been received in one or more of the other jurisdictions involved.

\ 7. Intellectual Property.

The parties agree that the continued use of the patents, patent applications, technology, know-how (including operational know-how), trademarks, tradenames and other intellectual property ("Intellectual Property") of C after the consummation of the Proposed Acquisition is vital to the successful operation of the assets and businesses of C to be separately allocated to each party in accordance with the terms hereof. Because of the varying nature of the rights and obligations running with Intellectual Property in each of the several jurisdictions involved, it will be necessary, to insure the continued validity of these rights worldwide, for the parties to develop ownership structures that enable each party to obtain the benefits of the rights worldwide and in the jurisdictions in which each party has acquired the assets and businesses. In this connection, the parties will, prior to or as soon as practicable following the consummation of the Proposed Acquisition, enter into supplementary agreements establishing appropriate mechanisms, whether through direct joint ownership of the Intellectual Property, ownership through a separate entity, direct ownership with licensing or otherwise, to appropriately enable each party to continue to fully and independently use in its own worldwide gases business (including the businesses acquired from C) such Intellectual Property for mutually agreed upon periods of time following such consummation, adopting the most suitable mechanism to avoid the possibility of the abandonment of any such Intellectual Property. In those jurisdictions where ownership of the Intellectual Property can be legally transferred to and held by the party acquiring assets and business located there without risk of loss of the benefits of the Intellectual Property to the other party in other jurisdictions, it is the intention of the parties that direct ownership will follow the assets and businesses so acquired. In those jurisdictions where ownership of the Intellectual Property cannot be legally transferred without risk of loss, or where the ownership of the assets and business is held jointly by the parties, the ownership will be held in such a manner to benefit both parties. To make certain that the rights in and to the Intellectual Property so acquired are shared as

equally as possible, license and other agreements will be given to the parties to enable each to conduct its business in the jurisdictions and areas where they hold or will hold such assets or businesses. Any royalties, license fees or other charges for use of the Intellectual Property will be agreed by the parties. All rights shall be allocated equally. In addition, the parties will agree upon such standards as may be appropriate in order to avoid confusion from the use by the parties of the trademarks and tradenames (such as a requirement, in connection with any such use, to identify such trademark or tradename with the A name or the B name, as the case may be). The agreement shall also cover the basis upon which the parties may use such Intellectual Property on a long-term basis. Each party agrees that, for a reasonable period of time following the consummation of the Proposed Acquisition, it shall provide the other party with reasonable access to those facilities acquired from C and to relevant personnel in order to enable the other party to become knowledgeable concerning the technology and know-how (including operational know-how) included in the Intellectual Property. The parties acknowledge that the provisions of this section 7 are intended to apply only to the Intellectual Property of C acquired by the parties as such Intellectual Property exists at the date of consummation of the Proposed Acquisition and that any intellectual property developed by A or B after such consummation, whether or not based on the Intellectual Property acquired from C, shall be the sole property of the party which develops the same.

\ 8. No Unauthorized Disclosure or Use of Confidential Information.

(a) A may provide B with confidential or proprietary information relating to the Proposed Acquisition from time to time (the "A Confidential Information"). B shall not, without the prior written consent of A, disclose or use any A Confidential Information for any purpose, other than with A in connection with the evaluation and negotiation of the Proposed Acquisition and the making of the proposal to make the Proposed Acquisition.

(b) B may also provide A with confidential or proprietary information relating to the Proposed Acquisition from time to time (the "B Confidential Information"). A shall not, without the prior written consent of B, disclose or use any B Confidential Information for any purpose, other than with B in connection with the evaluation and negotiation of the Proposed Acquisition and the making of the proposal to make the Proposed Acquisition.

(c) Any information and analyses concerning C and the businesses of C contained in this Agreement or heretofore provided by the parties shall be deemed to be included within the A Confidential Information or the B Confidential Information, as the case may be, it being acknowledged by the parties, however, that all such information and analyses are subject to confirmation by the parties through their own review and examinations and that neither party is making any representation or warranty to the other party as to the completeness or accuracy of such information or analyses.

(d) The foregoing restrictions shall not apply to any information (i) which was in the public domain prior to disclosure to A or B, as the case may be, (ii) which becomes public knowledge after such disclosure other than through breach of this Agreement by A or B, as the case may be, (iii) which A or B, as the case may be, can show to have been in its possession independently prior to such disclosure, (iv) which A or B, as the case may be, can show that it received after such disclosure in a legal way from other sources, (v) to the use by A or its affiliates or B or its affiliates, as the case may be, of such party's Confidential Information internally in such party's or its affiliates' industrial gases business, or (vi) to the use by either party or its affiliates of the Confidential Information concerning C referred to in clause (c) above internally in their respective industrial gas businesses.

(e) A and B agree to preserve the confidentiality of the B Confidential Information or the A Confidential Information, as the case may be, as required by this Agreement for a period of three years from the date of the termination of this Agreement, the

consummation of the Proposed Acquisition or the final allocation between the parties of the assets and businesses of C in accordance with the terms of this Agreement, whichever is later.

(f) All written materials, schedules, documents and other writings which are made available by or supplied by one party to the other as A Confidential Information or B Confidential Information, as the case may be, and all copies and reproductions thereof, shall at the request of the supplying party, after the later of the date of the termination of this Agreement, the consummation of the Proposed Acquisition or the final allocation between the parties of the assets and businesses of C in accordance with the terms of this Agreement, be returned to the supplying party or certified in writing by the other party to having been destroyed.

X 9. Transfers of Products and Administrative and Other Services in the

United States After the U.S Asset Allocations.

As previously indicated, it is the intention of the parties to achieve an allocation of the assets and businesses of C located in the United States in equal shares between the parties. Schedule III hereto sets forth the current view of the parties as to the possible allocation of such assets and businesses, by plant location, based on the initial review by the parties of information concerning C's industrial gases operations in the United States available to them. The parties further recognize that the industrial gases business of C in the United States has been operated as a single integrated business. Accordingly, the parties agree that, prior to or immediately after the consummation of the Proposed Acquisition, they will negotiate in good faith with each other and with other parties such separate contracts as are customary in the industry and permitted by law, to be generally in effect for a period of six months, in order to secure needed administrative services and covering other matters such as trade product exchanges and purchases and the sources of other products, in order to fulfill the intention of the parties that each of them be placed in a position by such contracts to successfully operate

the assets and businesses allocated to that party in the United States in the manner intended by this Agreement. The parties agree that all of the foregoing arrangements shall be on a direct cost basis. If such initial agreements are required for a term of longer than six months, the parties will, after expiration of the initial agreements, negotiate new agreements on such terms as may be mutually agreed.

X 10. General Principle

As indicated herein, it is the intention of the parties that the Proposed Acquisition and the ultimate allocation of the assets and businesses of C will be shared on an equal basis. It is further understood that this principle shall be generally applicable in all areas relating to the Proposed Acquisition, including the sharing on an equal basis of (i) liabilities attributable to the assets and businesses of C or arising in connection with the Proposed Acquisition, such as, in particular, any undisclosed liabilities which become known subsequent to the consummation of the Proposed Acquisition or liabilities resulting from any actions or proceedings which may be commenced by shareholders of C or other parties relating to the Proposed Acquisition, and (ii) net benefits obtained as a result of the Proposed Acquisition, including reductions in expenses such as headquarters, research and other common expenses of C.

\ 11. Governing Law and Jurisdiction

This Agreement shall be governed by the laws of [England], the place where this Agreement has been negotiated, executed and delivered, without, to the extent permitted by such laws, giving effect to the conflicts of law rules thereof. In connection with any action, suit or proceeding arising in connection with this Agreement or any transaction contemplated hereby, A and B each:
(i) agree that either party may bring a suit, action or other legal proceeding against the other party only in a court of record of [England]; (ii) consent to the exclusive jurisdiction over it of any such court in any such suit, action or proceeding, (iii)

waive any objections it may have to the venue of any such court in any such suit, action or proceeding, and (iv) consent to service of process upon it by any appropriate method under the laws or rules of the jurisdiction in which such suit, action or proceeding is commenced.

\ 12. Assignment

Neither party shall have the right to assign its rights or obligations under this Agreement to any other person, except majority-owned subsidiaries, without the prior written consent of the other party, which consent shall not be unreasonably withheld in the case where a party desires to use a less than majority-owned entity to take title to the assets and businesses located in a particular country.

\ 13. Notices

All notices, requests or other communications hereunder shall be in writing, clearly marked "Confidential", and shall be deemed to have been duly delivered if delivered personally or by telecopier or sent by registered or certified mail, postage prepaid, return receipt requested, to the parties at their respective addresses, as follows:

If to A

If to B

\ 14. Non-Disclosure of Agreement

Each of the parties hereto agrees that, except as may be otherwise mutually agreed in writing or as may be required by law, it will keep confidential and will not disclose to any other person the existence of this Agreement, the contents hereof or the fact that the parties are making a proposal to effect the Proposed Acquisition or the terms of any such possible proposal.

X 15. Expenses

Each party agrees to bear and be responsible for its own costs and expenses, including without limitation those incurred by it or its representatives in respect of such party's participation on the Committee, incurred in connection with the Proposed Acquisition.

X 16. Termination

[to be provided]

X 17. Indemnification

Each of A and B agree to indemnify and hold harmless the other party (including, in each case, the directors, officers, employees and representatives of the other party) from and against any and all losses, claims, liabilities, damages and expenses (including reasonable fees and disbursements of counsel) relating to or arising out of any action taken by such party, or its representatives, in contravention of this Agreement or of any decision, policy or directive of the Committee or any action taken which has not been authorized by the Committee or this Agreement.

\ 18. Injunction for Breach

If either party shall breach any of its obligations hereunder, including without limitation those relating to maintaining the confidentiality of, or the use of, the A Confidential Information or the B Confidential Information, as the case may be, in recognition of the irreparable harm that would be incurred by the other party, such other party shall, in addition to its claim for damages incurred or any other legal remedies available to it, be entitled to an injunction and/or specific performance with respect to any such breach.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

A

By:

Name:
Title:

B

By:

Name:
Title:

SCHEDULE I

[*] are sold at market value.

This is deducted from the total price and the remainder is applicable to [*].

Example

| | |
|-----------------------------|-------|
| Total business value at [*] | [*] |
| other incl options | [*] |
| debt | [*] |
| | ---- |
| | [*] |
| [*] | [*] |
| | ----- |
| [*] | [*] |
| | ---- |

| | | | A | B |
|----------------------------|-------|-------|-------|-------|
| England | [*] | [*] | [*] | [*] |
| US | [*] | [*] | [*] | [*] |
| | ----- | ----- | ----- | ----- |
| Subject to bidding contest | [*] | | [*] | [*] |
| Most likely will be | | | | |
| Canada/Sth America | [*] | [*] | | [*] |
| Australia | [*] | [*] | | [*] |
| J.V. | [*] | [*] | | [*] |
| EU Cont. | [*] | [*] | | [*] |
| Japan | [*] | [*] | [*] | |
| Africa | [*] | [*] | | |
| India others | [*] | [*] | | |
| | | ---- | | |
| England and USA excl. | [*] | [*] | [*] | [*] |
| | | [*] | [*] | [*] |
| | | ----- | ----- | ----- |
| | | [*] | [*] | [*] |
| | | | [*] | |

or give B more [*] and [*] but have 50% vote.

OPEN QUESTION

 *This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

| | |
|-------------------------------|-------|
| Total business value at [*] | [*] |
| other incl options | [*] |
| debt | [*] |
| | [*] |
| [*] | [*] |
| [*] | [*] |

| | % | Pounds | Valuation pounds | |
|-----------|-----|--------|------------------|-----|
| | | | A | B |
| UK | [*] | [*] | [*] | [*] |
| US | [*] | [*] | [*] | [*] |
| subtotal | [*] | [*] | [*] | [*] |
| Canada | [*] | [*] | [*] | [*] |
| Australia | [*] | [*] | [*] | [*] |
| JV's | [*] | [*] | [*] | [*] |
| EU Cont | [*] | [*] | [*] | [*] |
| Japan | [*] | [*] | [*] | [*] |
| subtotal | [*] | [*] | [*] | [*] |
| Africa | [*] | [*] | [*] | [*] |
| India | [*] | [*] | [*] | [*] |
| Others | [*] | [*] | [*] | [*] |
| subtotal | [*] | [*] | [*] | [*] |
| TOTAL | [*] | [*] | [*] | [*] |
| used [*] | | | | |

OPEN QUESTION

 *This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

SCHEDULE II 2/2

Country Preferences

US - [*]

UK - AL gets Jag business [*]

Poland - [*]

Canada - [*]

Mexico - [*]

Columbia - [*]

Brazil - [*]

Venezuela - [*]

Japan - [*]

Aust. NZ - AP acquires [*]

Singapore - [*]

Malaysia - [*]

Hong Kong - [*]

Taiwan - [*]

[*]

South Africa - [*]

India - [*]

Thailand - [*]

China - [*]

Korea - [*]

[*]

- -----
*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

This Agreement is made the 2nd day of July 1999 and incorporates amendments made this 7th day of July 1999 by and between:

- (1) L'Air Liquide, S.A., a limited liability corporation organised under the laws of France (hereinafter referred to as "A"); and
 - (2) Air Products and Chemicals, Inc., a corporation organised under the laws of Delaware, USA (hereinafter referred to as "B").
- (A) WHEREAS, A and B, at the invitation of the Board of Directors of C, have separately submitted several proposals to acquire all of the outstanding shares of C, which proposals have been rejected, and A and B have independently determined that each of them cannot justify further increasing their respective last rejected proposals, for financial and other business reasons, including the raising of necessary funds and the risks attendant thereto.
 - (B) WHEREAS, A and B believe that the only way in which they may be in a position to raise the price proposed for the shares of C, as desired by the Board of Directors of C, is by jointly developing a proposal to the Board of Directors of C, since various portions of the businesses of C are more valuable to one party than to the other, and that such a jointly developed proposal will reduce regulatory concerns (e.g., on a "fix it first" basis), since most adjustments likely to be required by Regulatory Authorities will have been provided for between the parties.
 - (C) WHEREAS, A and B intend jointly to develop a proposal for the Proposed Acquisition and desire to set forth the general terms and conditions upon which they will jointly negotiate the Proposed Acquisition, as well as the terms and principles upon which the Proposed Acquisition would be implemented and the assets and businesses of C would be allocated to each of A and B, recognising that various asset divestitures may be required by the antitrust authorities of certain jurisdictions in order for the parties to consummate the Proposed Acquisition.
 - (D) WHEREAS, given the timetable mandated by applicable takeover requirements, the parties wish to have as much of a proposed divestment programme in place and ready for administrative review as is possible in order to achieve required regulatory approvals as expeditiously as possible and have determined that this Agreement will enable the parties to develop such a programme.
 - (E) WHEREAS, in connection with the foregoing, A and B have entered into Acquisition Agreement One.

NOW, THEREFORE, the parties agree as follows:

 *This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

1. PURPOSE AND INTERPRETATION

1.1 The purpose of this Agreement is solely to set forth the basis agreed to by the parties upon which an Offer may be made and C Shares acquired thereunder and, in such event, the intentions of the parties concerning the manner in which the Reconstruction would be effected by the parties in order to give effect to an appropriate allocation of the assets and businesses of C as between A and B, together with such dispositions to third parties as may be commercially desirable or reasonably required by applicable Regulatory Authorities.

1.2 In this Agreement:

"A Business" means the assets and businesses of C to be allocated to A pursuant to the Reconstruction as set out in schedules 1 and 2 as such schedules may be amended by the Committee pursuant to clause 7, and shall include A's interest in such assets and businesses of C to be jointly owned by A and B as determined by the Committee;

"Acquisition Agreement One" means the agreement entered into between the parties dated 14 June 1999;

"Actual Aggregate Purchase Price" means the sum of:

- (a) the purchase price paid to acquire the C Shares pursuant to the Offer and any Compulsory Acquisition or otherwise;
- (b) any funds expended to acquire or cancel outstanding options to acquire C Shares to the extent not included in (a) above; and
- (c) the aggregate amount of outstanding consolidated indebtedness for borrowed money of the C Group taken as a whole on the Control Date;

"Affiliate" means, with respect to any person, any other person directly or indirectly controlling, controlled by, or under common control with such other person;

"A Liabilities" means all of the liabilities (including in respect of intra-group loans and Tax on trading and other activities) arising out of or referable to the A Business whether prior to or after the Control Date but, for the avoidance of doubt, shall exclude any liability referred to in clause 14, including for Tax;

"B Business" means the assets and businesses of C to be allocated to B pursuant to the Reconstruction as set out in schedules 1 and 2 as such schedules may be amended by the Committee pursuant to clause 7, and shall include B's interest in such assets and businesses of C to be jointly owned by A and B as determined by the Committee;

"Bidco" means a new company to be organised in the UK for the purpose of making the Offer;

"B Liabilities" means all of the liabilities (including in respect of intra-group loans and Tax on trading and other activities) arising out of or referable to the B Business whether prior to or after the Control Date but, for the avoidance of doubt, shall exclude any liability referred to in clause 14, including for Tax;

"C" means The BOC Group plc;

"C Group" means C and its Affiliates;

"City Code" means The City Code on Takeovers and Mergers;

"Committee" means the special committee to be formed by A and B in accordance with clause 2.1;

"Companies Act" means the Companies Act 1985, as amended;

"Completion" means completion of the Reconstruction;

"Completion Date" means the day on which Completion takes place;

"Compulsory Acquisition" means the compulsory acquisition of any C Shares not acquired in the Offer, in accordance with sections 428 to 430F of the Companies Act;

"Control Date" means the date on which the Offer becomes or is declared unconditional in all respects or such later date on which Bidco obtains control of the board of directors of C;

"C Share" means an ordinary share of 25p in C now in issue and any ordinary share of 25p in C which is unconditionally allotted or issued whilst the Offer remains open for acceptance (or such earlier date as the parties may determine) and "C Shares" means all of them;

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, in the United States;

"ICC" means the Geneva, Switzerland office of the International Chamber of Commerce;

"Intellectual Property" means the patents, patent applications, technology, know-how (including operational know-how), trade secrets, copyrights, software, trademarks, tradenames and other intellectual property owned by C or its Affiliates;

"London Stock Exchange" means the London Stock Exchange Limited;

"Modified Aggregate Purchase Price" means the Actual Aggregate Purchase Price less the value of the [*] of C as set forth in schedule 1;

"Offer" means (unless the context requires otherwise) any of an announcement of an intention to make an offer (whether or not subject to any pre-conditions) or the making of

- -----
*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

an offer for all of the C Shares under the relevant laws and regulations of England and, if the Committee so determines, the United States and any variation thereof and any new offer made following the lapse or withdrawal of an initial offer;

"Panel" means The Panel on Takeovers and Mergers;

"Proposal Letter" means the letter referred to in clause 3.1;

"Proposed Acquisition" means the possible acquisition of all the outstanding C Shares by Bidco;

"Regulatory Authorities" means applicable anti-trust regulatory authorities and "Regulatory Authority" means any one of them;

"Reconstruction" means the reconstruction of the C Group to give effect to the allocation of the assets and businesses of C between A and B in accordance with clause 7 by separating the business of the C Group into the A Business and the B Business and any subsequent transfers necessary to effect ownership (whether directly or indirectly) of the A Business by A and the B Business by B;

"SEC" means the U.S. Securities and Exchange Commission;

"Tax" means any form of taxation, levy, duty, charge, contribution or impost of whatever nature (including any related fine, penalty, surcharge or interest) imposed by a Tax Authority; and

"Tax Authority" means any local, municipal, governmental, state, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world.

1.3 In this Agreement, a reference to:

1.3.1 a document in the "agreed form" is a reference to a document in a form approved and for the purposes of identification signed by or on behalf of each party;

1.3.2 a statutory provision includes a reference to the statutory provision as modified or re-enacted or both from time to time before the date of this Agreement and any subordinate legislation made under the statutory provision before the date of this Agreement;

1.3.3 a person includes a reference to a body corporate, association, limited liability company or partnership;

1.3.4 a person includes a reference to that person's legal personal representatives, successors and assigns;

1.3.5 a clause or schedule, unless the context otherwise requires, is a reference to a clause of or schedule to this Agreement;

1.3.6 a document is a reference to that document as from time to time supplemented or varied;

1.3.7 sharing or allocating equally (or any similar such phrase) is a reference to the ratio of sharing between the parties, in each case as applied in the context in which such term is used, being sharing or allocating in equal proportions between the parties; and

1.3.8 "including" is a reference to "including without limitation."

1.4 The headings in this Agreement do not affect its interpretation.

2. FORMATION AND FUNCTIONS OF SPECIAL COMMITTEE

2.1 A and B each hereby designate the following representatives who shall constitute the Committee that will be responsible for supervising and directing all negotiations, meetings and other contacts with C by either party in connection with the Proposed Acquisition and the Reconstruction and shall have the rights and duties set out below. A and B agree that they shall each implement the decisions of the Committee promptly and in full.

A
-

B
-

| | |
|---|---|
| Gerard Levy | John P. Jones, III |
| Benoit Potier | Joseph J. Kaminski |
| Jean-Claude Buono | Leo J. Daley |
| E. A. Dominianni or Laurent Blamoutier) | W. Douglas Brown (or attorney designee) |

Each party may replace its own representatives and appoint successor representatives so that the total number of Committee representatives always totals eight (8). Any member of the Committee may appoint an alternate to act for him generally or specifically in relation to any meeting of the Committee. The alternate shall have the same powers and discretions that he would have if he were a member of the Committee. An appointment of an alternate shall be in writing and shall be valid if notice of it is given to any member of the Committee appointed by B (in the case of the appointment of an alternate to act for a member of the Committee appointed by A) and vice versa.

2.2 The Committee shall at all times conduct itself in accordance with applicable requirements of Regulatory Authorities and to that end shall have counsel available as may be required for the purpose of ensuring compliance therewith. The Committee's objective and overall purpose is solely to effect the transactions contemplated by this Agreement and to that end it shall not engage in the day-to-day business or commercial operations of the assets and businesses covered by this Agreement and shall employ or utilise independent third parties to review and analyse any competitively sensitive information or data should such review or analysis be required to effect its assigned responsibilities hereunder.

- 2.3 The Committee shall be authorized to act upon the unanimous consent or approval of the members of the Committee or their alternates deciding such issue provided that any consent or approval shall be given by two or more representatives (whether in writing or orally), which consent or approval includes at least one of the representatives appointed by each party. In the event the Committee cannot agree upon any matter, such matter shall be referred to the Chairman of A, Alain Joly, in the case of A, and the Chairman of B, Harold A. Wagner, in the case of B, who shall confer together and shall mutually agree on an appropriate resolution of the matter. In the event that the Chairmen are unable to resolve within ten (10) days of referral to them any matter which relates to the transfer of the assets and businesses of C to be effected pursuant to the terms of this Agreement (whenever the dispute arises), or any matter which arises after the Offer becomes or is declared unconditional in all respects, such matter shall be resolved as provided below:
- 2.3.1 the parties shall submit the matter for resolution in accordance with clause 2.3.3 by an Expert (the "Expert") selected in accordance with clause 2.3.2;
 - 2.3.2 the Expert shall be selected by mutual agreement of the parties. If, within twenty (20) days of referral of the matter to the Chairmen, the parties are unable to agree upon the Expert, the parties shall request the ICC to select a person with experience in international business matters to act as the Expert;
 - 2.3.3 upon selection of the Expert, A and B shall each present promptly to the Expert a statement of their final position on the matter in dispute and the Expert, acting as an expert and not as an arbitrator, shall choose either A's statement or B's statement as the resolution to the dispute in question, such statement, in the absence of fraud or manifest error, being final and binding on each party.
- 2.4 The Committee shall be responsible for making all decisions in respect of, and supervising all other matters relating to, the Proposed Acquisition (including the conduct of the Offer), the Reconstruction and the implementation of all other provisions of this Agreement. The Committee shall form a tax working group to be responsible for ensuring that the Reconstruction and all other provisions of this Agreement are planned and implemented in a tax efficient manner and the Committee may form such other working groups to report to it as it may determine and may rely on such representatives, advisors and other experts as it may deem appropriate.
- 2.5 The Committee shall continue in existence throughout the implementation of the matters provided for in this Agreement, including the period during which the parties are jointly operating any assets or businesses of C acquired in the Proposed Acquisition and the Reconstruction. The Committee shall in all matters observe the pre-eminent principle that the parties cannot anticipate all of the issues that will arise in making the Proposed Acquisition and implementing the Reconstruction in accordance with the terms of this Agreement, and, therefore, the Committee is intended to resolve all questions with a spirit of fairness and understanding of each party's needs, attempting to avoid minor matters, in order to enable the parties to acquire their respective portions of such assets and businesses in accordance with the principles of this Agreement.

- 2.6 Without attempting to limit the functions of the Committee, it shall have the following duties:
- 2.6.1 settling (a) whether any person other than A or B should have any equity or debt investment in Bidco, (b) the terms and conditions, including any preconditions, of the Offer, including price and other offer terms, (c) the conduct of the Offer and any agreements entered into with C or other parties relating thereto, including any market purchases of C Shares, and (d) in the event of the Offer lapsing, all such matters as are required to make one or more further offers for the C Shares;
 - 2.6.2 ensuring that in connection with the Offer the parties comply with all applicable legal and regulatory provisions (in all applicable jurisdictions) including, without limitation, the Companies Act, the Financial Services Act 1986, the City Code, the Rules Governing Substantial Acquisitions of Shares, the Listing Rules of the London Stock Exchange, the U.S. Securities Exchange Act of 1934, the rules and regulations of the SEC and applicable requirements of Regulatory Authorities;
 - 2.6.3 approving the press announcement, the offer document and any other documents to be issued in accordance with the City Code, the U.S. Securities Exchange Act of 1934 or any other applicable rules or legislation in connection with the Offer;
 - 2.6.4 approving any revision, amendment, modification or waiver of any precondition, term or condition of the Offer (including an increase in price) or the withdrawal or lapsing of the Offer;
 - 2.6.5 approving the declaration of the Offer going unconditional as to acceptances;
 - 2.6.6 approving the declaration of the Offer going unconditional in all respects;
 - 2.6.7 supervising and controlling the Compulsory Acquisition;
 - 2.6.8 determining, implementing and supervising the Reconstruction and the allocation of the assets and businesses of C between the parties in accordance with the principles set forth herein and the process of determining the final ownership of such assets and businesses;
 - 2.6.9 settling the terms and conditions of appropriate joint venture or other agreements between A and B covering the conduct of those portions of the assets and businesses of C in those limited situations where, pursuant to the allocation procedures set forth in clause 7.5 and subject to any restrictions imposed by any relevant Regulatory Authority, they may be owned and operated on a joint ownership basis by the parties following consummation of the Proposed Acquisition, as well as settling the terms and conditions of appropriate arrangements to ensure the independent operation, following the consummation of the Proposed Acquisition and the Reconstruction, of any assets and businesses of C which may be required to be divested by the Regulatory Authorities;

- 2.6.10 supervising and controlling the various filings and submissions with governmental bodies and agencies (including the filings referred to in clauses 6.1 and 7.4.5), in order to obtain all necessary statutory, governmental and regulatory approvals for the Proposed Acquisition and the Reconstruction;
- 2.6.11 determining the basis upon which, following the Control Date, the parties will supervise the management of the C Group, including assigning between the parties the principal responsibility for such supervision of the component assets and businesses of the C Group based on the likely allocation thereof into the A Business and the B Business as the Committee shall determine, giving appropriate recognition to regulatory considerations affecting the allocation, timing or nature of such management responsibility (it being understood that upon any final allocation to a party then not managing the assets so allocated, such party shall immediately assume management of such assets); and
- 2.6.12 developing and implementing appropriate procedures, activities, financial informational reviews and valuations, operational transitions and/or allocations of operational or transitional responsibility, with respect to such matters as may be commercially desirable or legally advisable in order to maintain the A Business and the B Business as viable business operations, to effect the Reconstruction contemplated hereby and to achieve the transition and full integration of the operations of C into A or B, as the case may be, at the earliest possible time, consistent with the principles set forth in this Agreement and such requirements as may be applicable or reasonably required by the Regulatory Authorities.

