

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended 30 June 2000

OR

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

For the transition period from _____ to _____

Commission file number 1-4534

AIR PRODUCTS AND CHEMICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

23-1274455

(State of Other Jurisdiction of (I.R.S. 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

Indicate by check whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No
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Indicate the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest practicable date.

Class	Outstanding at 9 August 2000
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Common Stock, \$1 par value	229,305,191

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries
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REMARKS:

The consolidated financial statements of Air Products and Chemicals, Inc. and its subsidiaries (the "Company" or "Registrant") included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company, the accompanying statements reflect all adjustments necessary to present fairly the financial position, results of operations and cash flows for those periods indicated, and contain adequate disclosure to make the information presented not misleading. Such adjustments are of a normal, recurring nature unless otherwise disclosed in the notes to consolidated financial statements. However, the results for the periods indicated herein reflect certain adjustments, such as the valuation of inventories on the LIFO cost basis, which can only be finally determined on an annual basis. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

Results of operations for any three or nine month period are not necessarily indicative of the results of operations for a full year.

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

(Millions of dollars)

ASSETS	30 June 2000 (Unaudited)	30 September 1999
CURRENT ASSETS		
Cash and cash items	\$113.3	\$61.6
Trade receivables, less allowances for doubtful accounts	960.9	894.7
Inventories	445.4	424.9
Contracts in progress, less progress billings	79.0	79.8
Other current assets	349.8	321.4
TOTAL CURRENT ASSETS	1,948.5	1,782.4
INVESTMENTS IN NET ASSETS OF AND ADVANCES TO EQUITY AFFILIATES		
OTHER INVESTMENTS AND ADVANCES	28.0	38.4
PLANT AND EQUIPMENT, at cost		
Less - Accumulated depreciation	10,625.4	10,187.9
	5,211.8	4,995.0
PLANT AND EQUIPMENT, net	5,413.6	5,192.9
GOODWILL		
OTHER NONCURRENT ASSETS	326.8	350.4
	346.2	350.0
TOTAL ASSETS	\$8,566.8	\$8,235.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables, trade and other	\$557.3	\$505.8
Accrued liabilities	325.3	407.0
Accrued income taxes	12.5	64.4
Short-term borrowings	716.2	407.6
Current portion of long-term debt	72.8	473.0
TOTAL CURRENT LIABILITIES	1,684.1	1,857.8
LONG-TERM DEBT		
DEFERRED INCOME & OTHER NONCURRENT LIABILITIES	2,800.2	1,961.6
DEFERRED INCOME TAXES	565.9	596.1
TOTAL LIABILITIES	5,801.1	5,146.6
MINORITY INTERESTS IN SUBSIDIARY COMPANIES		
	122.0	127.3
SHAREHOLDERS' EQUITY		
Common stock (par value \$1 per share; issued 2000 and 1999-249,455,584 shares)	249.4	249.4
Capital in excess of par value	342.3	341.5
Retained earnings	3,490.1	3,701.8
Accumulated other comprehensive income	(391.6)	(274.4)
Treasury Stock, at cost (2000-20,150,393 shares; 1999-20,150,722 shares)	(681.6)	(681.6)
Shares in trust (2000-15,993,456 shares; 1999-16,374,083 shares)	(364.9)	(375.1)
TOTAL SHAREHOLDERS' EQUITY	2,643.7	2,961.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$8,566.8	\$8,235.5

The accompanying notes are an integral part of these statements.

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

(Millions of dollars, except per share)

	Three Months Ended		Nine Months Ended	
	2000	1999	2000	1999
SALES AND OTHER INCOME				
Sales	\$1,406.4	\$1,237.8	\$4,018.0	\$3,765.7
Other income (expense), net	(4.5)	2.9	9.4	12.3
	1,401.9	1,240.7	4,027.4	3,778.0
COSTS AND EXPENSES				
Cost of sales	993.7	871.0	2,796.4	2,624.1
Selling and administrative	189.5	172.6	537.2	524.1
Research and development	32.3	29.4	92.3	90.4
OPERATING INCOME				
Income from equity affiliates, net of related expenses	20.4	15.2	62.0	39.1
Net gain on formation of polymer venture	--	--	--	31.1
Loss on currency hedges related to BOC transaction and expenses	482.5	--	730.4	--
Interest expense	52.9	39.3	141.0	120.1
INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST				
Income taxes (benefits)	(137.6)	44.4	(120.2)	149.4
Minority interest (a)	1.5	4.6	6.6	12.2
NET INCOME (LOSS)				
	\$(192.5)	\$94.6	\$(94.3)	\$327.9
BASIC EARNINGS (LOSS) PER COMMON SHARE				
	\$ (.90)	\$.45	\$ (.44)	\$1.55
DILUTED EARNINGS (LOSS) PER COMMON SHARE				
	\$ (.90)	\$.44	\$ (.44)	\$1.52
WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in millions)				
	213.4	212.5	213.3	211.9
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES (in millions) (b)(c)				
	213.4	217.0	213.3	215.9
DIVIDENDS DECLARED PER COMMON SHARE - Cash				
	\$.19	\$.18	\$.55	\$.52

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

(b) Common equivalent shares were not considered in fiscal year 2000 due to the net loss position.

(c) The dilution of earnings per common share in fiscal 1999 is due mainly to the impact of unexercised stock options.

The accompanying notes are an integral part of these statements.

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

(Millions of dollars)

	Three Months Ended		Nine Months Ended	
	2000	1999	2000	1999
NET INCOME (LOSS)	\$(192.5)	\$94.6	\$(94.3)	\$327.9
OTHER COMPREHENSIVE INCOME (LOSS), net of tax				
Foreign currency translation adjustments	(51.2)	(37.6)	(114.5)	(93.9)
Unrealized gains (losses) on investments:				
Unrealized holding gains (losses) arising during the period	--	5.0	(2.7)	9.1
Less: reclassification adjustment for gains included in net income	--	--	--	--
Net unrealized gains (losses) on investments	--	5.0	(2.7)	9.1
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(51.2)	(32.6)	(117.2)	(84.8)
COMPREHENSIVE INCOME (LOSS)	\$(243.7)	\$62.0	\$(211.5)	\$243.1

The accompanying notes are an integral part of these statements.

