SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One) [X] 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, 1996

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 incorporation or organization)	(IRS Employer Identification No.)
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, 1996 was $7.6 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 29, 1996 was 120,403,539.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Shareholders for the fiscal year ended September 30, 1996. 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 23, 1997 . . . Part III.

TABLE OF CONTENTS

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. 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 and includes the Company's power generation business and flue gas treatment business.

Financial information concerning the Company's business segments appears in Note 19 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 1996 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 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 six areas -- the Houston (Texas) Ship Channel including the Port Arthur, Texas, area; "Silicon Valley", California; Phoenix, Arizona; Central Louisiana; Rotterdam, the Netherlands; and Corpus Christi, Texas -- Air Products' hydrogen, oxygen, carbon monoxide or nitrogen gas pipelines serve multiple customers from one or more centrally located plants. Affiliates have pipelines in Korea, Thailand and Malaysia.

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. 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 28% of Air Products' consolidated sales in fiscal 1996 and were approximately 29% and 31% in fiscal years 1995 and 1994, respectively. Tonnage and merchant sales of industrial gases -- principally oxygen, nitrogen and hydrogen -- to the chemical process industry, the electronics industry and the basic steel industry, the largest consuming industries, were approximately 14%, 11% and 6%, respectively, of Air Products' consolidated sales in fiscal 1996.

Other important consumers of Air Products' industrial and specialty gases are 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. These gases are used in numerous industries and in electronic and laboratory applications.

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 105 offices in 37 states in the United States and Puerto Rico, and from 133 offices in 20 foreign countries. In addition, industrial gas companies in which the Company has investments operate in 28 foreign countries. See "Foreign Operations" on page 5 of this report.

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".

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 13% of Air Products' consolidated sales in fiscal year 1996, 14% in fiscal year 1995 and 12% in fiscal year 1994, respectively.

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.

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 coproduct 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 10% of Air Products' consolidated sales in fiscal year 1996 and 9% in fiscal years 1995 and 1994.

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, surfactants and release agents 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 fiscal year 1996, 12% in fiscal year 1995 and 13% in fiscal year 1994.

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, Hong Kong, 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 equipment business of Air Products designs, manufactures and supplies cryogenic and other process equipment, and includes the Company's power generation business, and its flue gas treatment business. Prior to October 1, 1996, the Company's power generation business, Pure Air(TM) flue gas treatment business, and the landfill gas business were reported under the environmental and energy business segment. The Company divested its landfill gas business in early fiscal 1997.

EQUIPMENT

Specifically, equipment is manufactured for cryogenic air separation, gas processing, natural gas liquefaction, hydrogen purification, and nitrogen rejection. 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 $306 million on September 30, 1996, approximately 26% of which relates to natural gas liquefaction, as compared with a total backlog of approximately $198 million on September 30, 1995. It is expected that approximately $213 million of the backlog on September 30, 1996, will be completed during fiscal 1997. Subsequent to September 30, 1996, backlog related to natural gas liquefaction has increased by approximately $109 million, of which $13 million is expected to be completed during fiscal 1997.

POWER GENERATION

Air Products constructed, operates and has a 50% interest 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; and a 120-megawatt gas-fired combined cycle power generation facility in Orlando, Florida. A 112-megawatt gas-fueled power generation facility, in which the Company has a 48.9% interest, is being constructed in Thailand that will supply electricity to a state-owned electricity generating authority and steam and electricity to an Air Products industrial gases affiliate.

PURE AIR

Pure Air markets, develops, designs and builds flue gas treatment systems. 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. Pure Air is working with a Florida utility company to develop a facility utilizing this FGD technology and other air pollution control technologies for treating the flue gas of a power generation plant to be powered by Orimulsion(R) fuel.

Additional information with respect to the Company's power generation business is included in Notes 9 and 16 to the Consolidated Financial Statements included under Item 8 herein.

GENERAL

AMERICAN REF-FUEL

The Company's partnerships with Browning-Ferris Industries, Inc., one of the world's largest waste services firms, principally design, construct, own and operate plants to combust solid waste, generate steam and sell the steam or convert the steam to electricity. American Ref-Fuel partnerships, owned equally by subsidiaries of Air Products and Browning-Ferris, own and operate waste-to-energy facilities in Hempstead (Long Island), New York; near Niagara Falls, New York; Essex County, New Jersey; and Southeastern Massachusetts each of which combusts approximately 800,000 to 1,000,000 tons per year of solid waste and generates electricity. A smaller waste-to-energy facility which combusts approximately 250,000 tons per year of solid waste is located in Preston, Connecticut. The Company announced, during fiscal 1996, its intent to divest its interest in American Ref-Fuel.

Additional information with respect to the Company's interest in American Ref-Fuel is included in Notes 9 and 16 to the Consolidated Financial Statements included under Item 8 herein.

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.

Wholly owned subsidiaries operate in Australia, Brazil, Canada and Mexico and in 12 countries in Europe and 6 countries in Asia. The Company also has less than controlling interests in industrial gas companies in Mexico and in 5 countries in Europe and 7 countries in Asia. Air Products also has a 70% owned subsidiary engaged in the specialty gas and helium business as well as a 62.5% owned subsidiary engaged in the gas membrane business in China, a 58% owned subsidiary engaged principally in cryogenic equipment manufacturing in the Czech Republic, a 51% owned subsidiary engaged in the manufacture and sale of polymer emulsions in Mexico and 50% owned companies in France and South Africa (industrial gases). The Company and a French industrial gas company each have a 25% interest in an Algerian company that owns and operates a helium purification and liquefaction plant which provides helium to Air Products and the French industrial gas company.

As of November 1, 1996 the Company owned 96.7% of the outstanding shares of the Sociedad Espanola de Carburos Metalicos, S.A., a major industrial gas company in Spain. See Note 17 to the Consolidated Financial Statements included under Item 8 herein.

Financial information about Air Products' foreign operations and investments is included in Notes 9, 11 and 19 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 6 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 $497 million, $436 million and $376 million in 1996, 1995 and 1994, respectively. Less than 5% of the total export sales are to affiliated customers.

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, Netherlands and Norderstedt, near Hamburg, Germany. The Company also 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 1996 was $114 million compared with $103 million and $97 million during fiscal 1995 and 1994, respectively. In addition, the Company estimates approximately $9 million was spent in each of fiscal years 1996, 1995 and 1994 on customer-sponsored research activities relating to the development or improvement of products, services or techniques.

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 power production, air pollution control and nonhazardous waste disposal systems.

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, 1996, Air Products owned 1,051 United States patents and 1,978 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 anhydrous ammonia, hydrogen, carbon monoxide, carbon dioxide and methanol principally from natural gas. Such products accounted for approximately 7% of the Company's consolidated sales in fiscal 1996. 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 35% of the Company's consolidated sales in fiscal 1996. 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 semifinished materials and chemical intermediates from many suppliers. During fiscal 1996, 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 both in 1996 and 1995, and $28 million for 1994. 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 1997 and $30 million in 1998.

Although precise amounts are difficult to define, the Company estimates that in fiscal 1996 it spent approximately $11 million on capital projects to control pollution (including expenditures associated with new plants) versus $13 million in 1995. Capital expenditures to control pollution in future years are estimated at $15 million in 1997 and $17 million in 1998. In addition, the Company's joint ventures in power generation and American Ref-Fuel include in the capital costs of their projects the costs of equipment and systems to control pollution. For example, it is estimated that in fiscal 1996 the ventures of the Company in Ref-Fuel and power generation projects spent approximately $73 million on equipment and systems within their existing facilities to control pollution. Additional information with respect to these ventures is included on page 4 of this report.

The exact amount to be expended by the Company and its Ref-Fuel and 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. For example, with respect to most Ref-Fuel ventures, to the extent subsequent law changes require additional environmental equipment to control pollution, the costs generally are passed through to the municipality under long-term waste disposal contracts. 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 $18 million to a reasonably possible upper exposure of $45 million. The balance sheet at 30 September 1996 includes an accrual of $32 million and a receivable balance of $1 million relating to third party recoveries. At 30 September 1995, the balance sheet accrual was $35 million, and the receivable balance was $1 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 costs to implement the anticipated remedial program will range from $26-$33 million. Spending was minimal in fiscal 1996 and is estimated at $5 million for both fiscal 1997 and 1998. Operating and maintenance expenses associated with continuing the remedial program are estimated to be $1 million per year beginning in fiscal 1997 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. The cost estimates have not been reduced by the value of such reimbursement, which the Company believes is probable of realization.

Actual costs to be incurred in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures and factors beyond the Company's control such as: lack of knowledge or scarcity of reliable data pertaining to identified sites; method and extent of remediation ultimately required; years of remedial activity required; number of parties involved; final determination of the Company's liability in proportion to that of other parties; identification of new sites; evolving environmental laws and regulations and their application; and advances in technology.

The Company's domestic competitors face similar requirements, which are not shared by most foreign competitors.

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. 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 including power generation 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, 1996, the Company (including majority-owned subsidiaries) had approximately 15,200 full-time employees of whom approximately 4,600 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 years, including an agreement for a facility which manufactures helium and hydrogen containers in Pennsylvania that expires in fiscal 1997. 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.

EXECUTIVE OFFICERS OF THE COMPANY

The Company's executive officers, their respective positions and their respective ages on December 15, 1996 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
James H. Agger (D)(E)	60	Vice President, General Counsel and Secretary
Robert E. Gadomski (D)(E)	49	Executive Vice President--Chemicals (became Executive Vice President--Chemicals in 1996; Group Vice President--Chemicals Group 1992-1996; Group Vice President--Process Systems Group prior thereto)
John P. Jones (D)(E)	46	Executive Vice President--Gases and Equipment (became Executive Vice President--Gases and Equipment in 1996; President --Air Products Europe, Inc. 1993-1996; Group Vice President--Process Systems Group 1992-1993; Vice President and General Manager--Environmental/Energy Division prior thereto)
Joseph J. Kaminski (A)(D)(E)	57	Corporate Executive Vice President (became Corporate Executive Vice President in 1996; Executive Vice President--Gases and Equipment 1993-1996; President --Air Products Europe, Inc. prior thereto)
Arnold H. Kaplan (D)(E)	57	Vice President--Finance (became Vice President--Finance in 1996; Vice President--Energy and Materials prior thereto)
Harold A. Wagner (A)(B)(C)(D)(E)	61	Chairman of the Board, President and Chief Executive Officer (became Chairman of the Board and Chief Executive Officer in 1992; President in 1991)

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(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; 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, 1996.

INDUSTRIAL GASES

The industrial gases segment has approximately 163 plant facilities in 38 states, the majority of which recover nitrogen, oxygen and argon. The Company has six facilities which produce specialty gases and 26 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 112 sales offices and/or cylinder distribution centers located in 39 states.

The land 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 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 42, and include six plants which recover hydrogen, three 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 three specialty gas centers. There is a combined total of 87 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, Taiwan and the Middle East. Representative offices are located 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; nitric acid, dinitrotoluene, toluene diamine, polyvinyl alcohol and acetic acid at its Pasadena, Texas, facility; and polyvinyl acetate emulsions, polyvinyl alcohol, acetic acid and acetylenic chemicals at its Calvert City, Kentucky, facility; specialty amines at its Wichita, Kansas, facility; polyurethane additives release agents at its Hamburg, Germany, facility; and epoxy additives at its facilities in Manchester, England; Los Angeles, California and Cumberland, Rhode Island. The chemicals segment manufactures polyurethane additives 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 16 plant facilities, six sales offices and one laboratory in the United States and operates two plants, seven sales/representative offices and two laboratories in Europe, laboratories in Brazil, Hong Kong, and Korea, one plant in Mexico, one plant in Korea, and sales offices in Australia, Brazil, Mexico, Japan, Korea, Singapore and South Africa and sales/representative offices in Hong Kong, and representative offices in Beijing and Shanghai in the People's Republic of China. Substantially all of the chemicals segment's plants and real estate thereunder 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 three offices in the United States, three plants and three offices in Europe and one office in Japan. 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. 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. Included in these claims and actions are the following:

(i) 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. There are presently approximately 55 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. While monetary sanctions have not yet been determined, they may exceed $100,000. On October 16, 1996, the Company and the Kentucky Department for Environmental Protection entered into an Agreed Order to resolve miscellaneous alleged violations of Kentucky's air pollution control regulations including new source review and other permitting, record-keeping and leak detection requirements alleged in a July 14, 1995 Notice of Violation which had been previously disclosed in the Company's 1995 Form 10-K. The Company agreed to pay a civil penalty of $84,000 and perform a supplemental environmental project. Additional information on the Company's environmental exposure is included under Environmental Controls on pages 6 and 7 of this report.

(ii) On May 2, 1995, and April 1, 1996, two related actions were initiated in the Federal District Court in the Western District of Pennsylvania by the Company and its project companies, Washington Power (I), Inc. and Washington Power Company, L.P., against Allegheny Power Systems, Inc. and its affiliates, Allegheny Power Service Corporation and West Penn Power Company [Washington Power (I), Inc., et al. vs. Allegheny Power Systems, Inc., et al., C.A. No. 95-0658 and Air Products and Chemicals, Inc., et al. vs. Allegheny Power Systems, Inc., et al., C.A. No. 96-0598.] The consolidated lawsuits seek recovery of lost profits, including treble and punitive damages arising out of defendants' repudiation of a long-term contract to buy electricity from Washington Power. Defendants' actions are alleged to have been improper exercises of monopoly power in violation of the Sherman Act justifying an award of treble damages, together with restraint of trade, intentional interference with contract, and wrongful use of civil proceedings justifying an award of punitive damages. The parties are engaged in ongoing discovery, with no firm trial date having been set by the Court.

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.

Market and dividend information for the Company's Common Stock appears under "Eleven-Year Summary of Selected Financial Data" on pages 32 and 33 of the 1996 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.

As of November 29, 1996, there were 11,302 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 pages 32 and 33 of the 1996 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 2 through 8 of the 1996 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 1 November 1996, appearing on pages 9 through 31 of the 1996 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 2 through 6 of the Proxy Statement relating to the Company's 1997 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 "Other Relationships and Transactions", "Remuneration of Directors", "Report of the Management Development and Compensation Committee", "Compensation and Option Tables", "Stock Performance Information", "Pension Plans", and "Certain Agreements with Executive Officers" appearing on pages 7 through 18 of the Proxy Statement relating to the Company's 1997 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 section headed "Security Ownership of Certain Beneficial Owners and Management" contained on pages 19 through 22 of the Proxy Statement relating to the Company's 1997 Annual Meeting of Shareholders and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information under "Other Relationships and Transactions" appearing on page 7 of the Proxy Statement relating to the Company's 1997 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

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

1. The 1996 Financial Review Section of the Company's 1996 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 1996 FINANCIAL REVIEW SECTION OF THE ANNUAL REPORT)

2. The following additional information should be read in conjunction with the financial statements in the Company's 1996 Financial Review Section of the Annual Report to Shareholders:

(PAGE REFERENCES TO THIS REPORT)

Consolidated Schedules for the years ended 30 September 1996, 1995 and 1994 as follows:

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 10-K Report for the fiscal year ended September 30, 1993.)*
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.
(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 23, 1988, between the Company and The Chase Manhattan Bank, N.A. (Filed as Exhibit 1, 2 to the Company's Form 8-A Registration Statement dated March 28, 1988.)*
(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(a)	Long-term Incentive Plan of the Company, as amended. (Filed as Exhibit 10.2 to the Company's Form 10-K Reports for each of the fiscal years ended September 30, 1986, September 30, 1987 and September 30, 1988.)*
10.2(b)	1990 Long-Term Incentive Plan of the Company. (Filed as Exhibit 10.2(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*
10.2(b)(1)	Amendment to 1990 Long-Term Incentive Plan of the Company, effective July 16, 1992. (Filed as Exhibit 10.2(b)(1) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*
10.2(c)	1997 Long-Term Incentive Plan of the Company effective October 1, 1996.
10.3	1990 Annual Incentive Plan of the Company, as amended and restated effective October 1, 1989. (Filed as Exhibit 10.3 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*
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 Supplementary Pension Plan 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.