3. PROPOSAL LETTER AND PRESENTATION OF PROPOSAL

- 3.1 A and B will agree upon the form of the Proposal Letter to be delivered to C, the final form of which shall be approved by the Committee.
- 3.2 The Committee shall be responsible for determining the manner, timing and method by which the Proposal Letter will be presented to and negotiated with C and for establishing and co-ordinating the procedures for responding to any requests for information or comment from, or otherwise communicating with, the press or other media, the Panel and the SEC, as well as determining the content of any such responses or communications.
- 3.3 For the avoidance of doubt, the parties shall, for so long as this Agreement remains in place, work together in good faith to acquire the C Shares on the basis set out in this Agreement, including by meeting their obligations under clause 6 and by making further offers in such form as may be approved by the Committee following the lapsing or withdrawal of an offer.

4. FINANCING.

- 4.1 Each party covenants and agrees that it has or will have sufficient funds available, whether in the form of borrowings, equity or any combination thereof, so as to enable it

to proceed with the terms of the Proposal Letter on the basis set out in this Agreement and to conclude its portion of the Proposed Acquisition and the Reconstruction in accordance with the obligations undertaken herein and therein.

- 4.2 The parties shall jointly organise and finance Bidco and shall provide equity and/or debt financing to Bidco in equal shares in an amount equal in the aggregate to the cash portion of the Actual Aggregate Purchase Price. For the avoidance of doubt, upon the provision of the equity and/or debt financing to Bidco in equal shares as described hereunder, A and B shall each own an equal share of the capital of Bidco. Save as agreed by the Committee, neither party shall transfer, dispose of or otherwise deal in its equity or debt interest in Bidco. All decisions at the board and shareholder levels shall be taken by the unanimous consent of all the directors and shareholders (as the case may be) unless the parties determine otherwise.
- 4.3 The parties recognise that the financing arrangements which each of them may enter into to provide finance for Bidco will contain restrictions and obligations. Certain of those restrictions and obligations may extend to or affect:
- 4.3.1 the conduct and terms of the Offer;
 - 4.3.2 the operations, following the Control Date, of C and the C Group;
 - 4.3.3 the disposal of assets by the C Group to the parties or to third parties; and
 - 4.3.4 the provision of credit support by the C Group or parts thereof to such financiers.

While the parties shall each remain responsible for their own financing arrangements, and their respective costs and expenses in relation thereto, the parties undertake and agree to inform one another, to the extent that confidentiality agreements are not thereby breached, of the terms and conditions of such financing arrangements and to consult with one another with respect thereto. Each party further undertakes and agrees that it will use its commercially reasonable efforts to ensure that such party, Bidco and, following the Control Date, the C Group will take all such actions as are necessary to ensure compliance with the terms of such financings.

- 4.4 The parties shall ensure that Bidco does not incur any indebtedness or grant any security interests without the prior approval of the Committee.

5. STRUCTURE OF PROPOSED ACQUISITION

- 5.1 The parties intend that the Proposed Acquisition would be effected (following the satisfaction of any preconditions) through the Offer followed by the Compulsory Acquisition, to the extent permitted by the Companies Act. The Offer would be made, and the Compulsory Acquisition implemented, by Bidco. Following the Offer and the Compulsory Acquisition, the parties intend to allocate the assets and businesses acquired through the Proposed Acquisition as provided in this Agreement.

5.2 The parties acknowledge that the effect of this Agreement may be that A and B may be "associates" and/or "acting in concert" for the purpose of the City Code and the U.S. Securities Exchange Act of 1934, and which may lead to Companies Act or other disclosure obligations. Accordingly A and B shall individually each supply promptly to the other any information which the other may require in order to comply with the provisions of the City Code, the U.S. Securities Exchange Act of 1934, the Companies Act or the requirements of the Panel or the SEC applicable to persons having such a relationship.

5.3 The parties agree that they shall not, and shall use all reasonable endeavours to procure that the persons acting in concert with them shall not, acquire any C Shares (or any interest therein) otherwise than through Bidco. Save as disclosed to each other prior to the date hereof, neither party owns, directly or indirectly, any interest in any C Shares.

6. REGULATORY APPROVALS

6.1 The parties acknowledge that the Proposed Acquisition, the Reconstruction and matters related thereto will be subject to review by the Regulatory Authorities. In this connection, the parties and/or Bidco will be making such filings as may be required under the EC Merger Regulation and the HSR Act, as well as taking appropriate action in other applicable jurisdictions.

6.2 A and B each agrees to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or advisable (taking into account the tax effects of such efforts, actions and things as determined by the tax working group) to complete as promptly as reasonably practicable the Proposed Acquisition, the Reconstruction and the matters related thereto and to co-operate with each other in connection with the foregoing. In furtherance of the foregoing, A and B shall use all reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Proposed Acquisition, the Reconstruction or matters related thereto under any applicable law or regulation to enable the Proposed Acquisition, the Reconstruction and the matters related thereto to be completed in an expeditious manner.

6.3 Each of the parties shall promptly inform the other of any material communication (written or oral) to or from any Regulatory Authority regarding the Proposed Acquisition, the Reconstruction or matters related thereto to the fullest extent permitted by law and applicable regulations and having due regard for the need to maintain their competitive independence. If either party or any Affiliate thereof receives a request for additional information or documentary material from any such Regulatory Authority with respect to the Proposed Acquisition, the Reconstruction or matters related thereto, then such party will endeavour in good faith to make, or cause to be made, as soon as reasonably practicable, an appropriate response in compliance with such request.

6.4 Without limiting the general nature of the parties' obligations set forth in clause 6.2, the parties will make such divestitures or other commitments as approved by the Committee, if any, as may be reasonably required by the Regulatory Authorities to enable the Proposed Acquisition, the Reconstruction and the matters related thereto to be completed

in an expeditious manner. Any divested assets may be sold to either A or B, if allowed by the relevant antitrust Regulatory Authority, in accordance with clause 7.7.

6.5 It is the parties' intent, to the extent reasonably practicable (taking into account the tax implications of all relevant matters), to complete the Proposed Acquisition, the Reconstruction and the matters related thereto at such time as all regulatory approvals have been received from the Regulatory Authorities of the European Union, the United States and such other jurisdictions as the Committee may determine appropriate.

6.6 The parties agree that they will use all reasonable efforts to exhaust all legal remedies in an effort to obtain any necessary approvals not previously obtained, including but not limited to appeals to the highest appellate court, tribunal or other body having jurisdiction over the matter in dispute, seeking rehearings where necessary and continuing with the approval processes until final determinations have been received, in each case to enable the Proposed Acquisition, the Reconstruction and the matters related thereto to be effected.

7. OFFER PRICE AND ALLOCATION OF ASSETS AND BUSINESSES

7.1 Offer Price

The price to be offered by Bidco in the Proposed Acquisition shall be determined by the Committee and set forth in the Proposal Letter.

7.2 General Allocation Principles

Schedule 1 has been prepared by A and B to reflect the initial values which the parties attribute to the assets and business of C in each country or region set forth thereon. Schedule 2 designates the party which will have the primary right (a "primary party") to be allocated the assets and businesses of C in certain countries or regions outside the UK, Ireland, the United States, Australia and New Zealand (or, in those cases indicated in such schedule, the asset sharing in such countries or regions between the parties) in accordance with the procedures hereinafter set forth.

7.3 Allocation for UK, Ireland, the United States, Australia and New Zealand

7.3.1 The parties agree that the assets and businesses of C located in the UK and Ireland shall have an agreed value equal to approximately [*] of the Modified Aggregate Purchase Price and that the aggregate values of the assets and businesses of C located in the UK and Ireland and the United States shall equal approximately [*] of the Modified Aggregate Purchase Price, and [*] of the Modified Aggregate Purchase Price when the agreed values of Australia and New Zealand are added. The actual allocation of the specific assets and businesses of C located in the United States between the parties will be finally determined by the Committee prior to the Control Date, having taken into account any requirements of Regulatory Authorities (it being the intention of the parties to obtain the approval of the relevant Regulatory Authorities in a manner which will

*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

prevent the Offer from lapsing under Rule 12 of the City Code and in a manner which will allow the Offer to become unconditional in all respects in time to effect the Compulsory Acquisition under the Companies Act, to the extent practicable) and shall, if necessary, be adjusted immediately prior to effecting the Reconstruction in such manner as is determined by the Committee to reflect the principles contained herein in the light of the facts and circumstances (including as to divestments required by Regulatory Authorities and the information referred to in clause 7.3.2) known to the parties immediately prior to effecting the Reconstruction.

7.3.2 The parties acknowledge that the percentages of value of the Modified Aggregate Purchase Price allocated to (i) the UK and Ireland, (ii) the United States and (iii) Australia and New Zealand in schedule 1 are based on the parties' agreed upon estimates of the recurring EBITs of the UK and Irish operations, the United States operations and the Australian and New Zealand operations of C for C's fiscal year ended September 30, 1998. Accordingly, should the Committee, based upon its review of the recurring EBITs of the UK and Irish operations, the United States operations and the Australian and New Zealand operations of C for the twelve month period ending June 30, 1999 (or such later period as may be appropriate) when the underlying financial information becomes available to the parties, determine (using the same methodology as used in the estimates above) that the EBITs of any of (i) the UK and Irish operations, (ii) the United States operations and/or (iii) the Australian and New Zealand operations have changed in a sustainable manner, whether positive or negative, by more than [*] from the applicable fiscal 1998 estimate, the above percentage of value to be attributed to the relevant operations in any such case shall be revised to reflect the EBIT for the twelve month period ending June 30, 1999 (or such later period as may be appropriate), any such revision in no event to exceed [*], whether positive or negative, and appropriate corresponding adjustments shall be made to the schedule 1 values for countries or regions other than the UK and Ireland, the United States and/or Australia and New Zealand, as applicable. In the event that the Committee determines that actual EBIT for the twelve month period ending June 30, 1999 (or such later period as may be appropriate) is not comparable to that for the fiscal year ended September 30, 1998 due to the effect of new investments made, variations in intercompany charges or other non-recurring causes during either of such periods, the Committee will make appropriate adjustments to the relevant EBIT to appropriately mitigate such effect. In the event more than a [*] adjustment, positive or negative, is indicated, the Committee shall in good faith meet to review the amount in excess of the [*] adjustment and the asset allocations to each in such country with a view to making an agreement (which may take effect after Completion) which with regulatory consent will appropriately adjust the amount in excess of [*] to the other party.

- -----
*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

7.4 Process for Allocating Countries and Regions other than the UK and Ireland, the United States and Australia and New Zealand following the Control Date

- 7.4.1 As soon as practicable following the Control Date, the Committee will determine the allocation between the parties of the assets and businesses located outside of the UK and Ireland, the United States and Australia and New Zealand on the country or region basis as set out in schedule 1 in accordance with the procedure hereinafter set forth taking into account any requirements of Regulatory Authorities in accordance with the intention expressed in clause 7.2. Such allocation shall, if necessary, be adjusted immediately prior to effecting the Reconstruction in such manner as is determined by the Committee to reflect the principles contained herein in the light of the facts and circumstances (including as to divestments required by Regulatory Authorities and financial information about the C Group then available to them) known to the parties immediately prior to effecting the Reconstruction.
- 7.4.2 With respect to each country or region other than the UK and Ireland, the United States and Australia and New Zealand set out in schedule 1, the primary party (pursuant to clause 7.2 and as shown on schedule 2) shall give written notice to the other party within 30 days after the Control Date of the value which the primary party is willing to allocate to its proposed ownership of the assets and business of C in such country or region, which value may be more or less than the values referred to in schedule 1. In the case of any country or region other than the UK and Ireland, the United States and Australia and New Zealand for which no primary party is agreed, either party may become the primary party for such country or region by providing to the other party written notice within 30 days after the Control Date of the value which such party is willing to allocate to such country or region, which value may be more or less than the value referred to in schedule 1; and in the event there is competition between the parties, the party whose initial valuation is the highest shall become the primary party.
- 7.4.3 The party receiving such written notice of the primary party's value for the assets and business of C in a country or region shall be entitled to give written notice to the primary party within 10 days of receiving notice from the primary party in accordance with clause 7.4.2 setting forth an increased value for the assets and business of C in such country or region, provided that such increased value exceeds the primary party's value by at least [*]. If no such notice of an increased value is provided, the primary party shall be the acquiror of the assets and business of C located in such country or region at the value notified by the primary party. If such notice of an increased value is provided, the primary party may elect to accept such increased value within ten (10) days of receipt of such notice, in which case the primary party shall be the acquiror of the assets and business of C located in such country or region at such increased value, or to reject such increased value, in which case the other party shall be the acquiror of such assets and business at such increased value.

*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

- 7.4.4 All countries or regions, other than the UK and Ireland, the United States and Australia and New Zealand and other than those countries or regions allocated between the parties pursuant to clause 7.4.3, shall be divested in accordance with clause 7.7.1 or 7.7.2 or shared between the parties on an equal basis.
- 7.4.5 Notwithstanding the foregoing, in any jurisdiction covered by clause 7.3 or this clause 7.4 where a Regulatory Authority may require filing before the Control Date or other filing in advance of the allocation process contemplated hereby, such filings shall, unless otherwise determined by the Committee, reflect the designations of primary party and/or asset allocation set forth in Schedules 1, and 2, which schedules reflect the parties' current view of the ultimate ownership of the assets of C, with the parties to co-operate and use their reasonable efforts to preserve the flexibility to adjust or make any supplemental or further filings as may be required to accomplish the ultimate allocation contemplated by clause 7.3 or this clause 7.4.

7.5 Joint Operations

In certain limited situations the commercially desirable and most efficient allocation of the businesses of C may require that certain facilities or assets be owned or operated by the parties on a joint basis. Pursuant to clause 2.6.9 the Committee shall be responsible for settling the terms and conditions of appropriate agreements covering such matters. In performing such function, the Committee is instructed that the parties are strictly committed to the principle that any such ownership or operation shall be conducted in accordance with all applicable laws and such requirements as may be imposed by Regulatory Authorities. To that end, in all cases, the Committee shall timely confer with counsel to structure any proposed joint venture and secure any necessary regulatory approvals prior to effecting any joint ownership or operation arrangement.

7.6 Final Adjustment

It is intended that the allocation of the assets and businesses of C ultimately attributed to each party pursuant to clause 7, and the equal sharing of proceeds of any divestments under clauses 7.7.1 and 7.7.2, will, as nearly as possible, result in each party obtaining equal shares in the value of the assets and businesses of C and sharing equally in the obligation to pay the Actual Aggregate Purchase Price. If the procedure provided for in clauses 7.3 and 7.4 or the next sentence results in an aggregate allocation to either party under clause 7 of less than 50% but more than [*] of the value of the assets and businesses of C, the difference shall be made up by an appropriate adjustment for the benefit of the lower party as determined by the Committee based on the values as finally determined in accordance with clause 7. If such procedure results in such allocation to either party being [*] or less, the Committee shall determine such adjustments as are necessary to meet the above [*] test. Such adjustments shall be made by giving the party having [*] or less the right to select one or more countries or regions for which it was the primary party, and which was allocated to the other party under the procedures set forth in clause 7.4, at the value at which the selected countries or regions were allocated to the other party in accordance with clause 7.4. Such selection shall first be

*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

made from available entire countries or regions and, if unavailable, from portions of other countries, consistent with applicable regulatory requirements. The parties agree that the United Kingdom, Ireland, the United States, Australia, New Zealand, Canada and Japan shall be excluded for purposes of the foregoing selection process. Following completion of the process set forth in this clause 7.6, the Committee shall prepare a final schedule reflecting the allocation process in accordance with clause 8.15. Schedule 3 provides an outline of the allocation process timetable and schedule 4 provides, for illustrative purposes only, an example of the bidding process contemplated by clause 7.4.

7.7 Divestitures

- 7.7.1 As soon as practicable following the Control Date (or after the Compulsory Acquisition, to the extent available), and as economically justified in the opinion of the Committee, the [*] of C (as such businesses are defined by the Committee), together with such other assets of C as the Committee may determine, will be either sold to unaffiliated third parties or sold to or retained by A or B in accordance with such procedures and utilising such advisors as the Committee may determine. The net proceeds of such sales shall be shared equally between the parties by such means as may be agreed by the Committee.
- 7.7.2 Other assets of C which must be sold to persons other than A or B as required by Regulatory Authorities shall also be sold in accordance with such procedures and utilising such advisors as the Committee may determine, and the net proceeds of such sales shall be shared equally between the parties by such means as may be agreed by the Committee.
- 7.7.3 Notwithstanding the foregoing provisions of this clause 7.7, (i) any sales of assets of C required by Regulatory Authorities to be sold by A or B after the completion of the Reconstruction (and which were not identified by the Committee prior to the Reconstruction to be included under clause 7.7.2), (ii) any asset dispositions required to be made by a party from its existing business to secure the approval of a Regulatory Authority in any jurisdiction, and (iii) any related consequences, including Tax, shall be made solely for the account of A in respect of those assets owned by A or its Affiliates, or by B in respect of those assets owned by B or its Affiliates, in accordance with such procedures as the party making such sale shall determine; provided, however, that, so long as the sale of any such assets to the other party (the "non-selling party") is permitted by the relevant Regulatory Authorities, the non-selling party shall have a right of first refusal, exercisable within 30 days following the non-selling party's receipt of notice (which notice shall identify the person offering to purchase such assets and shall set forth the terms of such offer) from the party making any such sale (the "selling party"), to acquire the relevant assets on the terms set forth in such notice in respect of any offer for such assets which the selling party has determined to accept. If the non-selling party exercises its right of first refusal, the parties shall consummate the purchase and sale of such assets as soon as practicable following such acceptance.

- -----
*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

If such right of first refusal is not exercised, the selling party may consummate such sale on the terms set forth in such notice.

7.7.4 The parties agree that, if required by the relevant Regulatory Authority, any assets of C required to be divested shall be placed under independent management following the Control Date.

8. RECONSTRUCTION

- 8.1 The Reconstruction shall be effected in accordance with the principles set out below unless the parties otherwise agree.
- 8.2 The parties shall co-operate and work together in good faith to implement the Reconstruction as soon as reasonably practicable following the Control Date (or after the Compulsory Acquisition, to the extent available). If assets are used in or liabilities affect both the A Business and the B Business, the parties shall negotiate in good faith the division of such assets and liabilities between them, having due regard to the extent of usage and the tax consequences of a division or transfer.
- 8.3 Indebtedness for borrowed money of the C Group shall, to the extent identifiable with and employed in connection with the A Business, be included in the A Liabilities and, to the extent identifiable with and employed in connection with the B Business, be included in the B Liabilities. Such indebtedness shall include any intra-group loans, which shall remain outstanding in accordance with their terms or as otherwise determined by the Committee in the case of intra-group indebtedness payable on demand. Any such indebtedness not so identifiable or employed in connection with the A Business or the B Business shall be borne by the parties on an equal basis. Any costs associated with the replacement or continued maintenance of any such indebtedness incurred as a result of the Offer or the Reconstruction, including, without limitation, due to acceleration based on change-of-control provisions or the like, shall be allocated to or shared by the parties in accordance with the principles set forth in this clause 8.3.
- 8.4 Other than as set forth in clause 8.3 or in clause 14, it is agreed that the Reconstruction will be carried out so that all of the A Liabilities will be liabilities which transfer with the A Business and that all of the B Liabilities will be liabilities which transfer with the B Business. Except to the extent caused by the negligent or willful and wrongful acts or omissions of B, A undertakes to B (for itself and as trustee and agent for each of its Affiliates) to indemnify and defend B and its Affiliates and hold them harmless against any actions, proceedings, losses, costs, claims, damages, liabilities and expenses which any of them may suffer or incur in respect of any A Liability. Except to the extent caused by the negligent or willful and wrongful acts or omissions of A, B undertakes to A (for itself and as trustee and agent for each of its Affiliates) to indemnify and defend A and its Affiliates and hold them harmless against any actions, proceedings, losses, costs, claims, damages, liabilities and expenses which any of them may suffer or incur in respect of any B Liability.

- 8.5 A and B hereby agree to negotiate in good faith to enter into satisfactory arrangements to enable the Reconstruction to be properly effected as soon as reasonably possible such that by the Completion Date the A Business owns all of the assets (including employees) and rights and liabilities of the A Business and the B Business owns all of the assets (including employees) and rights and liabilities of the B Business and neither owns any material assets or liabilities not forming part of such business carried on as at that date.
- 8.6 If after the Completion Date an A Business shall receive or be obliged to make any payment which relates, in whole or in part, to the carrying on of the B Business then (i) A shall procure that so much of that payment as so relates shall be promptly paid to the relevant B Business or to B, or (ii) B shall procure that so much of that payment as A was obliged to make shall be paid to A.
- 8.7 If after the Completion Date any B Business shall receive or be obliged to make any payment which relates, in whole or in part, to the carrying on of the A Business then (i) B shall procure that so much of that payment as so relates shall be promptly paid to the relevant A Business or to A, or (ii) A shall procure that so much of that payment as B was obliged to make shall be paid to B.
- 8.8 In the event that following Completion any assets forming part of and used exclusively by the A Business remain legally owned by the B Business, B shall transfer or procure to be transferred such assets to A (or as it shall direct) for no net consideration and pending such transfer shall, so far as legally possible, procure that such assets are held on trust for A absolutely.
- 8.9 In the event that following Completion any assets forming part of and used exclusively by the B Business remain legally owned by the A Business, A shall transfer or procure to be transferred such assets to B (or as it shall direct) for no net consideration and pending such transfer shall, so far as legally possible, procure that such assets are held on trust for B absolutely.
- 8.10 The adjustments provided for in clauses 8.6 to 8.9 shall be appropriately modified to take account of any tax effects thereof and of any adjustments which were included in the valuation by the parties of the relevant portion of the A Business or the B Business, as the case may be, and such adjustments shall be reflected in the final accounting required pursuant to clause 8.15.
- 8.11 The parties agree that, prior to or immediately after Completion, they will negotiate in good faith such separate contracts as are customary in the industry and permitted by law, to be generally in effect for a period of six months, in order to secure needed administrative services and covering other matters such as trade product exchanges and purchases and the sources of other products, in order to fulfil the intention of the parties that each of them be placed in a position by such contracts to successfully operate the assets and businesses allocated to that party. The parties agree that all of the foregoing arrangements shall be on a direct cost basis, which shall be subject to verification by such party's outside auditors. If such initial agreements are required for a term of longer than

six months, the parties will, after expiration of the initial agreements, negotiate new agreements on such terms as may be mutually agreed.

8.12 Following Completion, the parties shall use their reasonable endeavours to afford to each other and their respective counsel and accountants, during normal business hours, reasonable access to all books and records held by them with respect to the A Business or the B Business (as appropriate) prior to Completion to the extent that such access may be reasonably required by such parties, in connection with:

8.12.1 the preparation of tax returns or in connection with any audit, amended return, claim for refund or any proceeding with respect thereto;

8.12.2 the preparation of financial statements;

8.12.3 the preparation of any regulatory filings; and

8.12.4 for any other reasonable purpose.

8.13 Provided, however, that to the extent a party (the "reviewing party") pursuant to clause 8.12 may for such purposes request access to information which properly should not be disclosed to it for regulatory or competitive reasons, the reviewing party's access shall be restricted with access to be allowed only by an appropriate and competent independent third party designated by the reviewing party, with such independent third party to maintain the details of such information as confidential, disclosing to the reviewing party only such general conclusions and verification as counsel to the parties may advise is appropriate.

8.14 If a party which has the benefit of an indemnity under clause 8.4 (the "Indemnified Party") becomes aware of a matter which would be likely to give rise to a claim thereunder:

8.14.1 the Indemnified Party shall notify the indemnifying party (the "Indemnifier") as soon as practicable of the matter (stating in reasonable detail the nature of the matter and, if practicable, the amount claimed) and consult with the Indemnifier with respect to the matter and if the matter has become the subject of proceedings the Indemnified Party shall, so far as practicable, notify the Indemnifier within sufficient time to enable the Indemnifier time to select counsel and contest the proceedings before final judgement;

8.14.2 the Indemnified Party shall, subject to it being so indemnified:

(a) take any action, institute any proceedings, give any information, and make available any persons and documents as the Indemnifier may reasonably request to:

(i) dispute, resist, appeal, compromise, defend, remedy or mitigate the matter; or

(ii) enforce against a person (other than the Indemnifier) the Indemnified Party's rights in relation to the matter;

(b) only admit liability in respect of or settle the matter if it has first obtained the Indemnifier's written consent (not to be unreasonably withheld or delayed).

8.15 The parties agree that, as soon as practicable following the Completion (including the implementation of the provisions of clause 7.6), the Committee shall prepare a final accounting in respect of the matters covered by this Agreement in order to enable the parties to effect a final reconciliation of the allocation process including the equal sharing of any overfunding or underfunding of the Actual Aggregate Purchase Price (including taking into consideration allocations, disproportionate or otherwise, of liabilities and other items as the Committee may deem appropriate) and the other provisions hereof relating to the equal sharing of costs, benefits and other items contemplated hereunder. The Committee shall have the responsibility to develop, prior to the Control Date, the specific procedures to be followed in the preparation and adoption of such final accounting by the parties, including procedures for settling any final amounts and resolving any disputes which may arise between the parties relating thereto, failing which clause 2.3 shall apply.

9. INTELLECTUAL PROPERTY

9.1 The parties agree that the continued use of the Intellectual Property after the Completion Date is vital to the successful operation of the A Business and the B Business and that it is desirable that each party, to the fullest extent permitted by law, have equal and independent access to such Intellectual Property in order to maximise the benefits and efficiencies of the transactions contemplated hereby and promote competition to the fullest extent possible.

9.2 Because of the varying nature of the rights and obligations running with Intellectual Property in each of the several jurisdictions involved, it will be necessary, to insure the continued validity of these rights worldwide, for the parties to develop ownership structures that enable each party to obtain the benefits of the rights worldwide and, with respect to trademarks and tradenames, in the jurisdictions in which each party has acquired the assets and businesses.

9.3 In this connection, the parties will, prior to or as soon as practicable following the Completion Date, enter into supplementary agreements establishing appropriate mechanisms, whether through direct joint ownership of the Intellectual Property, ownership through a separate entity, direct ownership with licensing or otherwise, to enable each party to continue fully and independently to use in its own worldwide gases business (including the businesses acquired from C) such Intellectual Property perpetually, subject to clause 9.6 concerning trademarks and tradenames, adopting the most suitable mechanism to avoid the possibility of the abandonment of any such Intellectual Property.

9.4 In those jurisdictions where ownership of the Intellectual Property can be legally transferred in a tax efficient manner to and held by the party (or its subsidiaries) acquiring assets and businesses located there without risk of loss of the benefits of the Intellectual Property to the other party (or its subsidiaries) in other jurisdictions, it is the current intention of the parties that direct ownership will follow the assets and businesses so acquired. In those jurisdictions where ownership of the Intellectual Property cannot be legally transferred without risk of loss, or where the ownership of the assets and businesses is held jointly by the parties, the ownership will be held in such a manner to benefit both parties.

9.5 To make certain that the rights in and to the Intellectual Property so acquired are equally available to the parties, license and other agreements will be given to the parties to enable each to conduct its business on a worldwide basis. Any royalties, license fees or other charges for use of the Intellectual Property will be agreed by the parties. All rights shall be equally available to the parties.

9.6 In addition, the parties will agree upon such standards as may be appropriate in order to avoid confusion from the use by the parties of the trademarks and tradenames (including the possible definitive transfer of ownership of certain trademarks or tradenames to A or B without license to the other or such as a requirement, in connection with any such use, to identify such trademark or tradename with the A name or the B name, as the case may be). The agreement shall also cover the basis upon which the parties may use such trademarks and tradenames, including the C name, on a long-term basis.

