

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

FORM 8-K

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

Date of Report (Date of earliest event reported) 21 January 2000

Air Products and Chemicals, Inc.

(Exact name of registrant as specified in charter)

Delaware ----- (State of other jurisdiction of incorporation)	1-4534 ----- (Commission file number)	23-1274455 ----- (IRS Identification number)
7201 Hamilton Boulevard, Allentown, Pennsylvania ----- (Address of principal executive offices)		18195-1501 ----- (Zip Code)

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

Item 5. Other Events.

The registrant reported income from operations of \$121 million, or diluted earnings per share of 56 cents, for the first quarter ended December 31, 1999. This excludes an after-tax charge of \$71 million, or 33 cents per share, primarily related to accounting charges recorded on purchased option and forward exchange contracts entered into to hedge the currency exposure of the BOC acquisition. The accompanying footnotes contain a full explanation of the accounting treatment. Income from operations was up three percent compared to last year's \$118 million, or 55 cents per share on a diluted basis. Sales of \$1.3 billion were down about one percent compared to the same period last year. The following discussion excludes the disclosed special items.

In reviewing the quarter, Air Products Chairman H. A. Wagner said, "Our gases team delivered strong performance worldwide, overcoming the substantial decline we anticipated in the equipment business. Faced with considerable raw material cost pressure, our chemicals group achieved encouraging results also, mainly due to significant volume growth. The volume momentum we saw this quarter, combined with the capacity we have in place, should provide extensive operating leverage going forward."

Industrial gas sales increased four percent, operating income increased 11 percent, and the worldwide gases operating margin increased to 19.6 percent

mainly because of strong performance in the electronics segment and in Asia. Specialty gas sales increased more than 20 percent, while the wholly-owned Schumacher unit's sales of electronic chemicals and equipment were up more than 60 percent compared to the prior year. Asian profits grew as volumes increased by more than 20 percent and from the consolidation of some joint ventures that are now wholly-owned. Gases equity affiliates' income was up significantly due to strong performance.

Chemicals sales were up eight percent on strong volume across all businesses. Operating income fell two percent as the favorable volume impact was more than offset by higher raw material prices in the polymers division, some price declines, and costs associated with a plant turn. The Company has announced price increases on select products to recover its raw material cost increases. Additionally, Goldman, Sachs & Co. has been engaged to help assess strategic alternatives for the polyvinyl alcohol business.

As expected, Equipment reported lower sales and operating income due to reduced business activity. Operating income fell \$24 million, or approximately seven cents per share, to \$1 million.

Mr. Wagner concluded by saying, "Our employees' strategic focus and execution have strengthened the competitive positions of our businesses, and their hard work is reflected in these results. At the start of the year, we projected earnings growth of approximately 10 percent before the impact of the BOC transaction. Given our performance this quarter, we have increased confidence in our ability to achieve that target."

***NOTE: 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. 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 acquisition 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, 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; and the impact of tax and other legislation and other regulations in the jurisdictions in which Air Products, BOC and their respective affiliates operate.***

Financial tables follow:

AIR PRODUCTS AND CHEMICALS, INC.
SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION
(Unaudited)

(Millions of dollars, except per share)

	Three Months Ended 31 December	
	1999	1998
Sales	\$1,264.4	\$1,274.6
Net Income:		
As reported	\$50.6(a)	\$126.4(b)
Exclusive of special items	\$121.2	\$117.9
Basic Earnings Per Share:		
As reported	\$.24(a)	\$.60(b)
Exclusive of special items	\$.57	\$.56
Diluted Earnings Per Share:		
As reported	\$.23(a)	\$.59(b)
Exclusive of special items	\$.56	\$.55
Operating Return on Net Assets (c)	10.0%	12.0%
Capital Expenditures	\$404.8	\$245.4(d)
Depreciation	\$131.7	\$127.8

- (a) Includes an after-tax charge of \$70.6 million, or \$.33 per share, for costs related to the BOC acquisition. This amount consists primarily of accounting charges recorded on purchased option and forward exchange contracts entered into to hedge the currency exposure of the BOC acquisition.
- (b) Includes an after-tax gain of \$21.4 million, or \$.10 per share, related to the formation of Air Products Polymers and an after-tax charge of \$12.9 million, or \$.06 per share, related to a global cost reduction plan.
- (c) Operating return on net assets (ORONA) is calculated as the rolling four quarter sum of operating income divided by the rolling five quarter average of total assets less investments in equity affiliates. The ORONA calculation for the three months ended 31 December 1998 excludes \$20.3 million in charges related to a global cost reduction plan.
- (d) Excludes the Company's contribution of \$121.4 million of assets to the Air Products Polymers venture.