EXHIBIT NO.	DESCRIPTION
10.4(d)	Amended and Restated Trust Agreement by and between the Company and Provident National Bank dated as of October 31, 1989. (Filed as Exhibit 10.4(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*
10.4(e)	Amendment to the Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. dated May 1, 1995. (Filed as Exhibit 10.4(g) to the Company's Form 10-K Report for the fiscal year ended September 30, 1995.)*
10.5	Supplementary Savings Plan of the Company as amended October 1, 1989. (Filed as Exhibit 10.5 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*
10.5(a)	Trust Agreement by and between the Company and Provident National Bank dated as of October 31, 1989. (Filed as Exhibit 10.5(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*
10.5(b)	Amendment to the Trust Agreement by and between the Company and PNC Bank, N.A. (previously Provident National Bank) relating to the Supplementary Pension Plan and Supplementary Savings Plan dated May 1, 1995. (Filed as Exhibit 10.5(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1995.)*
10.6(a)	Amended and Restated Deferred Compensation Plan for Directors of the Company, effective November 21, 1996.
10.6(b)	Amended and Restated Pension Plan for Directors of the Company, effective January 1, 1983, as amended effective January 1, 1990 and January 1, 1994. (Filed as Exhibit 10.6(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*
10.7	Agreements with executives.
10.7(a)	Form of Employment Agreement dated July 30, 1987, which the Company has with each of its executive officers. (Filed as Exhibit 10.7(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1987.)*
10.8	Employee Severance Plans.
10.8(a)	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.)*
10.8(b)	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.)*
(11)	Earnings per share.
(12)	Computation of Ratios of Earnings to Fixed Charges.
(13)	1996 Financial Review Section of the Annual Report to Shareholders for the fiscal year ended September 30, 1996, 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.
(27)(b)	Reports on Form 8-K filed during the quarter ended September 30, 1996.
	Current Reports on Form 8-K dated July 23, 1996, October 23, 1996, and October 25, 1996, were filed in which Item 5 of such Form was reported.

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

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 12, 1996

AIR PRODUCTS AND CHEMICALS, INC.
(Registrant)

By: /s/ Arnold H. Kaplan
Arnold H. Kaplan,
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, Chairman of the Board and President (Principal Executive Officer)	December 12, 1996
/s/ Paul E. Huck (Paul E. Huck)	Vice President and Corporate Controller (Principal Accounting Officer)	December 12, 1996
* (Dexter F. Baker)	Director	December 12, 1996
* (Tom H. Barrett)	Director	December 12, 1996
* (L. Paul Bremer)	Director	December 12, 1996
* (Robert Cizik)	Director	December 12, 1996
* (Ruth M. Davis)	Director	December 12, 1996
* (Joseph J. Kaminski)	Director	December 12, 1996

SIGNATURE	TITLE	DATE
* (Terry R. Lautenbach)	Director	December 12, 1996
* (Rudolphus F. M. Lubbers)	Director	December 12, 1996
* (Judith Rodin)	Director	December 12, 1996
* (Takeo Shiina)	Director	December 12, 1996
* (Lawrason D. Thomas)	Director	December 12, 1996

*James H. Agger, 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/ James H. Agger
James H. Agger
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 1 November 1996. 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
1 November 1996

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. 333-02461, 33-2068, 33-57017, 33-57023 and 33-65117).

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
9 December 1996

SCHEDULE VIII
CONSOLIDATED

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED 30 SEPTEMBER 1996, 1995 AND 1994

COLUMN A	COLUMN B	COLUMN C		COLUMN D		COLUMN E
		ADDITIONS		OTHER CHANGES INCREASE (DECREASE)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO EXPENSE	CHARGED TO OTHER ACCOUNTS(1)	CUMULATIVE TRANSLATION ADJUSTMENTS	OTHER(2)	BALANCE AT END OF PERIOD
	(IN MILLIONS OF DOLLARS)					
Amounts deducted in the consolidated balance sheet from the asset to which it applies:						
YEAR ENDED 30 SEPTEMBER 1996						
Allowance for doubtful accounts	$ 14	$ 5	$ 1	$ --	$ (7)	$ 13
YEAR ENDED 30 SEPTEMBER 1995						
Allowance for doubtful accounts	$ 13	$ 8	$ (1)	$ --	$ (6)	$ 14
YEAR ENDED 30 SEPTEMBER 1994						
Allowance for doubtful accounts	$ 12	$ 7	$ --	$ --	$ (6)	$ 13

NOTES:
(1) Includes collections on accounts previously written off and additions applicable to businesses acquired.
(2) Primarily includes write-offs of uncollectible accounts.

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3.3	Amendment to the Restated Certificate of Incorporation of the Company dated January 25, 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 23, 1988, between the Company and The Chase Manhattan Bank, N.A. (Filed as Exhibit 1, 2 to the Company's Form 8-A Registration Statement dated March 28, 1988.)*
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(27)(b)	Reports on Form 8-K filed during the quarter ended September 30, 1996.
	Current Reports on Form 8-K dated July 23, 1996, October 23, 1996, and October 25, 1996, were filed in which Item 5 of such Form was reported.

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

Exhibit 3.3

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

* * * * *

Air Products and Chemicals, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of Air Products and Chemicals, Inc. resolutions were duly adopted setting forth a proposed amendment to the Restated Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

> RESOLVED, that the Board of Directors of this Corporation proposes and recommends and hereby declares it to be advisable that the Restated Certificate of Incorporation of this Corporation be amended by changing the first paragraph of Article FOURTH thereof to read as follows:
>
> "FOURTH: THE TOTAL NUMBER OF SHARES OF STOCK WHICH THE CORPORATION SHALL HAVE THE AUTHORITY TO ISSUE IS THREE HUNDRED TWENTY-FIVE MILLION (325,000,000) SHARES, CONSISTING OF THREE HUNDRED MILLION (300,000,000) SHARES OF COMMON STOCK HAVING A PAR VALUE OF $1 PER SHARE AND TWENTY-FIVE MILLION (25,000,000) SHARES OF PREFERRED STOCK HAVING A PAR VALUE OF $1 PER SHARE."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, the annual meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Air Products and Chemicals, Inc. has caused this certificate to be signed by H. A. Wagner, its Chairman of the Board, President, and Chief Executive Officer, and attested by Lynn German Long, its Assistant Corporate Secretary, this 25th day of January, 1996.

Air Products and Chemicals, Inc.

By /s/ H. A. Wagner

Chairman of the Board, President, and Chief Executive Officer

ATTEST:

By /s/ Lynn German Long

Assistant Corporate Secretary

Exhibit 10.2(c)

AIR PRODUCTS AND CHEMICALS, INC.
1997 LONG-TERM INCENTIVE PLAN
AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 1996

1. PURPOSES OF THE PLAN

The purposes of this Plan are: (i) to provide long-term incentives and rewards to those executives or other key employees who are in a position to contribute to the long-term success and growth of Air Products and Chemicals, Inc. (the "Company") and Participating Subsidiaries, (ii) to assist the Company and Participating Subsidiaries in attracting and retaining executives and other key employees with experience and ability and (iii) to associate more closely the interests of such executives and other key employees with those of the Company's shareholders.

2. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Management Development and Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board") or such other committee thereof consisting of such members (not less than three) of the Board as are appointed from time to time by the Board and who, during the one year period prior to serving as a member of the Committee and during such service, have not been and are not granted equity securities of the Company under the Plan or under any other Company plan or program (other than one which will not jeopardize the "disinterested" status of such person within the meaning of Rule 16b-3(c)(2)(i) under the Act or any predecessor or successor rule relating to exemption from Section 16(b) of the Act) and who further constitute "outside directors" for purposes of Section 162(m) of the Internal Revenue Code.

The Committee shall have all necessary powers to administer and interpret the Plan, such powers to include exclusive authority (within the limitations described and except as otherwise provided in the Plan) to select the employees or determine classes of employees to be granted awards under the Plan, to determine the aggregate amount, type, size, and terms of the awards to be made, to determine the time when awards will be granted and to establish and determine whether performance objectives required for earning the right to payment in respect of performance units have been attained. The Committee may take into consideration recommendations from the appropriate officers of the Company and of each Participating Subsidiary with respect to making the foregoing determinations as to Plan awards, administration, and interpretation.

The Committee shall have full power and authority to adopt such rules, regulations, agreements and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan and all action taken and determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all parties concerned, including the Company, its shareholders and any employee of the Company or any Subsidiary. Notwithstanding any other provision of the Plan to the contrary, the Committee may delegate to appropriate Company officers its authority to take all final action with respect to granting and administering Plan awards granted to executives and key employees who are at the time of such action not members of the Board or "officers" within the meaning of Rule 16a-1(f) of the Act, including without limitation selecting the executives and key employees to whom such awards will be granted and determining the amount of any such awards to be made to such executives and key employees, determining the terms and conditions of such awards and administering, interpreting, and taking all action on behalf of the Company with respect to administering, vesting, and paying such awards; provided, however, that (i) all such awards shall be granted within the limitations and subject to the terms and conditions required by the Plan and by the Committee's determinations and interpretations thereof and thereunder; (ii) the aggregate of such awards granted under the Plan for or with respect to a given Fiscal Year shall not, when added to the awards approved by the Committee for granting to individuals who are members of the Board of Directors or are "officers" within the meaning of Rule 16a-1(f) of the Act for or with respect to the same Fiscal Year, exceed the total amount of awards approved by the Committee for or with respect to such Fiscal Year; and (iii) excepting any action with respect to such awards taken because of or in connection with a Change in Control of the Company or as contemplated by Section 11. With respect to matters so delegated, the term "Committee" as used herein shall mean the delegate.

3. ELIGIBILITY FOR PARTICIPATION

Participation in the Plan shall be limited to executives or other key employees (including officers and directors who are also employees) of the Company and its Participating Subsidiaries who are determined by the Committee to have a substantial opportunity to influence the long-term growth of the Company or Participating Subsidiaries. Employees who participate in other incentive or benefit plans of the Company or any Participating Subsidiary may also participate in this Plan. As used herein, the term "employee" shall mean any person employed full-time by the Company or a Participating Subsidiary on a salaried basis, and the term "employment" shall mean full-time salaried employment by the Company or a Subsidiary.

4. SHARES OF STOCK SUBJECT TO THE PLAN

The shares that may be delivered upon exercise, in payment or in respect of stock options, stock appreciation rights, performance units, and deferred stock units granted under the Plan for, during, or in respect of Fiscal Year 1997 and later years, shall not exceed in the aggregate 6,000,000 shares of common stock of the Company ("Common Stock"), subject to adjustment as provided in Section 11. Any share subject to a Plan award which for any reason expires, is forfeited, or terminates unexercised may again be subject to an award subsequently granted under the Plan, but shares subject to an award which are not issued or delivered as a result of the exercise or payment of a related award shall not again be available for issuance under the Plan regardless of the form in which such award was paid.

5. AWARDS

Awards under the Plan may be of the following types: (i) stock options, (ii) stock appreciation rights, (iii) performance units, and/or (iv) deferred stock units. Stock options

("Stock Options" or "Options") may be either nonstatutory stock options ("Nonstatutory Stock Options") or incentive stock options ("Incentive Stock Options"), both as described below. The Committee shall designate each Stock Option grant as being either a Nonstatutory Stock Option or an Incentive Stock Option. If the same individual receives both Nonstatutory Stock Options and Incentive Stock Options, each type shall be clearly identified and separately granted.

Stock Options, whether Nonstatutory Stock Options or Incentive Stock Options, are rights to purchase Common Stock from the Company. Stock appreciation rights ("Stock Appreciation Rights") are rights to receive cash and/or Common Stock equivalent in value to the "spread" between (a) the aggregate fair market value of the number of shares with respect to which the Participant has elected to exercise Stock Appreciation Rights and (b) the aggregate purchase price of such shares based on the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Rights were granted. Performance units ("Performance Units") are awards having a unit dollar value determined by the Committee and constitute rights to receive cash and/or Common Stock equivalent in value to the value of the Performance Units, provided specified performance objectives are met. Deferred stock units ("Deferred Stock Units") are rights to receive at the end of a deferral period cash and/or Common Stock equivalent in value to one share of Common Stock for each unit.

Nonstatutory Stock Options, Stock Appreciation Rights, Performance Units, and Deferred Stock Units may be granted to the same person as separate awards at or for the same period of time under terms whereby the issuance of shares or payment under one award has no effect on any other award. Stock Appreciation Rights and Performance Units may be granted to a Participant in relation to (i.e., in "tandem" with) a previously or concurrently granted Nonstatutory Stock Option under terms whereby the issuance of shares or payment under one award reduces directly the number of shares, units, and/or rights remaining available under the related award(s). Performance Units cannot be granted in conjunction with, or in any way related to, Incentive Stock Options.

6. STOCK OPTIONS

(a) Nonstatutory Stock Options. A Stock Option designated by the Committee as a Nonstatutory Stock Option is one which is not eligible for preferential tax treatment under Section 421(a) of the Internal Revenue Code. The Committee may grant Nonstatutory Stock Options either alone or in conjunction with and related to Stock Appreciation Rights and/or Performance Units. All Nonstatutory Stock Options granted under the Plan shall be on the following terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

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

(ii) Number of Shares. The Committee will determine, absolutely or by formula related to the Fair Market Value of a share of Common Stock, the number of shares of Common Stock to be subject to each Nonstatutory Stock Option. The number of shares subject to an outstanding Nonstatutory Stock Option will be reduced on a one-for-one basis to the extent that (A) shares under such Nonstatutory Stock Option are used to calculate the cash and/or shares received upon exercise of related Stock Appreciation Rights and (B) any related Performance Units are paid. In no event shall the number of shares subject to nonstatutory stock options granted to any Participant in any Fiscal Year exceed 500,000.

(iii) Term and Exercise Dates. The Committee shall fix the term during which each Nonstatutory Stock Option may be exercised, but no Nonstatutory Stock Option shall be exercisable after the first day following the tenth anniversary of its date of grant. No Nonstatutory Stock Option shall be exercisable prior to one year from its date of grant, except as otherwise provided in Section 10. Unless otherwise determined by the Committee and except as otherwise provided in Section 10, each Nonstatutory Stock Option shall become exercisable in installments as follows:

1. One-third of the shares subject to such Nonstatutory Stock Option may be purchased commencing one year after the date of grant; and

2. An additional one-third of such shares subject to such Nonstatutory Stock Option may be purchased commencing on each of the second and third yearly anniversaries of the date of grant.

In the event a Participant ceases to be an employee of the Company or a Subsidiary by reason of Retirement, Disability or death after the first anniversary of the date of grant to such person of a Nonstatutory Stock Option but before the Option has become exercisable in full, a pro rata portion of the shares that would have become exercisable on the next anniversary of the date of grant had the Participant remained employed shall become exercisable commencing on such next anniversary, based upon the proportion which the number of full calendar months in such Fiscal Year prior to such termination of employment bears to the 12 calendar months in the Fiscal Year. Notwithstanding the foregoing or any other provision of the Plan, the Committee may determine, in its discretion, that any unexercisable Nonstatutory Stock Option or portion thereof shall not terminate or have terminated on the date of the Participant's Retirement, Disability or death, but shall continue or have continued on such terms and subject to such conditions as the Committee shall specify.

Notwithstanding any other provision of the Plan, the Committee may determine that the date on which any outstanding Nonstatutory Stock Option or any portion thereof is exercisable shall be or shall have been advanced to an earlier date or dates designated by the Committee in accordance with such terms and subject to such conditions, if any, as the Committee shall specify; provided, however, that any such earlier date shall not be prior to one year from the date of grant of such Nonstatutory Stock Option, except as otherwise provided in Section 10.

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

(b) Incentive Stock Options. A Stock Option designated by the Committee as an Incentive Stock Option is one which is intended to comply with the requirements in Subsection (b) of Section 422 of the Internal Revenue Code so as to be eligible for preferential income tax treatment and shall satisfy the following terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

(i) Price. The purchase price per share of Common Stock covered by each Incentive Stock Option shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of such Option. If an Incentive Stock Option is granted to an employee who, on the date of grant, owns stock possessing more than 10% of the total combined voting power of all outstanding classes of stock of the Company or any affiliate, the purchase price per share under such Incentive Stock Option shall be at least 110% of the Fair Market Value of a share of Common Stock on the date of grant of such Option and such Incentive Stock Option shall not be exercisable after the expiration of five years from its date of grant.

(ii) Number of Shares. The Committee will determine, absolutely or by formula related to the Fair Market Value of a share of Common Stock, the number of shares of Common Stock to be subject to each Incentive Stock Option. The number of shares subject to an outstanding Incentive Stock Option will be reduced on a one-for-one basis to the extent that shares under such Incentive Stock Option are used to calculate the cash and/or shares received upon exercise of a related Stock Appreciation Right.

(iii) Term and Exercise Dates. No Incentive Stock Option shall be granted under this Plan more than 10 years after the date this Plan is adopted or approved by the shareholders of the Company, whichever is earlier. The Committee shall fix the term during which each Incentive Stock Option may be exercised, but no Incentive Stock Option shall be exercisable after ten years from its date of grant. No Incentive Stock Option shall be exercisable prior to one year from its date of grant, except as otherwise provided in Section 10. Unless otherwise determined by the Committee and except as otherwise provided in Section 10, each Incentive Stock Option shall be exercisable in full one year after its date of grant.

In the event a Participant ceases to be an employee of the Company or a Subsidiary by reason of Retirement, Disability or death after the first anniversary of the date of grant to such person of an Incentive Stock Option but before the Option has become exercisable in full, a pro rata portion of the shares shall become exercisable commencing on the next anniversary of the date of grant of such award, based upon the proportion which the number of full calendar months in such Fiscal Year prior to such termination of employment bears to the 12 calendar months in the Fiscal Year. Notwithstanding the foregoing or any other provision of the Plan, the Committee may determine, in its discretion, that any unexercisable Incentive Stock Option or portion thereof shall not terminate or have terminated on the date of the Participant's Retirement, Disability or death, but shall continue or have continued on such terms and subject to such conditions as the Committee shall specify.