9.7 Each party agrees that, for a reasonable period of time following the Completion Date, it shall provide the other party with reasonable access to those facilities owned by C and its Affiliates prior to Completion and to relevant personnel in order to enable the other party to become knowledgeable concerning the technology, copyrights, trade secrets, software and know-how (including operational know-how) included in the Intellectual Property. The parties acknowledge that the provisions of this clause 9 are intended to apply only to the Intellectual Property owned by C and its Affiliates prior to Completion as such Intellectual Property exists at the Completion Date and that any intellectual property developed by A or B after Completion, whether or not based on the Intellectual Property owned by C and its Affiliates prior to Completion, shall be the sole property of the party which develops the same and without any obligation to grant a license to the other party.

10. NO UNAUTHORISED DISCLOSURE OR USE OF CONFIDENTIAL INFORMATION

10.1 A may provide (or has, prior to the date hereof, provided) B with confidential or proprietary information relating to itself and to the Proposed Acquisition and the Reconstruction from time to time (the "A Confidential Information"). B warrants that it has not, and undertakes that it shall not, without the prior written consent of A, disclose (other than to its directors, officers, agents, employees and advisers who are directly concerned with its assessment of the Proposed Acquisition and whose knowledge of the A Confidential Information is essential for that purpose and who are bound (by acknowledgement or otherwise) by confidentiality obligations as least as stringent as

those set forth herein) or use any A Confidential Information for any purpose, other than with A in connection with the evaluation and negotiation of the Proposed Acquisition and the making of the Offer.

- 10.2 B may also provide (or has, prior to the date hereof, provided) A with confidential or proprietary information relating to itself and to the Proposed Acquisition and the Reconstruction from time to time (the "B Confidential Information"). A warrants that it has not, and undertakes that it shall not, without the prior written consent of B, disclose (other than to its directors, officers, agents, employees and advisers who are directly concerned with its assessment of the Proposed Acquisition and whose knowledge of the B Confidential Information is essential for that purpose and who are bound (by acknowledgement or otherwise) by confidentiality obligations as least as stringent as those set forth herein) or use any B Confidential Information for any purpose, other than with B in connection with the evaluation and negotiation of the Proposed Acquisition and the making of the Offer.
- 10.3 Any information and analyses concerning C and the businesses of C contained in this Agreement or provided by the parties shall be deemed to be included within the A Confidential Information or the B Confidential Information, as the case may be, it being acknowledged by the parties, however, that all such information and analyses are subject to confirmation by the parties through their own review and examinations and that neither party is making any representation or warranty to the other party as to the completeness or accuracy of such information or analyses.
- 10.4 The foregoing restrictions shall not apply (i) to any information which was in the public domain prior to disclosure to A or B, as the case may be, (ii) to any information which becomes public knowledge after such disclosure other than through breach of this Agreement by A or B, as the case may be, (iii) to any information which A or B, as the case may be, can show to have been in its possession independently prior to or is developed independently after such disclosure, (iv) to any information which A or B, as the case may be, can show that it received after such disclosure in a legal way from other sources, (v) to the use by A or its Affiliates or B or its Affiliates, as the case may be, of its own Confidential Information internally in such party's or its Affiliates' industrial gases business, or (vi) to the use by either party or its Affiliates of the Confidential Information concerning C referred to in clause 10.3 internally in their respective industrial gas businesses.
- 10.5 A and B agree to preserve the confidentiality of the B Confidential Information or the A Confidential Information, as the case may be, as required by this Agreement for a period of three years from the date of the termination of this Agreement, the Control Date or the final transfer to either party of the assets and businesses of C in accordance with the terms of this Agreement, whichever is later.
- 10.6 All written materials, schedules, documents and other writings which are made available by or supplied by one party to the other as A Confidential Information or B Confidential Information, as the case may be, and all copies and reproductions thereof, shall at the request of the supplying party, after the later of the date of the termination of this

Agreement, the Control Date or the final transfer to either party of the assets and businesses of C in accordance with the terms of this Agreement, be returned to the supplying party or certified in writing by the other party to having been destroyed unless required to be retained by the relevant party for legal or regulatory purposes, in which case they may be retained subject to such party's confidentiality obligations hereunder. The foregoing shall not apply to any Confidential Information concerning C which does not include analyses prepared by the party to which the same would otherwise be delivered hereunder.

10.7 Save as provided in this clause 10.7, neither party shall make any disclosure or public announcement concerning the Proposed Acquisition or the existence of this Agreement without the prior written consent of the other party. Where a party reasonably determines that an announcement or disclosure concerning the Proposed Acquisition or A Confidential Information or B Confidential Information is required by law, by a rule of a stock exchange on which its shares are listed or traded or by a governmental authority or other authority with relevant powers, the announcement or disclosure shall be made after consultation with the other party after taking into account the other party's reasonable requirements as to its timing, consent and manner of making or dispatch.

11. ASSIGNMENT

Neither party shall have the right to assign its rights or obligations under this Agreement to any other person, except majority-owned subsidiaries, without the prior written consent of the other party. Such consent shall not be unreasonably withheld in the case where a party desires to use a less than majority-owned entity to take title to the assets and businesses located in a particular country. Notwithstanding any assignment permitted under this clause 11, the assigning party shall continue to be responsible for any obligations under this Agreement so assigned by such party.

12. NOTICES

All notices, requests or other communications hereunder shall be in writing, clearly marked "Confidential", and shall be deemed to have been duly delivered if delivered personally or by telecopier or sent by registered or certified mail, postage prepaid, return receipt requested, to the parties at their respective addresses, as follows:

If to A: Mr. Alain Joly
 Chairman and Chief Executive Officer
 L'Air Liquide, S.A.
 75, Quai d'Orsay
 75321 Paris Cedex 07
 France

With a copy to: Mr. Laurent Blamoutier
 Legal Manager
 L'Air Liquide, S.A.

75 Quai d'Orsay
75321 Paris Cedex 07
France

If to B Mr. Harold A. Wagner
 Chairman and Chief Executive Officer
 Air Products and Chemicals, Inc.
 7201 Hamilton Boulevard
 Allentown, Pennsylvania 18195-1501
 U.S.A.

With a copy to: Mr. W. Douglas Brown
 Vice President and General Counsel
 Air Products and Chemicals, Inc.
 7201 Hamilton Boulevard
 Allentown, Pennsylvania 18195-1501
 U.S.A.

13. NO PARTNERSHIP OR AGENCY

Nothing in this Agreement shall be deemed to constitute a partnership between the parties to it nor constitute any party the agent of another party for any purpose.

14. EXPENSES

The parties agree to share equally between them the costs and expenses incurred by each of them in relation to:

- 14.1 the Offer (to the extent that such costs and expenses are of the type and at a rate customarily incurred in, and payable following announcement of, a public takeover in the UK, including break fees payable to C, if any), but excluding the costs and expenses referred to in clause 4.3 and the fees of any external financial, legal or other advisors and any internal costs or expenses incurred by the parties;
- 14.2 any costs or expenses resulting from any actions or proceedings by third parties which may be threatened or commenced relating to the Proposed Acquisition or the Reconstruction;
- 14.3 the process of allocating the assets and businesses of the C Group (including any related costs, including Tax, incurred in the C Group or Bidco as the result thereof); and
- 14.4 the Tax costs (net of any Tax benefits) arising directly or indirectly in respect of, by reference to or in consequence of (i) the Reconstruction and the transactions contemplated thereby (and for the avoidance of doubt such costs and benefits shall not include any arising to A or B individually), and (ii) any asset disposition referred to in clauses 7.7.1 or 7.7.2.

15. TERMINATION

15.1 Except as provided in clause 15.2, this Agreement shall terminate on [*] unless:

15.1.1 the Offer has become or been declared unconditional in all respects on or before [*], in which case it shall not terminate; or

15.1.2 the Offer has not lapsed or been withdrawn by such date in which case this Agreement will terminate on such Offer lapsing or being withdrawn after that date but shall not terminate if the Offer becomes or is declared unconditional in all respects after such date.

15.2 If, prior to [*] the Offer in any form has lapsed pursuant to Rule 12 of the City Code (or as a result of any condition of the Offer being invoked where there has been an occurrence falling within the provisions of Rule 12) and at [*] the parties are awaiting any decision of a Regulatory Authority in respect thereof before making a new offer, this Agreement shall not terminate until the later of:

15.2.1 the expiry of the period allowed by the City Code for the making of the new offer without such new offer being made; and

15.2.2 the date the new offer lapses or is withdrawn.

For the avoidance of any doubt, if the new offer becomes or is declared unconditional in all respects this Agreement shall not terminate.

15.3 Termination of this Agreement shall not affect the parties' accrued rights and obligations at the date of termination.

15.4 The provisions of clauses 1, 10, 12, 14, 15, 17, 18, 19 and 20 shall survive any termination of this Agreement as shall the provisions of Acquisition Agreement One.

16. FURTHER ASSURANCES

16.1 Subject to the provisions of the Agreement, A and B shall use their reasonable endeavours (and taking into account the relevant tax implications) to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under any applicable law of a relevant jurisdiction to consummate the Proposed Acquisition, the Reconstruction and the matters related thereto.

16.2 A and B agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary or desirable in order to consummate or implement expeditiously the Proposed Acquisition, the Reconstruction and the matters related thereto and further agree to discuss in good faith any matters arising in connection therewith.

16.3 With respect to A or B's home country Tax treatment of Bidco, C and any C Group member, and the transactions contemplated hereunder (but, in the case of each party, with

- -----
*This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

respect to the assets and businesses of C only to the extent that those assets and businesses were allocated to such party), A shall be entitled to make any and all necessary or appropriate Tax filings and Tax elections in France, and B shall be entitled to make any and all necessary or appropriate Tax filings and Tax elections in the United States; and both parties will reasonably cooperate with each other in making any such Tax filings or elections and neither party shall unreasonably withhold any consents with respect thereto, it being the intent hereunder that neither party will suffer any Tax costs due to the Tax filings or elections made by the other in its home country or if any such Tax costs are identified the parties shall reach a mutually satisfactory agreement on how to proceed.

17. NO THIRD PARTY RIGHTS

This Agreement is intended solely for the benefit of A and B and their respective Affiliates and is not intended to confer any benefits upon, or create any rights in favour of, any other entity or person.

18. ENTIRE AGREEMENT; AMENDMENT

18.1 With the exception of Acquisition Agreement One, which shall remain in full force and effect, and any agreement between the parties expressed to be supplemental to this Agreement, this Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

18.2 This Agreement shall not be amended or modified unless such amendment or modification is set forth in a writing duly executed by the parties' respective authorised representatives.

19. GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by the laws of England. In connection with any action, suit or proceeding arising in connection with this Agreement or any transaction contemplated hereby, A and B each: (i) agree that either party may bring a suit, action or other legal proceeding against the other party only in a court of record of England; (ii) consent to the exclusive jurisdiction over it of any such court in any such suit, action or proceeding, (iii) waive any objections it may have to the venue of any such court in any such suit, action or proceeding, and (iv) consent to service of process upon it by any appropriate method under the laws or rules of the jurisdiction in which such suit, action or proceeding is commenced.

20. INJUNCTION FOR BREACH

If either party shall breach any of its obligations hereunder, including without limitation those relating to maintaining the confidentiality of, or the use of, the A Confidential Information or the B Confidential Information, as the case may be, in recognition of the irreparable harm that would be incurred by the other party, such other party shall, in addition to its claim for damages incurred or any other legal remedies available to it, be entitled to an injunction and/or specific performance with respect to any such breach.

IN WITNESS WHEREOF, the parties hereto by their duly authorised representatives have executed this Agreement on the day and year first above written.

L'AIR LIQUIDE, S.A.

By: /s/ Alain Joly

Name: Alain Joly
Title: Chairman and Chief Executive Officer

AIR PRODUCTS AND CHEMICALS, INC.

By: /s/ Harold A. Wagner

Name: Harold A. Wagner
Title: Chairman and Chief Executive Officer

SCHEDULE 1

[*] are sold at market value

This is deducted from the total price and the remainder is applicable to gases business.

EXAMPLE

| | |
|-------------------------------|-------|
| Total business value at [*] | [*] |
| other incl options | [*] |
| Debt | [*] |
| | [*] |

| | |
|-------|-------|
| [*] | [*] |
| [*] | [*] |

| GBPMM | C% Ownership | Estimated EBIT | EBIT Multiple | Value |
|-----------------|-----------------|-------------------|------------------|-------|
| UK | [*] | [*] | | |
| Ireland | [*] | | | |
| Subtotal | | [*] | [*] | [*] |
| US | [*] | [*] | [*] | [*] |
| Australia Gases | [*] | [*] | [*] | [*] |
| New Zealand | [*] | | | |
| BP Project | [*] | | | [*] |
| Subtotal | | [*] | | [*] |
| TOTAL | | [*] | [*] | [*] |
| Canada | [*] | | | |
| Other Americas: | | | | |
| Chile | [*] | | | |
| Colombia | [*] | | | |
| Venezuela | [*] | | | |
| Brazil | [*] | | | |
| Subtotal | | [*] | [*] | [*] |
| Other Europe: | | | | |
| Poland | [*] | | | |
| Russia | [*] | | | |
| Cyrostar | [*] | | | |
| Turkey | [*] | | | |
| Subtotal | | [*] | [*] | [*] |
| Africa | [*] | [*] | [*] | [*] |
| Japan | [*] | [*] | [*] | [*] |
| Asia & JV's | | | | |
| Singapore | [*] | | | |
| Hong Kong | [*] | | | |
| Malaysia | [*] | | | |
| Subtotal | | [*] | [*] | [*] |
| Taiwan | [*] | | | |
| Philippines | [*] | | | |
| Indonesia | [*] | | | |
| Korea | [*] | | | |
| Thailand | [*] | | | |
| China 100% | | | | |
| China 50% | | | | |
| Subtotal | | [*] | [*] | [*] |
| Elgas | [*] | [*] | [*] | [*] |
| India | [*] | | | |
| Pakistan | [*] | | | |
| Bangladesh | [*] | | | |

| | | | | |
|---------------|-------------|-------|-------|-------|
| Subtotal | | [*] | [*] | [*] |
| TOTAL 2 | | [*] | [*] | [*] |
| Unallocated 3 | | [*] | | [*] |
| GRAND TOTAL | (1 + 2 + 3) | [*] | [*] | [*] |

 *This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

 Designation of Primary Party

| Businesses ----- | Primary party ----- |
|---|------------------------|
| [*] | [*] |
| [*] | [*] |
| [*] | |
| ELGAS Business | [*] |
| Cryostar Business | [*] |
| [*] | [*] |
| [*] | [*] |
| Geographies ----- | |
| UK & Ireland | Allocated to A |
| United States | [*] |
| Australia/N. Zealand (including BP Project) | Allocated to B |
| Canada | [*] |
| S. America (excluding Brazil) | [*] |
| Brazil | [*] |
| Africa | [*] |
| Poland, Russia & Turkey | [*] |
| Singapore, Hong Kong, | |
| Malaysia, JV's | [*] |
| Pakistan/Bangladesh | [*] |
| India | [*] |
| Other Asia JV's, excluding Thailand + China + Taiwan | [*] |
| Taiwan | [*] |
| Thailand | [*] |
| China | [*] |
| Japan | [*] |

The following projects are scheduled to be split 50/50: [*]

 *This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

Allocation Process Timetable
(clause 7 of Agreement)

| Date ---- | Event ----- |
|------------------------|--|
| 1. Control Date ("CD") | Process commenced to develop the parties' respective valuations for those countries or regions referred to in clause 7.3 |
| 2. By: CD + 30 | The primary party designated on schedule 2 in respect of each country or region delivers its value of each such country or region to the other party. |
| | [Note 1] With respect to countries or regions for which no primary party is agreed, either party may become the primary party by delivering its value for any such country or region to the other party by CD + 30 (if both parties deliver a value in respect of the same country or region, the party delivering the highest value will be deemed the primary party in respect thereof). |
| 3. By: CD + 40* | [Note 2] The other party may deliver to the primary party a value primary party in respect of any country or region. |
| 4. By: CD + 50* | [Note 3] If any notices are delivered under 3 above, the primary party in respect of each country or region covered by such notice has the right to accept or reject the increased value set forth therein for such country or region. |

Note 1. If no values are provided for a country or region in respect of which no primary party is agreed, such country or region is divested or shared between the parties on an equal basis.

Note 2. If no notice of increased value is delivered, the country or is allocated to the primary party at such party's valuation delivered under paragraph 2.

Note 3. If a notice of increased value is delivered and the primary party (i) accepts the increased value, the country or region is allocated to the primary party at such increased value or (ii) rejects such increased value, the country or region is allocated to the other party at such increased value.

- - - - -
* In each case, the additional 10 day notice period commences upon delivery of the relevant notice referred to in the previous clause.

Bidding Example

| | Primary Party ----- | [*] ----- | Bid/Match ----- | [*] ----- | Bid/Match ----- | Total ----- |
|----------------------------|---------------------------|----------------|--------------------|----------------|--------------------|----------------|
| US & UK (1) | [*] | [*] | | [*] | | [*] |
| Australia, New Zealand (1) | [*] | [*] | | [*] | | [*] |
| Canada, South America (2) | [*] | [*] | [*] | [*] | [*] | [*] |
| JV's (3) | [*] | [*] | [*] | [*] | [*] | [*] |
| Poland, Russia, Turkey (3) | [*] | [*] | [*] | [*] | [*] | [*] |
| Japan (4) | [*] | [*] | [*] | [*] | [*] | [*] |
| Africa, India, Others (5) | | [*] | | [*] | | [*] |
| | | [*] | | [*] | | [*] |
| | | [*] | | [*] | | [*] |

- (1) Not subject to bid process; reflects only a hypothetical allocation for purposes of this schedule.
- (2) [*] Bids [*]; [*] outbids by more than [*]; allocated to [*] because [*] does not match.
- (3) [*] Bids; [*] does not bid; allocated to [*].
- (4) [*] Bids [*]; [*] outbids by more than [*]; [*] matches; allocated to [*].
- (5) purchase price [*] - US, UK & Group II Countries [*] = Africa, India & Others [*].
- (6) value is equalized in accordance with clause 7.6 at this stage.

 *This information has been omitted pursuant to a Request for Confidential Treatment and such information has been filed separately with the Securities and Exchange Commission.

COMPUTATION OF EARNINGS PER SHARE
(Millions of dollars, except per share)

| | Year Ended 30 September | | |
|---|-------------------------|--------|--------|
| | 1999 | 1998 | 1997 |
| Earnings | | | |
| Income before cumulative effect of accounting changes | \$451 | \$547 | \$429 |
| Cumulative effect of accounting changes | 0 | 0 | 0 |
| | ----- | ----- | ----- |
| Net Income | \$451 | \$547 | \$429 |
| | ===== | ===== | ===== |
| Basic shares | | | |
| Average common shares outstanding during the year | 212 | 216 | 220 |
| | ===== | ===== | ===== |
| Basic earnings per share | | | |
| Income before cumulative effect of accounting changes | \$2.12 | \$2.54 | \$1.95 |
| Cumulative effect of accounting changes | 0 | 0 | 0 |
| | ----- | ----- | ----- |
| Net Income | \$2.12 | \$2.54 | \$1.95 |
| | ===== | ===== | ===== |
| Diluted shares | | | |
| Average common shares outstanding during the year | 212 | 216 | 220 |
| Shares issuable from stock option and award plans | 4 | 4 | 5 |
| | ----- | ----- | ----- |
| Adjusted average common shares outstanding | 216 | 220 | 225 |
| | ===== | ===== | ===== |
| Diluted earnings per share | | | |
| Income before cumulative effect of accounting changes | \$2.09 | \$2.48 | \$1.95 |
| Cumulative effect of accounting changes | 0 | 0 | 0 |
| | ----- | ----- | ----- |
| Net income | \$2.09 | \$2.48 | \$1.95 |
| | ===== | ===== | ===== |

AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Unaudited)

| | Year Ended 30 September | | | | |
|---|-------------------------|---------|---------|-----------|---------|
| | 1995 | 1996 | 1997 | 1998 | 1999 |
| | (Millions of dollars) | | | | |
| Earnings: | | | | | |
| Income before extraordinary item and the cumulative effect of accounting changes: | \$368.2 | \$416.4 | \$429.3 | \$546.8 | \$450.5 |
| Add (deduct): | | | | | |
| Provision for income taxes | 186.2 | 195.5 | 203.4 | 280.9 | 209.5 |
| Fixed charges, excluding capitalized interest | 148.8 | 184.0 | 233.0 | 202.8 | 194.4 |
| Capitalized interest amortized during the period | 9.1 | 9.4 | 8.3 | 7.4 | 6.1 |
| Undistributed earnings of less-than-fifty-percent-owned affiliates | (25.4) | (40.6) | (31.1) | (25.3) | (44.5) |
| Earnings, as adjusted | \$686.9 | \$764.7 | \$842.9 | \$1,012.6 | \$816.0 |
| Fixed Charges: | | | | | |
| Interest on indebtedness, including capital lease obligations | \$139.4 | \$171.7 | \$217.8 | \$186.7 | \$175.4 |
| Capitalized interest | 18.5 | 20.0 | 20.9 | 18.4 | 24.7 |
| Amortization of debt discount premium and expense | .2 | 1.5 | 1.8 | 1.9 | 1.3 |
| Portion of rents under operating leases representative of the interest factor | 9.2 | 10.8 | 13.4 | 14.2 | 17.7 |
| Fixed charges | \$167.3 | \$167.3 | \$204.0 | \$221.2 | \$219.1 |
| Ratio of Earnings to Fixed Charges: | 4.1 | 4.1 | 3.7 | 4.6 | 3.7 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAJOR FACTORS AFFECTING EARNINGS

Major factors affecting comparison of earnings per share between 1999 and 1998 were:

- o Lower equipment segment activity
- o Increased equity affiliates' income
- o Productivity gains continue to enhance operating results
- o Chemicals margins decline due to Asian economy secondary impacts, higher raw material prices, and customer outage
- o Continued pricing pressure in gases
- o Prior year gain of \$.26 per share from American Ref-Fuel sale and contract settlements

RESULTS OF OPERATIONS

Consolidated

| (millions of dollars, except per share) | 1999 | 1998 | 1997 |
|---|-----------|-----------|-----------|
| Sales | \$5,020.1 | \$4,919.0 | \$4,637.8 |
| Operating income | 724.7 | 845.7 | 726.1 |
| Equity affiliates' income | 61.5 | 38.0 | 66.3 |
| Net income | 450.5 | 546.8 | 429.3 |
| Basic earnings per share | 2.12 | 2.54 | 1.95 |
| Diluted earnings per share | 2.09 | 2.48 | 1.91 |

The results of 1999, 1998, and 1997 included the effects of special items. These items should be considered in the comparison of the annual results.

TWO GRAPHS APPEAR HERE SIDE-BY-SIDE INDICATING SALES (IN BILLIONS OF DOLLARS) AND OPERATING INCOME (IN MILLIONS OF DOLLARS), RESPECTIVELY FOR FISCAL YEARS 95, 96, 97, 98 AND 99.

Fiscal 1999 results included several special items which essentially offset at the net income and earnings per share level. The components of special items on a before- and after-tax basis were: a gain of \$34.9 million (\$23.6 million after-tax, or \$.11 per share) on the partial sale of assets related to the formation of Air Products Polymers (a 65% majority-owned venture with Wacker-Chemie GmbH); expense of \$34.2 million (\$21.9 million after-tax, or \$.10 per share) related to the global cost reduction programs; expense of \$10.3 million (\$6.4 million after-tax, or \$.03 per share) related to chemicals facility closure costs; and a gain of \$7.0 million (\$4.4 million after-tax, or \$.02 per share) from a gain on foreign currency options from the expected BOC acquisition, net of preacquisition expenses. Additional details on the formation of Air Products Polymers and The BOC Group plc ("BOC") acquisition are included in Notes 17 and 18 to the consolidated financial statements, respectively.

Fiscal 1998 results were increased by net after-tax income of \$58.1 million, or \$.26 per share, for special items. The components of special items on a before- and after-tax basis were: a gain of \$62.6 million (\$35.1 million after-tax, or \$.16 per share) on the sale of substantially all of the company's 50% interest in the American Ref-Fuel Company; a gain of \$28.3 million (\$15.4 million after-tax, or \$.07 per share) from a power contract restructuring related to an American Ref-Fuel project; and a gain of \$12.6 million (\$7.6 million after-tax, or \$.03 per share) from a cogeneration project contract settlement. Additional details of the divestiture of the American Ref-Fuel Company are included in Note 17 to the consolidated financial statements.

Fiscal 1997 results were increased by net after-tax income of \$1.6 million, or \$.01 per share, for special items. The components of special items on a before- and after-tax basis were: a gain of \$9.5 million (\$5.9 million after-tax, or \$.03 per share) on the sale of the landfill gas recovery business; a gain of \$7.3 million (\$4.5 million after-tax, or \$.02 per share) on the partial sale of the cost basis Daido Hoxan investment; an impairment loss of \$9.3 million (\$6.0 million after-tax, or \$.03 per share) in the chemicals release agent business; and a loss of \$4.8 million (\$2.8 million after-tax, or \$.01 per share) from debt refinancing by an equity affiliate.

Exclusive of Special Items

| (millions of dollars, except per share) | 1999 | 1998 | 1997 |
|---|-----------|-----------|-----------|
| Sales | \$5,020.1 | \$4,919.0 | \$4,637.8 |
| Operating income | 769.2 | 845.7 | 718.6 |
| Equity affiliates' income | 61.5 | 38.0 | 71.1 |
| Net income | 450.8 | 488.7 | 427.7 |
| Basic earnings per share | 2.12 | 2.28 | 1.94 |
| Diluted earnings per share | 2.09 | 2.22 | 1.90 |

The company achieved record sales of \$5,020.1 million in fiscal 1999, while net income and diluted earnings per share declined. Sales increased 2%, or \$101.1 million over the \$4,919.0 million reported in fiscal 1998. Operating income, excluding special items, was down \$76.5 million, a 9% decrease. Equity affiliates' income increased to \$61.5 million from \$38.0 million in fiscal 1998. The resulting diluted earnings per share was \$2.09, a \$.13 decline, or 6%.

Consolidated sales grew 2%, primarily as a result of growth in chemicals and gases outside North America. Chemicals businesses experienced volume gains as a result of the new emulsions venture with Wacker-Chemie GmbH and prior year acquisitions. Lower prices in

23

both gases and chemicals had an unfavorable impact on sales growth. The equipment segment sales were lower than the strong prior year sales. The impact of foreign currency changes was not significant.

Operating income, excluding special items, decreased \$76.5 million, or 9%, from the prior year. Lower project activity in the equipment segment was a major contributor to the decline. Operating income was also unfavorably impacted by the margin decline in the chemicals segment, as prices declined in several key markets while raw material costs increased. There were additional costs associated with new capacity brought onstream, and some major customers experienced facility outages and operating problems. Weakened gases sales in the electronics and metals markets combined with ongoing pricing declines unfavorably impacted operating income.

Equity affiliates' income increased due to the addition of the redispersible powders venture formed with Wacker-Chemie GmbH, unfavorable foreign exchange impacts in the prior year, and improved performance at several affiliates.

Sales of \$4,919.0 million in fiscal 1998 were 6% above the \$4,637.8 million reported in fiscal 1997. Operating income, excluding special items, of \$845.7 million was up \$127.1 million, an 18% increase. Equity affiliates' income, excluding special items, declined to \$38.0 million from \$71.1 million in 1997. The resulting diluted earnings per share, excluding special items, was \$2.22, a \$.32 increase or 17%. The record diluted earnings per share, excluding special items, was obtained in spite of an unfavorable year-to-year currency and exchange impact of \$.10. The results also overcame a \$.06 per share impact from the loss of earnings of the divested American Ref-Fuel business.