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

(Millions of dollars)

	Nine Months Ended 30 June	
	2000	1999
OPERATING ACTIVITIES		
Net Income (Loss)	\$(94.3)	\$327.9
Adjustments to reconcile income (loss) to cash provided by operating activities:		
Depreciation	426.7	386.8
Deferred income taxes	3.4	39.8
Gain on formation of polymer venture	--	(31.1)
Loss on BOC transaction	706.1	--
Undistributed (earnings) of unconsolidated affiliates	(43.1)	(25.2)
(Gain) loss on sale of assets and investments	(9.0)	1.4
Other	115.8	89.8
Working capital changes that provided (used) cash, net of effects of acquisitions:		
Trade receivables	(89.8)	(66.2)
Inventories and contracts in progress	(27.1)	13.4
Payables, trade and other	56.1	90.9
Other	(167.5)	(36.8)
CASH PROVIDED BY OPERATING ACTIVITIES	877.3	790.7
INVESTING ACTIVITIES		
Additions to plant and equipment (a)	(586.2)	(671.8)
Acquisitions, less cash acquired (b)(c)	(169.7)	(75.5)
Investment in and advances to unconsolidated affiliates	(15.8)	(101.5)
BOC transaction costs (d)	(665.8)	--
Proceeds from sale of assets and investments	42.0	50.4
Other	(2.9)	14.2
CASH USED FOR INVESTING ACTIVITIES	(1,398.4)	(784.2)
FINANCING ACTIVITIES		
Long-term debt proceeds	534.0	78.1
Payments on long-term debt	(426.9)	(31.8)
Net increase in commercial paper	530.8	62.8
Net increase (decrease) in other short-term borrowings	45.6	(4.7)
Dividends paid to shareholders	(115.2)	(107.9)
Purchase of Treasury Stock	--	(24.6)
Other	5.6	44.2
CASH PROVIDED BY FINANCING ACTIVITIES	573.9	16.1
Effect of Exchange Rate Changes on Cash	(1.1)	(3.8)
Increase in Cash and Cash Items	51.7	18.8
Cash and Cash Items - Beginning of Year	61.6	61.5
Cash and Cash Items - End of Period	\$113.3	\$80.3

(a) Excludes capital lease additions of \$17.2 and \$12.6 in fiscal 2000 and 1999, respectively.

(b) Excludes \$24.3 of long-term debt assumed in acquisitions in fiscal 2000.

- (c) Excludes assumption of \$7.4 of former shareholder liability of company acquired in fiscal 1999.
- (d) Impact of BOC transaction is described in the Notes to Consolidated Financial Statements.

The accompanying notes are an integral part of these statements.

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

Business segment information is shown below:

(Millions of dollars)	Three Months Ended 30 June		Nine Months Ended 30 June	
	2000	1999	2000	1999
Revenues from external customers				
Gases	\$894.8	\$737.5	\$2,517.5	\$2,226.0
Equipment	65.0	84.5	169.4	305.2
Chemicals	446.6	415.8	1,331.1	1,234.5
Segment Totals	1,406.4	1,237.8	4,018.0	3,765.7
Consolidated Totals	\$1,406.4	\$1,237.8	\$4,018.0	\$3,765.7
Operating income				
Gases	\$157.3(a)	\$127.4(d)	\$481.6(b)(c)	\$386.1(e)
Equipment	(3.6)(a)	.4(d)	3.2(b)	30.1(e)
Chemicals	44.8(a)	47.4(d)	146.4(b)	141.6(e)(f)
Segment Totals	198.5	175.2	631.2	557.8
Corporate research and development and other income/(expense)	(12.1)(a)	(7.5)	(29.7)(b)	(18.4)(e)
Consolidated Totals	\$186.4	\$167.7	\$601.5	\$539.4
Operating income (excluding special items)				
Gases	\$189.3	\$138.1	\$507.3	\$413.1
Equipment	3.3	1.2	10.1	32.8
Chemicals	51.7	49.8	162.0	155.9
Segment Totals	244.3	189.1	679.4	601.8
Corporate research and development and other income/(expense)	(11.2)	(7.5)	(28.8)	(17.9)
Consolidated Totals	\$233.1	\$181.6	\$650.6	\$583.9
Equity affiliates' income				
Gases	\$18.4	\$11.3	\$52.6	\$28.5
Equipment	1.0	.4	1.8	1.1
Chemicals	2.0	3.4	8.7	8.9
Other	(1.0)	.1	(1.1)	.6
Segment Totals	20.4	15.2	62.0	39.1
Consolidated Totals	\$20.4	\$15.2	\$62.0	\$39.1

(Millions of dollars)

	Nine Months Ended 30 June	
	2000	1999
Total assets		
Gases	\$6,264.3	\$5,722.4
Equipment	233.9	298.0
Chemicals	1,677.7	1,718.6
Segment Totals	8,175.9	7,739.0
Corporate assets	390.9	273.1
Consolidated Totals	\$8,566.8	\$8,012.1
ORONA (Operating Return on Net Assets)(g)		
Gases	11.4%	10.9%
Equipment	5.8%	16.7%
Chemicals	13.1%	13.5%
Segment Totals	11.6%	11.8%
Consolidated Totals	10.6%	11.0%

- (a) The results for the three months ended 30 June 2000 include the cost reduction charge in Gases (\$32.0 million), Equipment (\$6.9 million), Chemicals (\$6.9 million), and Corporate (\$.9 million).
- (b) The results for the nine months ended 30 June 2000 include the cost reduction charge in Gases (\$32.0 million), Equipment (\$6.9 million), Chemicals (\$15.6 million), and Corporate (\$.9 million).
- (c) The results for the nine months ended 30 June 2000 include a gain on the sale of packaged gas facilities of \$6.3 million.
- (d) The results for the three months ended 30 June 1999 include the cost reduction charge in Gases (\$10.7 million), Equipment (\$.8 million), and Chemicals (\$2.4 million).
- (e) The results for the nine months ended 30 June 1999 include the cost reduction charge in Gases (\$27.0 million), Equipment (\$2.7 million), Chemicals (\$4.0 million), and Corporate (\$.5 million).
- (f) The results for the nine months ended 30 June 1999 include a charge of \$10.3 million primarily related to Chemicals facility closure costs.
- (g) Operating return on net assets (ORONA) is calculated as the rolling four quarter sum of operating income (excluding special items) divided by the rolling five quarter average of total assets less investments in equity affiliates.