Notwithstanding any other provision of the Plan, the Committee may determine that the date on which any outstanding Incentive Stock Option or any portion thereof is exercisable shall be or shall have been advanced to an earlier date or dates designated by the Committee in accordance with such terms and subject to such conditions, if any, as the Committee shall specify, provided, however, that any such earlier date shall not be prior to one year from the date of grant of such Incentive Stock Option, except as otherwise provided in Section 10.

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

(v) Annual Limit. The aggregate Fair Market Value, determined on the date of grant, of stock with respect to which Incentive Stock Options are exercisable for the first time by such Participant during any calendar year (under this Plan and all such other plans of the Company and any predecessor, parent, subsidiary or affiliate) shall not exceed $100,000.

(c) Payment. The purchase price of shares purchased upon exercise of any Option shall be paid in full in cash at the time of exercise of the Option, except that the Committee, in its sole discretion, and on such terms and conditions as it may specify, may approve payment by the exchange of shares of Common Stock having a Fair Market Value on the Exercise Date equal to the purchase price of such shares or by a combination of cash and Common Stock having a Fair Market Value on the Exercise Date equal to the portion of such purchase price not paid in cash;

provided, however, that except as the Committee shall otherwise determine, any such shares submitted in the exchange must have been beneficially owned by the Participant for a certain period prior to the Exercise Date, the duration of such period to be determined from time to time by the Committee but in no event to be less than six months. Subject to any administrative rules from time to time adopted by the Committee for administering Option exercises, payment of the exercise price of the Option will be permitted through the delivery (including by facsimile transmission) of an irrevocable exercise notice coupled with irrevocable instructions to a designated broker to simultaneously sell the underlying shares of Common Stock and deliver to the Company on the settlement date the portion of the proceeds representing the exercise price (and any taxes to be withheld).

(d) Termination of Employment or Death.

(i) In the event that a Participant ceases to be an employee of the Company or a Subsidiary by reason of Retirement, Disability or death, any portion of his or her Stock Option that is not, or will not by its terms following such Retirement, Disability or death become, exercisable shall terminate on the date of such Retirement, Disability or death. The date of any such Disability shall be determined by the Committee. The Participant whose employment is terminated by Retirement or Disability, and, in the case of the Participant's death before or after Retirement or Disability, the Participant's Designated Beneficiary or, if none, his or her legal representative, shall continue to have the same rights to exercise any unexercised portion of the Participant's Stock Option which is exercisable at the time of, or will by its terms become exercisable after such termination or death, as the Participant would have had if he or she had continued to be an active or retired employee of the Company or a Subsidiary, as the case may be.

(ii) Except as provided in clause (i) of this Section 6(d), if prior to the expiration or cancellation of any Stock Option, the Participant ceases to be employed by the Company or a Subsidiary for any reason, any unexercised portion of his or her outstanding Option shall automatically terminate unless the Committee, in its sole discretion, shall determine otherwise, and except that when the Participant's employment has ceased due to part-time employment or a leave of absence, such Participant's Stock Option shall be treated in accordance with guidelines for such situations established by the Committee.

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

7. STOCK APPRECIATION RIGHTS

The Committee may grant Stock Appreciation Rights either alone or in conjunction with and related to previously or concurrently granted Stock Options and/or Performance Units. All Stock Appreciation Rights shall be granted on the following terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

(a) Number of Rights. The Committee shall determine, absolutely or by formula related to the Fair Market Value of a share of Common Stock, the number of Stock Appreciation Rights which shall be granted. As to any Stock Appreciation Rights granted in tandem with another Plan award, such number shall not be greater than the number of shares which are then subject to any Stock Options related to such Stock Appreciation Rights, and the number of such Stock Appreciation Rights will be reduced on a one-for-one basis to the extent that (A) shares under any related Stock Option are purchased and (B) any Performance Units related to any such Nonstatutory Stock Options are paid. In no event shall the number of Stock Appreciation Rights granted to any Participant in any Fiscal Year exceed 500,000.

(b) Exercise. Stock Appreciation Rights shall entitle the Participant, to the extent he or she so elects from time to time, to receive, without any payment to the Company, an amount of cash and/or a number of shares determined and payable as provided in Section 7(c). Stock Appreciation Rights shall generally be exercisable to the extent and upon the same conditions that Stock Options are exercisable under clause (iii) of Sections 6(a) or 6(b), as the case may be; provided, however, that, unless otherwise determined by the Committee, Stock Appreciation Rights (i) may not be exercised when the Fair Market Value of a share of Common Stock is more than three times the Fair Market Value of a share of Common Stock on the date of grant of the Stock Appreciation Rights (except as otherwise provided in Section 10), (ii) may not be exercised prior to six months following the date of their grant, and (iii) if related to a Stock Option, shall automatically terminate six months after the optionee ceases for any reason to be employed by the Company or a Subsidiary and has ceased to be a member of the Company's Board.

A Participant wishing to exercise Stock Appreciation Rights shall give written notice of such exercise to the Company. The date of receipt of such notice shall be the "Exercise Date" for such Stock Appreciation Rights. Promptly after the Exercise Date or the end of the Exercise Period described below, if later, the Company shall pay and/or deliver to the Participant the cash and/or shares to which he or she is entitled. Unless otherwise determined by the Committee and except as otherwise provided in Section 10, the Exercise Date shall be limited to that period beginning on the third business day following the date of release for publication of the Company's quarterly and annual summary statements of sales and earnings and ending on the twelfth business day following such date of release (the "Exercise Period").

(c) Amount of Cash and/or Number of Shares. Except as otherwise provided in Section 10, the amount of the payment to be made upon exercise of Stock Appreciation Rights shall be determined by multiplying (i) that portion, as elected by the Participant, of the total number of shares as to which the Participant is entitled to exercise the Stock Appreciation Rights award as of the Stock Appreciation Right Exercise Date, by (ii) 100% of the amount by which the average of the Fair Market Values of a share of Common Stock on each trading day during the Exercise Period exceeds the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Rights were granted. The Committee may make payment in cash or partly in cash and partly in Common Stock, all as determined by the Committee in its sole discretion. To the extent that payment is made in Common Stock, the number of shares shall be determined by dividing the amount of such payment by the foregoing average of the Fair Market Values of a share of Common Stock on each trading day during the Exercise Period. No fractional shares shall be issued, but instead the Participant shall be entitled to receive a cash adjustment equal to the same fraction of the foregoing average of Fair Market Values.

(d) Termination of Employment or Death. In the event that a recipient of Stock Appreciation Rights ceases to be employed by the Company or a Subsidiary by reason of Retirement, Disability or death after the first anniversary of the date of the grant to such person of such Stock Appreciation Rights, his or her Stock Appreciation Rights shall continue to be exercisable following such termination of employment and termination of directorship, if any, to the extent and upon the same conditions that a Stock Option is or becomes exercisable under clause (iii) of Section 6(a) or 6(b), as the case may be, (but subject to the conditions set forth in clauses (i) and (ii) of Section 7(b)). Any such Stock Appreciation Rights related to Stock Options shall automatically terminate six months after such termination of employment and termination of directorship, if any. In the event a recipient of Stock Appreciation Rights ceases to be employed by the Company or a Subsidiary for a reason other than Retirement, Disability or death, his or her Stock Appreciation Rights shall automatically terminate unless and to the extent the Committee, in its sole discretion, shall determine otherwise.

(e) Stock Appreciation Rights Granted in Relation to Incentive Stock Options. In order to assure that any Incentive Stock Option with respect to which a Stock Appreciation Right is granted shall continue to comply with the requirements in Subsection (b) of Section 422 of the Internal Revenue Code so as to be eligible for preferential tax treatment, notwithstanding any other provision of the Plan, any such Stock Appreciation Right granted under the Plan shall entitle the Participant to payment of no more than 100% of the difference between the purchase price of a share of Common Stock under the related Incentive Stock Option and the Fair Market Value of such a share on the Stock Appreciation Right Exercise Date and may be exercisable only when the Fair Market Value of a share of Common Stock on the Stock Appreciation Right Exercise Date exceeds the purchase price of a share of such Common Stock under the terms of the related Incentive Stock Option. In addition, Stock Appreciation Rights will expire no later than the expiration of any related Incentive Stock Option, will be transferable only when, and under the same conditions, as the related Incentive Stock Option is transferable and may be exercisable only when the related Incentive Stock Option is exercisable. The Committee may, in its discretion, from time to time impose such additional or different restrictions on Stock Appreciation Rights relating to Incentive Stock Options as may be necessary to maintain the eligibility of such Options for preferential tax treatment.

8. PERFORMANCE UNITS

All Performance Units awarded under the Plan shall be granted on the following terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

(a) Number and Value of Units. The Committee shall determine the number of Performance Units to be granted to each employee selected for an award and the maximum dollar value of each Performance Unit so granted. In the case of any Performance Units granted in relation to a Nonstatutory Stock Option, the initial number of Performance Units shall be no greater than the number of shares which are then subject to the related Nonstatutory Stock Option. In no event shall the maximum dollar value of Performance Units granted to any Participant in any Fiscal Year exceed the lesser of $2,000,000 or 150% of the annualized Participant's base salary as of the date of grant.

In the case of any Performance Units granted in relation to a Nonstatutory Stock Option, the number of such Performance Units shall be cancelled on a one-for-one basis to the extent that (i) either before or after such Performance Units have been earned and credited to Participants, shares are purchased upon exercise under the related Nonstatutory Stock Option or shares under such Nonstatutory Stock Option are used to calculate the cash and/or shares received pursuant to related Stock Appreciation Rights, or (ii) before such Performance Units have been earned and credited to Participants, the related Nonstatutory Stock Option terminates in whole or in part as provided in clauses (i) or (ii) of Section 6(d).

(b) Performance Objectives. Except as otherwise determined by the Committee and as permitted by Section 10, the award period (the "Award Period") in respect of any Performance Units shall be a four-year period commencing as of the beginning of the Fiscal Year in or for which such Performance Units are granted. At the time each grant of Performance Units is made, the Committee shall establish and communicate to recipients of Performance Unit awards performance objectives ("Performance Objectives") to be attained within the Award Period as a condition to any right to receive payment in respect of such Performance Units. The Committee may, in its discretion, establish different Performance Objectives and/or Award Periods for Participants employed by or responsible for matters relating to different Participating Subsidiaries or different divisions, groups, departments or other subdivisions of the Company or Participating Subsidiaries and make, in its discretion, any equitable adjustments in Performance Objectives for Performance Units granted later than similar Performance Units awarded for the same Award Period. The Performance Objectives shall be determined by the Committee using such measure or measures of the performance of the Company and/or its Subsidiaries over the Award Period as the Committee shall select other than the market value of Common Stock of the Company.

(c) Crediting and Payment. At the end of each Award Period, the Committee shall determine the extent to which the Performance Objectives for the Award Period have been attained and the dollar value of each Performance Unit granted for such Award Period. Thereupon, each Participant will be credited with an earned Performance Unit valued at such dollar value for each Performance Unit granted to him or her for such Award Period which remains outstanding as of the date of the Committee's determination. Interest will accrue on the dollar value of each earned Performance Unit from the date of credit at such rate as the Committee may from time to time determine to be reasonable. Any interest earned on or in respect of an earned Performance Unit that is subsequently cancelled other than by payment in respect thereof shall be forfeited by the Participant.

A Participant whose earned Performance Units were granted in relation to a Nonstatutory Stock Option may elect to receive payment of the dollar value, including accrued interest thereon, of all or part of such earned Performance Units at any time prior to the cancellation of those Performance Units in accordance with Section 8(a), and shall be paid in respect of any such earned Performance Units which remain outstanding promptly following the expiration or termination unexercised of such Nonstatutory Stock Option (other than by reason of the exercise of related Stock Appreciation Rights). Payment in respect of earned Performance Units granted alone and not in relation to a Nonstatutory Stock Option shall be made by the Company promptly following the crediting of those Performance Units.

Payment in respect of Performance Units shall be made in cash, shares of Common Stock or partly in cash and partly in shares of Common Stock, all as determined by the Committee in its sole discretion. To the extent that payment is made in Common Stock, the number of shares shall be determined by dividing the amount of the payment to be made by the Fair Market Value of a share of Common Stock on the date of (i) receipt of written notice of the Participant's election to receive payment or expiration or termination of the related Nonstatutory Stock Option or (ii) crediting of Performance Units granted alone and not in relation to any Nonstatutory Stock Option. Upon payment in respect of an earned Performance Unit, such Unit shall be cancelled.

(d) Termination of Employment or Death. In the event that a recipient of a grant of Performance Units ceases to be an employee of the Company or a Subsidiary prior to the end of the Award Period applicable to such Units by reason of Retirement, Disability or death, any of his or her outstanding Performance Units granted in relation to Nonstatutory Stock Options (after reduction on a one-for- one basis to the extent that related Nonstatutory Stock Options terminate as provided in clause (iii) of Section 6(a) and clause (i) of Section 6(d)) and which are eventually earned in accordance with Section 8(c), shall be credited to such Participant or, in the case of such Participant's death, his or her Designated Beneficiary or, if none, his or her legal representative, and shall be payable at such times and in the manner provided in Section 8(c). Any of his or her Performance Units not granted in relation to Nonstatutory Stock Options and eventually earned in accordance with Section 8(c) shall become payable as provided in Section 8(c), but in proportion to the service of the Participant during the Award Period excluding any such service following the last full calendar month of the Award Period preceding his or her Retirement, Disability or death, unless the Committee determines, in its discretion, that such Participant or his or her Designated Beneficiary or legal representative should be eligible for eventual payment in full in respect of such Performance Units as if the Participant had continued in service through the end of the Award Period.

9. DEFERRED STOCK UNITS

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

(a) Number, Value and Manner of Payment of Deferred Stock Units. Each Deferred Stock Unit shall be equivalent in value to one share of Common Stock and shall entitle the Participant to receive from the Company at the end of the deferral period (the "Deferral Period") applicable to such Unit, without payment of cash or other consideration to the Company but in consideration of services performed for or for the benefit of the Company or a Participating Subsidiary by such Participant, the value at such time of each Unit. Payment of the value of such awards may be made in shares of Common Stock, cash or both as determined by the Committee during, or as soon as practicable after the end of the Deferral Period. If paid in Common Stock, the Participant shall receive a number of shares of Common Stock equal to the number of matured or earned Deferred Stock Units, and if paid in cash, the Participant shall receive for each matured Deferred Stock Unit an amount equal to the Fair Market Value of a share of Common Stock on the last day of the applicable Deferral Period (except as otherwise provided in Section 10). Upon payment in respect of a Deferred Stock Unit, such Unit shall be canceled. In no event shall the number of Deferred Stock Units granted to any Participant in any Fiscal Year exceed 50,000.

(b) Deferral Period. Except as otherwise provided in Section 9(c), payments in respect of Deferred Stock Units shall be made only at the end of the Deferral Period applicable to such Units, the duration of which Deferral Period shall be fixed by the Committee at the time of grant of such Deferred Stock Units. Deferral Periods shall be no less than two years.

(c) Termination of Employment or Death.

(i) If during a Deferral Period a Participant's full-time employment with the Company or a Subsidiary is terminated for any reason other than Retirement, Disability or death, such Participant shall forfeit his or her Deferred Stock Units which would have matured or been earned at the end of such Deferral Period, unless the Committee determines in its discretion that such Deferred Stock Units should be paid at the end of such Deferral Period or, notwithstanding any other provision of the Plan, on some accelerated basis.

(ii) Unless otherwise specified by the Committee in the applicable Deferred Stock Units agreement, a Participant whose full-time employment with the Company or a Subsidiary terminates during a Deferral Period due to Retirement or Disability or, in the case of his or her death before or after Retirement or Disability, such Participant's Designated Beneficiary or, if none, his or her legal representative, shall receive payment in respect of such Participant's Deferred Stock Units which would have matured or been earned at the end of such Deferral Period, at such time and in such manner as if the Participant were still employed (and living) at the end of the Deferral Period or, notwithstanding any other provision of the Plan, on such accelerated basis as the Committee may determine.

(d) Dividends. No cash dividends or equivalent amounts shall be paid on outstanding Deferred Stock Units. However, when payment of the value of an award is made to the Participant, the Company shall pay to the Participant an additional amount in cash which shall be equal to the cash dividends, if any ("Dividend Equivalent") which would have been paid during the period since the award was granted with respect to issued and outstanding shares of Common Stock equal in number to the number of Deferred Stock Units being paid. No interest shall be paid on any such Dividend Equivalent or any part thereof.