Total sales in fiscal 1998 increased 6%, net of a 1% unfavorable currency impact. Sales growth in the gases and chemicals segments was due to broad-based volume growth that was tempered by pricing pressure. Sales in the equipment segment declined 8% from fiscal 1997. Volume growth in industrial gases and chemicals coupled with continuing productivity gains and a favorable product mix in the equipment business produced an 18% improvement in consolidated operating income, exclusive of special items. Equity affiliates' income declined primarily due to the divestiture of the American Ref-Fuel Company and the unfavorable business environment in Asia.

Segment Analysis

A description of the products and services and markets for each of the business segments is included in Note 20 to the consolidated financial statements.

The company adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosure about Segments of an Enterprise and Related Information," effective as of the end of fiscal year 1999. The primary change is that the power generation and Pure Air(TM) businesses moved to the gases segment from the equipment segment. The segment results for fiscal years 1998 and 1997 have been restated to reflect these changes.

Gases

| (millions of dollars) | 1999 | 1998 | 1997 |
|--|-----------|-----------|-----------|
| Sales | \$2,996.4 | \$2,950.1 | \$2,719.4 |
| Operating income | 521.9 | 565.0 | 500.1 |
| Operating income - excluding special items | 548.9 | 565.0 | 492.8 |
| Equity affiliates' income | 46.8 | 33.3 | 41.8 |

Sales of \$2,996.4 million in fiscal 1999 increased 2%, or \$46.3 million over fiscal 1998. Newly consolidated Asian entities contributed \$27.0 million of the sales growth. Unfavorable currency impacts reduced year-to-year growth by slightly less than 1%.

Overall gases volumes grew modestly, reflecting weak manufacturing activity in North America and Northern Europe. LOX/LIN volumes including non-cryo were up approximately 2% in North America and 8% in Europe. In the United States, depressed conditions in the metals and electronics markets offset growth in several other end use markets. Packaged gases volumes grew 6% in the United States, with a 3% increase in same-store sales and 3% growth from acquisitions. In Europe, packaged gases sales growth was 3%. Pricing in the LOX/LIN component of merchant gases was down about 2% in both North America and Europe, with

overall pricing experiencing continued competitive pressure. Tonnage gases volume remained flat in North America due to weak steel demand. Tonnage gases volume in Europe increased 4% as a result of loading at the Rotterdam complex.

Operating income decreased \$43.1 million to \$521.9 million, or 8%. Excluding the \$27.0 million charge for the global cost reduction, operating income declined \$16.1 million to \$548.9 million, or 3%, down from the prior year. Operating margin for the fiscal year, excluding the special item, was 18.3%, down from 19.2% in the prior year. The operating margin decline is mainly due to geographic mix, lower volumes to steel customers, a weak electronics market, and competitive pricing pressure, partially offset by cost reduction efforts.

Equity affiliates' income increased \$13.5 million to \$46.8 million, or 41%. This increase is due to unfavorable foreign exchange effects in the prior year combined with improving performance at several affiliates, particularly Korea and Mexico.

Sales of \$2,950.1 million in fiscal 1998 increased 8%, or \$230.7 million from fiscal 1997 reported sales. Unfavorable currency impacts reduced year-to-year growth by 2%.

Merchant gases volumes grew 7% in both the United States and Europe. The volume growth impact on sales was tempered by lower pricing for merchant products in the United States and Europe of 3% and 2%, respectively. Tonnage gases volume increased 18% in Europe, driven by loading of new facilities serving the chemicals process industry. Domestic tonnage gases were essentially flat year-to-year. Asset management efforts and continuing productivity gains combined with the favorable volume growth to increase both total operating income and the operating margin. Operating income, excluding special items, of \$565.0 million was up \$72.2 million, or 15%. The operating margin increased from 18.1% in fiscal 1997 to 19.2% in fiscal 1998.

Equity affiliates' income of \$33.3 million declined \$8.5 million in fiscal 1998, primarily due to unfavorable business conditions in Asia. Total currency and exchange effects reduced equity affiliates' income approximately \$10.5 million. Favorable performance and lower overheads in the power generation business resulted in a \$2.7 million increase in equity affiliates' income for 1998.

Chemicals

| (millions of dollars) | 1999 | 1998 | 1997 |
|--|-----------|-----------|-----------|
| Sales | \$1,657.4 | \$1,539.2 | \$1,448.1 |
| Operating income | 193.7 | 247.2 | 198.3 |
| Operating income - excluding special items | 208.0 | 247.2 | 207.6 |
| Equity affiliates' income | 12.4 | .6 | .4 |

Sales in fiscal 1999 increased 8%, or \$118.2 million, to \$1,657.4 million. Operating income declined \$53.5 million to \$193.7 million. Excluding the impact of global cost reduction efforts and a facility closure expense, operating income was \$208.0 million, down 16% or \$39.2 million. Overall volume grew 10%, with 7% of the growth primarily from a new emulsions venture with Wacker-Chemie GmbH. Amines and polyvinyl alcohol volumes declined from the strong levels of fiscal 1998. The impact of the Imperial Chemicals Industries (ICI) methylamines acquisition in the prior year also contributed to sales growth. Prices in the emulsions business declined in fiscal 1999, while raw material costs increased over the year, resulting in a declining margin. Pricing declines in methylamines and polyvinyl alcohol resulted largely from impacts of the Asian economy. Currency and exchange-related effects were not significant to the change in sales or operating income in fiscal 1999. The operating income decrease was due to price declines combined with raw material cost increases, increased costs of new capacity additions, and customer facility outages and operating difficulties. Operating margin in fiscal 1999, excluding special items, was 12.5% compared to 16.1% in the prior year.

Equity affiliates' income increased \$11.8 million to \$12.4 million. This increase reflects the company's 20% interest in the redispersible powders venture formed with Wacker-Chemie GmbH in October 1998.

Sales in 1998 increased 6%, or \$91.1 million, to \$1,539.2 million. Operating income increased 25%, or \$48.9 million, to \$247.2 million. Fiscal 1997 results included a \$9.3 million asset impairment loss in the release agents business (sold in the second quarter of fiscal 1997). Excluding this loss, operating income increased \$39.6 million, to \$247.2 million, or 19%. The sales increase was due to volume gains in most businesses, with overall volume up 10%. Growth in amines led the overall volume growth due to strong base customer demand and the impact of the ICI methyl and higher amines acquisitions. The volume growth was tempered by lower polyvinyl alcohol margins and lower methanol and ammonia product prices and margins. Operating income was favorably impacted by productivity gains. Currency and exchange effects reduced sales growth by 1% and operating income growth by 3% in fiscal 1998. Operating margin in fiscal 1998 was 16.1%, compared with 14.3% in fiscal 1997, excluding the asset impairment charge. Equity affiliates' income increased \$0.2 million in fiscal 1998.

Equipment

| (millions of dollars) | 1999 | 1998 | 1997 |
|--|---------|---------|---------|
| Sales | \$366.3 | \$429.7 | \$469.1 |
| Operating income | 34.7 | 59.2 | 30.0 |
| Operating income - excluding special items | 37.4 | 59.2 | 30.0 |
| Equity affiliates' income | 1.6 | 1.9 | .8 |

Sales declined \$63.4 million to \$366.3 million from \$429.7 million in fiscal 1998. Operating income decreased \$24.5 million to \$34.7 million. Excluding the impact of the global cost reduction effort, operating income declined \$21.8 million, or 37%, to \$37.4 million. The decrease in sales and operating income was due to lower project activity in most areas, particularly natural gas liquefaction equipment. Sales backlog for the equipment segment declined to \$175 million at 30 September 1999, compared to \$302 million at 30 September 1998. It is expected that \$136 million of the backlog will be completed during fiscal 2000.

During fiscal year 1998, sales decreased \$39.4 million due to lower project activity, primarily in the company's gas separation business. Operating income increased \$29.2 million to \$59.2 million. The increase in operating income was a result of improved project performance and a more profitable project mix, including higher natural gas liquefaction equipment sales. Sales backlog for the equipment segment declined slightly to \$302 million at 30 September 1998, compared with \$310 million at 30 September 1997.

Other Businesses

Other businesses includes the equity investment in the American Ref-Fuel

business sold in December 1997 and the landfill gas business sold in November 1996.

| (millions of dollars) | 1999 | 1998 | 1997 |
|---|------|------|-------|
| Sales | \$-- | \$-- | \$1.2 |
| Operating income | .5 | .7 | 9.7 |
| Operating income - excluding special items | .5 | .7 | .2 |
| Equity affiliates' income | .7 | 2.2 | 23.3 |
| Equity affiliates' income - excluding special items | .7 | 2.2 | 28.1 |

Sales in fiscal 1997 were related to the landfill gas business sold in November 1996. Operating income in fiscal year 1997 included a gain of \$9.5 million, related to the sale of the landfill gas business. Equity affiliates' income declined significantly following the sale of American Ref-Fuel in December 1997. Equity affiliates' income in 1997 included an expense of \$4.8 million related to a joint venture debt refinancing.

BOC Transaction

In July 1999, the company and L'Air Liquide S.A. ("Air Liquide") of France agreed to the terms of a recommended offer under which they would acquire BOC, the leading British industrial gases company, for UK(pound)14.60 per share in cash, or a total of approximately

UK(pound)7.2 billion. Air Products has a UK(pound)3,950.0 million credit agreement to provide backup for commercial paper or direct funding for its 50% share of the offer price. Fees incurred to secure this credit agreement have been deferred and will be amortized on a straight-line basis over the term of the arrangement. The offer will formally commence in the United Kingdom and the United States upon receipt of the necessary regulatory clearances, which are expected in the first quarter of calendar year 2000.

The company expects the transaction will be included in the company's financial results for approximately six months of fiscal 2000. Due to the joint control with Air Liquide, the operations will initially be accounted for under the equity method. As the company gains control and ownership of approximately one-half of the BOC assets expected to be allocated to it, the operations will be accounted for as consolidated entities. Excluding transaction and integration charges, the impact of the transaction is expected to be modestly accretive to earnings per share before goodwill amortization and approximately 10% dilutive to reported earnings per share after goodwill amortization.

As of 30 September 1999, the company entered into purchased currency options contracts for approximately UK(pound)1.7 billion. These options expire in fiscal year 2000. Subsequent to 30 September 1999, the company entered into additional purchased options and option combination contracts with a gross notional value of approximately UK(pound)4.0 billion to further hedge the proposed acquisition. The net impact of the option contracts entered to date (after adjusting for the tax impact of the hedge placed) is a hedge of approximately UK(pound)2.2 billion of the company's UK(pound)3.6 billion share of the purchase price. The company will record gains and losses associated with changes in the market value of these options and purchased option combination contracts currently in earnings since hedge accounting may not be applied to instruments which are used to hedge the cost of a business combination. The results for the twelve months ended 30 September 1999 include a net gain of \$7.0 million (\$4.4 million after-tax, or \$.02 per share) from these currency options, net of preacquisition expenses.

Interest Expense

| (millions of dollars) | 1999 | 1998 | 1997 |
|----------------------------|---------|---------|---------|
| Interest incurred | \$181.2 | \$178.5 | \$180.4 |
| Less: Interest capitalized | 22.1 | 15.7 | 19.1 |
| Interest expense | \$159.1 | \$162.8 | \$161.3 |

Interest expense in fiscal 1999 decreased \$3.7 million. Higher capitalized interest and lower rates more than offset the unfavorable impact of higher average debt. Fiscal 1998 interest increased a nominal \$1.5 million over the prior year. A lower level of capitalized interest was partially offset by a slightly lower interest rate. Average debt outstanding in fiscal year 1998 was essentially the same as the prior year.

Income Taxes

| | 1999 | 1998 | 1997 |
|--|-------|-------|-------|
| Effective tax rate | 31.1% | 33.6% | 31.9% |
| Effective tax rate - excluding special items | 31.3% | 32.2% | 31.9% |

The effective tax rate in fiscal 1999 was 31.1%, after minority interest. The rate excluding special items was 31.3%. The adjusted rate in 1999 decreased .9% from the rate in 1998, excluding the higher tax rate impact on the sale of the American Ref-Fuel Company and two power contract gains. The decrease was essentially due to higher after-tax equity affiliates' income. The effective reported tax rate in 1998 was 33.6%. Excluding the higher tax rate on the sale of the American Ref-Fuel Company and two power contract gains, the rate was 32.2%, or .3% over fiscal 1997.

Environmental Matters

The company is subject to various environmental laws and regulations in the United States and foreign countries where it has operations. Compliance with these laws and regulations results in higher capital expenditures and costs. Additionally, from time to time the company is involved in proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (the federal Superfund law), similar state laws, and the Resource Conservation and Recovery Act (RCRA) relating to the designation of certain sites for investigation and possible cleanup. The company's accounting policies for environmental expenditures are discussed in Note 1 to the consolidated financial statements.

The amounts charged to earnings on an after-tax basis related to environmental protection totaled \$27.2 million, \$23.5 million, and \$25.7 million for 1999, 1998, and 1997, respectively. These amounts represent an estimate of expenses for compliance with environmental laws, as well as remedial activities, and costs incurred to meet internal company standards. Such costs are estimated to

be approximately \$28 million in 2000 and \$29 million in 2001.

Although precise amounts are difficult to define, the company estimates that in fiscal 1999 it spent approximately \$7 million on capital projects to control pollution (including expenditures associated with new plants) versus \$10 million in 1998. Capital expenditures to control pollution in future years are estimated at \$11 million in 2000 and \$10 million in 2001.

It is the company's policy to accrue environmental investigatory and noncapital remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from \$10 million to a reasonably possible upper exposure of \$26 million. The balance sheet at 30 September 1999 included an accrual of \$19.4 million. At 30 September 1998, the balance sheet accrual was \$23.4 million.

In addition to the environmental exposures discussed in the preceding paragraph, there will be spending at a company-owned manufacturing site where the company is undertaking RCRA corrective action remediation. The company estimates capital costs to implement the anticipated remedial program will range from \$23-\$30 million. Spending was \$7.5 million through fiscal 1999 and

is estimated at \$10 million for fiscal 2000 and \$1 million for fiscal 2001. Operating and maintenance expenses associated with continuing the remedial program were minimal in fiscal 1999 and are estimated at \$1 million a year beginning in fiscal 2000 and will continue for an estimated period of up to 30 years. A former owner and operator at the site has agreed to reimburse the company 20% of the costs incurred in the remediation. Reimbursement of \$2.2 million was received in fiscal 1999 and is estimated at \$2 million for fiscal 2000 and \$1 million for fiscal 2001. In fiscal 1999, an insurance recovery related to this environmental site was received in the amount of \$7.7 million. The cost estimates have not been reduced by the value of such reimbursements.

Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, the company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a materially adverse effect on its financial condition or results of operations in any one year.

Liquidity, Capital Resources, and Other Financial Data

Air Products maintained a solid financial condition throughout fiscal 1999. Cash flow from operations, supplemented with proceeds from a modest amount of debt financing, provided funding for the company's capital spending program. Cash flow from operations and financing activities will meet liquidity needs for the foreseeable future. The company's long-term debt and commercial paper are rated A/A3 and A-1/P-2, respectively. Moody's lowered their ratings from A2/P-1 to A3/P-2 in anticipation of the BOC acquisition.

Cash Flow Graph
Total Capital Graph

Capital Expenditures

Capital expenditures in fiscal 1999 totaled \$1,114.6 million, an 11% increase over the 1998 level. Additions to plant and equipment and acquisitions in fiscal 1999 were largely in support of worldwide expansion of the gas business. Acquisitions in 1998 included \$108.4 million for the ICI methylamines and derivatives businesses in the chemicals group. Acquisitions in 1997 included \$288.4 million for the third stage of the acquisition of Carburros Metalicos. Investments in equity affiliates in fiscal 1999 included \$52.0 million in INOX, an Indian industrial gases company, and \$53.0 million in a joint venture with Wacker-Chemie.

| (millions of dollars) | 1999 | 1998 | 1997 |
|--|-----------|-----------|-----------|
| Additions to plant and equipment | \$ 888.9 | \$ 770.9 | \$ 870.2 |
| Investments in and advances to unconsolidated affiliates | 116.8 | 31.9 | 47.2 |
| Acquisitions | 90.4 | 192.2 | 301.2 |
| Capital leases | 18.5 | 5.7 | 3.0 |
| Total | \$1,114.6 | \$1,000.7 | \$1,221.6 |

The joint acquisition of BOC by Air Products and Air Liquide is expected to close in mid-fiscal 2000 at a cost of approximately \$6 billion to Air Products. Other capital expenditures are expected to be approximately \$1.2 billion in fiscal 2000. Bridge financing for the acquisition will be in the form of commercial paper backed by a committed bank facility that has been executed or direct borrowings against the facility. It is anticipated the permanent financing will be accomplished by a combination of debt and equity. The other expenditures will be funded with cash from operations supplemented with proceeds from financing activities.

Financing and Capital Structure

Capital needs in fiscal 1999 were satisfied with cash from operations and additional borrowings. At year end, total debt as a percentage of debt plus equity was 49% as compared to 50% at the end of fiscal 1998.

Long-term debt financings in fiscal 1999 totaled \$119.5 million and included three separate borrowings in different currencies (U.S. dollar, British Pound Sterling, and Euros). All are floating rate and terms range from five to thirty-five years.

At year end, \$363.0 million of commercial paper was outstanding compared to \$320.7 million at the end of fiscal 1998.

Substantial credit facilities are maintained to provide backup funding for commercial paper and to ensure availability of adequate resources for corporate liquidity. At 30 September 1999, the company's revolving credit commitments amounted to \$600 million, with funding available in 13 currencies. No borrowings were outstanding at the end of fiscal 1999. Additional commitments totaling \$94.4 million are maintained by the company's foreign subsidiaries, of which \$17.8 million was outstanding at year end. Subsequent to the end of fiscal 1999, the company added an additional \$300 million revolving credit commitment.

During 1999, a bank credit facility was executed to ensure the availability of funding to finance the anticipated acquisition of BOC. The facility consists of two tranches: a 364-day (subject to an additional 364-day term out option under certain circumstances) UK (pound)3,950.0 million tranche to fund the acquisition and a five-year \$800 million tranche to replace the company's existing revolving credit facilities. Interest rates are based on LIBOR plus a spread which is a function of the company's long-term credit ratings. The agreement includes certain financial covenants and other restrictions, including restrictions pertaining to the ability to create property liens and enter into certain sale and leaseback transactions. Funds are not available under this credit facility until the offer for BOC shares is declared unconditional.

During fiscal 1999, the company purchased 620,000 of its outstanding shares at a cost of \$24.6 million. In fiscal 1999, the share repurchase program was suspended due to the proposed acquisition of BOC.

Financial Instruments

The company enters into contractual agreements in the ordinary course of business to hedge its exposure to interest rate and foreign currency risks. Counterparties to these agreements are major financial institutions. Management believes the risk of incurring losses related to credit risk is remote and any losses would be immaterial.

Interest rate swap agreements are used to reduce interest rate risks and costs inherent in the company's debt portfolio. The company enters into these agreements to change the fixed/variable interest rate mix of the debt portfolio in order to maintain the percentage of fixed and variable debt within certain parameters set by management. Accordingly, the company enters into agreements to both effectively convert variable-rate debt to fixed-rate debt and to effectively convert its fixed-rate debt into variable-rate debt which is principally indexed to LIBOR rates. The company has also entered into interest rate swap contracts to effectively convert the stated variable rates to interest rates based on LIBOR.

The company is also party to interest rate and currency swap contracts. These contracts entail both the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement and the exchange of one currency for another at inception and a specified future date. These contracts effectively convert the currency denomination of a debt instrument into another currency in which the company has a net equity position while changing the interest rate characteristics of the instrument. The contracts are used to hedge intercompany lending activities and the value of investments in certain foreign subsidiaries and affiliates.

The company, in management of its exposure to fluctuations in foreign currency exchange rates, has entered into a variety of foreign exchange contracts, including forward, option combination, and purchased option contracts. These agreements generally involve the exchange of one currency for a second currency at some future date. The company enters into forward exchange and option combination contracts to reduce the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities, as well as certain firm commitments and highly anticipated cash flows. Forward exchange contracts are also used to hedge the value of investments in certain foreign subsidiaries and affiliates by creating a liability in a currency in which the company has a net equity position. The company is also party to purchased option contracts which, if exercised, involve the sale or purchase of foreign currency at a fixed exchange rate for a specified period of time. These contracts are used to hedge firm commitments and certain highly anticipated cash flows, including export sales transactions. Additionally, certain currency option contracts have been executed to hedge the proposed acquisition of BOC.

Additional details on these and other financial instruments are set forth in Notes 3, 5, 6, and 18 to the consolidated financial statements and in the Financial Instrument Sensitivity Analysis.

Working Capital

Working capital at 30 September 1999 (excluding cash and cash items, short-term borrowings, and current portion of long-term debt) was \$743.6 million, up \$5.8 million over the prior year. Excluding the impact of the currency options related to the BOC transaction and deferred financing expenses, working capital was down slightly, or \$28.3 million.

Working capital at 30 September 1998 was \$737.8 million, up \$114.2 million over the \$623.6 million at the end of fiscal 1997. The increase was driven by a \$70.9 million lower accounts payable and a \$42.1 million increase in inventories that included the impact of several small acquisitions.

Dividends and Stock Split

The Board of Directors in May 1999 also increased the quarterly cash dividend 6%, from 17.0 cents per share to 18.0 cents per share. Dividends are declared by the Board of Directors and, when declared, usually will be paid during the sixth week after the close of the fiscal quarter.

In May 1998, the Board of Directors approved a two-for-one stock split. The additional shares were issued on 15 June 1998 to shareholders of record on 15 May 1998.

Shareholder Rights Plan

In March 1998, the company's Board of Directors approved a stockholder rights plan to replace the previous plan, adopted in 1988, which expired in March 1998. See Note 9 to the consolidated financial statements.

Cost Reduction Plan

The company began a global cost reduction plan ("1999 Plan") in the first fiscal quarter ending 31 December 1998. The 1999 Plan results in a staffing reduction of 206 employees in the areas of manufacturing, distribution, and overhead. The 1999 Plan will be

completed by 31 December 1999. An amount of \$20.3 million (\$12.9 million after-tax, or \$.06 per share) related to employee termination benefits was charged to expense in the fiscal quarter ended 31 December 1998. As of the end of fiscal year 1999, \$15.1 million has been charged to the accrual and \$5.2 million remains in accrued liabilities. Annualized benefits of approximately \$15.0 million will occur from this plan.

The company expanded the 1999 Plan in the quarter ended 30 June 1999. The plan expansion in the third quarter results in an additional staffing reduction of 142 employees when completed in the third quarter of fiscal year 2000, and resulted in a charge to expense of \$13.9 million (\$9.0 million after-tax, or \$.04 per share). Additional benefits of the plan expansion reach an annualized savings of about \$14.0 million in late fiscal year 2000. As of 30 September 1999, the balance in accrued liabilities was \$9.2 million.

For the fiscal year ended 30 September 1999, the combined cost reduction plan resulted in a charge to expense of \$34.2 million (\$21.9 million after-tax, or \$.10 per share). The charges to cost of sales, selling and administrative, and research and development were \$15.3 million, \$17.8 million, and \$1.1 million, respectively. The charges to segments were to gases (\$27.0 million), chemicals (\$4.0 million), equipment (\$2.7 million), and (\$.5 million) in corporate.

New Accounting Standards

In June 1999, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of SFAS No. 133." This Statement defers the effective date of SFAS No. 133 for one year. The company expects to adopt this standard in the first quarter of fiscal year 2001. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or a liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless special accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge treatment. The transition adjustments resulting from adopting this statement shall be reported in net income or other comprehensive income, as appropriate, as the effect of a change in accounting principle and presented in a manner similar to the cumulative effect of a change in accounting principle. The company is continuing to evaluate the impacts of adopting the Statement on the financial statements and the risk management processes.

Pension Plan Funding

The funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefits payable. In fiscal 1999, the company contributed \$8.2 million compared to \$15.1 million in fiscal 1998. The company expects to make contributions of approximately \$2.6 million in fiscal 2000.

Exchange Rate Fluctuations

Exchange rate fluctuations can be a significant variable for international operations, especially fluctuations in local currencies where hedging opportunities are unreasonably expensive or unavailable. Beginning in the fourth quarter of fiscal 1997, several Asian currencies deteriorated against the dollar and continue to be an uncertainty.

Inflation

The financial statements are presented on a historical cost basis and do not fully reflect the impact of prior years' inflation. While the U.S. inflation rate has been modest for several years, the company operates in many international areas with both inflation and currency issues. The ability to pass on inflation costs is an uncertainty due to general economic conditions and competitive situations. It is estimated that the cost of replacing the company's plant and equipment today is greater than its historical cost. Accordingly, depreciation expense would be greater if the expense were stated on a current cost basis.

YEAR 2000 READINESS DISCLOSURE

Year 2000 Preparation

Software failures due to calculations using Year 2000 dates are a known risk. The company is currently evaluating and managing the financial and operating risks associated with this problem. The company has expended approximately \$33 million to date on its Year 2000 program. The company continues to believe that the previously disclosed \$40 million cost estimate remains sufficient to cover the cost of the company's Year 2000 program, and includes funds budgeted to absorb program contingencies as they may arise. The company's Year 2000 efforts are addressed by area below.

Information Technology

All of the mission-critical information technology infrastructure and applications portfolio have been tested and certified as Year 2000 ready. An organization is in place to support information technology contingency plans. Normal operating plans have been reviewed against potential Year 2000 risks. Year 2000 contingency plans are ready. These contingency plans include controls to limit changes to information technology infrastructure and applications over Year 2000 critical dates and the implementation of a change management process

to assure that newly purchased or modified information technology software and hardware is Year 2000 ready before introduction into the computing environment. The company continues to believe that the combination of readiness certification and contingency planning will result in no material adverse Year 2000 impact on the company's operations or financial condition due to the company's information technology systems.

Process Control and Embedded Chip Systems

Essentially all of the company-owned or operated mission-critical non-information technology systems have been tested and certified as Year 2000 ready. The company has prepared Year 2000 contingency plan templates for each of its types of operations. Existing individual plant site contingency plans have been reviewed against these templates. This testing, remediation, and contingency planning has relied in part on vendor information and replacement software components or other equipment from third parties and the interrelationship and dependency of company processes on the Year 2000 readiness of third-party equipment and infrastructure. The company cannot reasonably assess the impact of that dependency and whether there could be a material adverse impact on the company's operations and financial condition as a result of that dependency. Final contingency plans are in place to address this uncertainty.

Third Parties

Assessment of the company's 1,400 key suppliers for Year 2000 readiness has been completed as planned. Greater than 98% of these suppliers continue to demonstrate acceptable readiness programs and have met the company's Year 2000 readiness expectations. Contingency plans have been developed for key suppliers not meeting the company's expectations. In certain instances, such as electric supply, water, and certain chemical feedstocks, supply is not easily substitutable and contingency planning is difficult. If there is an extended material failure by several third parties or supporting infrastructures resulting from Year 2000 events (utilities, transportation, government, etc.) there could be material adverse impacts on the company's operations and financial condition.

Business Contingency Planning

A cross-functional management team is in place to coordinate the company's various Year 2000 contingency planning efforts, guide the company's Year 2000 business contingency planning, and address customers' Year 2000 issues and concerns. Existing operating contingency plans have been updated specifically for Year 2000 issues, centralized Year 2000 crisis centers are being created in conjunction with existing customer service centers, and product deployment plans have been developed to address product demands. Final contingency plans are in place now, with detailed implementation well under way.

Illustrative Year 2000 contingency measures include:

- o increasing on-site and standby staffing
- o implementing additional methods of communication
- o testing emergency responsiveness
- o testing raw material and product backup systems
- o providing backup fuel supplies for existing backup generators
- o enhancing utility supply contingency plans
- o topping off fuel tanks in tractors and product in company distribution trailers
- o printing and distributing hard copies of critical schedules, shipping documents, and emergency contact lists
- o understanding customers' operating and contingency plans that impact the company
- o enhancing crisis training and communication
- o deploying Year 2000-specific senior crisis coordinators and business managers

Euro Impact

The Euro became legal currency as of 1 January 1999. The company has administrative operations in 9 of the 11 countries which have adopted the Euro and is well positioned to comply with the legislation applicable to its introduction.