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		Nine Months Ended	
	2000	1999	2000	1999
Total segment operating income	\$198.5	\$175.2	\$631.2	\$557.8
Corporate research and development and other income/(expense)	(12.1)	(7.5)	(29.7)	(18.4)
Consolidated operating income	186.4	167.7	601.5	539.4
Segment equity affiliates' income	20.4	15.2	62.0	39.1
Gain on Wacker formation	--	--	--	31.1
Loss on currency hedges related to BOC transaction and expenses	482.5	--	730.4	--
Interest expense	52.9	39.3	141.0	120.1
Consolidated income (loss) before taxes and minority interest	\$(328.6)	\$143.6	\$(207.9)	\$489.5

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries
SUMMARY BY GEOGRAPHIC REGIONS
(Unaudited)

(Millions of dollars)

	Three Months Ended		Nine Months Ended	
	2000	1999	2000	1999
Revenues from external customers				
United States	\$937.3	\$793.5	\$2,655.8	\$2,403.2
Europe				
United Kingdom	122.4	152.2	367.9	476.1
Spain	75.5	78.5	231.2	243.4
Other	127.8	138.9	417.7	438.0
Total Europe	325.7	369.6	1,016.8	1,157.5
Canada/Latin America	60.4	47.8	173.8	151.0
Asia	82.9	26.8	171.3	53.8
All Other	.1	.1	.3	.2
Total	\$1,406.4	\$1,237.8	\$4,018.0	\$3,765.7

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

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

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

(Millions of dollars, except per share)

	Three Months Ended 30 June		Nine Months Ended 30 June	
	2000	1999	2000	1999
Numerator for basic EPS and diluted EPS-net income (loss)	\$(192.5)	\$94.6	\$(94.3)	\$327.9
Denominator for basic EPS - -weighted average shares	213.4	212.5	213.3	211.9
Effect of dilutive securities:				
Employee stock options	--	3.5	--	3.0
Other award plans	--	1.0	--	1.0
	--	4.5	--	4.0
Denominator for diluted EPS - -weighted average shares and assumed conversions	213.4	217.0	213.3	215.9
Basic EPS	\$(.90)	\$.45	\$(.44)	\$1.55
Diluted EPS	\$(.90)	\$.44	\$(.44)	\$1.52

Since the Company has a net loss for the three and nine months ended 30 June 2000, the impact of potential future stock option and other stock award exercises would have an antidilutive effect on the calculation of diluted loss per share. As a result, the average number of common shares outstanding used in calculating diluted loss per share in fiscal 2000 is the same as for basic loss per share.

On 13 July 1999, the Boards of Air Products and Chemicals, Inc., The BOC Group, and Air Liquide announced that they had agreed to the terms of a recommended offer for the share capital of BOC at UK(pound)14.60 per BOC share (the "Offer"). The Offer, which was to be made jointly by Air Products and Air Liquide, was subject to certain pre-conditions, one of which was the approval of the U.S. Federal Trade Commission (FTC).

During 10 months of discussions with the FTC, Air Products and Air Liquide made a number of comprehensive and practical proposals, including divestitures, which responded to the requirements of the FTC. On 10 May 2000, Air Products and Air Liquide announced it had recently become clear that the FTC would not approve the Offer by 12 May 2000, the date on which the period for satisfying the pre-conditions to the Offer would expire and the Offer was not extended beyond 12 May 2000.

Since the BOC transaction did not occur, certain costs and financing fees that had been deferred were required to be expensed in the quarter ended 30 June 2000. In

addition, the Company and Air Liquide were obligated to pay BOC a fee of \$50 million each since the Offer to acquire BOC was not made.

Additionally, the Company had entered into various purchased currency options and forward exchange contracts to hedge the currency exposure related to the proposed purchase of BOC shares at UK(pound)14.60 per share. Net losses associated with the change in market value of these contracts were recorded in earnings. The Company purchased British Pound put options to cap the rate change exposure of the forward exchange contracts. The cost of these put instruments was \$78.5 million.

The charge to earnings in the quarter ended 30 June 2000 was \$482.5 million (\$301.8 million after-tax). Of this amount, \$361.9 million (\$226.4 million after-tax) of charges were recorded on purchased currency option and forward exchange contracts entered into to hedge the currency exposure of the transaction. The remaining charge of \$120.6 million (\$75.4 million after-tax) consists primarily of the BOC fee paid and previously deferred expenses.

The results for the nine months ended 30 June 2000 include a total charge related to the BOC transaction of \$730.4 million (\$456.5 million after-tax). Of this amount, \$594.6 million (\$371.6 million after-tax) of charges were recorded on purchased currency option and forward exchange contracts entered into to hedge the currency exposure of the transaction, resulting in a cumulative charge recorded on the currency hedging instruments of \$582.0 million (\$363.8 million after-tax). The remaining charge of \$135.8 million (\$84.9 million after-tax) consists of the BOC fee paid and transaction expenses.

The cash impact of the BOC transaction of \$690.1 million in fiscal year 2000 was principally reflected as an investing activity in the statement of Consolidated Cash Flows. This cash impact does not consider the tax benefits associated with this transaction.

The results for the three months ended 30 June 2000 include a charge of \$46.7 million (\$29.5 million after-tax) for a global cost reduction plan. The plan results in a staff reduction of 347 employees. The charge includes \$7.5 million of asset impairment charges related to the rationalization of three facilities in Europe. The charges to cost of sales, selling and administrative, research and development, and other expense were \$17.3 million, \$21.0 million, \$9 million, and \$7.5 million, respectively. The reductions began late in the fiscal quarter and will be completed by 30 June 2001.

The results for the nine months ended 30 June 2000 include cost reduction charges of \$55.4 million (\$35.0 million after-tax). The 2000 plan, initiated in the quarter ending 31 March 2000, includes 450 staff reductions in total and three facility impairments. The charges to cost of sales, selling and administrative, research and development, and other expense were \$20.6 million, \$25.4 million, \$1.9 million, and \$7.5 million, respectively.

The results for the nine months ended 30 June 2000 include a gain of \$6.3 million (\$4.0 million after-tax) related to the sale of packaged gas facilities.

The results for the three months ended 30 June 1999 include a charge of \$13.9 million (\$9.0 million after-tax) for a global cost reduction plan. This plan resulted in a staffing reduction of 142 employees. The charges to cost of sales and selling and administrative were \$5.4 million and \$8.5 million, respectively. The plan was completed in June 2000, essentially as expected.

The results for the nine months ended 30 June 1999 include a charge of \$34.2 million (\$21.9 million after-tax) for the global cost reduction plan. The total staff reduction for the 1999 plan was 348 employees. 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 for the nine months ended 30 June 1999.

The results for the nine months ended 30 June 1999 include a net gain of \$31.1 million (\$21.3 million after-tax) 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.