10. CHANGE IN CONTROL

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

(a) Acceleration and Exercisability of Stock Options and Stock Appreciation Rights; Amount of Cash and/or Number of Shares for Stock Appreciation Rights. All Stock Options and Stock Appreciation Rights shall become immediately exercisable in full for the period of their remaining terms automatically and without any action by the Committee, provided, however, that the acceleration of the exercisability of any Stock Option or Stock Appreciation Right that has not been outstanding for a period of at least six months from its respective date of grant shall occur on the first day next following the end of such six-month period. In addition to the normal Exercise Period for Stock Appreciation Rights provided for in Section 7(b), Stock Appreciation Rights shall be exercisable during the thirty-day period immediately following the later of (i) the Change in Control or (ii) the date of acceleration of their exercisability, that is, upon the first date more than six months from their date of grant following the Change in Control. The amount of the payment to be made upon the exercise of a Stock Appreciation Right following a Change in Control shall be determined, without regard to the limitation contained in clause (i) of Section 7(b), by multiplying (i) that portion, as elected by the Participant, of the total number of shares as to which the Participant is entitled to exercise the Stock Appreciation Rights as of the Exercise Date for the Stock Appreciation Rights, by (ii) 100% of the amount by which

> (A) the greater of (1) the highest tender or exchange offer price paid or to be paid for Common Stock pursuant to the offer associated with the Change in Control (such price to be determined by the Committee from such source or sources of information as the Committee shall determine including, without limitation, the Schedule 13D or an amendment thereto filed by the offeror pursuant to Rule 13d-1 under the Act), or the price paid or to be paid for Common Stock under an agreement associated with the Change in Control, as the case may be, and (2) the highest Fair Market Value of a share of Common Stock on any day during the sixty-day period immediately preceding the Exercise Date of the Stock Appreciation Rights, exceeds
>
> (B) the Fair Market Value of a share of Common Stock on the date of grant of the Stock Appreciation Rights.

For purposes of determining the price paid or to be paid for Common Stock under clause (1) of paragraph (A) of the preceding formula, consideration other than cash forming part or all of the consideration for Common Stock paid or to be paid pursuant to the exchange offer or agreement associated with the Change in Control shall be valued at the higher of the valuation placed thereon by the Board of Directors or by the person making the offer or entering into the agreement with the Company.

(b) Cash Surrender of Stock Options. All or certain outstanding Stock Options may, at the discretion of the Committee, be required to be surrendered by the holder thereof for cancellation in exchange for a cash payment for each such Stock Option. In the absence of Committee action requiring the surrender of Stock Options, each holder of Stock Options may elect to surrender all or certain of his or her outstanding Options which are then exercisable for cancellation in exchange for a cash payment for each such Stock Option. In any case, the cash payment received for each share subject to the Stock Option shall be 100% of the amount by which the amount described in paragraph (A) of Section 10(a) exceeds the Fair Market Value of a share of Common Stock on the date of grant of the Option. Such payments shall be due and payable immediately upon surrender to the Committee for cancellation of appropriate award agreements or other evidence in writing of the Participant's relinquishment of his or her rights to such award or at such earlier date as the Committee shall determine (but in no event earlier than the occurrence of a Change in Control) and shall be valued as if the Exercise Date were the date of receipt of said materials or such earlier date as the Committee shall determine.

(c) Accelerated Payment of Pro Rata Performance Units. The Committee may in its sole discretion determine to credit Participants with a prorated number of and/or dollar value as to any or all outstanding Performance Units to the extent of the elapsed time of the Award Period, but only to the extent Performance Objectives, equitably adjusted (pursuant to Section 11(a)) and otherwise adjusted to reflect the shorter award period, have been achieved, as determined by the Committee, as of the date of such determination. Participants shall have the right to elect to receive payment of amounts in respect of such earned Performance Units beginning no later than thirty days following the Committee's determination to credit said Units under this Section 10(c) or at such earlier date as the Committee shall determine, but in no event earlier than the occurrence of a Change in Control.

(d) Reduction in Accordance with Plan. The number of shares covered by Stock Options and Stock Appreciation Rights and the number of Performance Units granted in relation to Nonstatutory Stock Options will be reduced on a one-for-one basis to the extent related Stock Options or Stock Appreciation Rights are exercised, or surrendered for cancellation in exchange for a cash payment, or related Performance Units are paid, as the case may be, under this Section 10.

(e) Accelerated Payment of Deferred Stock Units. The Committee may, in its sole discretion, determine to pay in full any or all outstanding Deferred Stock Units together with any Dividend Equivalents for the period for which such Units have been outstanding, notwithstanding that the Deferral Periods as to such Deferred Stock Units have not been completed. Such payment may be in cash or in Common Stock, or a combination thereof, as determined by the Committee, and shall be due and payable to Participants no later than thirty days following the Committee's determination to pay said Deferred Stock Units under this Section 10(e) or at such earlier date as the Committee shall determine, but in no event earlier than the occurrence of a Change in Control. If paid in cash, each Participant shall receive payment of an amount in respect of each Deferred Stock Unit equal to the greater of (i) the highest tender or exchange offer price paid or to be paid for Common Stock pursuant to the offer associated with the Change in Control (such price to be determined by the Committee from such source or sources of information as the Committee shall determine including, without limitation, the Schedule 13D or an amendment thereto filed by the offeror pursuant to Rule 13d-l under the Act) or the price paid or to be paid for Common Stock under an agreement associated with the Change in Control, as the case may be, and (ii) the highest Fair Market Value of a share of Common Stock on any day during the sixty-day period immediately preceding the Change in Control. For purposes of determining the price paid or to be paid for Common Stock under clause (i) of the preceding sentence, consideration other than cash forming part or all of the consideration for Common Stock paid or to be paid pursuant to the exchange offer or agreement associated with the Change in Control shall be valued at the higher of the valuation placed thereon by the Board of Directors or by the person making the offer or entering into the agreement with the Company.

11. DILUTION AND OTHER ADJUSTMENTS

(a) 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, a rights offering to purchase Common Stock at a price substantially below fair market value, or other similar corporate change, including without limitation in connection with a Change in Control, an equitable adjustment shall be made, as determined by the Committee, so as to preserve, without increasing or decreasing, the value of Plan awards and authorizations (but subject to the last paragraph of Section 13), in (i) the maximum number or kind of shares issuable or awards which may be granted under the Plan, (ii) the amount payable upon exercise of Stock Appreciation Rights, (iii) the maximum value payable in respect of Performance Units, (iv) the number or kind of shares or purchase price per share subject to outstanding Stock Options, (v) the number or value, or kind of shares which may be issued in payment of outstanding Stock Appreciation Rights, (vi) the number or value of, or the Performance Objectives or length of the Award Period for, outstanding Performance Units, (vii) the value and attributes of Deferred Stock Units, (viii) the maximum number, kind or value of any Plan awards which may be awarded or paid to any one employee, (ix) any other aspect or aspects of the Plan or outstanding awards made thereunder as specified by the Committee, or (x) any combination of the foregoing. Such adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

(b) The Committee may, from time to time during an Award Period, in its sole discretion (but subject to the last paragraph of Section 13), determine to equitably adjust the Performance Objectives previously established by the Committee for that Award Period as a condition of earning the right to receive payment in respect of Performance Units or to equitably adjust Company performance for all or any portion of the Award Period where such action is warranted by any occurrence, condition, action, change or development by or affecting the performance of the Company or any of its Subsidiaries, such as an acquisition, disposition or divestiture of a business or assets; a change in accounting principles or practices or the method of their application; the occurrence of an extraordinary item for purposes of generally accepted accounting principles; a change in the value or valuation of property or assets; a change in any tax or other law or regulation; or a change in business or corporate strategy, structure or organization. The Committee may also, in its discretion, eliminate the effect of foreign currency conversion gains or losses or translation adjustments from the reported consolidated earnings per share of the Company if used in determining the attainment of any Performance Objectives previously established.

12. MISCELLANEOUS PROVISIONS

(a) The holder of a Stock Option, Stock Appreciation Right, Performance Unit, or Deferred Stock Unit 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) Except as the Committee shall otherwise determine in connection with determining the terms of awards to be granted or shall thereafter permit, no Stock Option, Stock Appreciation Right, Performance Unit, or Deferred Stock Unit or any rights or interests therein of the recipient thereof shall be assignable or transferable by such recipient except to his or her Designated Beneficiary or by will or the laws of descent and distribution, and, except as aforesaid, during the lifetime of the recipient, the Stock Option, Stock Appreciation Right, Performance Unit, or Deferred Stock Unit shall be exercisable only by, or payable only to, as the case may be, such recipient or his or her guardian or legal representative.

(c) All Stock Options, Stock Appreciation Rights, Performance Units, and Deferred Stock Units granted under the Plan shall be evidenced by agreements in such form and containing such terms and conditions (not inconsistent with the Plan and applicable domestic and foreign law) in addition to those provided for herein as the Committee shall approve. Notwithstanding any other provision of the Plan to the contrary, the Committee shall be empowered to grant Performance Units in respect of which the recipient will have no immediate right to receive payment upon the Committee's determination that the applicable Performance Objectives have been achieved, to any Participant who does not or will not reside or be domiciled in the United States if, as a result of any law applicable to such Participant or such award or the potential effect of foreign currency conversions or translations on such award, such award will, in the sole discretion of the Committee, best serve the purposes of the Company to be promoted by this Plan.

(d) No shares of Common Stock shall be issued or transferred upon exercise of any Stock Options or Stock Appreciation Rights or in payment of any Performance Units or Deferred Stock Units granted hereunder unless and until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Committee and the Company. The Committee and the Company shall have the right to condition any issuance of shares of Common Stock made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares as the Committee and/or the Company shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may be legended to reflect any such restrictions.

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

(f) No employee of the Company or a Subsidiary or other person shall have any claim or right to be granted an award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company or a Subsidiary, it being understood that all Company and Subsidiary employees who have or may receive awards under this Plan are employed at the will of the Company or such Subsidiary and in accord with all statutory provisions.

(g) 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 or held under the Company's Flexible Employee Benefits Trust, as from time to time determined by the Committee, the Board, or pursuant to delegations of authority from either.

(h) The costs and expenses of administering this Plan shall be borne by the Company and not charged to any award nor to any employee or Participant receiving an award. However, the Company may charge the cost of any awards made to employees of Participating Subsidiaries, including administrative costs and expenses related thereto, to the respective Participating Subsidiaries by which such persons are employed.

(i) 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.

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

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

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

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

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

(iii) 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 Plan. 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 outside members of the Board shall specify.

"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 in accordance with such procedures as the Committee shall approve, provided, however, that in the absence of the filing of such a form with the Company the Designated Beneficiary shall be the person or persons who are the Participant's beneficiary or beneficiaries of the Company's basic life insurance.

"Disability" shall mean permanent and total disability of an employee participating in the Plan as determined by the Committee in accordance with uniform principles consistently applied, upon the basis of such evidence as the Committee deems necessary and desirable.

"Fair Market Value" of a share of Common Stock of the Company on any date set forth herein (or, if such date is not expressly set forth herein, on such date or dates as may be determined by the Committee, but not earlier than five trading days prior to the transaction for which the determination is being made), 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, or on such other exchange as the Committee may determine.

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

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986 as amended from time to time.

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

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

"Retirement" shall mean separating from service with the Company or a Subsidiary with the right to begin receiving immediate pension benefits under the Company's Pension Plan for Salaried Employees or under another defined benefit pension plan sponsored or otherwise maintained by a Subsidiary for its employees, in either case as then in effect or, in the absence of such Pension Plan or such other pension plan being applicable to any Participant, as determined by the Committee in its sole discretion.

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

13. AMENDMENTS AND TERMINATION

The Committee may at any time terminate or from time to time amend or suspend the Plan in whole or in part in such respects as the Committee may deem advisable in order that awards granted thereunder shall conform to any change in the law, or in any other respect which the Committee may deem to be in the best interests of the Company; provided, however, that no amendment of the Plan shall be made without shareholder approval if (a) shareholder approval of the amendment is at the time required for awards under the Plan to qualify for the exemption from Section 16(b) of the Act provided by Rule 16b-3 thereunder, or by the rules of the New York Stock Exchange or any stock exchange on which Common Stock may be listed, or (b) the amendment would make changes in the class of employees eligible to receive Incentive Stock Options under the Plan or would increase the number of shares with respect to which Incentive Stock Options may be granted under the Plan. With the consent of the Participant affected, the Committee may amend outstanding agreements evidencing Stock Options, Stock Appreciation Rights, Performance Units, or Deferred Stock Units in a manner not inconsistent with the terms of the Plan.

The Committee shall have the power to amend the Plan in any manner contemplated by Section 11 or deemed necessary or advisable for awards granted under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the Act) or to qualify as "performance-based" compensation under Section 162(m) of the Internal Revenue Code, and any such amendment shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding awards theretofore granted under the Plan notwithstanding any contrary provisions contained in any award agreement. In the event of any such amendment to the Plan, the holder of any award outstanding under the Plan shall, upon request of the Committee and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Committee to any award agreement relating thereto within such reasonable time as the Committee shall specify in such request.

Notwithstanding anything contained in this Section 13 or in any other provision of the Plan, unless required by law, no action contemplated or permitted by this Section 13 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any award theretofore made under the Plan without the consent of the affected Participant.

14. EFFECTIVE DATE, AMENDMENT AND RESTATEMENT, AND TERM OF THE PLAN

This Plan, previously denominated the "Air Products and Chemicals, Inc. 1990 Long-Term Incentive Plan," became effective for the Fiscal Year commencing October 1, 1989 for awards to be made for the Fiscal Year commencing October 1, 1989 and for Fiscal Years thereafter and was continued in effect indefinitely until terminated, amended, or suspended as permitted by its terms, following approval by a majority of those present at the January 26, 1989 annual meeting of shareholders of the Company and entitled to vote thereon. Following approval by the holders of a majority of the shares of Common Stock of the Company present and entitled to vote at a meeting of shareholders, the Plan, as amended and restated herein, will continue in effect indefinitely for awards to be made for the Fiscal Year commencing October 1, 1996 and for Fiscal Years thereafter, until terminated, amended, or suspended as permitted under Section 13.

Exhibit 10.4(c)

RESOLUTIONS APPROVING AMENDMENTS TO AIR PRODUCTS AND CHEMICALS, INC. PENSION PLAN FOR SALARIED EMPLOYEES ("QUALIFIED PLAN") AND THE SUPPLEMENTARY PENSION PLAN OF AIR PRODUCTS AND CHEMICALS ("NONQUALIFIED PLAN") (COLLECTIVELY "THE PLANS")

WHEREAS, the Plans provide a disability benefit to participants who become permanently and totally disabled while in the employ of the Company or its subsidiaries participating in the Plans (hereinafter, collectively, "the Company"); and

WHEREAS, it has been recommended to the Committee by the Employee Benefit Plans Committee that the Plans be amended to discontinue the disability benefit;

NOW, THEREFORE, BE IT RESOLVED, that, effective for participants who are actively performing services on or after January 1, 1996, not including participants who are receiving short term salary continuation benefits under the Company's Salary Continuation Plan, Section 3.3 of the Qualified Plan shall be amended to as follows:

> DISABILITY RETIREMENT BENEFITS. A Participant who Separated from Service before January 1, 1996 or who was receiving salary continuation benefits under the Company's Salary Continuation Plan on January 1, 1996, provided that such salary continuation benefits relate to a disability suffered by the Participant which prevents the Participant from returning to active employment with the Employer or an Affiliated Employer at anytime after January 1, 1996, shall be entitled to receive a monthly retirement benefit commencing at his Disability Retirement Date in the

amount of his Accrued Benefit unreduced for early payment. Disability Retirement Benefits which commenced after August 12, 1988 shall cease upon the earlier of the Participant's Normal Retirement Date, his election of the commencement of a benefit under Section 3.2 or Section 3.4, or cessation of his Disability. Disability Retirement benefits which commenced prior to August 22, 1988 are payable in accordance with the terms of the Plan at the time of commencement.

RESOLVED FURTHER, that the proper officers of the company be, and they each hereby are, authorized and empowered, in the name and on behalf of the Company, to make, execute and deliver such instruments, documents and certificates and to do and perform such other acts and things as may be necessary or appropriate to accomplish the amendments of the Plans as aforesaid, and to carry out the intent and accomplish the purpose of these resolutions, including, without limitation, making such amendments and other revisions in the respective Plans and the text thereof as may be required, in their discretion and upon advice of counsel to the Company, to effect the foregoing amendments and for compliance with applicable law or as required by the Internal Revenue Service for the continuing qualification of the Qualified Plan and the trust fund established therefor.