Forward-Looking Statements

The forward-looking statements contained in this document are based on current expectations regarding important risk factors. Actual results may differ materially from those expressed. In addition to important risk factors and uncertainties referred to in the Management's Discussion and Analysis such as those relating to the Year 2000, other important risk factors and uncertainties include the impact of worldwide economic growth; pricing of both the company's products and raw materials such as electricity; customer outages and customer demand, and other factors resulting from fluctuations in interest rates and foreign currencies; the impact of competitive products and pricing; success of cost control programs; and the impact of tax and other legislation and other regulations in the jurisdictions in which the company and its affiliates operate.

Factors that might cause forward-looking statements related to the BOC transaction to differ materially from actual results include, among other things, requirements or delays imposed by regulatory authorities to permit the transaction to be consummated; unanticipated tax and other costs in separating

the ownership of BOC's businesses and assets; ability to amortize goodwill over 40 years; overall economic and business conditions; demand for the goods and services of Air Products or BOC or their respective affiliates; competitive factors in the industries in which each of them competes; changes in government regulation; success of implementing synergies and other cost reduction programs; the timing, impact, and other uncertainties of future acquisitions or combinations within relevant industries; fluctuations in interest rates and foreign currencies; and the price at which Air Products would issue additional equity, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Air Products and BOC and their respective affiliates operate.

Financial Instruments Sensitivity Analysis

The analysis below presents the sensitivity of the market value of the company's financial instruments to selected changes in market rates and prices. The range of changes chosen reflects the company's

view of changes which are reasonably possible over a one-year period. Market values are the present value of projected future cash flows based on the market rates and prices chosen. The market values for interest rate risk and foreign currency risk (other than the currency options related to the BOC transaction) are calculated by the company utilizing a third-party software model which utilizes standard pricing models to determine the present value of the instruments based on the market conditions (interest rates, spot and forward exchange rates, and implied volatilities) as of the valuation date. The market values for the currency options related to the BOC transaction are calculated by the financial institution with whom the options were executed. All instruments are entered into for other than trading purposes. The utilization of these instruments is described more fully in the financial instruments section of the Management's Discussion and Analysis and Notes 3, 5, and 6 to the consolidated financial statements. The major accounting policies for these instruments are described in Note 1 to the consolidated financial statements.

The company's derivative and other financial instruments consist of long-term debt (including current portion), interest rate swaps, interest rate and currency swaps, foreign exchange-forward contracts, and foreign exchange-option contracts. The net market value of these financial instruments combined is referred to below as the net financial instrument position. The net financial instrument position does not include other investments of \$38.4 million at 30 September 1999 and \$18.4 million at 30 September 1998 as disclosed in Note 3 to the consolidated financial statements. These amounts principally represent an investment in a publicly traded foreign company accounted for by the cost method. The company assessed the materiality of the market risk exposure on these financial instruments and determined this exposure to be immaterial.

At 30 September 1999, the net financial instrument position before the impact of the currency options executed to hedge the BOC transaction was a liability of \$2,504.2 million. When the currency options related to the BOC transaction are included, the net financial instrument position at 30 September 1999 falls to a liability of \$2,433.8 million. At 30 September 1998, the net financial instrument position was a liability of \$2,713.6 million. The decrease in the net financial instrument position from fiscal 1998 is due mainly to the increase in market interest rates in the current year and the execution of the currency options related to the BOC transaction.

Interest Rate Risk

The company's debt portfolio, including interest rate swap agreements, as of 30 September 1999 is composed primarily of debt denominated in U.S. dollars (60%). The primary currencies of non-U.S. dollar debt are British Pound Sterling and the Euro currencies. The company has both fixed- and variable-rate debt. Changes in interest rates have different impacts on the fixed- and variable-rate portions of the company's debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows but does not impact the net financial instrument position.

The sensitivity analysis related to the fixed portion of the company's debt portfolio assumes an instantaneous 100 basis point move in interest rates from their levels of 30 September 1999 and 1998, with all other variables (including foreign exchange rates) held constant. A 100 basis point increase in market interest rates would result in a decrease in the net financial instrument position of \$95 million and \$119 million at 30 September 1999 and 1998, respectively. A 100 basis point decrease in market interest rates would result in an increase in the net financial instrument position of \$117 million and \$141 million at 30 September 1999 and 1998, respectively.

Based on the variable-rate debt included in the company's debt portfolio, including interest rate swap agreements, as of 30 September 1999 and 1998, a 100 basis point increase in interest rates would result in an additional \$12 million in interest incurred per year at both 30 September 1999 and 1998. A 100 basis point decline would lower interest incurred by \$12 million per year at both 30 September 1999 and 1998.

Foreign Currency Exchange Rate Risk

The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from their levels of 30 September 1999 and 1998, with all other variables (including interest rates) held constant. A 10% strengthening of the functional currency of an entity versus all other currencies would result in a decrease in the net financial position of \$103 million at 30 September 1999, excluding the impact of the currency options related to the BOC transaction, a decrease of \$38 million at 30 September 1999 when the currency options related to the BOC transaction are included, and a decrease of \$113 million at 30 September 1998. A 10% weakening of the functional currency of an entity versus all other currencies would result in an increase in the net financial position of \$103 million at 30 September 1999, excluding the impact of the currency options related to the BOC transaction, a decrease of \$115 million at 30 September 1999 when the currency options related to the BOC transaction are included, and an increase of \$109 million at 30 September 1998.

The primary currencies for which the company has exchange rate exposure are the U.S. dollar versus the British Pound Sterling and the Euro currencies. Foreign currency debt, interest rate and currency swaps, and foreign exchange forward contracts are used in countries where it does business, thereby reducing the company's net asset exposure. Foreign exchange forward contracts are also used to hedge the company's firm and highly anticipated foreign currency cash flows, along with foreign exchange option contracts. Thus, there is either an asset or cash flow exposure related to all the financial instruments in the above sensitivity analysis for which the impact of a movement in exchange rates would

be in the opposite direction and materially equal (or more favorable in the case of purchased foreign exchange option contracts) to the impact on the instruments in the analysis.

COMPANY RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by the company. They conform with generally accepted accounting principles and reflect judgments and estimates as to the expected effects of incomplete transactions and events being accounted for currently. The company believes that the accounting systems and related controls that it maintains are sufficient to provide reasonable assurance that assets are safeguarded, transactions are appropriately authorized and recorded, and the financial records are reliable for preparing such financial statements. The concept of reasonable assurance is based on the recognition that the cost of a system of internal accounting controls must be related to the benefits derived. The company maintains an internal audit function which is responsible for evaluating the adequacy and application of financial and operating controls and for testing compliance with company policies and procedures.

The independent public accountants are engaged to perform an audit of the consolidated financial statements in accordance with generally accepted auditing standards. Their report follows.

The Audit Committee of the Board of Directors is comprised entirely of individuals who are not employees of the company. This Committee meets periodically with the independent public accountants, the internal auditors, and management to consider audit results and to discuss significant internal accounting control, auditing, and financial reporting matters. The Audit Committee recommends the selection of the independent public accountants who are then appointed by the Board of Directors subject to ratification by the shareholders.

/s/ Harold A. Wagner

Harold A. Wagner
Chairman and
Chief Executive Officer

29 October 1999

/s/ Leo J. Daley

Leo J. Daley
Vice President-Finance
and Chief Financial Officer

29 October 1999

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors, Air Products and Chemicals, Inc.:

We have audited the accompanying consolidated balance sheets of Air Products and Chemicals, Inc. (a Delaware corporation) and subsidiaries as of 30 September 1999 and 1998, and the related consolidated statements of income, comprehensive income, cash flows, and shareholders' equity for each of the three years in the period ended 30 September 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Air Products and Chemicals, Inc. and subsidiaries as of 30 September 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended 30 September 1999, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Arthur Andersen LLP
Philadelphia, Pennsylvania
29 October 1999

The Financial Statements

Consolidated Income
Air Products and Chemicals, Inc. and Subsidiaries

| Year Ended 30 September (millions of dollars, except per share) | 1999 | 1998 | 1997 |
|--|-----------|-----------|-----------|
| Sales and Other Income | | | |
| Sales o note 1 | \$5,020.1 | \$4,919.0 | \$4,637.8 |
| Other income, net o notes 1 and 19 | 19.7 | 15.5 | 24.9 |
| | 5,039.8 | 4,934.5 | 4,662.7 |
| Costs and Expenses | | | |
| Cost of sales o note 1 | 3,501.4 | 3,317.0 | 3,195.3 |
| Selling and administrative o note 1 | 690.6 | 659.8 | 627.6 |
| Research and development | 123.1 | 112.0 | 113.7 |
| Operating Income o note 1 | 724.7 | 845.7 | 726.1 |
| Income from equity affiliates, net of related expenses o note 8 | 61.5 | 38.0 | 66.3 |
| Gain on American Ref-Fuel sale and contract settlements o note 19 | -- | 103.5 | -- |
| Net gain on formation of polymer venture o note 19 | 34.9 | -- | -- |
| Gain on currency options related to BOC transaction, net of preacquisition expenses o notes 1 and 19 | 7.0 | -- | -- |
| Interest expense o note 1 | 159.1 | 162.8 | 161.3 |
| Income Before Taxes and Minority Interest | 669.0 | 824.4 | 631.1 |
| Income taxes o notes 1 and 10 | 203.4 | 276.9 | 201.1 |
| Minority interest in earnings of subsidiary companies o note 1 | 15.1 | .7 | .7 |
| Net Income | \$450.5 | \$546.8 | \$429.3 |
| Monthly Average of Common Shares Outstanding (in millions) o note 13 | 212.2 | 215.5 | 220.1 |
| Monthly Average of Common and Common Equivalent Shares Outstanding (in millions) o note 13 | 216.0 | 220.1 | 224.9 |
| Basic Earnings per Common Share o note 13 | \$2.12 | \$2.54 | \$1.95 |
| Diluted Earnings per Common Share o note 13 | \$2.09 | \$2.48 | \$1.91 |

Comprehensive Income
Air Products and Chemicals, Inc. and Subsidiaries

| Year Ended 30 September (millions of dollars) | 1999 | 1998 | 1997 |
|--|---------|---------|---------|
| Net Income | \$450.5 | \$546.8 | \$429.3 |
| Other Comprehensive Income, net of tax | | | |
| Foreign currency translation adjustments | (61.3) | (36.1) | (115.9) |
| Unrealized gains (losses) on investments: | | | |
| Unrealized holding gains (losses) arising during the period | 8.9 | (1.9) | (38.0) |
| Less: reclassification adjustment for gains included in net income | -- | -- | 4.5 |
| Net unrealized gains (losses) on investments | 8.9 | (1.9) | (33.5) |
| Minimum pension liability adjustments | 9.5 | (14.3) | -- |
| Total Other Comprehensive Income | (42.9) | (52.3) | (149.4) |
| Comprehensive Income | \$407.6 | \$494.5 | \$279.9 |

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets
Air Products and Chemicals, Inc. and Subsidiaries

| 30 September (millions of dollars, except per share) | 1999 | 1998 |
|---|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash items o note 1 | \$ 61.6 | \$ 61.5 |
| Fair value of currency options related to BOC transaction o notes 3, 5, and 18 | 70.4 | -- |
| Trade receivables, less allowances for doubtful accounts of \$11.6 in 1999 and \$17.2 in 1998 | 894.7 | 881.1 |
| Inventories o notes 1 and 7 | 424.9 | 428.6 |
| Contracts in progress, less progress billings | 79.8 | 94.1 |
| Other current assets | 251.0 | 176.4 |
| Total Current Assets | 1,782.4 | 1,641.7 |
| Investments o notes 1, 3, and 8 | | |
| Investment in net assets of and advances to equity affiliates | 521.4 | 362.0 |
| Other investments and advances | 38.4 | 18.4 |
| Total Investments | 559.8 | 380.4 |
| Plant and Equipment o notes 1, 4, 11, and 15 | | |
| Plant and equipment, at cost | 10,187.9 | 9,489.5 |
| Less--Accumulated depreciation | 4,995.0 | 4,703.4 |
| Plant and Equipment, net | 5,192.9 | 4,786.1 |
| Goodwill, net o note 1 | 350.4 | 324.9 |
| Other Noncurrent Assets | 350.0 | 356.5 |
| Total Assets | \$ 8,235.5 | \$ 7,489.6 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Payables, trade and other o note 19 | \$ 505.8 | \$ 478.7 |
| Accrued liabilities o note 19 | 407.0 | 332.8 |
| Accrued income taxes | 64.4 | 30.9 |
| Short-term borrowings o note 19 | 407.6 | 270.1 |
| Current portion of long-term debt o note 4 | 473.0 | 153.1 |
| Total Current Liabilities | 1,857.8 | 1,265.6 |
| Long-Term Debt o notes 4 and 15 | 1,961.6 | 2,274.3 |
| Deferred Income and Other Noncurrent Liabilities o note 1 | 596.1 | 570.9 |
| Deferred Income Taxes o notes 1 and 10 | 731.1 | 703.0 |
| Total Liabilities | 5,146.6 | 4,813.8 |
| Minority Interest in Subsidiary Companies o note 1 | 127.3 | 8.5 |
| Shareholders' Equity o notes 1, 9, and 12 | | |
| Common Stock (par value \$1 per share; issued 1999 and 1998 - 249,455,584 shares) | 249.4 | 249.4 |
| Capital in excess of par value | 341.5 | 329.2 |
| Retained earnings | 3,701.8 | 3,400.0 |
| Unrealized gain on investments | 13.9 | 5.0 |
| Minimum pension liability adjustments | (4.8) | (14.3) |
| Cumulative translation adjustments | (283.5) | (222.2) |
| Treasury Stock, at cost (1999 - 20,150,722 shares; 1998 - 19,531,143 shares) | (681.6) | (657.0) |
| Shares in trust (1999 - 16,260,580 shares; 1998 - 18,454,673 shares) | (375.1) | (422.8) |
| Total Shareholders' Equity | 2,961.6 | 2,667.3 |

Total Liabilities and Shareholders' Equity \$8,235.5 \$7,489.6

The accompanying notes are an integral part of these statements.

Consolidated Cash Flows
Air Products and Chemicals, Inc. and Subsidiaries

| Year Ended 30 September (millions of dollars) | 1999 | 1998 | 1997 |
|--|------------------|----------------|------------------|
| Operating Activities | | | |
| Net income | \$ 450.5 | \$ 546.8 | \$ 429.3 |
| Adjustments to reconcile income to cash provided by operating activities: | | | |
| Depreciation o note 1 | 527.2 | 489.4 | 459.1 |
| Deferred income taxes o note 10 | 58.8 | 62.3 | 94.1 |
| American Ref-Fuel divestiture deferred income taxes o note 17 | -- | (80.3) | -- |
| Gain on formation of polymer venture o note 17 | (34.9) | -- | -- |
| Gain on currency options related to BOC transaction o note 18 | (12.5) | -- | -- |
| Other | 65.5 | 42.0 | 8.9 |
| Working capital changes that provided (used) cash, net of effects of acquisitions: | | | |
| Trade receivables | (26.3) | 11.2 | (151.8) |
| Inventories and contracts in progress | 37.0 | (2.7) | (13.3) |
| Payables, trade and other | 26.3 | (144.4) | 84.2 |
| Other | (2.7) | 49.4 | 122.8 |
| Cash Provided by Operating Activities | 1,088.9 | 973.7 | 1,033.3 |
| Investing Activities | | | |
| Additions to plant and equipment(a) | (888.9) | (770.9) | (870.2) |
| Acquisitions, less cash acquired(b) | (83.0) | (182.2) | (300.1) |
| Investment in and advances to unconsolidated affiliates | (116.8) | (31.9) | (47.2) |
| Proceeds from sale of assets and investments | 45.6 | 328.3 | 97.6 |
| Other | 4.5 | (27.6) | 17.0 |
| Cash Used for Investing Activities | (1,038.6) | (684.3) | (1,102.9) |
| Financing Activities | | | |
| Long-term debt proceeds(b) | 119.5 | 102.2 | 667.5 |
| Payments on long-term debt | (82.9) | (70.7) | (168.3) |
| Net increase (decrease) in commercial paper | 42.3 | 185.7 | (235.0) |
| Net increase (decrease) in other short-term borrowings | 15.2 | (11.3) | 6.7 |
| Dividends paid to shareholders | (146.2) | (134.0) | (123.8) |
| Purchase of Treasury Stock o note 9 | (24.6) | (365.0) | (135.0) |
| Other | 25.1 | 13.2 | 31.4 |
| Cash Provided by (Used for) Financing Activities | (51.6) | (279.9) | 43.5 |
| Effect of Exchange Rate Changes on Cash | 1.4 | (.5) | (.1) |
| Increase (Decrease) in Cash and Cash Items | .1 | 9.0 | (26.2) |
| Cash and Cash Items--Beginning of Year | 61.5 | 52.5 | 78.7 |
| Cash and Cash Items--End of Year o note 1 | \$ 61.6 | \$ 61.5 | \$ 52.5 |

The accompanying notes are an integral part of these statements.

- (a) Excludes capital leases of \$18.5 million, \$5.7 million, and \$3.0 million in 1999, 1998, and 1997, respectively.
- (b) Excludes a \$19.5 million noncash exchange of assets in the formation of a polymer venture in fiscal 1999 and excludes assumption of \$7.4 million of former shareholder liability of company acquired in fiscal 1999. Excludes debt of \$10.0 million and \$1.1 million to former shareholders of company acquired in fiscal 1998 and fiscal 1997, respectively.

Consolidated Shareholders' Equity
Air Products and Chemicals, Inc. and Subsidiaries

| Year Ended 30 September (millions of dollars) | 1999 | 1998 | 1997 |
|--|------------------|------------------|------------------|
| Common Stock | | | |
| Balance, Beginning of Year | \$ 249.4 | \$ 124.7 | \$ 124.7 |
| Two-for-one stock split | -- | 124.7 | -- |
| Balance, End of Year | 249.4 | 249.4 | 124.7 |
| Capital in Excess of Par Value | | | |
| Balance, Beginning of Year | 329.2 | 453.0 | 461.2 |
| Issuance of Treasury Shares and Shares in Trust for benefit and stock option and award plans, 2,194,464 shares in 1999, 677,844 shares in 1998, and 1,254,990 shares in 1997 | (1.0) | (11.2) | (26.8) |
| Tax benefit of stock option and award plans | 13.3 | 12.1 | 18.6 |
| Two-for-one stock split | -- | (124.7) | -- |
| Balance, End of Year | 341.5 | 329.2 | 453.0 |
| Retained Earnings | | | |
| Balance, Beginning of Year | 3,400.0 | 2,990.2 | 2,687.2 |
| Net income | 450.5 | 546.8 | 429.3 |
| Cash dividends--Common Stock, \$.70 per share in 1999, \$.64 per share in 1998, and \$.58 per share in 1997, restated | (148.7) | (137.0) | (126.3) |
| Balance, End of Year | 3,701.8 | 3,400.0 | 2,990.2 |
| Unrealized Gain on Investments | | | |
| Balance, Beginning of Year | 5.0 | 6.9 | 40.4 |
| Change in unrealized gain, net of income tax expense of \$4.9 in 1999 and income tax benefits of \$1.0 in 1998, and \$18.4 in 1997 | 8.9 | (1.9) | (33.5) |
| Balance, End of Year | 13.9 | 5.0 | 6.9 |
| Minimum Pension Liability Adjustments | | | |
| Balance, Beginning of Year | (14.3) | -- | -- |
| Adjustments during year, net of income tax expense of \$5.7 in 1999 and income tax benefit of \$8.6 in 1998 | 9.5 | (14.3) | -- |
| Balance, End of Year | (4.8) | (14.3) | -- |
| Cumulative Translation Adjustments | | | |
| Balance, Beginning of Year | (222.2) | (186.1) | (70.2) |
| Translation adjustments, net of income tax expense of \$2.2 in 1999 and income tax benefits of \$13.8 in 1998 and \$8.7 in 1997 | (61.3) | (36.1) | (115.9) |
| Balance, End of Year | (283.5) | (222.2) | (186.1) |
| Treasury Stock | | | |
| Balance, Beginning of Year | (657.0) | (297.3) | (211.2) |
| Issuance of Treasury Shares for benefit and stock option and award plans, 371 shares in 1999, 108,975 shares in 1998, and 942,550 shares in 1997 | -- | 5.3 | 48.9 |
| Purchase of Treasury Shares, 620,000 in 1999, 6,835,394 in 1998, and 1,918,465 in 1997 o note 9 | (24.6) | (365.0) | (135.0) |
| Balance, End of Year | (681.6) | (657.0) | (297.3) |
| Shares in Trust o note 1 | | | |
| Balance, Beginning of Year | (422.8) | (443.3) | (457.5) |
| Issuance of Shares in Trust for benefit and stock option and award plans, 2,194,093 shares in 1999, 568,869 shares in 1998, and 312,440 shares in 1997 | 47.7 | 20.5 | 14.2 |
| Balance, End of Year | (375.1) | (422.8) | (443.3) |
| Total Shareholders' Equity | \$2,961.6 | \$2,667.3 | \$2,648.1 |

1) Major Accounting Policies

Consolidation Principles

The consolidated financial statements include the accounts of Air Products and Chemicals, Inc. and its majority-owned subsidiary companies (the company). The equity method of accounting is used when the company has a 20% to 50% interest in other companies. Under the equity method, original investments are recorded at cost and adjusted by the company's share of undistributed earnings or losses of these companies.

Reclassification

In 1999, minority interest in earnings of subsidiary companies has been displayed as a separate line between income taxes and net income, and distribution expense has been included in cost of sales. Certain amounts in 1998 and 1997 have been reclassified to conform to current year presentation.

Long-Term Equipment and Construction Revenue

Revenues from equipment sale contracts are recorded primarily using the percentage-of-completion method. Under this method, revenues for sale of major equipment, such as Liquid Natural Gas and Air Separation units, are recognized primarily based on labor hours incurred to date compared with total estimated labor hours. Changes to total estimated labor hours and anticipated losses, if any, are recognized in the period determined.

Depreciation

In the financial statements, the straight-line method of depreciation is used which deducts equal amounts of the cost of each asset from earnings every year over its expected useful life. The following table shows the estimated useful lives of different types of assets:

| Classification | Expected Useful Lives |
|---|---|
| Buildings and components | 5 to 45 years (principally 30 years) |
| Gas generating and chemical facilities, machinery and equipment | 3 to 25 years (principally 14 to 20 years) |

Capitalized Interest

As the company builds new plant and equipment or invests in equity affiliates in the development stage, it includes in the cost of these assets a portion of the interest payments it makes during the year. In 1999, the amount of capitalized interest was \$22.1 million. In 1998, it was \$15.7 million, and in 1997, \$19.1 million.

Interest Rate Swap Agreements

The company enters into interest rate swap agreements to reduce interest rate risks and to modify the interest rate characteristics of its outstanding debt. These agreements involve the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement without the exchange of the underlying principal amounts. The net amount to be paid or received is accrued as interest rates change and recognized over the life of the agreements as an adjustment to interest expense. The fair value of these swap agreements is not recognized in the financial statements. The notional amount of these agreements is equal to or less than the designated debt instrument being hedged. The variable rate bases of the swap instruments and the debt to which they are designated are the same. The company will not enter into any future interest rate swap contracts which lever a move in interest rates on a greater than one-to-one basis.

The company is also party to interest rate and currency swap contracts. These contracts entail both the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement and the exchange of one currency for another currency at inception and a specified future date. The contracts are used to hedge intercompany lending transactions and the value of investments in certain foreign subsidiaries and affiliates. Gains and losses on the currency component of these contracts, which hedge intercompany lending transactions, are recognized in income and offset the foreign exchange gains and losses of the related transaction. Gains and losses on the currency component of these contracts which hedge investments in certain foreign subsidiaries and foreign equity affiliates are not included in the income statement but are shown in the cumulative translation adjustments account. The interest component of these contracts is accounted for similarly to other interest rate swap agreements.

Gains and losses on terminated interest rate swap agreements are amortized into income over the remaining life of the underlying debt obligation or the remaining life of the original swap, if shorter.

Foreign Currency

The value of the U.S. dollar rises and falls day to day on foreign currency exchanges. Since the company does business in many foreign countries, these fluctuations affect the company's financial position and results of operations.

Generally, foreign subsidiaries translate their assets and liabilities into U.S. dollars at current exchange rates--that is, the rates in effect at the end of the fiscal period. The gains or losses that result from this process are shown in the cumulative translation adjustment account in the shareholders' equity section of the balance sheet. Certain forward exchange contracts are used to hedge the value of investments in certain subsidiaries and equity affiliates. Gains and losses on these contracts are not included in the income statement but are shown in the cumulative translation adjustment account.

The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period. Therefore, the U.S. dollar value of these items on the income statement fluctuates from period to period depending on the value of the dollar against foreign currencies.

Some transactions of the company and its subsidiaries are made in currencies different from their own. Gains and losses from these foreign currency transactions are generally included in income as they occur. The company enters into forward exchange and option combination contracts to manage the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities denominated in a foreign currency as well as certain highly anticipated cash flows. Gains and losses on these contracts are recognized in income and offset the foreign exchange gains and losses of the related transaction.

Forward exchange and option combination contracts are sometimes used to hedge firm commitments, such as the purchase of plant and equipment. Additionally, purchased foreign currency options are sometimes used to hedge firm commitments and certain highly anticipated cash flows, including export sales transactions. The contracts are designated as, and effective as, hedges. The significant characteristics and expected terms of the highly anticipated cash flows are identified. Gains and losses resulting from these agreements are deferred and reflected as adjustments of the related foreign currency transactions. Gains and losses on terminated contracts, for which hedge criteria are met, are deferred and recognized as an adjustment of the related foreign currency transaction.

The company entered into purchased currency options for the proposed acquisition of The BOC Group plc ("BOC"). The company records gains and losses associated with changes in the market value of these options currently in income since hedge accounting may not be applied to instruments which hedge the cost of a business combination.

Environmental Expenditures

Accruals for investigatory and noncapital remediation costs are recorded when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Remediation costs are capitalized if the costs improve the company's property as compared with the condition of the property when originally constructed or acquired or if the costs prevent environmental contamination from future operations. Costs to operate and maintain the capitalized facilities are expensed as incurred.

The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. While the current law potentially imposes joint and several liability upon each party at any Superfund site, the company's contribution to clean up these sites is expected to be limited, given the number of other companies which have also been named as potentially responsible parties and the volumes of waste involved. A reasonable basis for apportionment of costs among responsible parties is determined and the likelihood of contribution by other parties is established. If it is considered probable that the company will only have to pay its expected share of the total site cleanup, the liability reflects the company's expected share. In determining the probability of contribution, the company considers the solvency of the parties, whether responsibility is being disputed, the terms of any existing agreements, and experience to date regarding similar matters. These liabilities do not take into account any claims for recoveries from insurance or third parties and are not discounted. As assessments and remediation progress at individual sites, these liabilities are reviewed periodically and adjusted to reflect additional technical and legal information which becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. The accruals for environmental liabilities are reflected in the balance sheet primarily as part of other noncurrent liabilities.

Income Taxes

The company accounts for income taxes under the liability method. Under this method, deferred tax liabilities and assets are recognized for the tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates. A principal temporary difference results from the excess of tax depreciation over book depreciation because accelerated methods of depreciation and shorter useful lives are used for income tax purposes. The cumulative impact of a change in tax rates or regulations is included in income tax expense in the period that includes the enactment date.

Cash and Cash Items

Cash and cash items include cash, time deposits, and certificates of deposit acquired with an original maturity of three months or less.

Inventories

To determine the cost of chemical inventories and some gas and equipment inventories in the United States, the company uses the last-in, first-out (LIFO) method. This method assumes the most recent cost is closer to the cost of replacing an item that has been sold. During periods of rising prices, LIFO maximizes the cost of goods sold and minimizes the profit reported on the company's income statement.