The results for the nine months ended 30 June 1999 also include a charge of \$10.3 million (\$6.4 million after-tax) primarily related to Chemicals facility closure costs.

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER FISCAL 2000 VS. THIRD QUARTER FISCAL 1999

RESULTS OF OPERATIONS

Consolidated

Sales for the third quarter of fiscal 2000 were \$1,406.4 million, up \$168.6 million, a 14% increase over the same quarter in the prior fiscal year. Operating income was \$186.4 million, up \$18.7 million, or 11%. Profits from equity affiliates of \$20.4 million were 34% above the prior year. There was a net loss of \$192.5 million, or \$(.90) diluted earnings per share, in the quarter ended 30 June 2000. The net loss of \$192.5 million compares to net income of \$94.6 million, or \$.44 diluted earnings per share, reported in the year-ago quarter. The net loss in the current fiscal quarter resulted from two special items; an after-tax charge of \$301.8 million related to the BOC transaction and an after-tax charge of \$29.5 million for a global cost reduction plan. The quarter ended 30 June 1999 also included an after-tax charge of \$9.0 million for a workforce reduction plan. Excluding these special items, current year net income of \$138.8 million, compares to \$103.6 million in the prior year, an increase of 34%. Diluted earnings per share were \$.64, up 33% over the prior year's \$.48, exclusive of special items. The remaining discussion and analysis of the consolidated results of operations excludes the impact of special items.

Record consolidated sales were achieved in the quarter with about one third of the growth attributable to acquisitions. Strong volume growth in gases and chemicals was partially offset by a \$19.5 million decline in equipment sales activity and adverse currency related effects of approximately \$30 million.

Operating income of \$233.1 million was \$51.5 million, or 28% above the prior year. The improved operating income results were primarily due to strong gases performance, particularly in the electronics and chemical process industry (CPI) markets, and acquisitions. Chemicals segment operating income was up 4% as cost control and productivity improvements partially offset significantly higher raw material costs. Equipment segment operating income was up slightly due to good cost performance. Selling and administrative overheads were up about 3% as the impact of acquisitions was partially offset by progress on constraining overheads. Currency and exchange related impacts reduced year-to-year operating income growth about 2%.

Equity affiliates' income increased \$5.2 million to \$20.4 million, up 34%. The improved results came from better business conditions in Asia and Mexico, as well as tax benefits. The former affiliate Korea Industrial Gases (KIG), was included in consolidated results for the quarter ended 31 March 2000 following the acquisition of the remaining 51.1 percent of the shares of the affiliate in December 1999.

Industrial Gases-Sales increased 21% to \$894.8, an increase of \$157.3 million over the prior year. About a third of the growth resulted from acquisitions, particularly the consolidation of the former equity affiliate KIG. The sales growth was primarily the result of strong demand in electronics and CPI markets. Demand for the Company's premier electronics specialty gases and chemicals, particularly Schumacher products and nitrogen trifluoride increased substantially. However, overall growth across the globe occurred in most product lines. Unfavorable European currency and exchange related impacts reduced sales growth about 3%. Operating income was up \$51.2 million, a 37% increase, excluding the impact of cost reduction charges in both the current and prior year.

Liquid oxygen and nitrogen (LOX/LIN) volumes in North America were up 5%, including sales of non-cryo gases. LOX/LIN pricing was up 3% primarily the result of the surcharge initiative. Argon volumes in North America rose 12%, broadly across steel and metals processing customers, as well as from increased construction related activity in the electronics industry. Packaged gases volumes declined 1% due to divestitures, but grew 1% on a same store sales basis. Liquid hydrogen volumes continued to be higher, up about 9% on increased government testing. On-site year-to-year volume growth was up 14%. Increased hydrogen and carbon monoxide (HYCO) demand and new facilities comprised the largest component of the on-site growth, with some short-term spot sales included.

European volumes improved over the prior year, although reported sales were adversely impacted by the strong dollar. Southern Europe continued to have strong volume gains across most product lines. Volume recovery in Northern Europe continued in the current quarter. Merchant volumes were up across the board, with LOX/LIN (including non-cryo) growing about 6%. Average LOX/LIN prices increased slightly over the prior year due to pricing initiatives. European on-site volumes were flat due to customer outages, but there was no significant impact on operating income from the outages. Cylinder volumes continue to benefit from the acquisition of the AGA business in the United Kingdom.

Asian results are significantly improved due to strong electronics specialty gas and equipment demand, consolidation of the former equity affiliate KIG, as well as general growth in the liquid gases business.

Operating income of \$189.3 million was up 37% or \$51.2 million, excluding cost reduction charges in both the current and prior year quarter. About a third of the growth resulted from acquisitions. The volume driven growth in operating income is constrained by higher energy and diesel fuel costs. The price surcharge initiative helped offset the increased costs, but lagged in full recovery entering the peak summer energy period.

Operating margin was 21.2%, up 2.5% over the prior year and 1.6% over the preceding quarter (excluding special items). The margin improvement was a direct result of strong demand combined with cost control efforts. The strong demand in the electronics market and the improved Asian business conditions are key components of the margin gains.

Gases equity affiliates' income of \$18.4 million exceeded the prior year by \$7.1 million, a 63% increase, in spite of the consolidation of KIG following the purchase of the remaining 51.1 percent of the shares of the affiliate in December 1999. Higher performance at several affiliates in Asia and in Mexico as well as tax benefits generated the increase.

Equipment-Sales were \$65.0 million in the quarter ended 30 June 2000 compared to \$84.5 million in the prior year quarter. Operating income of \$3.3 million was up slightly from \$1.2 million in the prior year, excluding the cost reduction charges in both years. Good cost performance offset lower project activity. The \$100 million sales backlog at 30 June 2000 was essentially unchanged from the \$103 million backlog at 30 June 1999. The current quarter backlog was down significantly from \$175 million at 30 September 1999.

Chemicals-Sales in the third quarter of fiscal 2000 of \$446.6 million were up \$30.8 million, or 7%. Operating income was \$44.8 million, or 5% below the prior year. Operating income was \$51.7 million in the current year, up 4% exclusive of cost reduction charges in both years. Adverse currency and exchange related impacts reduced sales and operating income growth by 1% and 4%, respectively.

While total sales grew \$30.8 million or 7%, the overall segment volume growth was 9%. Polymer chemicals volume was up 1% in total, as emulsions volumes declined modestly in response to aggressive pricing actions to recover raw material cost increases. Polyvinyl alcohol (PVOH) volumes were higher on strong export sales and new textile business. Intermediate chemicals posted a 19% volume gain. Customer operating problems in polyurethane intermediates in the prior year contributed to the year-on-year increase. Performance chemicals grew 8% with broad based growth.