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

(Millions of dollars, except per share)

	Three Months Ended 31 December	
	1999	1998
SALES AND OTHER INCOME		
Sales	\$1,264.4	\$1,274.6
Other income (expense), net	6.8	4.9
	1,271.2	1,279.5
COSTS AND EXPENSES		
Cost of sales	877.1	875.6
Selling and administrative	167.8	183.2
Research and development	30.1	31.7
	196.2	189.0
OPERATING INCOME		
Income from equity affiliates, net of related expenses	20.3	9.8
Net gain on formation of polymer venture	--	31.2
Loss on currency hedges related to BOC transaction and preacquisition expenses	113.2	--
Interest expense	41.3	40.4
	62.0	189.6
INCOME BEFORE TAXES AND MINORITY INTEREST		
Income taxes	9.1	59.9
Minority interest (a)	2.3	3.3
	\$50.6	\$126.4
NET INCOME		
=====		
BASIC EARNINGS PER COMMON SHARE	\$.24	\$.60

DILUTED EARNINGS PER COMMON SHARE	\$.23	\$.59

WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in millions)	213.2	211.4

WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES (in millions) (b)	215.5	215.4

DIVIDENDS DECLARED PER COMMON SHARE - Cash	\$.18	\$.17

(a) Minority interest primarily includes before-tax amounts.

(b) The dilution of earnings per common share is due mainly to the impact of unexercised stock options.

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

(Millions of dollars)

ASSETS	31 December	
	1999	1998
CURRENT ASSETS		
Cash and cash items	\$79.5	\$57.8
Trade receivables, less allowances for doubtful accounts	921.5	886.1
Inventories	430.5	452.1
Contracts in progress, less progress billings	95.9	136.6
Other current assets	335.7	129.2
TOTAL CURRENT ASSETS	1,863.1	1,661.8
INVESTMENTS IN NET ASSETS OF AND ADVANCES TO EQUITY AFFILIATES		
OTHER INVESTMENTS AND ADVANCES	38.9	24.5
PLANT AND EQUIPMENT, at cost	10,381.5	9,687.2
Less - Accumulated depreciation	5,055.5	4,793.5
PLANT AND EQUIPMENT, net	5,326.0	4,893.7
GOODWILL	339.0	346.4
OTHER NONCURRENT ASSETS	455.4	351.7
TOTAL ASSETS	\$8,514.9	\$7,718.9
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Payables, trade and other	\$554.8	\$480.4
Accrued liabilities	494.5	269.6
Accrued income taxes	61.5	54.3
Short-term borrowings	763.7	252.7
Current portion of long-term debt	321.0	310.1
TOTAL CURRENT LIABILITIES	2,195.5	1,367.1
LONG-TERM DEBT		
DEFERRED INCOME & OTHER NONCURRENT LIABILITIES	505.8	605.2
DEFERRED INCOME TAXES	745.7	733.9
TOTAL LIABILITIES	5,457.3	4,829.4
MINORITY INTERESTS IN SUBSIDIARY COMPANIES		
	128.3	117.0
SHAREHOLDERS' EQUITY		
Common stock, par value \$1 per share	249.4	249.4
Capital in excess of par value	342.4	331.1
Retained earnings	3,714.0	3,490.5
Accumulated other comprehensive income	(323.2)	(203.3)
Treasury Stock, at cost	(681.6)	(681.6)
Shares in trust	(371.7)	(413.6)
TOTAL SHAREHOLDERS' EQUITY	2,929.3	2,772.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$8,514.9	\$7,718.9

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

(Millions of dollars)