APCI MANAGEMENT DEVELOPMENT
AND COMPENSATION COMMITTEE
2 November 1995

Exhibit 10.6(a)

DEFERRED COMPENSATION PLAN FOR DIRECTORS

As Amended and Restated
Effective 21 November 1996

1. Name and Purpose

The name of this plan is the Air Products and Chemicals, Inc. Deferred Compensation Plan for Directors (the "Plan"), the purpose of which is to provide

(a) a vehicle for Air Products and Chemicals, Inc. (the "Company") to compensate persons serving as Directors in the form of Company equity securities to align the interests of a Directors with those of the Company's shareholders ("Mandatory Deferrals"); and

(b) the opportunity for Directors who so choose to defer compensation earned as a Director or otherwise in connection with his or her services in connection with the business of the Company and its subsidiaries ("Elective Deferrals").

2. Term

The Plan was adopted effective as of 1 January 1980. Section 9 was revised effective as of 25 January 1990. Section 8 and Section 9 were revised effective as of 15 October 1992. Sections 4, 6, 8, and 9 were revised effective as of 19 October 1995. Sections 1, 4, 5, 7, 8 and 9 were amended effective 21 November 1996.

3. Participants

Any Director of the Company who is not an employee of the Company or of a subsidiary of the Company is eligible to participate in the Plan.

4. Mandatory Deferrals

There shall be established for each Director who has never been employed by the Company (a "Nonemployee Director"), an account under the Air Products Stock Account described under section 5(b) below to which shall be credited all compensation which is to be paid by the Company in the form of deferred stock units credited under the Air Products Stock Account in accordance with the Compensation Program for Directors applicable for calendar year 1997 and later periods (the "Program"); and for each such Nonemployee Director who had not served as a Director for at least six years as of January 1, 1997, the actuarial present value of his or her prorated accrued pension (the "Pension Amount") under the Pension Plan for Directors (the "Pension Plan") in connection with the termination of said Pension Plan.

Dollar amounts to be so credited shall be converted into deferred stock units in the manner described under Section 5(b) below on the quarterly or other specified crediting date for such 1997 and later compensation, and on 21 November 1996, as to the Pension Amount; and using such date(s) as the valuation date(s) for determining Fair Market Value.

5. Elective Deferrals

Directors may elect to defer receipt of all or a specified portion of the compensation (exclusive of expense reimbursements) otherwise payable to him or her in cash for serving on the Board of Directors of the Company, attending meetings or committee meetings thereof or performing other services in connection with the business of the Company and its subsidiaries. Such compensation will be credited on the date the compensation is otherwise payable, to one or both of the following hypothetical investment accounts as directed by the Director:

(a) an account deemed to earn interest at rates established on the first business day of each calendar quarter based upon the published average long term yields of corporate bonds of "A" rated Industrial Companies appearing in Moody's Bond Survey or an equivalent Bond Rating Service on such day (the "Interest Account"); and

(b) an account (the "Air Products Stock Account") deemed to be invested in Air Products and Chemicals, Inc. common stock, par value $1.00 ("common stock"). The Company shall credit the Air Products Stock Account with that number of units (including fractions) obtained by dividing the amount of such deferred compensation by the Fair Market Value of a share of common stock on the date credited to the Air Products Stock Account (with the units thus calculated herein referred to as "deferred stock units"). For purposes of the Plan, Fair Market Value of a share of common stock on any date (the "valuation date") shall be 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, or, if no sales were quoted on such date, on the most recent preceding date on which sales were quoted.

Nonemployee Directors who had served for six years or more within the meaning of the Pension Plan as of January 1, 1997, may elect to have the actuarial present value of his or her accrued pension benefit under the Pension Plan credited to the Air Products Stock Account on or before December 31, 1996. Such Pension Amount shall be credited and converted to deferred stock units in the manner described in Section 5(b) above, as of the business day the Company's Corporate Secretary's Office receives an Election Form therefor (by mail or fax); and using such date as the valuation date for determining Fair Market Value.

6. Earnings on Plan Accounts

Each participant's Plan account will be credited with interest on deferred compensation credited to the Interest Account, and with dividend equivalents on deferred compensation credited to the Air Products Stock Account, as provided below, until the date of payment to the Director (which shall be deemed to be December 31 of the year preceding payment unless payment is made because of death or a Change in Control, in which event the date of payment shall be deemed the date of death or the date of termination of service as a Director following the Change in Control, respectively).

(a) Earnings on Interest Account. Interest shall be compounded quarterly and earned from the date compensation is credited to the account to the date of payment to the Director.

(b) Earnings on Air Products Stock Account. Earnings shall be credited quarterly in an amount equal to the dividends payable during the quarter just ended with respect to that number of shares of Air Products Stock equal to the number of deferred stock units credited to the Air Products Stock Account during such quarter. The amount so credited shall then be converted into deferred stock units in the manner described under Section 4(b) above using the quarterly crediting date as the valuation date for determining Fair Market Value.

7. Time and Manner of Making Elective Deferrals

An election to defer compensation must be made by a Director prior to the time such compensation is earned. An election shall continue in effect until the end of the participant's service to the Company as a Director and otherwise in connection with its business or until the Company is notified in writing of the revocation or modification of the election as to future compensation, whichever shall occur first.

A participant may elect, modify or revoke a prior election to defer compensation by giving written notice to the Company in a form substantially similar to the Election Form attached hereto as Exhibit A (the "Election Form"). Such Election Form shall specify:

(a) the amount or percentage of compensation to be deferred beginning on a future date specified in the notice until such notice is revoked or modified as to future compensation (the "Elective Deferred Compensation Amount");

(b) timing of payment, i.e., either a lump-sum payment or a specified number of consecutive annual installment payments (not to exceed ten) of the Elective Deferred Compensation Amount, and the year in which the lump-sum payment is to be received or the first annual installment payment is to commence; and

(c) the percentage of the Elective Deferred Compensation Amount to be credited to the Interest Account and the percentage to be credited to the Air Products Stock Account.

All payments from Plan accounts must be completed by the tenth year after the year in which service as a Director terminates. Any modification or revocation of a prior election shall relate only to future compensation, and shall not apply to any amounts previously credited to the participant's Plan account.

8. Timing of Payment of Mandatory Deferrals

The amount of each Mandatory Deferral (the "Mandatory Deferred Compensation Amount") will be paid as a lump sum in the year following cessation of Board service unless (i) the Director has an Elective Deferral in effect at the time of crediting the Mandatory Deferral, in which case the Director's election as to time of payment of the Elective Deferral will also govern the time of payment of the Mandatory Deferral; or (ii) unless the Director has filed an Election Form with the Company specifying a different timing of payment of Mandatory Deferrals prior to earning the compensation represented by the Mandatory Deferral.

All payments from Plan accounts must be completed by the tenth year after the year in which service as a Director terminates. Any modification or revocation of a prior election shall relate only to future compensation, and shall not apply to any amounts previously credited to the participant's Plan account.

9. Payment of Deferred Compensation

No payment may be made from the participant's Plan account in respect of Elective Deferred Compensation Amounts or Mandatory Deferred

Compensation Amounts (together, "Deferred Compensation Amounts") except as provided below.

(a) Payment following Termination of Service as a Director. The value of each Deferred Compensation Amount credited to the Interest Account of a participant's Plan account is payable in cash, and the value of each Deferred Compensation Amount credited to the Air Products Stock Account is payable by delivery of a share of common stock for each deferred stock unit credited to the participant's Plan account, in either case in a lump sum or in annual installments, in accordance with the participant's election.

All payments will be made in January of the applicable year or as soon thereafter as reasonably possible. If annual installments are to be paid, the amount of the first payment shall be a fraction of the value of the participant's Plan account attributable to the particular Deferred Compensation Amount as of the December 31 preceding payment, the numerator of which is one and the denominator of which is the total number of such installments elected. The amount of each subsequent payment shall be a fraction of the value as of the December 31 preceding each subsequent payment, the numerator of which is one and the denominator of which is the total number of installments elected minus the number of installments previously paid as to such Deferred Compensation Amount. The number of shares of common stock to be delivered in payment from the Air Products Stock Account shall be equal to the number of deferred stock units represented by the payment owed, calculated as aforesaid, rounded up to the next whole share of common stock.

(b) Accelerated Payment. Notwithstanding the deferral period and form of payment determined in accordance with Section 9(a) above, the participant's Plan account shall be paid on an accelerated basis as follows under the circumstances described below (including, under the circumstances described in Section 9(b)(i) or (iii) below, any deferred stock units which may not yet have vested as provided by the applicable Program).

(i) Payment on Death. In the event of a participant's death, the value of his or her Plan account (including interest and dividend equivalents) determined as of the date of death shall be paid in a single cash lump sum to the participant's estate or designated beneficiary on the earlier of the January 15 or July 15 following such date or as soon thereafter as reasonably possible. The amount of any cash payment in respect of deferred stock units in the Air Products Stock Account shall be determined by multiplying the number of such units, including fractional units, by the Fair Market Value of a share of common stock as of the date of death.

(ii) Change in Legal Circumstances. In the event of a Change in Legal Circumstance, the Nominating and Corporate Governance Committee of the Board of Directors may, in its sole discretion, authorize the immediate distribution of the Plan account or appropriate modification to the terms of deferral of a participant domiciled outside of the United States. A Change in Legal Circumstances shall be deemed to occur when, due to a change in the laws or regulations of the United States or the country of domicile, the terms of deferral operate as a disincentive to service on the Board or otherwise become inconsistent with the purpose of the Plan.

(iii) Change in Control. In the event of a "Change in Control" of the Company followed by a participant's termination of service as a Director of the Company, the value of his or her Plan account (including interest and dividend equivalents) determined as of the date of termination of service as a Director following or in connection with the Change in Control, shall be immediately due and payable to the participant in a single cash lump sum. The amount of any cash payment in respect of deferred stock units in the Air Products Stock Account shall be determined by multiplying the number of such units, including fractional units, by the Fair Market Value of a share of common stock as of such date of termination of service.

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

(x) 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, or a trustee of an employee benefit plan sponsored solely by the Company and/or such a corporation, is or becomes, other than by purchase from the Company or such a corporation, the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 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% of such securities, or the later of the effective date of any agreement for the merger, consolidation or other reorganization of the Company or the date of approval thereof by a majority of the Company shareholders, as the case may be.

(y) 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.

(z) 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 Plan. 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 outside members of the Board shall specify.

(c) Miscellaneous Provisions.

(i) Withholding of Taxes. The rights of a participant to payments under this Plan shall be subject to the Company's obligations at any time to withhold income or other taxes from such payments including, without limitation, by reducing the number of shares of common stock to be distributed in payment of deferred stock units by the number of shares equal in value to the amount of such taxes required to be withheld, using the date prior to the date of issuance of the shares as the valuation date for determining Fair Market Value.

(ii) Rights as to Common Stock. No participant with deferred compensation credited to the Air Products Stock Account shall have 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 payment of such deferred compensation. No shares of common stock shall be issued and delivered 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 Act and of the Securities Act of 1993, as amended, and the applicable requirements of the exchanges on which the Company's common stock may, at the time, be listed. Distributions of shares of common stock in payment 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, or pursuant to delegations from, the Board of Directors.

(iii) Adjustments to Avoid Dilution. In the event of any change in the common stock of the Company by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, or a rights offering to purchase common stock at a price substantially below fair market value, or other similar corporate change, including without limitation in connection with a Change in Control of the Company, the value and attributes of each deferred stock unit shall be appropriately adjusted consistent with such change to the same extent as if such deferred stock units were issued and outstanding shares of common stock of the Company, so as to preserve, without increasing, the value of Plan deferred compensation credited to the Air Products Stock Account. Such adjustments shall be made by the Board of Directors and shall be conclusive and binding for all purposes of the Plan.

10. Participant's Rights Unsecured

The right of any participant to the payment of deferred compensation and earnings thereon under the Plan shall be an unsecured and unfunded claim against the general assets of the Company.

11. Non-assignability

The right of a participant to the payment of deferred compensation and earnings thereon under the Plan shall not be assigned, transferred, pledged or encumbered or be subject in any manner to alienation or anticipation.

12. Statement of Account

Statements will be sent to participants during February as to the value of their Plan accounts as of the end of December of the previous year.

13. Administration

The Administrator of this Plan shall be the Corporate Secretary of the Company. The Administrator shall have authority to adopt rules and regulations for carrying out the Plan and to interpret, construe and implement the provisions thereof.

14. Business Days

If any date specified herein falls on a Saturday, Sunday or legal holiday, such date shall be deemed to refer to the next business day thereafter.

15. Amendment and Termination

This Plan may at any time be amended, modified or terminated by the Board of Directors of the Company. No amendment, modification or termination shall, without the consent of a participant, adversely affect such participant's rights with respect to amounts theretofore accrued in his or her deferred compensation account.

16. 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

17. 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 state.

EXHIBIT A
AIR PRODUCTS AND CHEMICALS, INC. (THE "COMPANY")
DEFERRED COMPENSATION PLAN FOR DIRECTORS (THE "PLAN")
ELECTION FORM

To: Corporate Secretary
Air Products and Chemicals, Inc.

I. ELECTIVE DEFERRED COMPENSATION AMOUNT

In accordance with the provisions of the Plan, I hereby (check one):

/ / Elect (or modify my prior election) to defer receipt of compensation otherwise payable to me in cash for services as a Director of the Company in the manner described below (fill in one):

$____________________ (amount per quarter)
or
____________________ (percentage per quarter)

/ / Revoke my election to defer.

This election, modification, or revocation shall take effect beginning on __________________________ to affect only compensation earned on and after such date. (Must be a date after the date this Election Form is received by the Company.)

II. TIMING OF PAYMENT OF DEFERRED COMPENSATION AMOUNTS (ELECTIVE AND MANDATORY) EARNED AFTER THE DATE THIS ELECTION FORM IS RECEIVED BY THE COMPANY

COMPLETE A OR B, BUT NOT BOTH

A. Lump Sum Election

Mandatory Deferred Compensation Amounts and the Elective Deferred Compensation Amount (if any) are to be paid to me in a lump sum (check one):

/ / In the year my service as a Director ends.

/ / In the ____ year after the year in which my service as a Director ends (not to exceed tenth).

B. Installment Election

Mandatory Deferred Compensation Amounts and the Elective Deferred Compensation Amount (if any) are to be paid to me in _________ (up to 10) consecutive annual installments, the first of which is to be paid in (check one):

/ / The year in which my service ends.

/ / _________ year(s) after the year in which my service ends (the last installment must be paid no later than 10 years after the year in which service ends).

EXHIBIT A
AIR PRODUCTS AND CHEMICALS, INC.
DEFERRED COMPENSATION PLAN FOR DIRECTORS (THE "PLAN")
ELECTION FORM

(continued)

III. INVESTMENT ACCOUNT AND FORM OF PAYMENT OF ELECTIVE DEFERRED COMPENSATION AMOUNT.

The Elective Deferred Compensation Amount is to be invested in the following Plan account(s) (enter a whole percentage from 1% to 100% in each blank, with the two percentages totaling 100%):

_____% in the Interest Account to be paid out in the form of cash.

_____% in the Air Products Stock Account to be distributed in the form of Air Products and Chemicals Inc. Common Stock. NOTES CONCERNING COMPLIANCE WITH THE FEDERAL SECURITIES LAW:

(1) AN ELECTION TO INVEST IN THE AIR PRODUCTS STOCK ACCOUNT WILL ONLY BE EFFECTIVE IF RECEIVED BY THE COMPANY DURING A 30-DAY WINDOW PERIOD DURING WHICH THERE IS NO MATERIAL NON-PUBLIC INFORMATION. Such window periods generally occur during the 30-day period commencing one week after the annual report has been mailed to the shareholders, which usually occurs during the first or second week in December, and the 30-day periods starting on the second trading day after the day when quarterly or annual earnings releases have been issued with commentary, which usually occur in the third or fourth weeks of January, April, July, and October. The Corporate Secretary can advise you as to the precise timing of window periods.

(2) Under current federal securities law, it is necessary to report to the Securities and Exchange Commission the number of units credited to the Air Products Stock Account at the end of each fiscal year, on a Form 5 Report for the year.

IV. BENEFICIARY DESIGNATION

If I die before receiving all the deferred payments due me under the Plan, I understand the value of my Mandatory and Elective Deferred Compensation Amounts will be paid to my estate or designated beneficiary, in a single lump sum cash payment on the earlier of the January 15 or July 15 following the date of my death or as soon thereafter as reasonably possible. (A beneficiary may be designated by delivering written notice of designation to the Corporate Secretary of the Company.)

This Election is subject to the terms of Air Products and Chemicals, Inc. Deferred Compensation Plan for Directors, as amended from time to time.