All other inventory values are determined using the first-in, first-out (FIFO) method. Cost of an item sold is based on the first item produced or on the current market value, whichever is lower.

Goodwill

When a company is acquired, the difference between the fair value of its net assets and the purchase price is goodwill. Goodwill is recorded as an asset on the balance sheet and is amortized into income over periods not exceeding 40 years. The company assesses the impairment of goodwill related to consolidated subsidiaries in accordance with Statement of Financial Accounting Standards (SFAS) No. 121. This statement requires the recognition of an impairment loss for an asset held for use when the estimate of undiscounted future cash flows expected to be generated by the asset is less than its carrying amount. Measurement of the impairment loss is based on the fair value of the asset, which is determined using valuation techniques such as the present value of expected future cash flows. The measurement of an impairment loss of goodwill related to equity affiliates, however, is based on expected undiscounted future cash flows and is excluded from the scope of SFAS No. 121.

Shares in Trust

The company has established a trust, funded with Treasury Stock, to provide for a portion of future payments to employees under the company's existing compensation and benefit programs. Shares issued to the trust were valued at market price on the date of contribution and reflected as a reduction of shareholders' equity in the balance sheet. As shares are transferred from the trust to fund compensation and benefit obligations, this equity account is reduced based on the original cost of shares to the trust; the satisfaction of liabilities is based on the fair value of shares transferred; and the difference between the fair value of shares transferred and the original cost of shares to the trust is charged or credited to capital in excess of par value.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2) Accounting and Disclosure Changes

In the first quarter of fiscal 1999, the company adopted SFAS No. 130, "Reporting Comprehensive Income." This standard establishes additional disclosure for the elements of comprehensive income and a total comprehensive income calculation for all periods presented.

For the fiscal year ended 30 September 1999, the company adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." This standard defines the disclosure requirements for operating segments. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker. See Note 20.

Effective fiscal 1999, the company adopted the American Institute of Certified Public Accountants' Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" (SOP 98-1). SOP 98-1 requires that software developed or obtained for internal use and meeting certain specific criteria be capitalized. Implementation of this standard had no material impact on the financial statements.

In June 1999, the Financial Accounting Standards Board (FASB) issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of SFAS No. 133" which defers the effective date of SFAS No. 133 for one year. The company expects to adopt this standard in the first quarter of fiscal

2001. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or a liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless special accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge treatment. The transition adjustments resulting from adopting this statement shall be reported in net income or other comprehensive income, as appropriate, as the effect of a change in accounting principle and presented in a manner similar to the cumulative effect of a change in accounting principle. Also, the company is continuing to evaluate the impacts of adopting the Statement on the financial statements and the risk management processes.

3) Fair Value of Financial Instruments

Summarized below are the carrying values and fair values of the company's financial instruments as of 30 September 1999 and 1998.

The fair value of the company's debt, interest rate swap agreements, forward exchange contracts, option combination contracts, and purchased foreign currency options is based on estimates using standard pricing models that take into account the present value of future cash flows as of the balance sheet date. The computation of fair values of these instruments is generally performed by the company.

The fair value of the currency option contracts related to the BOC transaction is computed by the financial institution with whom the options were executed. The fair value of other investments is based principally on quoted market prices. The carrying amounts reported in the balance sheet for cash and cash items, accrued liabilities, accrued income taxes, and short-term borrowings approximate fair value due to the short-term nature of these instruments. Accordingly, these items have been excluded from the table below.

| 30 September (millions of dollars) | 1999 Carrying Value | 1999 Fair Value | 1998 Carrying Value | 1998 Fair Value |
|--|---------------------------|-----------------------|---------------------------|-----------------------|
| Assets | | | | |
| Other investments | \$38.4 | \$38.4 | \$18.4 | \$18.4 |
| Currency option contracts o notes 5 and 18 | 70.6 | 70.5 | 1.2 | 1.2 |
| Interest rate swap agreements o note 6 | 85.4 | 136.9 | 75.6 | 125.8 |
| Forward exchange contracts o note 5 | .9 | 1.7 | (25.8) | (18.4) |
| Liabilities | | | | |
| Long-term debt, including current portion o note 4 | \$2,434.6 | \$2,642.9 | \$2,427.4 | \$2,822.2 |

4) Long-Term Debt

The following table shows the company's outstanding debt at the end of fiscal 1999 and 1998, excluding any portion of the debt required to be repaid within a year:

| 30 September (millions of dollars) | 1999 | 1998 |
|--|-----------|-----------|
| Payable in U.S. dollars: | | |
| 8 7/8% notes, due 2001 | \$ 100.0 | \$ 100.0 |
| Medium-term notes, Series C, due through 2001, weighted average interest rate 19.4% | 10.0 | 101.0 |
| 8.35% debentures, due 2002, effective interest rate 8.4% | 100.0 | 100.0 |
| 6 1/4% notes, due 2003 | 100.0 | 100.0 |
| Medium-term notes, Series B, due through 2003, weighted average interest rate 6.1% | 16.0 | 16.0 |
| Commercial paper | -- | 80.5 |
| 7 3/8% notes, due 2005, effective interest rate 7.5% | 150.0 | 150.0 |
| 8 1/2% debentures, due 2006, callable by company in 2004, effective interest rate 8.6% | 100.0 | 100.0 |
| 7.578% notes, due 2006 | 72.5 | 72.5 |
| Medium-term notes, Series F, due through 2016, weighted average interest rate 5.8% | 215.0 | 475.0 |
| Medium-term notes, Series D, due through 2016, weighted average interest rate 6.8% | 400.0 | 400.0 |
| 8 3/4% debentures, due 2021, effective interest rate 9.0% | 100.0 | 100.0 |
| Medium-term notes, Series E, due through 2026, interest rate 7.6% | 250.0 | 300.0 |
| California Pollution Control bonds, weighted average interest rate 3.4% | 57.0 | -- |
| Other, due through 2016, weighted average interest rate 5.0% | 69.4 | 28.1 |
| Payable in foreign currency: | | |
| 8.27% British Pound loan | -- | 37.3 |
| 9.2% Deutsche Mark loan, due through 2002 | 4.1 | 6.4 |
| 5.81% British Pound loan, due 2004 | 36.2 | -- |
| 2.9% Euro loan, due 2006 | 49.1 | -- |
| 5.97% Dutch Guilder loan, due through 2006 | 43.4 | 55.6 |
| Belgian Franc loans, due through 2006, weighted average interest rate 4.2% | 15.2 | 22.3 |
| Malaysian Ringgit loan, weighted average interest rate 7.6% | 41.9 | -- |
| Other, due through 2003, weighted average interest rate 3.0% | 6.2 | 8.7 |
| Less: Unamortized discount | (4.1) | (4.5) |
| | 1,931.9 | 2,248.9 |
| Capital lease obligations: | | |
| United States, due through 2003, weighted average interest rate 6.7% | 6.2 | 5.1 |
| Foreign, due through 2004, weighted average interest rate 7.6% | 23.5 | 20.3 |
| | 29.7 | 25.4 |
| | \$1,961.6 | \$2,274.3 |

Various debt agreements to which the company is a party include certain financial covenants and other restrictions, including restrictions pertaining to the ability to create property liens and enter into certain sale and leaseback transactions.

The company has obtained the commitment of a number of commercial banks to lend money at market rates whenever needed by the company. These committed lines of credit also are used to support the issuance of commercial paper. In January 1996, the company entered into a \$600.0 million committed, multi-currency, syndicated credit facility which matures in January 2003. No borrowings were outstanding under this facility at 30 September 1999. At 30 September 1999, foreign subsidiaries had additional committed credit lines of \$94.4 million, \$17.8 million of which was borrowed and outstanding. Subsequent to the end of fiscal 1999, the company added an additional \$300 million revolving credit commitment.

During 1999, a bank credit facility was executed to ensure the availability of funding to finance the anticipated acquisition of BOC. The facility consists of two tranches: a 364-day (subject to an additional 364-day term out option under certain circumstances) UK(pound)3,950.0 million tranche to fund the acquisition and a five-year \$800 million tranche to replace the company's existing revolving credit facilities. Interest rates are based on LIBOR plus a spread which is a function of the company's long-term credit ratings. The agreement includes certain financial covenants and other restrictions, including restrictions pertaining to the ability to create property liens and enter into certain sale and leaseback transactions. Funds are not available under this credit facility until the offer for BOC shares is declared unconditional.

Maturities of long-term debt in each of the next five years are as follows: \$473.0 million in 2000; \$139.2 million in 2001; \$177.0 million in 2002; \$140.2 million in 2003; and \$142.0 million in 2004.

Included in the medium-term notes, Series E, is a \$100.0 million note, due in 2026, with a one-time put option exercisable by the investor in 2008. Included in current portion of long-term debt is a Series F \$100.0 million note, due in 2009, with a one-time put option exercisable by the investor in 2000, and a \$100.0 million note, due in 2014, with a one-time put option exercisable by the investor in 2000. Also included in Series F is a \$50.0 million note, due in 2016, with a one-time put option exercisable by the investor in 2002.

5) Foreign Exchange Contracts

The company, in management of its exposure to fluctuations in foreign currency exchange rates, has entered into a variety of foreign exchange contracts, including forward, option combination, and purchased option contracts. These agreements generally involve the exchange of one currency for a second currency at some future date. Counterparties to these agreements are major international financial institutions. The company's counterparty credit guidelines and management's position regarding possible exposure to losses related to credit risk is comparable to that for interest rate swap agreements as discussed in Note 6.

The company enters into forward exchange and option combination contracts to reduce the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities, as well as certain firm commitments and highly anticipated cash flows. Forward exchange contracts are also used to hedge the value of investments in certain foreign subsidiaries and affiliates by creating a liability in a currency in which the company has a net equity position. The company is also party to purchased option contracts which, if exercised, involve the sale or purchase of foreign currency at a fixed exchange rate for a specified period of time. Purchased option contracts are used to hedge firm commitments and certain highly anticipated cash flows, including export sales transactions, through fiscal 2000. The company has also entered into certain purchased option contracts to hedge the proposed acquisition of BOC. Information regarding these contracts is disclosed in Note 18.

The following table illustrates the U.S. dollar equivalent, including offsetting positions, of foreign exchange contracts at 30 September 1999 and 1998 along with maturity dates, net unrealized gain (loss), and net unrealized gain (loss) deferred. As of 30 September 1999, the company has entered into purchased option contracts for approximately UK(pound)1.7 billion for the proposed acquisition of BOC.

| (millions of dollars) | Contract Amount (\$U.S. Equivalent) | Latest Maturity Date | Unrealized Gross Gain | Unrealized Gross (Loss) | Net Unrealized Gain (Loss) | Net Unrealized Gain (Loss) Deferred |
|------------------------------------|--|----------------------------|-----------------------------|-------------------------------|----------------------------------|--|
| 30 September 1999 | | | | | | |
| Forward exchange contracts: | | | | | | |
| \$U.S./Euro | \$ 417.4 | 2003 | \$ 4.7 | \$ (1.6) | \$ 3.1 | \$-- |
| \$U.S./U.K. Pound Sterling | 230.9 | 2000 | .9 | (3.4) | (2.5) | .9 |
| Euro/Canadian Dollar | 96.3 | 2000 | 1.3 | -- | 1.3 | -- |
| Euro/U.K. Pound Sterling | 56.8 | 2000 | 1.1 | -- | 1.1 | 1.1 |
| Other | 75.7 | 2000 | .1 | (1.4) | (1.3) | (1.2) |
| | 877.1 | | 8.1 | (6.4) | 1.7 | .8 |
| Option contracts: | | | | | | |
| \$U.S./U.K. Pound Sterling | 2,748.3 | 2000 | 12.5 | -- | 12.5 | -- |
| \$U.S./Japanese Yen | 7.2 | 2000 | -- | (.1) | (.1) | (.1) |
| | 2,755.5 | | 12.5 | (.1) | 12.4 | (.1) |
| | \$3,632.6 | | \$20.6 | \$ (6.5) | \$14.1 | \$.7 |
| 30 September 1998 | | | | | | |
| Forward exchange contracts: | | | | | | |
| \$U.S./Spanish Peseta | \$ 332.2 | 2003 | \$-- | \$ (19.4) | \$ (19.4) | \$-- |
| \$U.S./U.K. Pound Sterling | 285.5 | 1999 | 5.2 | (2.0) | 3.2 | 4.5 |
| Spanish Peseta/U.K. Pound Sterling | 71.5 | 1999 | 1.1 | -- | 1.1 | 1.1 |
| \$U.S./Netherland DG | 65.8 | 1999 | .4 | (3.2) | (2.8) | .4 |
| Other | 236.6 | 2000 | 2.2 | (2.7) | (.5) | 1.4 |
| | 991.6 | | 8.9 | (27.3) | (18.4) | 7.4 |
| Option contracts: | | | | | | |
| \$U.S./German DM | 50.5 | 1999 | -- | (.4) | (.4) | (.4) |
| \$U.S./U.K. Pound Sterling | 22.5 | 1999 | -- | -- | -- | -- |
| \$U.S./Japanese Yen | 15.6 | 1999 | .4 | -- | .4 | .4 |
| Other | 19.7 | 1999 | -- | -- | -- | -- |
| | 108.3 | | .4 | (.4) | -- | -- |
| | \$1,099.9 | | \$9.3 | \$ (27.7) | \$ (18.4) | \$7.4 |

The company's net equity position in its principal foreign subsidiaries at 30 September 1999 was \$1,511.0 million. These subsidiaries have operations in the United Kingdom, Germany, Spain, France, Netherlands, Belgium, Brazil, Japan, Singapore, Indonesia, and Canada.

In addition to its foreign subsidiaries, the company has an equity position in foreign equity affiliates as disclosed in Note 8.

6) Interest Rate Swap Agreements

The company enters into interest rate swap agreements to change the fixed/variable interest rate mix of the debt portfolio in order to maintain the percentage of fixed- and variable-rate debt within certain parameters set by management. In accordance with these parameters, the agreements are used to reduce interest rate risks and costs inherent in the company's debt portfolio. Accordingly, the company enters into agreements to both effectively convert variable-rate debt to fixed-rate debt and to effectively convert fixed-rate debt to variable-rate debt, which is principally indexed to LIBOR rates. The company has also entered into variable to variable interest rate swap contracts to effectively convert the stated variable interest rates on \$60.0 million of the medium-term notes, Series C, to an average interest rate slightly above the three-month U.S. dollar LIBOR rate. The fair value gain (loss) on the variable to variable swaps is equally offset by a fair value loss (gain) on the related debt agreements.

The company is also party to interest rate and currency swap contracts. These contracts effectively convert the currency denomination of a debt instrument into another currency in which the company has a net equity position while changing the interest rate characteristics of the instrument.

Counterparties to interest rate swap agreements are major financial institutions. The company has established counterparty credit guidelines and only enters into transactions with financial institutions of investment grade or better. Minimum credit standards become more stringent as the duration of the swap agreement increases. The company has provisions to require collateral in certain instances. The market value of such collateral posted in the company's favor as of 30 September 1999 is \$107.0 million and is a result of the fair value exposure to an investment grade counter-party exceeding the company's policy maximum. Management believes the risk of incurring losses related to credit risk is remote.

The table below illustrates the contract or notional (face) amounts outstanding, maturity dates, weighted average receive and pay rates as of the end of the fiscal year, and the net unrealized gain of interest rate swap agreements by type at 30 September 1999 and 1998. The notional amounts are used to calculate contractual payments to be exchanged and are not generally actually paid or received, except for the currency swap component of the contracts. The net unrealized gain on these agreements, which equals their fair value, is based on the relevant yield curve at the end of the fiscal year.

| 30 September 1999 (millions of dollars) | Notional Amount | Maturities | Weighted Average Rate Receive | Weighted Average Rate Pay | Unrealized Gross Gain | Unrealized Gross (Loss) | Net Unrealized Gain |
|---|-----------------|------------|-------------------------------|---------------------------|-----------------------|-------------------------|---------------------|
| Fixed to Variable | \$311.0 | 2000-2007 | 6.9% | 5.2% | \$ 5.6 | \$ -- | \$ 5.6 |
| Variable to Variable | 60.0 | 2000-2001 | 20.0% | 5.4% | 121.1 | -- | 121.1 |
| Interest Rate/Currency | 270.8 | 2002-2006 | 5.3% | 7.9% | 13.5 | (3.3) | 10.2 |
| | \$641.8 | | | | \$140.2 | \$ (3.3) | \$136.9 |
| 30 September 1998 | | | | | | | |
| Fixed to Variable | \$461.0 | 1999-2007 | 7.0% | 5.7% | \$ 37.6 | \$ -- | \$ 37.6 |
| Variable to Variable | 60.0 | 2000-2001 | 16.4% | 5.8% | 86.4 | -- | 86.4 |
| Interest Rate/Currency | 419.3 | 1999-2006 | 6.0% | 8.4% | 18.4 | (16.6) | 1.8 |
| | \$940.3 | | | | \$142.4 | \$ (16.6) | \$125.8 |

Of the net unrealized gain as of 30 September 1999 and 1998, a net gain of \$51.5 million and \$50.2 million, respectively, has not been recognized in the financial statements. At the end of fiscal 1999 and 1998, a deferred gain of \$1.1 million and a deferred loss of \$7.1 million, respectively, resulted from terminated contracts.

After the effects of interest rate swap agreements, the company's total debt, including current portion, is composed of 57% fixed-rate debt and 43% variable-rate debt as of 30 September 1999.

7) Inventories

The components of inventories are as follows:

| 30 September (millions of dollars) | 1999 | 1998 |
|---|---------|---------|
| ----- | | |
| Inventories at FIFO cost: | | |
| ----- | | |
| Finished goods | \$278.2 | \$286.3 |
| ----- | | |
| Work in process | 36.0 | 38.4 |
| ----- | | |
| Raw materials and supplies | 134.7 | 136.6 |
| ----- | | |
| | 448.9 | 461.3 |
| Less excess of FIFO cost over LIFO cost | (24.0) | (32.7) |
| ----- | | |
| | \$424.9 | \$428.6 |

Inventories valued using the LIFO method comprised 49.4% and 49.3% of consolidated inventories before LIFO adjustment at 30 September 1999 and 1998, respectively. Liquidation of prior years' LIFO inventory layers in 1999, 1998, and 1997 did not materially affect cost of sales in any of these years.

8) Summarized Financial Information of Equity Affiliates

The following table presents summarized financial information on a combined 100% basis of the principal companies accounted for by the equity method. Amounts presented include the accounts of the following equity affiliates: Cambria CoGen Company (50%); Stockton CoGen Company (50%); Orlando CoGen Limited, L.P. (50%); Pure Air on the Lake, L.P. (50%); Bangkok Cogeneration Company Limited (48.9%); Sankyo Air Products Co., Ltd. (50%); San-Apro Ltd. (50%); Sapio Produzione Idrogeno Ossigeno S.r.L. (49%); INFRA Group (40%); San Fu Chemicals (48.1%); ProCal (50%); Korea Industrial Gases (48.9%); Air Products South Africa (50%); Bangkok Industrial Gases Company Ltd. (49%); INOX Air Products Limited (48.9%); APP GmbH in WPS GmbH & CoKG (20%); and principally other industrial gas producers.

| (millions of dollars) | 1999 | 1998 |
|--------------------------|----------|----------|
| ----- | | |
| Current assets | \$ 648.3 | \$ 458.8 |
| ----- | | |
| Noncurrent assets | 1,659.4 | 1,416.8 |
| ----- | | |
| Current liabilities | 483.5 | 372.4 |
| ----- | | |
| Noncurrent liabilities | 790.5 | 813.0 |
| ----- | | |
| Net sales | 1,436.0 | 1,168.1 |
| ----- | | |
| Sales less cost of sales | 487.8 | 416.7 |
| ----- | | |
| Net income | 221.3 | 110.0 |
| ----- | | |

The company's share of income of all equity affiliates for 1999, 1998, and 1997 was \$83.7 million, \$48.4 million, and \$84.3 million, respectively. These amounts exclude \$22.2 million, \$10.4 million, and \$18.0 million of related net expenses incurred by the company. Dividends received from equity affiliates were \$36.1 million, \$44.6 million, and \$61.5 million in 1999, 1998, and 1997, respectively.

The investment in net assets of and advances to equity affiliates at 30 September 1999 and 1998 included investment in foreign affiliates of \$478.9 million and \$315.3 million, respectively.

As of 30 September 1999 and 1998, the amount of investment in companies accounted for by the equity method included goodwill in the amount of \$75.4 million and \$45.7 million, respectively. The goodwill is being amortized into income over periods not exceeding 40 years.

9) Capital Stock

The authorized capital stock consists of 25 million preferred shares with a par value of \$1 per share, none of which was outstanding at 30 September 1999, and 300 million shares of Common Stock with a par value of \$1 per share. In May 1998, the Board of Directors authorized a two-for-one stock split. On 15 June 1998, each shareholder was issued one additional share of Common Stock for each share owned as of 15 May 1998. The consolidated financial statements have been adjusted, where appropriate, to reflect the effects of the stock split for all periods presented. At 30 September 1999, the number of shares of Common Stock outstanding was 213,044,282.

During fiscal 1999 and 1998, the company spent \$24.6 million and \$365.0 million to purchase .6 million and 9.4 million (post-split basis) Treasury Shares, respectively. In fiscal 1999, the share repurchase program was suspended due to the proposed acquisition of BOC.

The company established a trust to fund a portion of future payments to employees under existing compensation and benefit programs in fiscal 1994. The trust, which is administered by an independent trustee, was funded with 20 million shares of Treasury Stock. It will not increase or alter the amount of benefits or compensation which will be paid under existing plans. The establishment of the trust will not have an effect on earnings per share or return on average shareholders' equity. As of 30 September 1999, the balance of Treasury Stock remaining in the trust is 16.3 million shares.

On 19 March 1998, the Board of Directors unanimously approved a shareholder rights plan to replace the company's previous rights plan, which expired 16 March 1998. Under the plan, the Board of Directors declared a dividend of one Right for each share of Common Stock outstanding at the close of business on 19 March 1998 and with respect to Common Shares issued thereafter until the Distribution Date (as defined below). Each Right, when it becomes exercisable as described below, will entitle its holder to purchase one one-thousandth (1/1,000) of a share of Series A Participating Cumulative Preferred Stock, par value \$1 per share, of the company (the "Preferred Shares") at a price of \$345.00 (the "Purchase Price").

Until the earlier of (i) such time as the company learns that a person or group has acquired, or obtained the right to acquire, beneficial ownership of more than 15% of the outstanding Common Shares (such person or group being called an "Acquiring Person"), and (ii) such date, if any, as may be designated by the Board of Directors following the commencement of, or first public disclosure of an intention to commence, a tender or exchange offer for outstanding Common Shares which could result in such person or group becoming the beneficial owner of more than 15% of the outstanding Common Shares, (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced by certificates for Common Shares and not by separate Right certificates. Therefore, until the Distribution Date, the Rights will be transferred with and only with the Common Shares. The Rights are not exercisable until the Distribution Date and will expire on 19 March 2008 (the "Expiration Date"), unless earlier redeemed by the company as described on the following page.

Subject to the right of the Board of Directors to redeem the Rights, at such time as there is an Acquiring Person, each Right (other than Rights held by an Acquiring Person) will thereafter have the right to receive, upon exercise thereof, for the Purchase Price, that number of one one-thousandth of a Preferred Share equal to the number of Common Shares which at the time of such transaction would have a market value of twice the Purchase Price. If the company is acquired in a merger or other business combination by an Acquiring Person or 50% or more of the company's assets or assets representing 50% or more of the company's earning power are sold, leased, exchanged or otherwise transferred (in one or more transactions) to an Acquiring Person, each Right (other than Rights held by an Acquiring Person) will entitle its holder to purchase, for the Purchase Price, that number of common shares of such corporation (or, if such corporation is not publicly traded, common shares of any publicly traded affiliate of such corporation) which at the time of the transaction would have a market value (or, if the Acquiring Person is not a publicly traded corporation, having a book value) of twice the Purchase Price.

The Rights are redeemable by the Board of Directors at a redemption price of \$.01 per Right any time prior to the earlier of such time as there is an Acquiring Person and Expiration Date.

10) Income Taxes

The following table shows the components of the provision for income taxes:

| (millions of dollars) | 1999 | 1998 | 1997 |
|---------------------------|---------|---------|---------|
| ----- | | | |
| Federal: | | | |
| ----- | | | |
| Current | \$117.5 | \$238.7 | \$ 61.3 |
| Deferred | 38.8 | (32.5) | 90.6 |
| | 156.3 | 206.2 | 151.9 |
| ----- | | | |
| State: | | | |
| ----- | | | |
| Current | 6.3 | 22.7 | 3.6 |
| Deferred | 1.6 | (10.8) | 6.5 |
| Impact of law/rate change | (1.9) | -- | -- |
| | 6.0 | 11.9 | 10.1 |
| ----- | | | |
| Foreign: | | | |
| ----- | | | |
| Current | 20.8 | 33.5 | 42.1 |
| Deferred | 20.3 | 24.7 | 4.2 |
| Impact of law/rate change | -- | .6 | (7.2) |
| | 41.1 | 58.8 | 39.1 |
| ----- | | | |
| | \$203.4 | \$276.9 | \$201.1 |

The significant components of deferred tax assets and liabilities are as follows:

| 30 September (millions of dollars) | 1999 | 1998 |
|--|---------|---------|
| ----- | | |
| Gross deferred tax assets: | | |
| ----- | | |
| Pension and other compensation accruals | \$121.1 | \$118.5 |
| Tax loss and investment tax credit carryforwards | 29.2 | 26.7 |
| Reserves and accruals | 27.6 | 26.0 |
| Postretirement benefits | 28.8 | 29.5 |
| Inventory | 18.6 | 18.2 |
| Foreign currency translation adjustment | 12.8 | 1.1 |
| Other | 56.4 | 44.9 |
| Valuation allowance | (3.5) | (14.6) |
| Deferred tax assets | 291.0 | 250.3 |
| ----- | | |
| Gross deferred tax liabilities: | | |
| ----- | | |
| Plant and equipment | 789.8 | 706.4 |
| Investment in partnerships | 52.1 | 81.7 |
| Employee benefit plans | 45.6 | 50.1 |

| | | |
|--|---------|---------|
| Currency gains | 11.3 | 27.7 |
| Construction contract accounting methods | 10.7 | 3.0 |
| Unrealized gain on cost investment | 7.7 | 2.8 |
| Other | 60.9 | 49.1 |
| Deferred tax liabilities | 978.1 | 920.8 |
| Net deferred income tax liability | \$687.1 | \$670.5 |

Net current deferred tax assets of \$35.1 million and net noncurrent deferred tax assets of \$8.9 million are included in other current assets and other noncurrent assets at 30 September 1999, respectively. Net current deferred tax assets of \$32.5 million are included in other current assets at 30 September 1998.

Foreign and state operating loss carryforwards on 30 September 1999 were \$54.0 million and \$64.6 million, respectively. Foreign losses of \$6.7 million are available to offset future foreign income through 2008. The balance of these losses have an unlimited carryover period. State operating loss carryforwards are available through 2012. Foreign capital loss carryforwards were \$2.1 million on 30 September 1999 and have an unlimited carryover period.

The valuation allowance as of 30 September 1999 primarily relates to the tax loss carryforwards referenced above. If events warrant the reversal of the \$3.5 million valuation allowance, it would result in a reduction of tax expense. The \$11.1 million reduction in the valuation allowance in fiscal 1999 included a \$6.8 million reduction of intangible assets with the balance principally reducing income tax expense.