	Three Months Ended 31 December	
	1999	1998
NET INCOME	\$50.6	\$126.4
OTHER COMPREHENSIVE INCOME, net of tax		
Foreign currency translation adjustments	(44.8)	24.3
Unrealized gains (losses) on investments:		
Unrealized holding gains (losses) arising during the period	(4.0)	3.9
Less: reclassification adjustment for gains included in net income	--	--
Net unrealized gains (losses) on investments	(4.0)	3.9
TOTAL OTHER COMPREHENSIVE INCOME	(48.8)	28.2
COMPREHENSIVE INCOME	\$1.8	\$154.6

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

(Millions of dollars)

	Three Months Ended 31 December	
	1999	1998
OPERATING ACTIVITIES		
Net Income	\$50.6	\$126.4
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation	131.7	127.8
Deferred income taxes	3.2	21.4
Gain on formation of polymer venture	--	(31.2)
(Gain) loss on currency options related to BOC transaction	109.3	--
Undistributed (earnings) of unconsolidated affiliates	(13.2)	6.7
(Gain) loss on sale of assets and investments	(4.4)	.5
Other	(10.2)	58.5
Working capital changes that provided (used) cash, net of effects of acquisitions:		
Trade receivables	(27.9)	6.7
Other receivables	(42.8)	45.5
Inventories and contracts in progress	(20.5)	(47.5)
Payables, trade and other	43.8	2.1
Accrued liabilities	36.2	(73.5)
Accrued income taxes	(7.3)	23.7
Other	.3	6.0
CASH PROVIDED BY OPERATING ACTIVITIES	248.8	273.1
INVESTING ACTIVITIES		
Additions to plant and equipment	(194.4)	(189.5)
Acquisitions, less cash acquired	(162.7)	(4.6)
Investment in and advances to unconsolidated affiliates	(16.0)	(50.4)
Proceeds from sale of assets and investments	16.1	17.3
Other	(13.7)	14.7
CASH USED FOR INVESTING ACTIVITIES	(370.7)	(212.5)
FINANCING ACTIVITIES		
Long-term debt proceeds	4.2	.8
Payments on long-term debt	(161.6)	4.2
Net increase (decrease) in commercial paper	290.6	(16.1)
Net increase (decrease) in other short-term borrowings	44.7	(1.2)
Dividends paid to shareholders	(38.4)	(36.0)
Purchase of Treasury Stock	--	(24.6)
Other	.3	7.6
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	139.8	(65.3)
Effect of Exchange Rate Changes on Cash	--	1.0
Increase in Cash and Cash Items	17.9	(3.7)
Cash and Cash Items - Beginning of Year	61.6	61.5
Cash and Cash Items - End of Period	\$79.5	\$57.8

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

In July 1999, Air Products 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 sterling) 14.60 per share in cash, or a total of approximately UK (pound sterling) 7.2 billion. Air Products has a UK (pound sterling) 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 related debt. 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 should be modestly accretive to earnings per share before goodwill amortization, and approximately 10% dilutive to reported earnings per share after goodwill amortization. Air Products has filed a Form 8-K on 13 July 1999 with the United States Securities and Exchange Commission which provides additional details of this transaction.

The results for the three months ended 31 December 1999 include a charge of \$113.2 million (\$70.6 million after-tax, or \$.33 per share) for costs related to the BOC acquisition. Of this amount, \$109.3 million (\$68.2 million after-tax, or \$.32 per share) of accounting charges were recorded on purchased currency option and forward exchange contracts entered into to hedge the currency exposure of the BOC acquisition. The remaining charge of \$3.9 million (\$2.4 million after-tax, or \$.01 per share) consists of preacquisition expenses including \$2.4 million of credit facility fees.

As of 31 December 1999, the Company has entered into purchased currency option contracts and forward exchange contracts for approximately UK (pound sterling) 1.8 billion and UK (pound sterling) 1.5 billion on an after-tax basis, respectively. The net impact of the contracts entered into as of 31 December 1999 (after adjusting for the tax impact of the hedge placed) is that the Company has effectively hedged 100% of the currency exposure related to the purchase of BOC shares. Gains and losses associated with changes in the market value of these contracts are recorded currently in earnings since hedge accounting may not be applied to instruments which are used to hedge the currency exposure of a business combination.