Received on the   day of   -----------------------------
on behalf of the Company.   Signature of Director

By   Date
-----------------------------   -------------------------
(Assistant) Corporate Secretary

Exhibit 11

COMPUTATION OF EARNINGS PER SHARE
(Millions of dollars, except per share)

	Year Ended 30 September		
	1996	1995	1994
Earnings			
Income before cumulative effect of accounting changes	$ 416	$ 368	$ 234
Cumulative effect of accounting changes	--	--	14
Net income	$ 416	$ 368	$ 248
Primary shares			
Average common shares outstanding during the year	112	112	114
Common stock equivalents from stock option and award plans	2	2	2
Adjusted average common shares outstanding	114	114	116
Primary earnings per share			
Income before cumulative effect of accounting changes	$ 3.67	$ 3.23	$ 2.02
Cumulative effect of accounting changes	--	--	0.12
Net income	$ 3.67	$ 3.23	$ 2.14
Fully diluted shares			
Average common shares outstanding during the year	112	112	114
Shares issuable from stock option and award plans	2	2	2
Adjusted average common shares outstanding	114	114	116
Fully diluted earnings per share			
Income before cumulative effect of accounting changes	$ 3.67	$ 3.23	$ 2.02
Cumulative effect of accounting changes	--	--	0.12
Net income	$ 3.67	$ 3.23	$ 2.14

Note: The above calculations are submitted in accordance with Regulation S-K Item 601(b)(11) although not required by Footnote 2 to Paragraph 14 of APB Opinion No. 15 because the dilution of earnings per share is less than 3%.

Exhibit (a)(12)

AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Unaudited)

	Year Ended 30 September				
	1992	1993	1994	1995	1996
EARNINGS:	(Millions of dollars)				
Income before extraordinary item and the cumulative effect of accounting changes:	$277	$201	$234	$368	$416
Add (deduct):					
Provision for income taxes	131	103	95	186	196
Fixed charges, excluding capitalized interest	133	127	127	148	184
Capitalized interest amortized during the period	8	8	8	9	9
Undistributed earnings of less-than-fifty-percent-owned affiliates	(13)	(8)	(3)	(25)	(41)
Earnings, as adjusted	$536	$431	$461	$686	$764
FIXED CHARGES:					
Interest on indebtedness, including capital lease obligations	$125	$118	$118	$139	$172
Capitalized interest	4	6	10	18	20
Amortization of debt discount premium and expense	1	1	1	--	1
Portion of rents under operating leases representative of the interest factor	7	8	8	9	11
Fixed charges	$137	$133	$137	$166	$204
RATIO OF EARNINGS TO FIXED CHARGES:	3.9	3.2	3.4	4.1	3.7

1996 FINANCIAL REVIEW

MAJOR FACTORS AFFECTING EARNINGS*

Major factors affecting comparison of earnings per share between 1996 and 1995 were:

- Higher international gas equity affiliates' income
- Unusual clustering of gases contract terminations and changes
- Improved equipment segment performance
- Higher chemicals margins
- Lower profits following 1995 exit of ammonia business
- Improved environmental and energy results
- Higher interest expense
- Favorable settlement of 1994 derivative loss ($.36 per share)

CHANGES IN EARNINGS PER SHARE*

	1996	1995	Increase
Earnings per share	$3.73	$3.29	$.44
Less: Special items	.36	.06	.30
	$3.37	$3.23	$.14

OPERATIONS

Industrial Gases and Chemicals	
Volume	$.48
Selling price and mix	.30
Costs excluding depreciation	(.66)
Depreciation	(.21)
Currency effects	(.03)
Environmental and Energy	.07
Equipment and Services	.14
Corporate and Other	(.09)
Subtotal	--
OTHER	
Equity affiliates' income	.25
Interest expense	(.16)
Tax items	.04
Lower average shares outstanding	.01
Total	$.14

*SEE MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FURTHER INFORMATION.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

CONSOLIDATED

(Millions of dollars, except per share)	1996	1995	1994
Sales	$4,008	$3,865	$3,485
Operating income	591	602	486
Equity affiliates' income	80	51	28
Income before cumulative effect of accounting changes	416	368	234
Net income	416	368	248
Earnings per share:			
Income before cumulative effect of accounting changes	3.73	3.29	2.06
Net income	3.73	3.29	2.18

The results of 1996, 1995, and 1994 included the effects of special items, including the impact of accounting changes. These items should be considered in the comparison of the annual results.

Fiscal 1996 results included a $67 million ($41 million after tax, or $.36 per share) settlement with Bankers Trust Company over losses reported in fiscal 1994 associated with leveraged interest rate swap contracts. The settlement included the termination of two previously closed contracts with Bankers Trust. Prior to the settlement, there was an outstanding liability of $62 million associated with these closed contracts.

Fiscal 1995 results included a gain of $11 million ($6 million after tax, or $.06 per share) from the sale of an industrial gas plant.

The 1994 results were reduced by a net after-tax charge of $60 million, or $.53 per share, for special items. The components of special items on a before- and after-tax basis were as follows: a charge of $121 million ($75 million after tax, or $.66 per share) for the termination of leveraged interest rate swap contracts; a charge of $11 million ($7 million after tax, or $.06 per share) for the outsourcing of the merchant gas distribution function in the United Kingdom; a net tax benefit of $6 million, or $.05 per share, resulting from changes in certain state income tax regulations; an after-tax benefit of $2 million, or $.02 per share, from the favorable tax treatment, net of expense, of the charitable contribution of the remaining shares of a stock investment in an insurance company; and a net after-tax benefit of $14 million, or $.12 per share, from the adoption of three new accounting standards.

The following table presents the results for 1996, 1995, and 1994 exclusive of special items. The discussion of the consolidated and segments results is based on income excluding special items. A description of the products and services and markets for each of the four business segments is included in Note 19 to the consolidated financial statements.

EXCLUSIVE OF SPECIAL ITEMS

(Millions of dollars, except per share)	1996	1995	1994
Sales	$4,008	$3,865	$3,485
Operating income	591	591	511
Equity affiliates' income	80	51	28
Net income	375	362	308
Earnings per share	3.37	3.23	2.71

The company achieved record sales, exceeding $4 billion for fiscal 1996. Total sales of $4,008 million were 4% greater than the 1995 level of $3,865 million. Year-to-year operating income was unchanged at $591 million. Equity affiliates' income rose $29 million to $80 million. The net income increase of $13 million, or $.14 per share, resulted in a total net income of $3.37 per share, up 4%.

While equity affiliates' income doubled in the gases segment, operating income declined. In chemicals, higher margins more than offset the operating income decline from the exited ammonia business. Improved performance in the equipment segment increased operating income. Equity affiliates' income and operating income improved in the environmental and energy segment.

In 1995, total sales of the corporation grew 11% while operating income was up 16%, or $80 million. Equity affiliates' income rose $23 million to $51 million. Net income increased $54 million, or $.52 per share, to $362 million, or $3.23 per share.

The attainment of the 1995 results was due principally to the improved performances of the industrial gases and chemicals segments and significantly higher results from the international gas equity affiliates.

SEGMENT ANALYSIS

INDUSTRIAL GASES

(Millions of dollars)	1996	1995	1994
Sales	$2,310	$2,177	$1,968
Operating income excluding special items..........................	406	434	391
Operating income as reported	406	445	380
Equity affiliates' income	44	22	4

Sales during fiscal 1996 advanced 6% to $2,310 million. The sales increase over the prior year is attributed to 3% higher worldwide merchant gas volumes and a 10% tonnage gases volume increase in the United States, due principally to increases in hydrogen and carbon monoxide. Worldwide merchant gas prices were up approximately 2%. There was no material impact from European currency changes.

TWO

Total operating income declined $28 million, to $406 million, in fiscal 1996. Margins in the gases segment declined to 17.6% from 20.0% in 1995. Both margins and operating income were adversely affected by an unusual clustering of major contract terminations and revisions in the United States. Lower prices and higher costs in northern Europe also contributed to lower margins. The company brought significant new investments onstream in 1996, particularly in the expanding hydrogen and carbon monoxide businesses. Margins were unfavorably impacted as these facilities began to load. Currency effects on operating income were immaterial.

Equity affiliates' income for 1996 was $44 million compared to $22 million in the prior year. Strong operating performances from joint ventures in Spain, Asia, and Mexico contributed to these higher results. Current year results reflect an increased ownership position in the Spanish affiliate, increasing from 26.1% to 47.6% ownership in October 1995. The equity affiliate's income increased $6 million due to the increase in ownership. In October 1996, the company again increased ownership in Carburos Metalicos S.A. (Carburos) from 47.6% to 96.7%. See Note 17 to the consolidated financial statements.

Sales in 1995 were up 11% from 1994 due principally to higher worldwide shipments of merchant and on-site gases. Worldwide volumes of merchant gases increased 6% as shipments in most major product lines reached record levels. Selling prices of merchant gases increased in the United States but declined in Europe. Worldwide tonnage gas sales, excluding currency effects, were up 10%, reflecting higher shipments. Favorable European currency effects contributed 3% to the 11% sales increase.

Operating income in 1995 increased 11%, or $43 million. The improved profitability was driven by the tonnage gas business, higher merchant gas volumes, and stronger European currencies. The improved tonnage gas business results were due principally to higher shipments, particularly to the metals and refining industries. Favorable European currency effects contributed 3% to the 11% increase in operating income.

Special items consisted of income of $11 million from the sale of an industrial gas plant in 1995 and an $11 million charge for the outsourcing of the merchant gas distribution function in the United Kingdom in 1994.

Equity affiliates' income in 1995 increased $18 million. The key factors contributing to the higher profitability were the significantly improved results of the Spanish and Asian affiliates and the income contribution of an affiliate in South Africa. The results were somewhat tempered by additional costs incurred supporting the growth of the Asian ventures.

CHEMICALS

(Millions of dollars)	1996	1995	1994
Sales	$1,362	$1,359	$1,182
Operating income	199	193	148
Equity affiliates' income	--	1	--

Sales in 1996 of $1,362 million were essentially equal to 1995 while operating income of $199 million increased $6 million. In the second quarter of fiscal 1995, a portion of the ammonia capacity was shut down and converted to hydrogen production. The 1995 sales of ammonia were $25 million and the operating income was $12 million. Excluding the ammonia business, total chemical sales are up 2% in 1996, or $28 million, and operating income is up 10%, or $18 million.

The sales increase in 1996 is due primarily to the full year impact of 1995 price increases. Overall volumes are down slightly.

Broad-based margin improvements were the major reason for the $18 million increase in operating income, excluding the ammonia business. Partially offsetting the impact of margin improvements were increased selling and general and administrative costs. Currency changes did not have a material impact on operating income.

Sales in 1995 increased 15% over 1994 as volumes rose 10%. All major product lines experienced higher shipments in both domestic and export markets. Selling prices for most products improved in 1995. On average, there was a favorable 4% average price/mix variance. Currency effects contributed 1% of the 15% sales increase.

Operating income in 1995 was up substantially with a 30% increase, $45 million, from 1994. This increase was generated by a combination of strong volume growth, higher margins, and favorable currency effects. Margins improved as most products experienced higher prices, while raw material costs stabilized. The 1995 results benefited from higher ammonia and methanol prices. In midyear, there was a plant conversion that exited the company from the commodity ammonia business. Methanol pricing declined in the second half of 1995 and continued at lower rates in 1996. Operating income in 1995 also increased over 1994 due to planned polyvinyl alcohol facility shutdowns in 1994, driven by market conditions. Favorable currency effects accounted for 6% of the 30% increase in operating income.

ENVIRONMENTAL AND ENERGY

(Millions of dollars)	1996	1995	1994
Sales	$60	$ 58	$67
Operating income (loss)	8	(5)	6
Equity affiliates' income	36	28	24

Sales grew $2 million to $60 million. Operating income in 1996 improved $13 million to $8 million. Increased profitability is attributed to improved operations and project buyouts.

Equity affiliates' income rose $8 million to $36 million. Improved operating performance of power generation facilities, the settlement of a power contract dispute, and weather-related power curtailments and a planned maintenance outage in the prior year were the key factors responsible for the improved results.

In April 1996, the company announced the intention to sell its 50% interest in American Ref-Fuel, the waste-to-energy joint venture with Browning-Ferris Industries, Inc. This joint venture contributed $27 million after interest and before tax to equity affiliates' income in 1996.

The company also completed the sale of the landfill gas recovery business, GSF Energy Inc., in early fiscal 1997. Sales of the landfill gas business were $20 million in 1996 with an operating loss of $3 million, excluding the net income benefit of $6 million from nonconventional fuel tax credits.

Sales in 1995 decreased $9 million from 1994 while operating income was a loss of $5 million compared to income of $6 million in 1994. The 1994 results benefited from the completion of the final portion of an equipment sale associated with the construction of a cogeneration facility for an unconsolidated affiliate and the receipt of a performance bonus associated with this sale. Sales of operating services provided to a cogeneration facility in California compared unfavorably to the prior year due to weather-related power curtailments and a planned major maintenance outage at the facility. Additionally, the results of the landfill gas business were down due to lower selling prices combined with higher costs. Nonconventional fuel tax credits were $6 million and $5 million in 1995 and 1994, respectively.

Equity affiliates' income in 1995 reflected stronger operations at the waste-to-energy facilities, partially offset by the unfavorable impact of weather-related power curtailments and a planned major maintenance outage at a cogeneration facility.

EQUIPMENT AND SERVICES

(Millions of dollars)	1996	1995	1994
Sales	$276	$ 271	$268
Operating income (loss)	23	(2)	11

Sales of $276 million increased $5 million over the prior year while income increased $25 million to $23 million. The 1996 results reflected a more profitable project mix and improved project performance. Sales backlog for the equipment product line improved to $306 million at 30 September 1996 compared with $198 million at 30 September 1995. The high quality order backlog increased primarily due to new orders for natural gas liquefaction equipment and gas separation equipment. In early fiscal 1997, the backlog related to natural gas liquefaction equipment increased by $109 million, of which $13 million is expected to be completed during fiscal 1997.

The 1995 operating loss of $2 million declined $13 million on essentially flat sales compared to 1994 due to unfavorable project mix and performance. Also included in 1994 was a gain on a contract settlement payment.

CORPORATE AND OTHER This area includes unallocated corporate expenses and income and foreign exchange gains and losses.

(Millions of dollars)	1996	1995	1994
Operating loss excluding special items	$(45)	$(29)	$(45)
Operating loss as reported	(45)	(29)	(59)

The operating loss in 1996 increased $16 million from the prior year primarily due to a foreign exchange gain in 1995 and higher net corporate general and administrative costs. The 1995 operating loss of $29 million declined $16 million from the prior year primarily due to a foreign exchange gain and lower reengineering study costs.

The 1994 special items included a charge of $12 million from the termination of two contracts which hedged currency risk and an expense of $2 million from the charitable contribution of the remaining shares of a stock investment in an insurance company.

SETTLEMENT ON LEVERAGED INTEREST RATE SWAPS

In January 1996, the company reached a settlement with Bankers Trust Company over the $107 million of losses reported in 1994 associated with leveraged interest rate swap contracts. The $67 million settlement gain ($41 million after tax, or $.36 per share) was affected, in part, by the termination of obligations stemming from two previously closed contracts. Prior to the settlement, there was an outstanding liability of $62 million associated with the closed contracts.

The company entered into five highly leveraged interest rate swap contracts with a notional value of $203 million during the first quarter of 1994. By 30 June 1994, the company terminated three of these contracts and closed the other two. These contracts were accounted for on a mark-to-market basis. In 1994, the company recognized a loss of $107 million on these derivative contracts. This loss reflected the cost to terminate or close these contracts. The termination and closure of these derivative contracts eliminated any further earnings impact from these contracts due to changes in interest rates. For further information, see Note 5 to the consolidated financial statements.

INTEREST EXPENSE

(Millions of dollars)	1996	1995	1994
Interest incurred	$144	$118	$90
Less: Interest capitalized	15	18	10
Brazilian currency adjustments	--	--	1
Add: Termination of derivatives	--	--	2
Interest expense	$129	$100	$81

Interest expense in 1996 increased $29 million to $129 million. Higher debt outstanding was driven by additions to plant and equipment and investments in and advances to unconsolidated equity affiliates. This increase was partially offset by lower interest rates. Interest expense in 1996, related to the Carburos investment increase, is approximately $12 million.

Interest expense in 1995 was $19 million higher than in 1994. Interest incurred in 1995 increased $28 million due to higher rates combined with a higher level of average debt outstanding. Interest expense in 1994 included a charge of $2 million from the termination of certain small interest rate hedge agreements.

INCOME TAXES

	1996	1995	1994
Effective tax rate.............	31.7%	33.4%	28.2%

The lower 1996 effective tax rate reflects higher after-tax equity affiliates' income. The effective tax rate for 1996 exclusive of the Bankers Trust settlement was 30.8%.

The 1994 effective tax rate reflects lower state taxes due principally to changes in state income tax regulations. The cumulative impact of these changes resulted in a net tax benefit of $6 million. The 1994 effective tax rate also reflects the favorable tax treatment of the charitable contribution, before-tax expense of $2 million, of the remaining shares of a stock investment in an insurance company. The tax benefit associated with this contribution, based on fair value of the investment, was $4 million. The effective tax rate for 1994, excluding these items and the derivative losses, was 33.0%.

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 million both in 1996 and 1995 and $28 million for 1994. 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 1997 and $30 million in 1998.