Major differences between the federal statutory rate and the effective tax rate are:

| (percent of income before taxes) | 1999 | 1998 | 1997 |
|---|-------|-------|-------|
| United States federal statutory rate | 35.0% | 35.0% | 35.0% |
| State taxes, net of federal tax benefit | 2.1 | 1.9 | 2.2 |
| Income from equity affiliates | (3.0) | (1.9) | (2.5) |
| Foreign tax credits and refunds on dividends received from foreign affiliates | .6 | (1.0) | .1 |
| Nonconventional fuel credits | -- | -- | (.8) |
| Export tax benefits | (1.4) | (.9) | (.6) |
| Investment tax credits | (.1) | (.3) | (1.1) |
| American Ref-Fuel sale and contract settlements | -- | 1.4 | -- |
| Other | (2.1) | (.6) | (.4) |
| Effective tax rate after minority interest | 31.1% | 33.6% | 31.9% |
| Minority interest | (.7) | -- | -- |
| Effective tax rate | 30.4% | 33.6% | 31.9% |

The following table summarizes the income of U.S. and foreign operations, before taxes and minority interest:

| (millions of dollars) | 1999 | 1998 | 1997 |
|--------------------------------------|---------|---------|---------|
| Income from consolidated operations: | | | |
| United States | \$433.8 | \$626.8 | \$426.6 |
| Foreign | 151.5 | 149.2 | 120.2 |
| Income from equity affiliates | 83.7 | 48.4 | 84.3 |
| | \$669.0 | \$824.4 | \$631.1 |

The company does not pay or record U.S. income taxes on the undistributed earnings of its foreign subsidiaries and its 20% to 50% owned corporate joint ventures as long as those earnings are permanently reinvested in the companies that produced them. These cumulative undistributed earnings are included in consolidated retained earnings on the balance sheet and amounted to \$739.8 million at the end of fiscal 1999. An estimated \$167.9 million in U.S. income and foreign withholding taxes would be due if these earnings were remitted as dividends, after payment of all deferred taxes.

11) Plant and Equipment

The major classes of plant and equipment, at cost, are as follows:

| 30 September (millions of dollars) | 1999 | 1998 |
|------------------------------------|----------|----------|
| Land | \$ 139.3 | \$ 127.3 |
| Buildings | 651.2 | 599.9 |

| | | |
|--|------------|-----------|
| Gas generating and chemical facilities, machinery and equipment | 8,713.7 | 8,208.7 |
| Construction in progress | 683.7 | 553.6 |
| | \$10,187.9 | \$9,489.5 |

12) Stock Option and Award Plans

Long-Term Incentive Plan

The Long-Term Incentive Plan (the "Plan") provides for three principal types of awards to executives and key employees: stock options, performance units, and deferred stock units. The award type most frequently used is the non-qualified stock option with an exercise price fixed at 100% of the fair market value of a share of Air Products common stock ("stock") on the date of grant. Non-qualified stock options standardly become exercisable in cumulative installments of 33 1/3% one year after the date of grant and annually thereafter, and must be exercised no later than ten years and one day from the date of grant.

In October 1996 and 1998, the company granted 639,800 and 697,300 premium priced stock options, respectively, in addition to the fair market value stock options. These stock options have an exercise price above market on the date of grant (\$36 and \$40, respectively). The awards are 100% vested after two years and are exercisable over an additional three-year period. As of 30 September 1999, a total of 13,257,506 options including both fair market value and premium priced stock options were outstanding.

In fiscal 1997 and 1999, the company also granted deferred stock units identified as performance shares to executive officers and other key employees. These awards provide for the issuance of common stock based on certain management objectives achieved by the performance period ending 30 September 1998 and 30 September 2000, respectively. The number of shares to be paid out for the 1999 grant can vary from 0% to 225% of the 570,500 base performance share units granted. The number of shares to be paid out for the fiscal 1997 grant is 367,578 share units. Compensation expense is recognized over a period ranging from two to ten years.

Prior to the issuance of performance shares, the company granted deferred stock units as career share awards in fiscal years 1992 through 1997 to certain executive officers and other key employees. Career shares are deferred stock units payable in shares of stock after retirement. Career share awards equivalent to 803,743 and 862,874 shares of stock were outstanding at the end of fiscal years 1999 and 1998, respectively. Compensation expense was computed by multiplying the number of units granted by the market price of the stock on the date of grant. The cost is recognized over a ten-year period.

The following table summarizes stock option transactions (fair market value stock options and premium priced stock options) as follows:

| | Number of Shares | Average Price |
|---|---------------------|------------------|
| ----- | | |
| Outstanding at 30 September 1996 | 10,677,544 | 17.72 |
| ----- | | |
| Granted | 2,437,300 | 31.00 |
| ----- | | |
| Exercised | (2,243,956) | 12.62 |
| ----- | | |
| Forfeited | (11,002) | 25.94 |
| ----- | | |
| Outstanding at 30 September 1997 | 10,859,886 | 21.73 |
| ----- | | |
| Granted | 2,014,500 | 41.31 |
| ----- | | |
| Exercised | (1,021,169) | 13.56 |
| ----- | | |
| Forfeited | (40,075) | 32.32 |
| ----- | | |
| Outstanding at 30 September 1998 | 11,813,142 | 25.73 |
| ----- | | |
| Granted | 2,644,400 | 32.25 |
| ----- | | |
| Exercised | (1,050,803) | 14.67 |
| ----- | | |
| Forfeited | (149,233) | 33.98 |
| ----- | | |
| Outstanding at 30 September 1999 | 13,257,506 | 27.81 |
| ----- | | |
| ----- | | |
| Exercisable at end of year | 8,775,971 | |
| ----- | | |
| Participants at end of year | 536 | |
| ----- | | |
| Available for future grant at end of year | 3,982,599 | |
| ----- | | |

The following table summarizes information about options outstanding at 30 September 1999:

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | |
|--------------------------|---------------------|---|---------------------------------|---------------------|---------------------------------|
| | Number Outstanding | Weighted Average Remaining Contractual Life (Years) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| \$11.41-16.92 | 1,747,352 | 2.54 | \$14.51 | 1,747,352 | \$14.51 |
| 19.56-23.13 | 3,207,148 | 5.13 | 21.69 | 3,207,148 | 21.69 |
| 26.03-29.06 | 3,116,982 | 7.54 | 27.67 | 2,549,867 | 27.36 |
| 36.00-41.69 | 5,186,024 | 9.37 | 36.16 | 1,271,604 | 38.67 |

Other Stock-Based Incentives

In addition to the Long-Term Incentive Plan, there is a Directors' Stock Option Plan. Options awarded to nonemployee directors are exercisable six months after grant date and must be exercised no later than ten years and one day from the date of grant. Under this plan, there were 104,000 and 84,000 options outstanding and exercisable at the end of fiscal years 1999 and 1998, respectively. Option prices were \$34.53 and \$39.37 per share for options issued in fiscal 1999 and 1998, respectively.

The company grants deferred stock unit awards to certain key employees below the executive level. Deferred stock units equivalent to 853,081 and 798,160 shares of stock were outstanding at the end of fiscal years 1999 and 1998, respectively. Compensation expense is computed by multiplying the number of units granted by the market value of the stock on the date of grant. The cost is recognized over the four-year deferral period applicable to the awards.

In October 1995 and 1997, the company awarded 200 stock options to virtually all employees. These options vest three years after date of grant and are exercisable over an additional seven-year period. The following table summarizes these global stock option transactions as follows:

| | Number of Shares | Average Price |
|----------------------------------|------------------|---------------|
| Outstanding at 30 September 1998 | 5,669,600 | \$34.59 |
| Granted | -- | -- |
| Exercised | (722,200) | 26.03 |
| Forfeited | (115,200) | 37.38 |
| Outstanding at 30 September 1999 | 4,832,200 | 35.82 |

In October 1999, the company disclosed its intention to award 100 stock options with an exercise price of \$28.78 per share to virtually all employees. Approximately 1,812,000 options will be granted.

Pro Forma Information

The company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. SFAS No. 123 requires the company to disclose pro forma net income and pro forma earnings per share amounts as if compensation expense were recognized for options granted after fiscal year 1995. Using this approach, net income and earnings per share would have been reduced to the pro forma amounts indicated in the table:

| (millions of dollars, except per share) | 1999 | 1998 | 1997 |
|---|---------|---------|---------|
| Net earnings | | | |
| As reported | \$450.5 | \$546.8 | \$429.3 |
| Pro forma | 428.7 | 522.0 | 415.5 |
| Basic earnings per share | | | |
| As reported | \$2.12 | \$2.54 | \$1.95 |

| | | | |
|----------------------------|--------|--------|--------|
| Pro forma | 2.02 | 2.42 | 1.89 |
| ----- | | | |
| Diluted earnings per share | | | |
| ----- | | | |
| As reported | \$2.09 | \$2.48 | \$1.91 |
| ----- | | | |
| Pro forma | 1.98 | 2.36 | 1.84 |
| ----- | | | |

For disclosure purposes, the fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average of assumptions:

| | 1999 | 1998 | 1997 |
|-------------------------|-------|-------|-------|
| Dividend yield | 2.0% | 2.0% | 2.3% |
| Expected volatility | 21.1% | 20.1% | 25.3% |
| Risk-free interest rate | 4.4% | 6.0% | 6.6% |
| Expected life (years) | 7.2 | 6.2 | 7.2 |

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of subjective assumptions, including the expected stock price volatility. Because the company's options have characteristics different from those of traded options, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

13) Earnings Per Share

The calculation of basic and diluted earnings per share is as follows:

| 30 September (in millions, except per share) | 1999 | 1998 | 1997 |
|--|---------|---------|---------|
| Numerator: | | | |
| Income available to common shareholders used in basic and diluted earnings per share | \$450.5 | \$546.8 | \$429.3 |
| Denominator: | | | |
| Weighted average number of common shares used in basic earnings per share | 212.2 | 215.5 | 220.1 |
| Effect of dilutive securities: | | | |
| Employee stock options | 2.8 | 3.6 | 3.8 |
| Other award plans | 1.0 | 1.0 | 1.0 |
| | 3.8 | 4.6 | 4.8 |
| Weighted average number of common shares and dilutive potential common shares used in diluted earnings per share | 216.0 | 220.1 | 224.9 |
| Basic earnings per share | \$2.12 | \$2.54 | \$1.95 |
| Diluted earnings per share | \$2.09 | \$2.48 | \$1.91 |

Dividends Graph

Market Price Range per Shares Graph

14) Pension and Other Postretirement Benefits

The following table shows reconciliations of the domestic pension plan and other postretirement plan benefits as of 30 September 1999 and 1998. The foreign pension plan information is as of 30 June 1999 and 1998:

| (millions of dollars) | Pension Benefits | | Other Benefits | |
|---|------------------|------------|----------------|-----------|
| | 1999 | 1998 | 1999 | 1998 |
| Change in benefit obligation | | | | |
| Benefit obligation on 1 October | \$1,307.2 | \$ 979.4 | \$64.6 | \$56.4 |
| Service cost | 49.2 | 38.1 | 4.9 | 4.1 |
| Interest cost | 84.7 | 74.6 | 4.3 | 4.3 |
| Amendments | 6.2 | 8.0 | -- | -- |
| Actuarial loss (gain) | (140.6) | 230.2 | (6.9) | 4.5 |
| Plan participant contributions | 3.4 | 3.0 | -- | -- |
| Benefits paid | (45.5) | (38.5) | (4.9) | (4.7) |
| Currency translation | (14.2) | 12.4 | -- | -- |
| Benefit obligation on 30 September | \$1,250.4 | \$1,307.2 | \$62.0 | \$64.6 |
| Change in plan assets | | | | |
| Fair value of plan assets on 1 October | \$1,044.7 | \$ 943.4 | \$-- | \$-- |
| Actual return on plan assets | 182.8 | 80.8 | -- | -- |
| Company contributions | 8.2 | 15.1 | -- | -- |
| Plan participant contributions | 3.4 | 3.0 | -- | -- |
| Benefits paid | (41.0) | (34.7) | -- | -- |
| Acquisition | -- | 18.7 | -- | -- |
| Currency translation/Other | (14.5) | 18.4 | -- | -- |
| Fair value of plan assets on 1 October | \$1,183.6 | \$1,044.7 | \$-- | \$-- |
| Funded status of the plan | \$ (66.8) | \$ (262.5) | \$ (62.0) | \$ (64.6) |
| Unrecognized actuarial loss (gain) | (30.7) | 214.9 | (10.1) | (3.1) |
| Unrecognized prior service cost | 17.0 | 16.5 | (1.0) | (1.2) |
| Unrecognized net transition asset | (14.5) | (19.1) | -- | -- |
| Net amount recognized | \$ (95.0) | \$ (50.2) | \$ (73.1) | \$ (68.9) |
| Total recognized amounts in the balance sheet consist of: | | | | |
| Prepaid benefit cost | \$ 111.8 | \$ 109.8 | \$-- | \$-- |
| Accrued benefit liability | (221.4) | (196.4) | (73.1) | (68.9) |
| Intangible asset | 6.8 | 13.5 | -- | -- |
| Shareholders' equity | 7.8 | 22.9 | -- | -- |
| Net amount recognized | \$ (95.0) | \$ (50.2) | \$ (73.1) | \$ (68.9) |
| Weighted average assumptions as of 30 September | | | | |
| Discount rate | 7.2% | 6.6% | 7.75% | 6.5% |
| Expected return on plan assets | 9.5% | 9.5% | -- | -- |
| Rate of compensation increase | 4.6% | 4.7% | 5.0% | 5.0% |

For measurement purposes, an 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for fiscal 2000. The rate was assumed to decrease gradually to 5.5% for fiscal 2006 and thereafter.

| (millions of dollars) | Pension Benefits | | | Other Benefits | | |
|---|------------------|---------|---------|----------------|-------|-------|
| | 1999 | 1998 | 1997 | 1999 | 1998 | 1997 |
| ----- | | | | | | |
| Components of net periodic benefit cost | | | | | | |
| ----- | | | | | | |
| Service cost | \$ 49.2 | \$ 38.1 | \$ 32.8 | \$4.9 | \$4.1 | \$3.5 |
| ----- | | | | | | |
| Interest cost | 84.7 | 74.6 | 68.2 | 4.3 | 4.3 | 4.2 |
| ----- | | | | | | |
| Expected return on plan assets | (125.1) | (80.8) | (73.0) | -- | -- | -- |
| ----- | | | | | | |
| Prior service cost amortization | 2.3 | 1.9 | 1.8 | (.1) | (.1) | (.1) |
| ----- | | | | | | |
| Actuarial (gain)/loss amortization | 46.4 | 2.8 | .5 | -- | (.1) | (.2) |
| ----- | | | | | | |
| Transition amount amortization | (3.8) | (3.8) | (3.7) | -- | -- | -- |
| ----- | | | | | | |
| Net periodic benefit cost | \$ 53.7 | \$ 32.8 | \$ 26.6 | \$9.1 | \$8.2 | \$7.4 |
| ----- | | | | | | |

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were \$167.4 million, \$146.7 million, and \$70.6 million, respectively, as of 30 September 1999, and \$983.0 million, \$763.1 million, and \$626.5 million, respectively, as of 30 September 1998.

The company has two nonpension postretirement benefit plans. Health care benefits are contributory with contributions adjusted periodically; the life insurance plan is noncontributory. The effect of a change in the health care trend rate is slightly tempered by a cap on average retiree medical cost. A one percentage point change in the assumed health care cost trend rate would have the following effects:

| (millions of dollars) | 1 Percentage Point | 1 Percentage Point |
|---|--------------------|--------------------|
| | Increase | Decrease |
| ----- | | |
| Effect on total of service and interest cost | \$.4 | \$ (.5) |
| ----- | | |
| Effect on the postretirement benefit obligation | \$2.7 | \$ (3.1) |
| ----- | | |

In addition to the above plans, U.S. employees are eligible to contribute to a 401(k) plan. The company matches a portion of these contributions. Contributions charged to income for this plan for 1999, 1998, and 1997 were \$13.8 million, \$12.9 million, and \$12.1 million, respectively.

15) Leases

Capital leases, primarily for machinery and equipment, are included with owned plant and equipment on the balance sheet in the amount of \$63.9 million and \$46.5 million at the end of fiscal 1999 and 1998, respectively. Related amounts of accumulated depreciation are \$26.6 million and \$25.4 million, respectively.

Operating leases, including month-to-month agreements, cost the company \$83.4 million in 1999, \$66.8 million in 1998, and \$60.6 million in 1997.

At 30 September 1999, minimum payments due under leases are as follows:

| (millions of dollars) | Capital Leases | Operating Leases |
|-----------------------|----------------|------------------|
| ----- | | |
| 2000 | \$28.9 | \$ 29.8 |
| ----- | | |
| 2001 | 11.8 | 23.4 |
| ----- | | |
| 2002 | 10.0 | 16.8 |
| ----- | | |
| 2003 | 6.5 | 12.3 |
| ----- | | |
| 2004 | 5.1 | 10.6 |
| ----- | | |
| 2005 and thereafter | -- | 82.7 |
| ----- | | |
| | \$62.3 | \$175.6 |

The present value of the above future capital lease payments is included in the

liability section of the balance sheet. At the end of fiscal 1999, \$25.5 million was classified as current and \$29.7 million as long-term.

16) Other Commitments and Contingencies

General partnerships, in which subsidiaries of Air Products have a 50% interest, own facilities in Stockton, California and Cambria County, Pennsylvania that burn coal and coal waste, respectively, and produce electricity and steam. Air Products is also operator of these projects. In the aggregate for both facilities, specific performance guarantees obligate Air Products to pay damages of \$3 million annually up to a cumulative total of \$23 million under certain circumstances and if the general partnership is unable to service its debt.

Other completed cogeneration projects, in which Air Products, through equity affiliates, beneficially owns 48.9% (Map Ta Phut, Thailand) and 50% (Rotterdam, the Netherlands) burn natural gas to produce electricity and steam. Specific equity support agreements related to the financings of the two projects obligate Air Products to contribute equity up to a cumulative total for the two projects of \$17 million under certain circumstances.

Additionally, Air Products and a subsidiary have a 50% interest in a limited partnership that owns a natural gas-fired cogeneration facility in Orlando, Florida. Under agreements with the partnership, Air Products provides financial support relating to the facility's natural gas supply. In the event the partnership's municipal utility district customer (one of the project's two power purchasers) terminates its contract due to a partnership default, Air Products will make available up to \$15 million (escalates from February 1992) to compensate the utility district for the higher cost of power procured from other sources over a period of up to five years.

In connection with the financing of the domestic cogeneration projects, Air Products has contracted to provide financial support in the event of a title problem at the plant site.

In addition, the company has guaranteed repayment of borrowings of certain domestic and foreign equity affiliates. At year end, these guarantees totaled approximately \$52 million.

The company has accrued for certain environmental investigatory and noncapital remediation costs consistent with the policy set forth in Note 1. The potential exposure for such costs is estimated to range from \$10 million to a reasonably possible upper exposure of \$26 million. The balance sheet at 30 September 1999 includes an accrual of \$19.4 million. The company does not expect that any sums it may have to pay in connection with these environmental matters would have a materially adverse effect on its consolidated financial position or results of operations in any one year.

The company in the normal course of business has commitments, lawsuits, contingent liabilities, and claims. However, the company does not expect that any sum it may have to pay in connection with these matters will have a materially adverse effect on its consolidated financial position or results of operations. The company also has contingencies related to the BOC acquisition. See Note 18.

At the end of fiscal 1999, the company had purchase commitments to spend approximately \$237 million for additional plant and equipment.

17) Acquisitions and Divestitures

Wacker-Chemie Joint Venture

On 1 October 1998, Air Products and Chemicals, Inc. and Wacker-Chemie GmbH formed two joint ventures to consolidate their respective positions in polymer emulsions and redispersible powder polymers businesses. The combined annual sales of the ventures were approximately \$800 million in fiscal 1999. The ventures extend the company's strategy to continue globalization of the chemicals segment by establishing manufacturing and support facilities in key regions.

The polymer emulsions joint venture, Air Products Polymers, L.P. (APP), is headquartered in the United States and has facilities in Germany, Mexico, Korea, and several locations in the United States. Air Products has a 65% interest in the venture and Wacker-Chemie has a 35% interest. This venture is consolidated into Air Products' financial statements and the Wacker-Chemie interest accounted for as a minority interest. The accounting for this transaction as a business combination resulted in the partial sale of assets, with a gain of \$34.9 million (\$23.6 million after-tax, or \$.11 per share).

The redispersible powders venture, Wacker Polymer Systems (WPS), is headquartered in Germany, with manufacturing facilities in Germany and the United States. Air Products has a 20% interest in this venture and reports the results by the equity accounting method.

Air Products' fiscal 1999 sales were approximately \$110 million higher than would have occurred without the ventures. After the Wacker-Chemie minority interest eliminations, net income in the initial year of operation was approximately the same as before the ventures.

American Ref-Fuel Company

In December 1997, the company sold substantially all of its 50% interest in the American Ref-Fuel Company, its former waste-to-energy joint venture with Browning-Ferris Industries, Inc. (BFI), to a limited liability company formed by Duke Energy Power Services and United American Energy Corporation. This transaction provided for the sale of Air Products' interest in American Ref-Fuel's five waste-to-energy facilities for \$237 million, and Duke Energy Capital Corporation, the parent company of Duke Energy Power Services,

assumed various parental support agreements. The income statement for the year ended 30 September 1998 includes a gain of \$62.6 million from this sale (\$35.1 million after-tax, or \$.16 per share).

Carbueros Metalicos S.A.

In November 1994, the company published a tender offer to acquire 74.2% of the outstanding shares (9.7 million) of Carbueros Metalicos S.A. (Carbueros), representing all of the shares in Carbueros not owned by the company. The company made a second tender offer in September 1995 and a third tender offer in September 1996. The company acquired less than 1% of the outstanding shares in the initial tender offer while the second tender offer resulted in the acquisition of an additional 21.5% (2.8 million) of the outstanding shares at a cost of \$120.0 million. On 22 October 1996, the company obtained control of Carbueros through the acquisition of an additional 49.1% (6.4 million) of the outstanding shares at a cost of \$288.4 million. The acquisition was funded through the issuance of U.S. dollar debt effectively converted to Spanish Peseta liabilities through the use of interest rate and currency swap contracts and foreign exchange contracts.

Carbueros is a leading supplier of industrial gases in Spain. This transaction was accounted for as a step acquisition purchase, and the results for the year ended 30 September 1997 contained approximately forty-five weeks of consolidated operating results for Carbueros. Previously, the company accounted for its investment using the equity method. The company has recorded a total of \$212.2 million as cumulative goodwill related to the shares acquired in the three tender offers. The goodwill is amortized on a straight-line basis over forty years.

In fiscal 1998, the company purchased most of the remaining minority interest in Carbueros. The company now owns 99.7% of the outstanding shares of Carbueros.

18) BOC Transaction

In July 1999, the company and L'Air Liquide S.A. ("Air Liquide") of France agreed to the terms of a recommended offer under which they would acquire BOC, the leading British industrial gases company, for UK(pound)14.60 per share in cash, or a total of approximately UK(pound)7.2 billion. Air Products has a UK(pound)3,950.0 million credit agreement to provide backup for commercial paper or direct funding for its 50% share of the offer price. Fees incurred to secure this credit agreement have been deferred and will be amortized on a straight-line basis over the term of the arrangement. The offer will formally commence in the United Kingdom and the United States upon receipt of the necessary regulatory clearances, which are expected in the first quarter of calendar year 2000. The company expects the transaction will be included in the company's financial results for approximately six months of fiscal 2000. Due to the joint control with Air Liquide, the operations will initially be accounted for under the equity method. As the company gains control and ownership of approximately one-half of the BOC assets expected to be allocated to it, the operations will be accounted for as consolidated entities.

If the BOC acquisition transaction does not occur, the deferred costs that would be capitalized as part of the purchase price would be expensed. In addition, under certain circumstances, if the offer to BOC is not made or lapses, Air Products and Air Liquide have agreed to pay BOC a fee of \$100 million, which would be split equally between Air Products and Air Liquide.

As of 30 September 1999, the company entered into purchased currency options contracts for approximately UK(pound)1.7 billion. These options expire in fiscal year 2000. Subsequent to 30 September 1999, the company entered into additional purchased options and option combination contracts with a gross notional value of approximately UK(pound)4.0 billion to further hedge the proposed acquisition. The net impact of the option contracts entered to date (after adjusting for the tax impact of the hedge placed) is a hedge of approximately UK(pound)2.2 billion of the company's UK(pound)3.6 billion share of the purchase price. The company will record gains and losses associated with changes in the market value of these options currently in earnings since hedge accounting may not be applied to instruments which are used to hedge the cost of a business combination. The results for the twelve months ended 30 September 1999 include a net gain of \$7.0 million (\$4.4 million after-tax, or \$.02 per share), from these currency options, net of preacquisition expenses.

19) Supplementary Information

Payables, Trade and Other

| 30 September (millions of dollars) | 1999 | 1998 |
|---|---------|---------|
| Accounts payable, trade | \$441.5 | \$398.0 |
| Outstanding checks payable in excess of certain cash balances | 13.8 | 23.3 |
| Customer advances | 50.5 | 57.4 |
| | \$505.8 | \$478.7 |
| Accrued Liabilities | | |
| 30 September (millions of dollars) | 1999 | 1998 |
| Accrued payroll and employee benefits | \$ 83.0 | \$109.0 |
| Accrued interest expense | 44.9 | 45.8 |
| Other accrued liabilities | 279.1 | 178.0 |
| | \$407.0 | \$332.8 |
| Short-Term Borrowings | | |
| 30 September (millions of dollars) | 1999 | 1998 |
| Bank obligations | \$ 41.8 | \$ 28.4 |
| Commercial paper | 363.0 | 240.2 |
| Notes payable--other | 2.8 | 1.5 |
| | \$407.6 | \$270.1 |

The weighted average interest rate of short-term commercial paper outstanding as of 30 September 1999 and 1998 was 5.3% and 5.5%, respectively.

Other Income (Expense), Net

| (millions of dollars) | 1999 | 1998 | 1997 |
|---|---------|---------|---------|
| Interest income | \$ 6.4 | \$ 5.3 | \$ 6.7 |
| Foreign exchange | (3.0) | (8.3) | (5.8) |
| Gain (loss) on sale of assets and investments | (3.7) | 18.6 | 25.1 |
| Impairment loss of long-lived assets | (.5) | (2.2) | (9.9) |
| Royalty and technology income | 3.5 | 2.6 | 2.7 |
| Amortization of intangibles | (18.6) | (16.4) | (14.6) |
| Technical aid fees | 11.9 | 11.4 | 12.8 |
| Insurance recoveries | 6.2 | -- | -- |
| Miscellaneous | 17.5 | 4.5 | 7.9 |
| | \$ 19.7 | \$ 15.5 | \$ 24.9 |

Additional Cash Flow Information

Cash paid for interest and taxes is as follows:

| (millions of dollars) | 1999 | 1998 | 1997 |
|---------------------------------------|---------|---------|---------|
| Interest (net of amounts capitalized) | \$156.0 | \$163.1 | \$161.5 |
| Taxes (net of refunds) | 148.3 | 246.2 | 89.1 |

Significant noncash transactions are as follows:

| (millions of dollars) | 1999 | 1998 | 1997 |
|-------------------------|--------|-------|-------|
| Capital lease additions | \$18.5 | \$5.7 | \$3.0 |

| | | | |
|--|------|------|-----|
| Liabilities associated with acquisitions | 7.4 | 10.0 | 1.1 |
| Exchange of assets | 19.5 | -- | -- |

Additional Income Statement Information

Fiscal 1999 results included several special items which essentially offset at the net income and earnings per share level. The components of special items on a before- and after-tax basis were: a gain of \$34.9 million (\$23.6 million after-tax, or \$.11 per share) on the partial sale of assets related to the formation of Air Products Polymers (a 65% majority-owned venture with Wacker-Chemie GmbH); expense of \$34.2 million (\$21.9 million after-tax, or \$.10 per share) related to the global cost reduction programs; expense of \$10.3 million (\$6.4 million after-tax, or \$.03 per share) related to chemicals facility closure costs; and a gain of \$7.0 million (\$4.4 million after-tax, or \$.02 per share) from a gain on foreign currency options from the expected BOC acquisition, net of preacquisition expenses.