The results for the three months ended 31 December 1998 include a net gain of \$31.2 million (\$21.4 million after-tax, or \$.10 per share) related to the formation of Air Products Polymers (a 65% majority owned venture with Wacker-Chemie GmbH). The gain was partially offset by costs related to an emulsions facility shutdown not included in the joint venture and for costs related to indemnities provided by Air Products to the venture.

In December 1998, the Company committed to a global cost reduction plan. The plan included a staffing reduction of 206 employees in the areas of manufacturing, distribution and overhead. \$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. The final expense and number of positions eliminated is essentially as planned. The charges to cost of sales, selling and administrative, and research and development were \$9.9 million, \$9.3 million and \$1.1 million, respectively.

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries
SUMMARY BY BUSINESS SEGMENTS
(Unaudited)

Business segment information is shown below:

(Millions of dollars)

	Three Months Ended 31 December	
	1999	1998
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Revenues from external customers		
Gases	\$780.6	\$753.3
Equipment	50.6	119.5
Chemicals	433.2	401.8
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Segment Totals	1,264.4	1,274.6
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Consolidated Totals	\$1,264.4	\$1,274.6
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Operating income		
Gases	\$153.3	\$121.5(a)
Equipment	1.2	22.8(a)
Chemicals	51.6	50.8(a)
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Segment Totals	206.1	195.1
<hr/>		
Corporate research and development and other income/(expense)	(9.9)	(6.1)(a)
<hr/>		
Consolidated Totals	\$196.2	\$189.0
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Operating income (excluding special items)		
Gases	\$153.3	\$137.8
Equipment	1.2	24.7
Chemicals	51.6	52.4
<hr/>		
Segment Totals	206.1	214.9
<hr/>		
Corporate research and development and other income/(expense)	(9.9)	(5.6)
<hr/>		
Consolidated Totals	\$196.2	\$209.3
<hr/>		
Equity affiliates' income		
Gases	\$16.4	\$6.7
Equipment	.3	.5
Chemicals	3.6	2.1
Other	--	.5
<hr/>		
Segment Totals	20.3	9.8
<hr/>		
Consolidated Totals	\$20.3	\$9.8
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Total assets		
Gases	\$6,203.8	\$5,506.4
Equipment	252.7	299.6
Chemicals	1,689.5	1,712.7

Segment Totals	8,146.0	7,518.7

Corporate assets	368.9	200.2

Consolidated Totals	\$8,514.9	\$7,718.9

ORONA		
Gases	10.5%	11.2%
Equipment	4.9%	24.9%
Chemicals	12.5%	15.8%

Segment Totals	10.8%	12.8%

Consolidated Totals	10.0%	12.0%

(a) The results for the three months ended 31 December 1998 include the cost reduction charge in Gases (\$16.3 million), Equipment (\$1.9 million), Chemicals (\$1.6 million), and Corporate (\$.5 million).

A reconciliation of total segment operating income to consolidated income before income taxes and minority interest is as follows:

(Millions of dollars)

	Three Months Ended December	
	1999	1998

Total segment operating income	\$206.1	\$195.1
Corporate research and development and other income/(expense)	(9.9)	(6.1)

Consolidated operating income	196.2	189.0

Segment equity affiliates' income	20.3	9.8
Gain on Wacker formation	--	31.2
Loss on currency hedges related to BOC transaction and preacquisition expenses	113.2	--
Interest expense	41.3	40.4

Consolidated income before taxes and minority interest	\$62.0	\$189.6
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AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries
SUMMARY BY GEOGRAPHIC REGIONS
(Unaudited)

(Millions of dollars)

	Three Months Ended 31 December	
	1999	1998
Revenues from external customers		
United States	\$839.2	\$807.9
United Kingdom	121.1	171.0
Spain	76.8	84.4
Other Europe	140.8	143.9
Total Europe	338.7	399.3
Canada/Latin America	58.4	58.0
Asia	28.0	9.3
All Other	.1	.1
Total	\$1,264.4	\$1,274.6

Note: Geographic information is based on country of origin. The other Europe segment operates principally in France, Germany, Netherlands, and Belgium.

SIGNATURES

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

Air Products and Chemicals, Inc.

(Registrant)

Dated: 21 January 2000

By: /s/ Leo J. Daley

Leo J. Daley
Vice President - Finance
(Chief Financial Officer)