Although precise amounts are difficult to define, the company estimates that in fiscal 1996 it spent approximately $11 million on capital projects to control pollution (including expenditures associated with new plants) versus $13 million in 1995. Capital expenditures to control pollution in future years are estimated at $15 million in 1997 and $17 million in 1998.

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 $18 million to a reasonably possible upper exposure of $45 million. The balance sheet at 30 September 1996 included an accrual of $32 million and a receivable balance of $1 million related to third-party recoveries. At 30 September 1995, the balance sheet accrual was $35 million and the receivable balance was $1 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. During 1995, the company signed consent orders for corrective action with state and federal regulatory agencies. The company estimates capital costs to implement the anticipated remedial program will range from $26-$33 million. Spending was minimal in fiscal 1996 and is estimated at $5 million for both fiscal 1997 and 1998. Operating and maintenance expenses associated with continuing the remedial program are estimated to be $1 million per year beginning fiscal 1997 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 20% of the costs incurred in the remediation. The cost estimates have not been reduced by the value of such reimbursement, which the company believes is probable of realization.

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.

In October 1996, the American Institute of Certified Public Accountants issued Statement of Position 96-1, "Environmental Remediation Liabilities." The company is required to adopt this standard no later than fiscal 1998. Presently, the company accounts for environmental remediation liabilities under the provisions of Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies." The company does not expect the impact of this new statement to be material to the financial statements.

LIQUIDITY, CAPITAL RESOURCES, AND OTHER FINANCIAL DATA

Air Products maintained a sound financial condition throughout 1996. In April 1996, the company announced a plan to utilize a modestly higher proportion of debt in the capital structure and thereby reduce cost of capital. The restructuring is being implemented through a share repurchase program financed with proceeds from the sale of the company's investment in American Ref-Fuel and increased borrowings. Following the announcement as expected, the company's senior debt rating was lowered from A+/A1 to A/A2; the A-1/P-1 commercial paper rating was unaffected.

CAPITAL EXPENDITURES Capital expenditures of $1,164 million in 1996 were 20% above the 1995 level, with additions to plant and equipment, largely in support of the worldwide expansion of industrial gases, increasing by 9%. Investments in and advances to unconsolidated affiliates are primarily equity investments in international gas affiliates and environmental energy systems projects. Included in 1996 was an additional equity investment of $120 million in Carburos.

(Millions of dollars)	1996	1995	1994
Additions to plant and equipment	$ 951	$870	$611
Investment in and advances to unconsolidated affiliates	197	29	41
Acquisitions	11	65	--
Capital leases	5	5	3
Total	$1,164	$969	$655

Capital expenditures for new plant and equipment and investment in unconsolidated affiliates, including a significant additional investment in Carburos, are expected to be approximately $1.3 billion in 1997. It is anticipated that these expenditures will be funded with cash from operations supplemented with proceeds from financing activities.

In November 1994, the company published a tender offer to acquire 74.2% of the outstanding shares of Carburos, representing all of the shares not owned by the company. The company made second and third tender offers in September 1995 and September 1996, respectively. These tenders resulted in the acquisition of 21.5% of the outstanding shares at a cost of $120 million in October 1995 and an additional 49.1% at a cost of $288 million in October 1996, bringing the company's ownership to 96.7%.

FINANCING AND CAPITAL STRUCTURE Capital needs in 1996 were satisfied with cash from operations supplemented with additional debt. Total debt increased $514 million to $2,195 million at 30 September 1996. At year end, total debt as a percentage of total debt plus equity was 46% as compared to 41% at the end of 1995.

In October 1995, the company issued $125 million of 6.6% notes due in fiscal 2008 to fund the acquisition of shares of Carburos. Additionally, the company entered into interest rate and currency swap agreements to effectively convert $120 million of the notes into a Spanish Peseta liability with an average interest rate of 10.66% and maturities ranging from three to ten years. Other financings during fiscal 1996, principally in the United States, included the public issuance of $406 million of debt securities with maturities ranging from twelve to thirty years and coupons from 6.25% to 7.82%. Additionally, $70 million equivalent Dutch Guilder financing was provided by the European Investment Bank for a 10-year term (amortizing) and a coupon of 5.97%. See Note 4 to the consolidated financial statements for additional details.

In October 1996, the company issued $171 million of medium-term notes, $89 million of which were fixed-rate notes with a seven-year term and an average coupon rate of 6.85%. The remaining $82 million were floating-rate notes with maturities of three to five years. The proceeds of $95 million for these notes, along with commercial paper proceeds of $193 million, were utilized to fund the acquisition of additional shares of Carburos. The proceeds of $288 million were effectively converted to Spanish Peseta liabilities with maturities ranging from three months to seven years via the use of interest rate and currency swaps and foreign exchange contracts. The average interest rate on these Spanish Peseta liabilities is 7.54%.

SIX

At year end, $370 million of commercial paper was outstanding compared to $328 million at the end of 1995. Of the $370 million, $255 million funded foreign currency lending to subsidiaries.

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 1996, the company's revolving credit commitments amounted to $600 million with funding available in 13 currencies. No borrowings were outstanding under these commitments at the end of 1996. Additional commitments totaling $16 million are maintained by the company's foreign subsidiaries, of which $3 million was utilized at year end.

At 30 September 1996, the company had unutilized shelf registrations for $639 million of debt securities.

During 1996, 1.8 million shares of the company's outstanding common stock were repurchased at a cost of $100 million. There were 2.7 million shares repurchased during 1995 for $124 million.

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. 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.

Additional details on these and other financial instruments are set forth in Notes 3, 5, and 6 to the consolidated financial statements.

WORKING CAPITAL Working capital (excluding cash and cash items, short term borrowings, and current portion of long-term debt) was $489 million, up $68 million over the $421 million at the end of 1995. Trade receivables increased 7% on an overall sales increase of 4%. Inventories and contracts in progress grew 6%. Current liabilities decreased due to a reduction of $16 million in accrued taxes. This resulted in the $68 million working capital increase.

Working capital was $421 million at the end of 1995 versus $322 million at the end of 1994. Inventories and trade receivables increased due to higher sales activity. Months-on-hand of inventories was comparable to the prior year. Other current assets at the end of fiscal 1995 included a $20 million receivable, which was collected in October 1995, from the termination of an EES project.

DIVIDENDS In May 1996, the Board of Directors increased the quarterly cash dividend to 27.5 cents per share, an increase of 6%. 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.

STOCK-BASED COMPENSATION In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation." The company is required to adopt this standard no later than fiscal 1997. Presently, the company does not recognize expense relative to stock options. This statement permits the continuation of this approach but encourages companies to recognize expense for stock options at an estimated fair value based on an option pricing model. The company has elected not to adopt the expense recognition. Disclosure of the expense is required as of fiscal 1997. The option pricing model for implementing the disclosure requirements has not been determined and therefore no estimate has been made of the disclosure to be made in fiscal 1997.

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 1996, the company contributed $52 million to these plans and expects to make contributions of approximately $6 to $10 million in fiscal 1997.

INFLATION The financial statements are presented on a historical cost basis and do not fully reflect the impact of prior years' inflation. 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 The company recognizes the need to ensure its operations will not be adversely impacted by Year 2000 software failures. Software failures due to processing errors potentially arising from calculations using the Year 2000 date are a known risk. The company is addressing this risk to the availability and integrity of financial systems and the reliability of operational systems. The company has established processes for evaluating and managing the risks and costs associated with this problem. The computing portfolio was identified and an initial assessment has been completed. The cost of achieving Year 2000 compliance is estimated to be approximately $10 million over the cost of normal software upgrades and replacements and will be incurred through fiscal 1999.

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	/s/ Arnold H. Kaplan
Harold A. Wagner	Arnold H. Kaplan
Chairman, President,	Vice President-Finance
and Chief Executive Officer	and Chief Financial Officer

1 November 1996

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 1996 and 1995, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the three years in the period ended 30 September 1996. 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 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended 30 September 1996, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective 1 October 1994, Air Products and Chemicals, Inc. changed its method of accounting for certain investments in debt and equity securities. Also, as discussed in Note 2, effective 1 October 1993, Air Products and Chemicals, Inc. changed its methods of accounting for postretirement benefits other than pensions, postemployment benefits, and income taxes.

/s/Arthur Andersen LLP

Arthur Andersen LLP
Philadelphia, Pennsylvania

1 November 1996

CONSOLIDATED INCOME

Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars, except per share) YEAR ENDED 30 SEPTEMBER	1996	1995	1994
SALES AND OTHER INCOME			
Sales (Note 1)	$ 4,008	$3,865	$ 3,485
Other income (expense), net (Note 18)	25	26	(1)
	4,033	3,891	3,484
COSTS AND EXPENSES			
Cost of sales	2,408	2,317	2,112
Selling, distribution, and administrative	920	869	789
Research and development	114	103	97
OPERATING INCOME	591	602	486
Income from equity affiliates net of related expenses (Note 9)	80	51	28
(Settlement)/Loss on leveraged interest rate transactions (Note 5)	(67)	--	107
Interest expense (Note 1)	129	100	81
INCOME BEFORE TAXES	609	553	326
Income taxes (Notes 1 and 11)	193	185	92
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	416	368	234
Cumulative Effect of Accounting Changes (Note 2)	--	--	14
NET INCOME	$ 416	$ 368	$ 248
MONTHLY AVERAGE OF COMMON SHARES OUTSTANDING (in millions)	112	112	114
EARNINGS PER COMMON SHARE			
Income before Cumulative Effect of Accounting Changes	$ 3.73	$ 3.29	$ 2.06
Cumulative Effect of Accounting Changes (Note 2)	--	--	.12
NET INCOME	$ 3.73	$ 3.29	$ 2.18

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars, except per share) 30 SEPTEMBER	1996	1995
ASSETS		
CURRENT ASSETS		
Cash and cash items (Note 1)	$ 79	$ 87
Trade receivables, less allowances for doubtful accounts of $13 in 1996 and $14 in 1995	670	625
Inventories (Notes 1 and 8)	371	335
Contracts in progress, less progress billings	115	123
Other current assets	140	162
TOTAL CURRENT ASSETS	1,375	1,332
INVESTMENTS (Notes 1, 3, and 9)		
Investment in net assets of and advances to equity affiliates	759	581
Other investments and advances	74	76
TOTAL INVESTMENTS	833	657
PLANT AND EQUIPMENT, at cost (Notes 1, 4, 7, and 15)	8,103	7,350
Less -- Accumulated depreciation	4,144	3,848
PLANT AND EQUIPMENT, net	3,959	3,502
GOODWILL (Note 1)	84	81
OTHER NONCURRENT ASSETS	271	244
TOTAL ASSETS	$ 6,522	$ 5,816
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables, trade and other (Note 18)	$ 526	$ 519
Accrued liabilities (Note 18)	241	249
Accrued income taxes	40	56
Short-term borrowings (Note 18)	423	314
Current portion of long-term debt (Note 4)	33	173
TOTAL CURRENT LIABILITIES	1,263	1,311
LONG-TERM DEBT (Notes 4 and 15)	1,739	1,194
DEFERRED INCOME AND OTHER NONCURRENT LIABILITIES	364	435
DEFERRED INCOME TAXES (Notes 1 and 11)	582	478
TOTAL LIABILITIES	3,948	3,418
SHAREHOLDERS' EQUITY (Notes 1, 10, and 12)		
Common Stock (par value $1 per share; issued 1996 and 1995 - 124,727,792 shares)	125	125
Capital in excess of par value	461	465
Retained earnings	2,687	2,388
Unrealized gain on investments (Note 2)	40	41
Cumulative translation adjustments	(70)	(24)
Treasury Stock, at cost (1996 - 4,212,761 shares; 1995 - 3,044,469 shares)	(211)	(139)
Shares in trust (1996 and 1995 - 10,000,000 shares)	(458)	(458)
TOTAL SHAREHOLDERS' EQUITY	2,574	2,398
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 6,522	$ 5,816

The accompanying notes are an integral part of these statements.

CONSOLIDATED CASH FLOWS
Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars) YEAR ENDED 30 SEPTEMBER	1996	1995	1994
OPERATING ACTIVITIES			
Net income	$ 416	$ 368	$ 248
Adjustments to reconcile income to cash provided by operating activities:			
Depreciation (Note 1)	412	382	353
Termination of liabilities for leveraged interest rate swaps (Note 5)	(62)	--	--
Loss on leveraged interest rate swaps (Note 5)	--	--	107
Deferred income taxes (Note 11)	87	66	9
Cumulative effect of accounting changes (Note 2)	--	--	(14)
Other	(50)	(19)	50
Working capital changes that provided (used) cash, net of effects of acquisitions:			
Trade receivables	(53)	(64)	(41)
Inventories and contracts in progress	(28)	(58)	(35)
Payables, trade and other	3	20	62
Accrued liabilities	21	13	4
Other	10	10	8
CASH PROVIDED BY OPERATING ACTIVITIES	756	718	751
INVESTING ACTIVITIES			
Additions to plant and equipment(a)	(951)	(870)	(611)
Acquisitions, less cash acquired(b)	(6)	(47)	--
Investment in and advances to unconsolidated affiliates	(197)	(29)	(41)
Termination/closure of leveraged interest rate swaps (Note 5)	--	(6)	(42)
Proceeds from sale of assets and investments	63	34	18
Other	12	2	1
CASH USED FOR INVESTING ACTIVITIES	(1,079)	(916)	(675)
FINANCING ACTIVITIES			
Long-term debt proceeds(a)	627	361	128
Payments on long-term debt	(168)	(152)	(124)
Net increase in commercial paper	42	180	13
Net increase (decrease) in other short-term borrowings	11	15	(44)
Dividends paid to shareholders	(117)	(115)	(108)
Purchase of Treasury Stock (Note 10)	(100)	(124)	(85)
Other	21	17	4
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	316	182	(216)
Effect of Exchange Rate Changes on Cash	(1)	3	2
Decrease in Cash and Cash Items	(8)	(13)	(138)
Cash and Cash Items -- Beginning of Year	87	100	238
Cash and Cash Items -- End of Year (Note 1)	$ 79	$ 87	$ 100

The accompanying notes are an integral part of these statements.

(a) Excludes capital leases of $5 million, $5 million, and $3 million in 1996, 1995, and 1994, respectively.

(b) Excludes debt of $5 million and $18 million to former shareholders of companies acquired in 1996 and 1995, respectively.

CONSOLIDATED SHAREHOLDERS' EQUITY

Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars, except per share) YEAR ENDED 30 SEPTEMBER	1996	1995	1994
COMMON STOCK			
Balance, Beginning and End of Year	$ 125	$ 125	$ 125
CAPITAL IN EXCESS OF PAR VALUE			
Balance, Beginning of Year	465	477	199
Issuance of Treasury Shares for benefit and stock option and award plans, 625,308 shares in 1996, 961,794 shares in 1995, and 1,100,286 shares in 1994	(13)	(22)	(2)
Issuance of 10,000,000 Treasury Shares to trust	--	--	271
Tax benefit of stock option and award plans	9	10	9
Balance, End of Year	461	465	477
RETAINED EARNINGS			
Balance, Beginning of Year	2,388	2,135	1,995
Net income	416	368	248
Cash dividends -- Common Stock, $1.07 per share in 1996, $1.01 per share in 1995, and $.95 per share in 1994	(117)	(115)	(108)
Balance, End of Year	2,687	2,388	2,135
UNREALIZED GAIN ON INVESTMENTS (Note 2)			
Balance, Beginning of Year	41	--	--
Adjustment to 1995 beginning balance for change in accounting method, net of income taxes of $23	--	42	--
Change in unrealized gain, net of income taxes	(1)	(1)	--
Balance, End of Year	40	41	--
CUMULATIVE TRANSLATION ADJUSTMENTS			
Balance, Beginning of Year	(24)	(16)	(33)
Translation adjustments, net of income tax benefits of $2 in 1996, $28 in 1995, and $1 in 1994	(46)	(8)	17
Balance, End of Year	(70)	(24)	(16)
TREASURY STOCK			
Balance, Beginning of Year	(139)	(57)	(184)
Issuance of Treasury Shares for benefit and stock option and award plans, 625,308 shares in 1996, 961,794 shares in 1995, and 1,100,286 shares in 1994	28	42	26
Issuance of 10,000,000 Treasury Shares to trust	--	--	186
Purchase of Treasury Shares, 1,793,600 in 1996, 2,687,300 in 1995, and 1,843,300 in 1994 (Note 10)	(100)	(124)	(85)
Balance, End of Year	(211)	(139)	(57)
SHARES IN TRUST (Note 1)			
Balance, Beginning of Year	(458)	(458)	--
Contribution of 10,000,000 Treasury Shares	--	--	(458)
Balance, End of Year	(458)	(458)	(458)
TOTAL SHAREHOLDERS' EQUITY	$ 2,574	$ 2,398	$ 2,206

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Air Products and Chemicals, Inc. and Subsidiaries

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.