Fiscal 1998 results were increased by net after-tax income of \$58.1 million, or \$.26 per share, for special items. The components of special items on a before- and after-tax basis were: a gain of \$62.6 million (\$35.1 million after-tax, or \$.16 per share) on the sale of substantially all of the company's 50% interest in the American Ref-Fuel Company; a gain of \$28.3 million (\$15.4 million after-tax, or \$.07 per share) from a power contract restructuring related to an American Ref-Fuel project; and a gain of \$12.6 million (\$7.6 million after-tax, or \$.03 per share) from a cogeneration project contract settlement.

Fiscal 1997 results were increased by net after-tax income of \$1.6 million, or \$.01 per share, for special items. The components of special items on a before- and after-tax basis were: a gain of \$9.5 million (\$5.9 million after-tax, or \$.03 per share) on the sale of the landfill gas recovery business; a gain of \$7.3 million (\$4.5 million after-tax, or \$.02 per share) on the partial sale of the cost basis Daido Hoxan investment; an impairment loss of \$9.3 million (\$6.0 million after-tax, or \$.03 per share) in the chemicals release agent business; and a loss of \$4.8 million (\$2.8 million after-tax, or \$.01 per share) from debt refinancing by an equity affiliate.

Summary by Quarter

This table summarizes the unaudited results of operations for each quarter of 1999 and 1998:

| (millions of dollars, except per share) | First | Second | Third | Fourth |
|---|---------------|-----------|-----------|---------------|
| 1999 | | | | |
| Sales | \$1,274.6 | \$1,253.3 | \$1,237.8 | \$1,254.4 |
| Operating income | 189.0 (a) | 182.7 (c) | 167.7 (d) | 185.3 |
| Net income | 126.4 (a) (b) | 106.9 (c) | 94.6 (d) | 122.6 (e) (f) |
| Basic earnings per common share | .60 (a) (b) | .51 (c) | .45 (d) | .58 (e) (f) |
| Diluted earnings per common share | .59 (a) (b) | .50 (c) | .44 (d) | .57 (e) (f) |
| Dividends per common share | .17 | .17 | .18 | .18 |
| Price per common share: high | 40 15/16 | 41 | 49 1/8 | 43 |
| low | 29 7/8 | 30 5/8 | 33 13/16 | 27 15/16 |
| 1998 | | | | |
| Sales | \$1,234.8 | \$1,208.6 | \$1,225.3 | \$1,250.3 |
| Operating income | 213.0 | 206.4 | 211.5 | 214.8 |
| Net income | 160.5 (g) (h) | 120.5 | 138.1 (i) | 127.7 |
| Basic earnings per common share | .74 (g) (h) | .56 | .64 (i) | .60 |
| Diluted earnings per common share | .72 (g) (h) | .54 | .63 (i) | .59 |
| Dividends per common share | .15 | .15 | .17 | .17 |
| Price per common share: high | 41 21/32 | 43 7/8 | 45 11/32 | 40 1/8 |
| low | 36 3/32 | 37 27/32 | 38 9/16 | 29 3/4 |

(a) Includes a charge to operating income of \$20.3 million (\$12.9 million after-tax, or \$.06 per share) for the global cost reduction program.

(b) Includes a gain of \$31.2 million (\$21.4 million after-tax, or \$.10 per share) on the formation of the polymers venture.

(c) Includes expense of \$10.3 million (\$6.4 million after-tax, or \$.03 per share) related to the closure of a chemicals facility.

(d) Includes a charge of \$13.9 million (\$9.0 million after-tax, or \$.04 per share) for the global cost reduction program.

(e) Includes a gain of \$3.8 million (\$2.3 million after-tax, or \$.01 per share) on the formation of the polymers venture.

(f) Includes a gain of \$7.0 million (\$4.4 million after-tax, or \$.02 per share) related to the gain on currency options, net of preacquisition expenses for BOC.

(g) Includes a gain of \$62.6 million (\$35.1 million after-tax, or \$.16 per share) from the sale of American Ref-Fuel.

(h) Includes a gain of \$12.6 million (\$7.6 million after-tax, or \$.03 per share) related to a project settlement.

(i) Includes a gain of \$28.3 million (\$15.4 million after-tax, or \$.07 per share) related to a power contract restructuring.

20) Business Segment and Geographic Information

Effective in 1999, the company adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." This Statement defines the disclosure requirements for operating segments. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Statement also establishes standards for related disclosure requirements about products and services, geographic areas, and major customers. Prior year amounts have been restated to conform with the current year presentation.

The company's segments are organized based on differences in products. The company has three operating segments consisting of gases, chemicals, and equipment. The company's divested environmental and energy systems (American Ref-Fuel and landfill gas) businesses are included in other.

The company's gases segment includes its industrial gases, power generation, and flue gas treatment businesses. The company is a leading international supplier of industrial and specialty gas products. Principal products of the industrial gases business are oxygen, nitrogen, argon, hydrogen, carbon monoxide, synthesis gas, and helium. The largest market segments are chemical processing, refining, metal production, electronics, food processing, and medical gases. The company has its strongest industrial gas market positions in the United States and Europe.

The gases segment also includes the company's power generation and flue gas treatment businesses. The company constructed, operates, and has a 50% interest in power generation facilities in California, Pennsylvania, Florida, Rotterdam, and Thailand. The company also markets, develops, designs, and builds flue gas treatment systems.

The chemical businesses consist of polymer chemicals, performance chemicals, and chemical intermediates. Polymer chemicals include polymer emulsions, redispersible powders, and polyvinyl alcohol.

Principal products of performance chemicals are specialty additives, polyurethane additives, and epoxy additives. Principal chemical intermediates are amines and polyurethane intermediates. The company also produces certain industrial chemicals. The end markets for the company's chemical products are extensive, including adhesive, textile, paper, building products, agriculture, and furniture. Principal geographic markets for the company's chemical products are North America, Europe, Asia, Brazil, and Mexico.

The equipment segment designs and manufactures cryogenic and gas processing equipment for air separation, gas processing, natural gas liquefaction, and hydrogen purification. The segment also designs and builds systems for recovering gases using membrane technology. Equipment is sold worldwide to companies involved in chemical and petrochemical manufacturing, oil and gas recovery and processing, power generation, and steel and primary metal production. Equipment is also manufactured for the company's industrial gas business. Another important market, particularly for air separation equipment, is the company's international industrial gas joint ventures.

The accounting policies of the segments are the same as those described in Note 1. The company allocates resources to segments and evaluates the performance of segments based upon reported segment operating income. Operating income of the business segments includes general corporate expenses. Corporate expenses not allocated to the segments (primarily long-term research and development and interest expense) are included in the reconciliation of the reportable segments' operating income to the company's consolidated income before income taxes. Intersegment sales are not material and are recorded at selling prices that approximate market prices. Equipment manufactured for the company's industrial gas business is generally transferred at cost and not reflected as an intersegment sale. Corporate assets are primarily cash, corporate facilities, fair value of currency options related to the BOC transaction, deferred financial expense, and other nonallocated assets. Long-lived assets include investment in net assets of and advances to equity affiliates, net plant and equipment and goodwill.

1999 Sales by Business Segment Graph
1999 Sales by Geography Graph

Business segment information is shown below:

| (millions of dollars) | Gases | Chemicals | Equipment | All Other | Segment Totals | Consolidated Totals |
|---|-----------|-----------|-----------|-----------|----------------|---------------------|
| 1999 | | | | | | |
| Revenues from external customers | \$2,996.4 | \$1,657.4 | \$366.3 | \$-- | \$5,020.1 | \$5,020.1 |
| Operating income | 521.9 | 193.7 | 34.7 | .5 | 750.8 | 724.7 |
| Operating income - excluding special items | 548.9 | 208.0 | 37.4 | .5 | 794.8 | 769.2 |
| Depreciation and amortization | 405.4 | 125.2 | 9.4 | -- | 540.0 | 540.0 |
| Equity affiliates' income | 46.8 | 12.4 | 1.6 | .7 | 61.5 | 61.5 |
| Net gain on formation of polymer venture | -- | 34.9 | -- | -- | 34.9 | 34.9 |
| Segment assets: | | | | | | |
| Identifiable assets | 5,436.1 | 1,626.2 | 265.0 | -- | 7,327.3 | 7,714.1 |
| Investment in and advances to equity affiliates | 458.6 | 61.3 | .8 | -- | 520.7 | 521.4 |
| Total segment assets | 5,894.7 | 1,687.5 | 265.8 | -- | 7,848.0 | 8,235.5 |
| Expenditures for long-lived assets | 913.8 | 158.8 | 14.6 | -- | 1,087.2 | 1,114.6 |
| 1998 | | | | | | |
| Revenues from external customers | \$2,950.1 | \$1,539.2 | \$429.7 | \$-- | \$4,919.0 | \$4,919.0 |
| Operating income | 565.0 | 247.2 | 59.2 | .7 | 872.1 | 845.7 |
| Operating income - excluding special items | 565.0 | 247.2 | 59.2 | .7 | 872.1 | 845.7 |
| Depreciation and amortization | 382.4 | 107.7 | 7.8 | -- | 497.9 | 499.3 |
| Equity affiliates' income | 33.3 | .6 | 1.9 | 2.2 | 38.0 | 38.0 |
| Gain on American Ref-Fuel sale and contract settlements | 12.6 | -- | -- | 90.9 | 103.5 | 103.5 |
| Segment assets: | | | | | | |
| Identifiable assets | 5,108.1 | 1,527.3 | 279.3 | -- | 6,914.7 | 7,127.6 |
| Investment in and advances to equity affiliates | 354.0 | 2.4 | .2 | -- | 356.6 | 362.0 |
| Total segment assets | 5,462.1 | 1,529.7 | 279.5 | -- | 7,271.3 | 7,489.6 |
| Expenditures for long-lived assets | 639.3 | 329.3 | 16.5 | -- | 985.1 | 1,000.7 |
| 1997 | | | | | | |
| Revenues from external customers | \$2,719.4 | \$1,448.1 | \$469.1 | \$1.2 | \$4,637.8 | \$4,637.8 |
| Operating income | 500.1 | 198.3 | 30.0 | 9.7 | 738.1 | 726.1 |
| Operating income - excluding special items | 492.8 | 207.6 | 30.0 | .2 | 730.6 | 718.6 |
| Depreciation and amortization | 353.2 | 104.5 | 7.4 | -- | 465.1 | 467.3 |
| Equity affiliates' income | 41.8 | .4 | .8 | 23.3 | 66.3 | 66.3 |
| Segment assets: | | | | | | |
| Identifiable assets | 4,833.0 | 1,267.7 | 330.3 | .8 | 6,431.8 | 6,688.4 |
| Investment in and advances to equity affiliates | 339.7 | 2.4 | -- | 212.7 | 554.8 | 555.7 |
| Total segment assets | 5,172.7 | 1,270.1 | 330.3 | 213.5 | 6,986.6 | 7,244.1 |
| Expenditures for long-lived assets | 1,024.0 | 165.6 | 1.7 | -- | 1,191.3 | 1,221.6 |

A reconciliation of the totals reported for the operating segments to the applicable line items on the consolidated financial statements is as follows:

| (millions of dollars) | 1999 | 1998 | 1997 |
|---|-----------|-----------|-----------|
| ----- | | | |
| Operating Income to Consolidated Income Before Income Taxes and Minority Interest | | | |
| ----- | | | |
| Total segment operating income | \$ 750.8 | \$ 872.1 | \$ 738.1 |
| ----- | | | |
| Corporate research and development | (29.4) | (25.8) | (22.3) |
| ----- | | | |
| Other corporate income (expense) | 3.3 | (.6) | 10.3 |
| ----- | | | |
| Consolidated operating income | 724.7 | 845.7 | 726.1 |
| Equity affiliates' income | 61.5 | 38.0 | 66.3 |
| ----- | | | |
| Gain on American Ref-Fuel sale and contract settlements | -- | 103.5 | -- |
| ----- | | | |
| Gain on formation of polymer venture | 34.9 | -- | -- |
| ----- | | | |
| Gain on currency options related to BOC transaction, net of preacquisition expenses | 7.0 | -- | -- |
| ----- | | | |
| Interest expense | (159.1) | (162.8) | (161.3) |
| ----- | | | |
| Consolidated income before income taxes and minority interest | \$ 669.0 | \$ 824.4 | \$ 631.1 |
| ----- | | | |
| Segment Assets to Total Assets | | | |
| ----- | | | |
| Total segment assets | \$7,848.0 | \$7,271.3 | \$6,986.6 |
| ----- | | | |
| Corporate assets | 387.5 | 218.3 | 257.5 |
| ----- | | | |
| Total assets | \$8,235.5 | \$7,489.6 | \$7,244.1 |

Geographic information is presented below:

| (millions of dollars) | 1999 | 1998 | 1997 |
|----------------------------------|-----------|-----------|-----------|
| ----- | | | |
| Revenues from External Customers | | | |
| ----- | | | |
| United States | \$3,226.9 | \$3,381.5 | \$3,269.7 |
| ----- | | | |
| United Kingdom | 620.4 | 583.6 | 547.7 |
| ----- | | | |
| Spain | 319.0 | 322.0 | 241.8 |
| ----- | | | |
| Other Europe | 564.3 | 387.7 | 388.8 |
| ----- | | | |
| Total Europe | 1,503.7 | 1,293.3 | 1,178.3 |
| ----- | | | |
| Canada/Latin America | 202.4 | 216.6 | 171.7 |
| ----- | | | |
| Asia | 86.8 | 27.3 | 17.7 |
| ----- | | | |
| All Other | .3 | .3 | .4 |
| ----- | | | |
| Total | \$5,020.1 | \$4,919.0 | \$4,637.8 |
| ----- | | | |
| Long-lived Assets | | | |
| ----- | | | |
| United States | \$3,482.1 | \$3,160.2 | \$3,188.2 |
| ----- | | | |
| United Kingdom | 513.1 | 466.4 | 376.4 |
| ----- | | | |
| Spain | 412.2 | 455.9 | 439.6 |
| ----- | | | |
| Other Europe | 873.4 | 796.2 | 692.8 |
| ----- | | | |
| Total Europe | 1,798.7 | 1,718.5 | 1,508.8 |
| ----- | | | |
| Canada/Latin America | 327.0 | 342.4 | 308.5 |
| ----- | | | |
| Asia | 442.6 | 243.3 | 231.5 |
| ----- | | | |
| All Other | 14.3 | 8.6 | 8.4 |
| ----- | | | |
| Total | \$6,064.7 | \$5,473.0 | \$5,245.4 |

Note: Geographic information is based on country of origin. Included in United States revenues are export sales to unconsolidated customers of \$528.4 million in 1999, \$649.6 million in 1998, and \$570.7 million in 1997. The other Europe segment operates principally in France, Germany, Netherlands, and Belgium.

Eleven-Year Summary of Selected Financial Data

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES

| (millions of dollars, except per share) | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 | 1989 |
|---|----------|---------|---------|---------|---------|---------|----------|---------|---------|---------|---------|
| Operating Results | | | | | | | | | | | |
| Sales | \$5,020 | \$4,919 | \$4,638 | \$4,008 | \$3,865 | \$3,485 | \$3,328 | \$3,217 | \$2,931 | \$2,895 | \$2,642 |
| Cost of sales(a) | 3,501 | 3,317 | 3,195 | 2,780 | 2,678 | 2,455 | 2,340 | 2,233 | 2,030 | 2,042 | 1,843 |
| Selling and administrative(a) | 691 | 660 | 628 | 548 | 508 | 446 | 434 | 428 | 411 | 392 | 368 |
| Research and development | 123 | 112 | 114 | 114 | 103 | 97 | 92 | 85 | 80 | 72 | 71 |
| Workforce reduction and asset write-downs | -- | -- | -- | -- | -- | -- | 120 | -- | -- | -- | -- |
| Operating income | 725 | 846(b) | 726(b) | 591 | 602 | 486 | 369 | 481 | 435 | 399 | 382 |
| Equity affiliates' income(c) | 62 | 38 | 66 | 80 | 51 | 28 | 13 | 16 | 13 | 17 | 9 |
| (Settlement)/Loss on leveraged interest rate swaps | -- | -- | -- | (67) | -- | 107 | -- | -- | -- | -- | -- |
| Interest expense | 159 | 163 | 161 | 129 | 100 | 81 | 81 | 90 | 86 | 83 | 73 |
| Income taxes | 203 | 277 | 201 | 193 | 185 | 92 | 100 | 130 | 113 | 103 | 96 |
| Income from continuing operations | 451 | 547(d) | 429 | 416(e) | 368 | 234(f) | 201(g) | 277 | 249 | 230 | 222 |
| Net income | 451 | 547(d) | 429 | 416(e) | 368 | 248(h) | 201(g) | 271(i) | 249 | 230 | 222 |
| Basic earnings per common share(j) | | | | | | | | | | | |
| Continuing operations | 2.12 | 2.54(d) | 1.95 | 1.86(e) | 1.64 | 1.03(f) | .88(g) | 1.23 | 1.11 | 1.04 | 1.01 |
| Net income | 2.12 | 2.54(d) | 1.95 | 1.86(e) | 1.64 | 1.09(h) | .88(g) | 1.20(i) | 1.11 | 1.04 | 1.01 |
| Diluted earnings per common share(j) | | | | | | | | | | | |
| Continuing operations | 2.09 | 2.48(d) | 1.91 | 1.83(e) | 1.62 | 1.01(f) | .87 | 1.20 | 1.09 | 1.02 | .99 |
| Net income | 2.09 | 2.48(d) | 1.91 | 1.83(e) | 1.62 | 1.07(h) | .87 | 1.17 | 1.09 | 1.02 | .99 |
| Year-End Financial Position | | | | | | | | | | | |
| Plant and equipment, at cost | \$10,188 | \$9,490 | \$8,727 | \$8,103 | \$7,350 | \$6,520 | \$5,953 | \$5,785 | \$5,332 | \$5,010 | \$4,442 |
| Total assets | 8,236 | 7,490 | 7,244 | 6,522 | 5,816 | 5,036 | 4,761 | 4,492 | 4,228 | 3,900 | 3,366 |
| Working capital | (75) | 376 | 500 | 111 | 21 | 101 | 322 | 279 | 117 | 214 | 262 |
| Long-term debt | 1,962 | 2,274 | 2,292 | 1,739 | 1,194 | 923 | 1,016 | 956 | 945 | 954 | 854 |
| Shareholders' equity | 2,962 | 2,667 | 2,648 | 2,574 | 2,398 | 2,206 | 2,102 | 2,098 | 1,841 | 1,688 | 1,445 |
| Financial Ratios | | | | | | | | | | | |
| Return on sales(k) | 9.0% | 11.1% | 9.3% | 10.4% | 9.5% | 6.7% | 6.0% | 8.6% | 8.5% | 7.9% | 8.4% |
| Return on average shareholders' equity(k) | 16.1% | 20.8% | 16.6% | 16.6% | 16.1% | 10.9% | 9.6% | 14.0% | 14.1% | 14.7% | 16.4% |
| Total debt to sum of total debt and shareholders' equity(l) | 49.0% | 50.3% | 48.2% | 46.0% | 41.2% | 36.0% | 37.3% | 33.9% | 38.1% | 38.5% | 38.4% |
| Cash provided by operations to average total debt(l) | 39.5% | 38.6% | 40.9% | 38.5% | 48.6% | 59.5% | 50.3% | 52.7% | 57.7% | 52.7% | 53.7% |
| Interest coverage ratio | 4.6 | 5.5 | 4.4 | 5.1 | 5.5 | 4.5 | 4.4 | 5.4 | 4.2 | 4.2 | 4.6 |
| Other Data | | | | | | | | | | | |
| For the year: | | | | | | | | | | | |
| Depreciation | \$527 | \$489 | \$459 | \$412 | \$382 | \$353 | \$346(m) | \$340 | \$319 | \$303 | \$281 |
| Capital expenditures(n) | 1,115 | 1,001 | 1,222 | 1,164 | 969 | 655 | 666 | 485 | 657 | 621 | 562 |
| Cash dividends per common share(j) | .70 | .64 | .58 | .53 | .51 | .47 | .45 | .41 | .38 | .35 | .32 |
| Market price range per common share(j) | 49-28 | 45-29 | 44-29 | 30-24 | 29-21 | 25-19 | 25-18 | 25-15 | 18-10 | 15-11 | 12-9 |
| Average common shares outstanding (millions) | 212 | 216 | 220 | 223 | 224 | 227 | 228 | 226 | 224 | 222 | 220 |
| Average common shares and common stock equivalent shares outstanding (millions) | 216 | 220 | 225 | 227 | 228 | 231 | 232 | 231 | 228 | 226 | 224 |
| At year end: | | | | | | | | | | | |
| Book value per common share(j) | 13.90 | 12.61 | 12.05 | 11.65 | 10.74 | 9.73 | 9.21 | 9.25 | 8.20 | 7.58 | 6.56 |
| Shareholders | 11,900 | 11,500 | 11,200 | 11,700 | 1,800 | 11,900 | 11,800 | 11,100 | 10,900 | 11,100 | 11,400 |
| Employees | 17,400 | 16,700 | 16,400 | 15,200 | 14,800 | 14,100 | 15,300 | 14,500 | 14,600 | 14,000 | 14,100 |

- (a) The results have been restated to reflect the presentation of distribution expense in cost of sales.
- (b) The results have been restated to reflect the presentation of minority interest in a separate line item between income taxes and net income.
- (c) Includes related expenses and gain on sale of investment in equity affiliates. Excludes the gain on the sale of the American Ref-Fuel Company and contract settlements in 1998.
- (d) Includes an after-tax gain of \$58 million, or \$.26 per share from the sale of American Ref-Fuel and contract settlements.
- (e) Includes an after-tax gain of \$41 million, or \$.18 per share, from a settlement associated with leveraged interest rate swap contracts.
- (f) Includes a charge of \$75 million, or \$.33 per share, for a loss on certain derivative contracts.
- (g) Includes a charge of \$76 million, or \$.34 per share, for workforce reduction and asset write-downs.
- (h) Includes a charge of \$75 million, or \$.33 per share, for a loss on certain derivative contracts and a net gain of \$14 million, or \$.06 per share, for the cumulative effect of accounting changes.
- (i) Net income for fiscal 1992 includes an extraordinary charge of \$6 million, or \$.03 per share, for the early retirement of debt.
- (j) Data per common share are based on the average number of shares outstanding during each year retroactively restated to reflect a two-for-one stock split in 1998 and 1992, except for book value per common share, which is based on the number of shares outstanding at the end of each year retroactively restated.
- (k) Financial ratios were calculated using income from continuing operations.
- (l) Total debt includes long-term debt, current portion of long-term debt and short-term borrowings as of the end of the year.
- (m) Depreciation expense in 1993 excludes \$56 million associated with asset write-downs.
- (n) Capital expenditures include additions to plant and equipment, investment in and advances to equity affiliates, acquisitions, and capital lease additions.

Subsidiaries of Air Products and Chemicals, Inc.

The following is a list of the Company's subsidiaries, all of which are wholly owned as of 30 September 1999, except for certain subsidiaries of the Registrant which do not in the aggregate constitute a significant subsidiary as that term is defined in Rule 12b-2 under the Securities Exchange Act of 1934.

UNITED STATES

All companies are incorporated in the State of Delaware with the exception of Air Products World Trade, Inc. which is incorporated in the U.S. Virgin Islands.

Registrant -- Air Products and Chemicals, Inc.

Air Products (Didcot), Inc.

Air Products Helium, Inc.

Air Products Hydrogen Company, Inc.

Air Products, Incorporated

Air Products International Corporation

Air Products Manufacturing Corporation

Air Products of Oklahoma, Inc.

Air Products Polymers Holdings, L.P.

Air Products Polymers, L.P.

Air Products Powders, Inc.

Air Products World Trade, Inc.

APCI (U.K.), Inc.

Middletown Oxygen Company, Inc.

Prodair Corporation

BELGIUM

Air Products S.A.

Air Products Management S.A.

BRAZIL

Air Products Gases Industriais Ltda. (The organization of this affiliate more closely resembles a partnership with limited liability than a corporation.)

CANADA

Air products Canada Ltd.

CHINA

Chun Wang Industrial Gases, Limited

Northern Air Products (Tianjin) Limited

Southern Air Products (Guangzhou) Limited

FRANCE

Air Products Industrie

Air Products S.A.

Prodair et Cie S.C.S.

Prodair S.A.

GERMANY

Air Products GmbH

Air Products Polymers GmbH & Co KG

Air Products Powders GmbH

IRELAND

Air Products Ireland Limited

THE NETHERLANDS

Air Products Holdings B.V. (formerly Air Products Nederland B.V.)

Air Products Leasing B.V.

Air Products (Pernis) B.V.

Air Products (Rozenburg), Inc.

MALAYSIA

Sitt Tatt Industrial Gases Sdn. Bhd.

SPAIN

Air Products Iberica, S.A.

Gases Industriais, S.A.

S.E. de Carburos Metalicos S.A.

SINGAPORE

Air Products Singapore Pte. Ltd.

UNITED KINGDOM

Air Products PLC

Air Products Group Limited

Air Products (BR) Limited

Air Products (Chemicals) PLC

Air Products (Chemicals) Teeside Limited

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints HAROLD A. WAGNER or LEO J. DALEY or W. DOUGLAS BROWN, acting severally, his/her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place and stead, in any and all capacities, to sign the Form 10-K Annual Report for the fiscal year ended September 30, 1999 and all amendments thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities and Exchange Act of 1934, this Power of Attorney has been signed below by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|--|---|-------------------|
| /s/Harold A. Wagner ----- Harold A. Wagner | Director and Chairman of the Board (Principal Executive Officer) | November 18, 1999 |
| /s/John P. Jones III ----- John P. Jones III | Director | November 18, 1999 |
| /s/Joseph J. Kaminski ----- Joseph J. Kaminski | Director | November 18, 1999 |
| /s/Mario L. Baeza ----- Mario L. Baeza | Director | November 18, 1999 |
| /s/Tom H. Barrett ----- Tom H. Barrett | Director | November 18, 1999 |
| /s/L. Paul Bremer III ----- L. Paul Bremer III | Director | November 18, 1999 |
| /s/Robert Cizik ----- Robert Cizik | Director | November 18, 1999 |
| /s/Ursula F. Fairbairn ----- Ursula F. Fairbairn | Director | November 18, 1999 |
| /s/Edward E. Hagenlocker ----- Edward E. Hagenlocker | Director | November 18, 1999 |
| /s/James F. Hardymon ----- James F. Hardymon | Director | November 18, 1999 |
| /s/Terry R. Lautenbach ----- Terry R. Lautenbach | Director | November 18, 1999 |
| /s/Ruud F. M. Lubbers ----- Ruud F. M. Lubbers | Director | November 18, 1999 |
| ----- Takeo Shiina | Director | November 18, 1999 |

/s/Lawrason D. Thomas

Director

November 18, 1999

Lawrason D. Thomas

This Schedule contains summary financial information extracted from the consolidated balance sheet and the consolidated statement of income filed as part of Form 10-K and is qualified in its entirety by reference to such Form 10-K .

1,000,000
U S Dollar

| YEAR | | |
|-------------|------|-------|
| SEP-30-1999 | | |
| OCT-01-1998 | | |
| SEP-30-1999 | 1 | 62 |
| | 0 | |
| | 907 | |
| | 12 | |
| | 425 | |
| | 1782 | 10188 |
| | 4995 | |
| | 8236 | |
| 1858 | | 1962 |
| 0 | | 0 |
| | | 249 |
| | | 2713 |
| 8236 | | 5020 |
| | 5020 | |
| | | 3501 |
| | 3501 | |
| | 123 | |
| | 6 | |
| 159 | | |
| | 669 | |
| | 203 | |
| 451 | | |
| | 0 | |
| | 0 | |
| | | 0 |
| | 451 | |
| | 2.12 | |
| | 2.09 | |