Excluding special items, operating income of \$51.7 million was up 4% as strong volume growth, cost control, and productivity gains were largely offset by higher raw material and energy costs as well as lower prices in some businesses. The operating margin declined from 12.0% in the prior year to 11.6% due principally to higher raw material and energy costs. Aggressive pricing actions continue with partial success, but are lagging the continuing cost increases.

BOC TRANSACTION

On 13 July 1999, the Boards of Air Products and Chemicals, Inc., The BOC Group, and Air Liquide announced that they had agreed to the terms of a recommended offer for the share capital of BOC at UK(pound)14.60 per BOC share (the "Offer"). The Offer, which was to be made jointly by Air Products and Air Liquide, was subject to certain pre-conditions, one of which was the approval of the U.S. Federal Trade Commission (FTC).

During 10 months of discussions with the FTC, Air Products and Air Liquide made a number of comprehensive and practical proposals, including divestitures, which responded to the requirements of the FTC. On 10 May 2000, Air Products and Air Liquide announced it had recently become clear that the FTC would not approve the Offer by 12 May 2000, the date on which the period for satisfying the pre-conditions to the Offer would expire and the Offer was not extended beyond 12 May 2000.

Since the BOC transaction did not occur, certain costs and financing fees that had been deferred were required to be expensed in the quarter ended 30 June 2000. In addition, the Company and Air Liquide were obligated to pay BOC a fee of \$50 million each since the Offer to acquire BOC was not made.

Additionally, the Company had entered into various purchased currency options and forward exchange contracts to hedge the currency exposure related to the proposed purchase of BOC shares at UK(pound)14.60 per share. Net losses associated with the change in market value of these contracts were recorded in earnings. The Company purchased British Pound put options to cap the rate change exposure of the forward exchange contracts. The cost of these put instruments was \$78.5 million.

The charge to earnings in the quarter ended 30 June 2000 was \$482.5 million (\$301.8 million after-tax). Of this amount, \$361.9 million (\$226.4 million after-tax) of charges were recorded on purchased currency option and forward exchange contracts entered into to hedge the currency exposure of the transaction. The remaining charge of \$120.6 million (\$75.4 million after-tax) consists primarily of the BOC fee paid and previously deferred expenses.

INTEREST

Interest expense of \$52.9 million was up \$13.6 million, primarily due to higher debt balances associated with the BOC transaction costs. Higher average interest rates and lower capitalized interest also contributed to the increase.

INCOME TAXES

The current year third quarter consolidated effective tax rate was 41.7%, after minority interest of \$1.5 million. This compares to a rate of 31.9% in the prior year. The fiscal 2000 rate is significantly impacted by a higher tax rate on the BOC transaction and on the global cost reduction charge. Excluding the impact of these items, the effective tax rate for the current quarter is 30.3%. The effective tax rate in the prior year, excluding the higher rate on the cost reduction plan charge was 32.2%. The rate decline of 1.9% was due primarily to higher tax credits.

GLOBAL COST REDUCTION PLANS

Fiscal Year 1999 Plan

The Company began a global cost reduction plan ("the 1999 plan") in the fiscal quarter ended 31 December 1998. The plan included staffing reductions of 206 employees in the areas of manufacturing, distribution, and overheads. An amount of \$20.3 million (\$12.9 million after-tax) related to employee termination expense was charged to expense in the quarter ended 31 December 1998. These reductions were completed in December 1999, essentially as expected.

Under the 1999 plan, the results of the quarter ended 30 June 1999 reflected a charge of \$13.9 million (\$9.0 million after-tax) for additional staff reductions of 142 employees. The additional reductions were completed in June 2000.

Fiscal Year 2000 Plan

A global cost reduction plan ("the 2000 plan") was initiated in the chemicals segment in the quarter ended 31 March 2000. The plan included staff reductions of 103 employees in the areas of manufacturing and overheads. There was a total charge of \$8.7 million, or \$5.5 million after-tax, for the second fiscal quarter. The plan will be complete by 31 March 2001. Notifications began in the quarter ending 31 March 2000, with 53 of the planned position eliminations completed as of 30 June 2000. Termination expenses of \$4.2 million have been incurred, with \$4.5 million remaining in accrued liabilities as of 30 June 2000.

Under the fiscal year 2000 plan, the results for the quarter ended 30 June 2000 reflected a charge of \$39.2 million for additional staff reductions of 347 employees in the areas of manufacturing, engineering, distribution, and overheads. The results of the quarter also include a charge of \$7.5 million of asset impairments related to the rationalization of three facilities in Europe. The results for the quarter ended 30 June 2000 were reduced in total by \$46.7 million, or \$29.5 million after-tax, for the fiscal 2000 global cost reduction plan and related asset impairments. The charges to cost of sales, selling and administration, research and development, and other expense were \$17.3 million, \$21.0 million, \$0.9 million, and \$7.5 million, respectively. The additional reductions will be completed by 30 June 2001. Reductions began late in the third fiscal quarter with actual termination expenditures of \$1.4 million charged to the accrual.

Benefits from the total 2000 plan are expected to be \$30 million and \$35 million in fiscal years 2001 and 2002, respectively.

ACCOUNTING CHANGES

As of 30 June 2000, the Company changed from the accrue in advance method of accounting for major maintenance to the expense as incurred method. The change was made to conform the Company's accounting policy to the position taken by the Securities and Exchange Commission (SEC), whereby the SEC staff has stated it prefers the expense as incurred method. The impact of this change in accounting for major maintenance was not material on the results of operations and financial position.

In June 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities-an amendment of FASB Statement No. 133. This Statement addresses a limited number of issues causing implementation difficulties for numerous entities that apply SFAS No. 133. SFAS No. 133 was issued in June 1998 and establishes accounting and reporting standards requiring that every derivative (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 adjustment 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 will adopt SFAS No. 133 and SFAS No. 138 in the first quarter of fiscal year 2001. The adoption of these Statements will not have a material effect on the Company's financial statements or risk management processes.

PORTFOLIO REVIEW AND ASSET MANAGEMENT INITIATIVES

The Company engaged Goldman, Sachs, & Co. in the quarter ending 31 December 1999 to assess strategic alternatives in the Polyvinyl Alcohol business. This assessment is continuing and the Company is evaluating proposals for this business and hopes to complete a transaction in a few months. In the quarter ended 30 June 2000, the Company decided to explore possible divestiture of its interest in most of its cogeneration facilities and a flue gas desulfurization facility.

RESULTS OF OPERATIONS

Consolidated

Sales for the first nine months of fiscal 2000 of \$4,018.0 million were 7% higher than the \$3,765.7 million reported in the prior year. Operating income was \$601.5 million, up \$62.1 million, or 12%. Profits of equity affiliates increased \$22.9 million to \$62.0 million for the nine months ended 30 June 2000. There was a net loss of \$94.3 million, or \$(.44) diluted earnings per share for the nine months of fiscal 2000. The net income for the nine months in fiscal year 1999 was \$327.9 million, or \$1.52 diluted earnings per share. The net loss in the current year is due to an after-tax charge of \$456.5 million related to the BOC transaction. The nine months ended 30 June 2000 also included an after-tax charge of \$35.0 million for the global cost reduction plan and an after-tax gain of \$4.0 million related to the sale of packaged gas facilities. In the first nine months of fiscal year 1999 there were three special items; an after-tax gain of \$21.3 million related to the formation of Air Products Polymers, an after-tax charge of \$21.9 million for global cost reduction plans, and an after-tax charge of \$6.4 million related to Chemicals facility closure costs. Excluding the impact of all special items, net income for the nine months ended 30 June 2000 was \$393.2 million compared to \$334.9 million in the prior year, an increase of 17%. The diluted earnings per share, exclusive of special items, increased 17% to \$1.82 from \$1.55 in fiscal 1999. The remaining discussion and analysis of the consolidated results of operations excludes the impact of special items.

Consolidated sales grew 7% over the prior year. While revenue growth was 13% for gases and 8% for chemicals, there was a decline of \$135.8 million, or 45% in the equipment segment. Unfavorable currency impacts reduced sales growth about 2%, however the consolidation of acquired affiliates added about 2% to reported sales. Gas results benefited from increased demand in several major markets, particularly electronics and CPI. Chemicals sales increased on broad based volume growth.

Operating income increased \$66.7 million to \$650.6 million, up 11% over the prior year. Gases results were up \$94.2 million, largely due to the strong growth in electronics and CPI. Chemicals segment operating income increased 4% as volume growth, cost control, and productivity gains were largely offset by increased raw material and energy costs. Lower equipment project activity resulted in a \$22.7 million decrease in operating income, down 69%. Selling and administrative overheads were up about 1% as the increase due to acquisitions was substantially offset by progress on constraining overheads. Currency and exchange related impacts reduced year-to-year operating income growth by about 3%.

Equity affiliates' income increased \$22.9 million to \$62.0 million, up 59%. The increase was primarily due to improved results arising from better business conditions in Asia and Mexico, favorable currency and exchange impacts, and tax benefits. The affiliate KIG was included in consolidated results as of the quarter ended 31 March 2000 following the acquisition of the remaining 51.1 percent of the shares of the affiliate in December 1999.

Industrial Gases-Sales of \$2,517.5 million in the first nine months of fiscal 2000 increased \$291.5 million or 13% above fiscal 1999. About a third of the growth resulted from acquisitions. Sales growth was primarily the result of strong demand in the electronics and CPI markets as well as the improved business conditions in Asia. The strong dollar relative to European currencies had an adverse impact on sales growth of about 3%. Operating income increased \$95.5 million to \$481.6 million. Excluding the gain on the sale of

packaged gas facilities in the current year and cost reduction charges in both years, operating income in fiscal 2000 was \$507.3 million, up \$94.2 million or 23% over the prior year.

LOX/LIN volumes in North America were up 4%, including sales of non-cryo gases. LOX/LIN prices for the first nine months of fiscal 2000 are essentially the same as the prior year. Recent pricing actions offset price declines earlier in the fiscal year. Liquid argon increased 11% over fiscal 1999, with demand up in steel and metals markets as well as construction in the electronics market. Liquid hydrogen volume grew 8% due to increased government testing. North American HYCO grew 18% on higher base demand and the impact of new facilities.

European volumes improved over the prior year, although reported sales were adversely impacted by the strong dollar. Southern Europe had sustained growth while Northern Europe experienced modest improvement over the first nine months of the year. LOX/LIN volumes were up 7%, including non-cryo. Tonnage gases were up about 7% overall, with gaseous oxygen and nitrogen sales to the CPI markets leading the growth.

Asian sales were up \$117.5 million from \$53.8 million in fiscal 1999, with acquisitions combining with improved regional business conditions to create the growth. The electronics market in Asia was particularly strong in the current year.

Excluding special items, operating income of \$507.3 million grew 23%. Acquisitions, significant volume growth, and cost containment initiatives drove the increase. Pricing increases and surcharges have partially offset higher energy and diesel fuel costs.

Equity affiliates' income grew \$24.1 million in spite of the consolidation of KIG, following the purchase of the remaining 51.1 percent of the shares of the affiliate in December 1999. The increase was mainly in Asia, Mexico, and the energy related ventures. Currency and exchange related impacts as well as tax benefits contributed to the increase.

Equipment-Sales were \$169.4 million, down 45% from the prior year. Operating income of \$10.1 million declined \$22.7 million, excluding the cost reduction charges in both years. Good project cost performance partially offset the impact of the activity decline. The sales backlog at 30 June 2000 of \$100 million compares to \$103 million at 30 June 1999 and \$175 million at 30 September 1999.

Chemicals-Sales for the nine months ended 30 June 2000 were \$1,331.1 million compared to \$1,234.5 million in fiscal 1999, an increase of 8%. Operating income of \$146.4 million increased 3% from \$141.6 million in the prior year. Excluding the impact of cost reduction charges in both years and a facility closure charge in the prior year, operating income was \$162.0 million compared to \$155.9 million, up 4%. Unfavorable currency and exchange related impacts reduced sales and operating income growth by 1% and 4%, respectively. Broad based growth resulted in an overall segment volume increase of 10% for the nine months.

Excluding special items, operating income growth of 4% resulted from strong volume growth and cost containment initiatives. This growth was tempered by raw material cost increases combined with lower prices in some product areas. The operating margin was 12.2%, down from 12.6% in the prior year. Aggressive pricing actions lag the rising costs.

BOC TRANSACTION

The results for the nine months ended 30 June 2000 include a total charge related to the BOC transaction of \$730.4 million (\$456.5 million after-tax). Of this amount, \$594.6 million (\$371.6 million after-tax) of charges were recorded on purchased currency option and forward exchange contracts entered into to hedge the currency exposure of the transaction, resulting in a cumulative charge recorded on the currency hedging instruments of \$582.0 million (\$363.8 million after-tax). The remaining charge of \$135.8 million (\$84.9 million after-tax) consists of the BOC fee paid and transaction expenses.

INTEREST

Interest expense of \$141.0 million was up \$20.9 million, primarily due to higher debt balances associated with the BOC transaction costs. Higher average interest rates and slightly lower capitalized interest also contributed to the increase.

TAXES

The current year-to-date consolidated effective tax rate is 56.0%, after minority interest of \$6.6 million. This compares to a rate of 31.3% in the prior year. The fiscal 2000 rate is significantly impacted by a higher tax rate on the BOC transaction, the global cost reduction plan, and the sale of packaged gas facilities. Excluding these tax impacts, the effective rate for the nine months is 30.4%. The effective rate in the prior year, excluding the tax rate impact of the gain on the formation of the polymer ventures, a chemical facility closure and the global cost reduction, was 31.8%. The rate decline of 1.4% is due primarily to higher tax credits and higher after-tax equity affiliate income.

GLOBAL COST REDUCTION PLANS

The results for the nine months ended 30 June 1999 included a charge of \$34.2 million, or \$21.9 million after-tax, for the global cost reduction plan. The 1999 plan was completed essentially as expected.

The results for the nine months ended 30 June 2000 include cost reduction charges of \$55.4 million, or \$35.0 million after-tax. The 2000 plan in total includes 450 staff reductions and three facility impairments. The charges to cost of sales, selling and administration, research and development, and other expense were \$20.6 million, \$25.4 million, \$1.9 million, and \$7.5 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures during the first nine months of fiscal 2000 totaled \$813.2 million compared to \$868.8 million in the corresponding period of the prior year. Additions to plant and equipment decreased from \$671.8 million during the first nine months of fiscal 1999 to \$586.2 million during the current period. The prior year additions included a new 500 million pound-per-year dinitrotoluene (DNT) production facility in Geismar, Louisiana. Investments in unconsolidated affiliates were \$15.8 million during the first nine months of fiscal 2000 versus \$101.5 million last year. The prior year results include a cash contribution of \$50.1 million to acquire a 50% interest in Industrial Oxygen Company Limited, and a cash contribution of \$33.5 million related to the formation of the redispersible powders venture with Wacker-Chemie GmbH. Expenditures for acquisitions increased from \$75.5 million during the first nine months of fiscal 1999 to \$169.7 million during the current period. The current year amount includes the acquisition of the remaining 51.1

percent of the shares in Korea Industrial Gases Ltd. (KIG), the largest industrial gas company in Korea. Capital expenditures are expected to be between \$1 billion and \$1.1 billion in fiscal 2000. The capital expenditures will be funded with cash from operations supplemented with proceeds from financing activities.

The cash impact of the BOC transaction of \$690.1 million in fiscal year 2000 was funded primarily by commercial paper backed by existing lines of credit.

Total debt at 30 June 2000 and 30 September 1999, expressed as a percentage of the sum of total debt and shareholders' equity, was 58% and 49%, respectively. Total debt increased from \$2,842.2 million at 30 September 1999 to \$3,589.2 million at 30 June 2000. The net increase in commercial paper during the year was \$530.8 million. During the second quarter of fiscal 2000, the Company issued Euro 500 million in notes due in 2005 with a fixed coupon rate of 6.00%. Also, during the second quarter, the Company repurchased a \$100 million medium term note, Series F, which was due in 2009 and a \$100 million medium term note, Series F, which was due in 2014. Subsequent to the third quarter of fiscal 2000, the Company issued Euro 300 million in notes due in 2007 with a fixed coupon rate of 6.50%.

There was \$893.8 million of commercial paper outstanding at 30 June 2000. In the first nine months of fiscal 2000, the Company added an additional \$500 million revolving credit commitment. The Company's total revolving credit commitments amounted to \$1.1 billion at 30 June 2000. No borrowings were outstanding under these commitments. Additional commitments totaling \$80.9 million are maintained by the Company's foreign subsidiaries, of which \$14.6 million was utilized at 30 June 2000.

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 interest rate swap contracts to effectively convert the stated variable rates to interest rates based on LIBOR. 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 notional principal amounts outstanding and net unrealized gain of interest rate swap agreements at 30 June 2000 and 30 September 1999 were as follows:

(Millions of dollars)

	30 June 2000		30 September 1999	
	Notional Amount	Net Unrealized Gain (Loss)	Notional Amount	Net Unrealized Gain (Loss)
Fixed to Variable	\$31.0	\$(.2)	\$311.0	\$5.6
Variable to Variable	10.0	20.9	60.0	121.1
Total	\$41.0	\$20.7	\$371.0	\$126.7

During the third quarter three fixed to variable interest rate swap agreements with a total notional amount of \$150.0 million were terminated, resulting in a deferred loss of

\$.8 million. In the first nine months of fiscal 2000 two fixed to variable interest rate swap agreements with a total notional amount of \$100.0 million were terminated, resulting in a deferred gain of \$2.4 million.

In April 2000, a \$50 million variable to variable interest rate swap agreement matured along with the related \$50 million of medium term notes. The net unrealized gain on the remaining variable to variable interest rate swap was \$20.9 million at 30 June 2000. This swap effectively converted the stated variable rate of the medium term note to an average interest rate slightly above the three month US dollar LIBOR rate.

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. The notional principal of interest rate and currency swap agreements outstanding at 30 June 2000 was \$145.7 million. The fair value of the agreements was a gain of \$4.5 million, of which a \$9.5 million gain related to the currency component was recognized in the financial statements. The remaining \$5.0 million loss was related to the interest component and has not been recognized in the financial statements. This loss reflects that current interest rates are generally lower than the interest rates paid under the interest rate and currency swap agreements. As of 30 September 1999 interest rate and currency swap agreements were outstanding with a notional principal amount and fair value of \$270.8 million and a gain of \$10.2 million, respectively. During the first nine months of fiscal 2000 three interest rate and currency swap agreements with a total notional amount of Spanish Peseta (ESP) 11.63 billion or \$93.1 million were terminated, resulting in a net deferred loss of \$2.0 million.

The estimated fair value of the Company's long-term debt, including current portion, as of 30 June 2000 is \$2,948.5 million compared to a book value of \$2,873.0 million.

FINANCIAL INSTRUMENTS

At 30 June 2000, the Company's net financial instrument position was a liability of \$2,889.1 million. 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. The increase in the net financial instrument position from 30 September 1999 is due mainly to the issuance of Euro 500 million in notes due in 2005 and the issuance of \$285.3 million of commercial paper that was classified as long-term in the first nine months of fiscal 2000. These increases were partially offset by the repurchase of \$200 million of medium term notes during the year.

There has been no other material change in the net financial instrument position or sensitivity to market risk since the disclosure in the annual report.

FORWARD-LOOKING STATEMENTS

The forward-looking statements contained in this release are based on current expectations regarding important risk factors. Actual results may differ materially from those expressed. Factors that might cause forward-looking statements to differ materially from actual results include, among other things, overall economic and business conditions; demand for the goods and services of Air Products; competitive factors in the industries in which it competes; changes in government regulation; success of implementing cost reduction programs; the timing, impact and other uncertainties of future acquisitions and divestitures; fluctuations in interest rates and foreign currencies; the impact of tax and other legislation

and regulations in the jurisdictions in which Air Products and its affiliates operate; and the timing and rate at which tax credits can be utilized.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

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- (a)(12) Computation of Ratios of Earnings to Fixed Charges.
 - (a)(18) Letter re Change in Accounting Principles.
 - (a)(27) Financial Data Schedule which is submitted electronically to the Securities and Exchange Commission for information only, and not filed.
 - (b) Current Reports on Form 8-K dated 24 April 2000, 10 May 2000, and 11 May 2000 were filed by the Registrant during the quarter ended 30 June 2000 in which Item 5 of such forms was reported.

SIGNATURES

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

Air Products and Chemicals, Inc.

(Registrant)

Date: August 11, 2000

By: /s/L. J. Daley

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

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

EXHIBITS

To

FORM 10-Q

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

For the quarter ended 30 June 2000

Commission File No. 1-4534

AIR PRODUCTS AND CHEMICALS, INC.
(Exact name of registrant as specified in its charter)

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INDEX TO EXHIBITS

- (a)(12) Computation of Ratios of Earnings to Fixed Charges.
- (a)(18) Letter to re Change in Accounting Principles.
- (a)(27) Financial Data Schedule, which is submitted electronically to the Securities and Exchange Commission for information only, and not filed.

Exhibit (a)(12)

AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Unaudited)

	Year Ended 30 September					Nine Months Ended 30 June
	1995	1996	1997	1998	1999	2000
Earnings:						
Income before extraordinary item and the cumulative effect of accounting changes:	\$368.2	\$416.4	\$429.3	\$546.8	\$450.5	(\$94.3)
Add (deduct):						
Provision for income taxes	186.2	195.5	203.4	280.9	209.5	(115.7)
Fixed charges, excluding capitalized interest	148.8	184.0	233.0	202.8	194.4	166.0
Capitalized interest amortized during the period	9.1	9.4	8.3	7.4	6.1	5.4
Undistributed earnings of less-than-fifty-percent-owned affiliates	(25.4)	(40.6)	(31.1)	(25.3)	(44.5)	(28.5)
Earnings, as adjusted	<u>\$686.9</u>	<u>\$764.7</u>	<u>\$842.9</u>	<u>\$1,012.6</u>	<u>\$816.0</u>	<u>(\$67.1)</u>
Fixed Charges:						
Interest on indebtedness, including capital lease obligations	\$139.4	\$171.7	\$217.8	\$186.7	\$175.4	\$150.1
Capitalized interest	18.5	20.0	20.9	18.4	24.7	16.2
Amortization of debt discount premium and expense	.2	1.5	1.8	1.9	1.3	1.9
Portion of rents under operating leases representative of the interest factor	9.2	10.8	13.4	14.2	17.7	14.0
Fixed charges	<u>\$167.3</u>	<u>\$204.0</u>	<u>\$253.9</u>	<u>\$221.2</u>	<u>\$219.1</u>	<u>\$182.2</u>
Ratio of Earnings to Fixed Charges (a):	<u>4.1</u>	<u>3.7</u>	<u>3.3</u>	<u>4.6</u>	<u>3.7</u>	<u>--</u>

(a) The results of operations for the nine months ended 30 June 2000 are inadequate to cover total fixed charges as defined. Excluding the after-tax BOC transaction costs of \$456.5 the pro forma ratio of earnings to fixed charges would be 3.6 for the nine months ended 30 June 2000.

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, Pennsylvania 18195-1501

3 August 2000

Re: Air Products and Chemicals, Inc. (the "Company") Form 10-Q Report for the quarter ended 30 June 2000.

Gentlemen/Ladies:

This letter is written to meet the requirements of Regulation S-K calling for a letter from a registrant's independent accountants whenever there has been a change in accounting principle or practice.

We have been informed that, as of 30 June 2000, the Company changed from the accrue in advance method of accounting for major maintenance to the expense as incurred method of accounting. According to the management of the Company, this change was made to conform its policy to the position taken by the staff of the Securities and Exchange Commission ("SEC"), whereby the staff has stated that it does not believe the accrue in advance method of accounting is appropriate.

A complete coordinated set of financial and reporting standards for determining the preferability of accounting principles among acceptable alternative principles has not been established by the accounting profession. Thus, we cannot make an objective determination of whether the change in accounting described in the preceding paragraph is to a preferable method. However, we have reviewed the pertinent factors, including those related to financial reporting, in this particular case on a subjective basis, and our opinion stated below is based on our determination made in this manner.

We are of the opinion that the Company's change in method of accounting is to an acceptable alternative method of accounting, which, based upon the reasons stated for the change and our discussions with you, is also preferable under the circumstances in this particular case. In arriving at this opinion, we have relied on the business judgment and business planning of your management.

We have not audited the application of this change to the financial statements of any period subsequent to 30 September 1999. Further, we have not examined and do not express any opinion with respect to your financial statements for the nine months ended 30 June 2000.

Very truly yours,

ARTHUR ANDERSEN LLP

This Schedule contains summary financial information extracted from the consolidated balance sheet and the consolidated statement of income filed as part of Form 10-Q and is qualified in its entirety by reference to such Form 10-Q .

	1,000,000	
	U S Dollar	
9-MOS		
SEP-30-2000		
OCT-01-1999		
JUN-30-2000		
	1	113
	0	
	966	
	5	
	446	
	1949	10626
	5212	
	8567	
1684		2800
0		0
		249
		2395
8567		4018
	4018	
		2796
	2796	
	92	
	7	
	141	
	(208)	
		(120)
(94)		
	0	
	0	
		0
	(94)	
	(0.44)	
	(0.44)	