LONG-TERM EQUIPMENT AND CONSTRUCTION REVENUE Revenues from equipment sale contracts are recorded primarily using the percentage-of-completion method. Under this method, the equipment and services segment recognizes revenues based primarily on labor costs incurred to date compared with total estimated labor costs. The environmental and energy segment recognizes revenues based primarily on contract costs incurred to date compared with total estimated contract costs. Changes to total estimated labor or contract costs 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 11 to 15 years)

CAPITALIZED INTEREST As the company builds new plant and equipment or invests in unconsolidated 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 1996, the amount of capitalized interest was $15 million. In 1995, it was $18 million, and in 1994, $10 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 differential 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 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 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 adjustments account in the shareholders' equity section of the balance sheet.

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.

FOURTEEN

Forward exchange and option combination contracts are sometimes used to hedge firm commitments, such as the purchase of plant and equipment, and purchased foreign currency options are sometimes used to hedge firm commitments and certain highly anticipated cash flows, including export sales transactions. Gains and losses resulting from these agreements are deferred and reflected as adjustments of the related foreign currency transactions.

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. (See Note 2.) The measurement of an impairment loss of goodwill related to equity affiliates is based on expected undiscounted future cash flows, as the investment in equity affiliates 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 are 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 CHANGES

Effective 1 October 1994, the company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." A certain investment in marketable equity securities is reported at fair value with the unrealized gain on an after-tax basis recorded in a separate component of shareholders' equity. The aggregate fair value of this equity security was $74 million and $75 million at 30 September 1996 and 1995, and the gross unrealized holding gain was $63 million and $64 million, respectively. Fiscal 1994 amounts were not restated.

In fiscal 1995, the company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The 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 fair value of the asset. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows. It was the company's past policy to measure an impairment loss for assets held for use based on expected undiscounted future cash flows. Adoption of this statement will result in recognition of a larger loss, based on discounted future cash flows, in the year of impairment and lower depreciation charges over the remaining life of the asset. Since adoption, no material impairment losses have been recognized.

Effective 1 October 1993, the company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," SFAS No. 109, "Accounting for Income Taxes," and SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of these accounting changes on years prior to fiscal 1994 is included in net income of fiscal 1994. The cumulative effect of each of these standards is as follows:

(Millions of dollars, except per share)	Income (Loss)	Earnings (Loss) per Common Share
Postretirement benefits other than pensions, net of an income tax benefit of $19	$(31)	$(.28)
Income taxes	55	.49
Postemployment benefits, net of an income tax benefit of $6	(10)	(.09)
	$ 14	$ .12

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 1996 and 1995.

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, excluding the interest accrual, as of the balance sheet date. The computation of fair values of these instruments is generally performed by the company. 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.

(Millions of dollars) 30 SEPTEMBER	1996 Carrying Value	1996 Fair Value	1995 Carrying Value	1995 Fair Value
ASSETS				
Other investments	$ 74	$ 74	$ 76	$ 76
Currency option contracts (Note 6)	7	3	11	3
Interest rate swap agreements (Note 5) ..	7	13	(11)	(10)
Forward exchange contracts (Note 6)	2	3	(7)	(12)
LIABILITIES				
Long-term debt, including current portion (Note 4)	$1,772	$1,840	$ 1,367	$ 1,454

4. LONG-TERM DEBT

The following table shows the company's outstanding debt at the end of fiscal 1996 and 1995, excluding any portion of the debt required to be repaid within a year:

(Millions of dollars) 30 SEPTEMBER	1996	1995
Payable in U.S. dollars:		
8 7/8% Notes, due 2001	$ 100	$ 100
8.35% Debentures, due 2002, effective interest rate 8.4%	100	100
6 1/4% Notes, due 2003	100	100
Medium-term Notes, Series B, due through 2003, weighted average interest rate 6.3%	51	51
Medium-term Notes, Series C, due through 2003, weighted average interest rate 6.0%	166	166
7 3/8% Notes, due 2005, effective interest rate 7.5%	150	150
8 1/2% Debentures, due 2006, effective interest rate 8.6%	100	100
Medium-term Notes, Series D, due through 2016, weighted average interest rate 6.8%	311	30
Medium-term Notes, Series E, due through 2026, weighted average interest rate 7.6%	250	--
8 3/4% Debentures, due 2021, effective interest rate 9.0%	100	100
Commercial paper, weighted average interest rate 5.5%	--	56
Other, due 2002 to 2023, weighted average interest rate 6.5%	54	34
Payable in foreign currency:		
9 1/2% British Pound Notes, due 1997	71	72
8.27% British Pound loan, due 1999	34	35
10.8% French Franc loan, due through 2002	--	4
9.2% Deutsche Mark loan, due through 2002	11	9
5.97% Dutch Guilder loan, due through 2006	70	--
Belgian Franc loans, due through 2006, weighted average interest rate 5.5%	37	47
Other, due through 2004, weighted average interest rate 4.5%	11	14
Less: Unamortized discount	(5)	(4)
	1,711	1,164
Capital lease obligations:		
United States, due through 2002, weighted average interest rate 6.1%	6	6
Foreign, due through 2004, weighted average interest rate 10.0%	22	24
	28	30
	$ 1,739	$ 1,194

Various debt agreements to which the company is a party include 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 million committed, multi-currency, syndicated credit facility which matures in January 2001. No borrowings were outstanding under this facility at 30 September 1996. At 30 September 1996, foreign subsidiaries had additional committed credit lines of $16 million, $3 million of which was borrowed and outstanding.

Maturities of long-term debt in each of the next five years are as follows: $33 million in 1997; $71 million in 1998; $83 million in 1999; $114 million in 2000; and $132 million in 2001.

Included in the Medium-term Notes, Series E, is a $100 million note, due in 2026, with a one-time put option exercisable by the investor after twelve years. The 9 1/2% British Pound Notes and a portion of the Medium-term Notes, Series B are classified as long-term debt because of the availability of long-term financing under the commitments from various banks and the company's intention to refinance these notes on a long-term basis.

5. 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 million of the medium-term notes, series C, to an average interest rate slightly above the three-month U.S. 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.

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. If the credit rating of a counterparty to an existing transaction was downgraded to below investment grade, the company has provisions to require collateral for transactions with maturities in excess of five years. 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 (loss) of interest rate swap agreements by type at 30 September 1996 and 1995. 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 notional amount of these agreements is equal to or less than the designated debt instrument being hedged. The net unrealized gain (loss) on these agreements, which equals their fair value, is based on the relevant yield curve at the end of the fiscal year.

(Millions of dollars)	Notional Amount	Maturities	Weighted Average Rate Receive	Weighted Average Rate Pay	Unrealized Gross Gain	Unrealized Gross (Loss)	Net Unrealized Gain (Loss)
30 SEPTEMBER 1996							
Fixed to Variable	$243	1997 - 2005	7.1%	5.7%	$ 2	$ (1)	$ 1
Variable to Fixed	54	1997	6.0%	7.3%	--	(1)	(1)
Variable to Variable	60	2000 - 2001	8.2%	5.7%	28	--	28
Interest Rate/Currency ..	274	1998 - 2005	6.3%	9.3%	--	(15)	(15)
	$631				$30	$(17)	$ 13
30 SEPTEMBER 1995							
Fixed to Variable	$313	1996 - 2003	8.6%	8.2%	$ 2	$ (8)	$ (6)
Variable to Fixed	105	1997 - 2003	6.3%	7.5%	--	(4)	(4)
Variable to Variable	70	1996 - 2001	3.8%	6.0%	11	--	11
Interest Rate/Currency ..	86	1996	5.9%	4.7%	--	(11)	(11)
	$574				$13	$(23)	$(10)

Of the net unrealized gain (loss) as of 30 September 1996 and 1995, a net gain of $6 million and $1 million, respectively, has not been recognized in the financial statements. A deferred loss of $10 million at the end of fiscal 1996 and a deferred gain of $1 million at the end of fiscal 1995 resulted from terminated contracts.

During the second quarter of fiscal 1996, the company reached a $67 million settlement with Bankers Trust Company over $107 million in losses in fiscal 1994 associated with leveraged interest rate swap contracts. The settlement included the termination of two previously closed contracts with Bankers Trust. Prior to the settlement, there was an outstanding liability of $62 million associated with these closed contracts. The after-tax gain related to this settlement was $41 million.

The company entered into five highly leveraged interest rate swap contracts with a notional value of $203 million during the first quarter of fiscal 1994. By 30 June 1994, the company terminated three of these contracts and closed the other two. These contracts had been accounted for on a mark-to-market basis. 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. Additionally, the company terminated in 1994 a number of smaller interest rate swap agreements and an interest rate and currency swap contract and recognized a loss of $14 million. This loss was recognized in the consolidated income statement as $12 million foreign exchange loss included in other income and $2 million interest expense.

After the effects of interest rate swap agreements, the company's total debt, including current portion, is composed of 69% fixed-rate debt and 31% variable-rate debt as of 30 September 1996.

The fair value of long-term debt and interest rate swap agreements is affected by fluctuations in market interest rates. A 100 basis point increase in market interest rates would result in a $108 million decline (favorable) in the fair value of long-term debt while the fair value of interest rate swap agreements would decline $3 million (unfavorable). A 100 basis point decline in market interest rates would result in a $114 million increase (unfavorable) in the fair value of long-term debt while the fair value of interest rate swap agreements would increase $4 million (favorable). Based on the composition of the company's debt portfolio, including interest rate swap agreements, as of 30 September 1996, a 100 basis point increase in market interest rates would result in an additional $7 million in interest incurred per year. A 100 basis point decline would lower interest incurred by $7 million per year.

6. 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 5.

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. 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, through fiscal 1999.

The table on the following page illustrates the U.S. dollar equivalent, including offsetting positions, of foreign exchange contracts at 30 September 1996 and 1995 along with maturity dates, net unrealized gain (loss), and net unrealized gain (loss) deferred. At the end of fiscal 1996, all material cash flow exposures to foreign currency fluctuations resulting from monetary assets or liabilities, firm commitments, or highly anticipated cash flows being denominated in a currency other than an entity's functional currency are hedged by forward exchange, option combination, or purchased option contracts.

(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 1996						
Forward exchange contracts:						
$U.S./Netherland DG	$138	1997	$ 2	$ --	$ 2	$ --
$U.S./U.K. Pound Sterling	108	1997	--	(1)	(1)	(1)
$U.S./$ Canadian	59	1997	--	--	--	--
Netherland DG/U.K. Pound Sterling...	51	1998	3	--	3	3
Other	112	1998	1	(2)	(1)	(1)
	468		6	(3)	3	1
Option contracts:						
$U.S./German DM	79	1999	2	(5)	(3)	(3)
$U.S./Japanese Yen	18	1998	1	(1)	--	--
Other	21	1997	--	(1)	(1)	(1)
	118		3	(7)	(4)	(4)
	$586		$ 9	$(10)	$ (1)	$ (3)
30 SEPTEMBER 1995						
Forward exchange contracts:						
$U.S./Netherland DG	$ 94	1996	$ --	$ (1)	$ (1)	$ (1)
$U.S./U.K. Pound Sterling	65	1997	1	(1)	--	--
$U.S./$ Canadian	67	2004	1	(2)	(1)	--
Netherland DG/U.K. Pound Sterling...	128	1996	1	(5)	(4)	(4)
Other	106	1996	--	(6)	(6)	--
	460		3	(15)	(12)	(5)
Option contracts:						
$U.S./German DM	122	1999	3	(9)	(6)	(6)
$U.S./Japanese Yen	32	1998	1	(2)	(1)	(1)
Other	39	1997	1	(2)	(1)	(1)
	193		5	(13)	(8)	(8)
	$653		$ 8	$(28)	$(20)	$(13)

The company's net equity position in its principal foreign subsidiaries at 30 September 1996 was $636 million. These subsidiaries have operations in the United Kingdom, Germany, France, Netherlands, Belgium, Brazil, Japan, and Canada. In addition to its foreign subsidiaries, the company has an equity position in foreign equity affiliates as disclosed in Note 9. Generally, it is the company's policy to hedge only exposures to foreign currency fluctuations which represent actual cash flow exposures.

7. PLANT AND EQUIPMENT

The major classes of plant and equipment, at cost, are as follows:

(Millions of dollars) 30 SEPTEMBER	1996	1995
Land	$ 85	$ 83
Buildings	526	485
Gas generating and chemical facilities, machinery and equipment	6,836	6,177
Construction in progress	656	605
	$8,103	$7,350

8. INVENTORIES

The components of inventories are as follows:

(Millions of dollars) 30 SEPTEMBER	1996	1995
Inventories at FIFO cost:		
Finished goods	$ 256	$ 249
Work in process	16	12
Raw materials and supplies	138	113
	410	374
Less excess of FIFO cost over LIFO	(39)	(39)
	$ 371	$ 335

Inventories valued using the LIFO method comprised 53.4% and 56.7% of consolidated inventories before LIFO adjustment at 30 September 1996 and 1995, respectively. Liquidation of prior years' LIFO inventory layers in 1996, 1995, and 1994 did not materially affect cost of sales in any of these years.

9. 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: American Ref-Fuel of Hempstead (50%); American Ref-Fuel of Essex County (50%); American Ref-Fuel of Niagara (50%); American Ref-Fuel of Southeastern Connecticut (50%); American Ref-Fuel of SEMASS (50%); Cambria CoGen Company (50%); Stockton CoGen Company (50%); Orlando CoGen Limited, L.P. (50%); Carburos Metalicos S.A. (47.63%); Sapio Produzione Idrogeno Ossigeno S.r.L. (49%); INFRA Group (40%); San Fu Chemicals (45%); ProCal (50%); Korea Industrial Gases (48.90%); Air Products South Africa (50%); and principally other industrial gas producers.

(Millions of dollars)	1996	1995
Current assets	$ 751	$ 650
Noncurrent assets	3,164	2,287
Current liabilities	560	452
Noncurrent liabilities	2,129	1,468
Net sales	1,465	1,366
Sales less cost of sales	685	628
Net income	226	173

The company's share of income of all equity affiliates for 1996, 1995, and 1994 was $101 million, $68 million, and $48 million, respectively. These amounts exclude $21 million, $17 million, and $20 million of related net expenses incurred by the company. Dividends received from equity affiliates were $64 million, $45 million, and $45 million in 1996, 1995, and 1994, respectively.

The investment in net assets of and advances to equity affiliates at 30 September 1996 and 1995 included investment in foreign affiliates of $509 million and $371 million, respectively.

As of 30 September 1996 and 1995, the amount of investment in companies accounted for by the equity method included goodwill in the amount of $122 million and $70 million, respectively. The goodwill is being amortized into income over periods not exceeding 40 years.

In April 1996, the company announced its plan to divest its joint venture interest in American Ref-Fuel Company's waste-to-energy business. The investment in net assets of and advances to this waste-to-energy business was $213 million at 30 September 1996.

10. 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 1996, and 300 million shares of Common Stock with a par value of $1 per share. At 30 September 1996, the number of shares of Common Stock outstanding was 110,515,031.

In April 1996, the company announced its plan to commence a share repurchase program designed to acquire approximately 10 percent of its 112 million average common shares outstanding. During fiscal 1996 and 1995, 1.8 million and 2.7 million treasury shares were purchased at a cost of $100 million and $124 million, respectively.

The company established a trust to fund a portion of future payments to employees under existing compensation and benefit programs. The trust, which is administered by an independent trustee, was funded with 10 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.

The Board of Directors adopted a Shareholder Rights Plan in 1988 and declared a dividend of one Preferred Stock Purchase Right for each outstanding share of Common Stock. Such rights only become exercisable, or transferable apart from the Common Stock, ten business days after a person or group (Acquiring Person) acquires beneficial ownership of, or commences a tender or exchange offer for, 20% or more of the company's Common Stock. Each right then may be exercised to acquire one one-hundredth of a share of a newly created Series A Junior Participating Preferred Stock at an exercise price of $200, subject to adjustment. Alternatively, upon the occurrence of certain events (for example, if the company is the surviving corporation in a merger with an Acquiring Person), the rights entitle holders other than the Acquiring Person to acquire Common Stock having a value of twice the exercise price of the rights, or, upon the occurrence of certain other events (for example, if the company is acquired in a merger or other business combination transaction in which the company is not the surviving corporation), to acquire common stock of the Acquiring Person having a value twice the exercise price of the rights. The rights may be redeemed by the company at $.01 per right at any time until the tenth day following public announcement that a 20% position has been acquired. The rights will expire on 16 March 1998.

11. INCOME TAXES

The following table shows the components of the provision for income taxes:

(Millions of dollars)	1996	1995	1994
Federal:			
Current	$ 76	$ 81	$ 52
Deferred	70	52	19
	146	133	71
State:			
Current	7	10	6
Deferred	11	11	1
Impact of law/rate change	(1)	(1)	(9)
	17	20	(2)
Foreign:			
Current	23	28	25
Deferred	7	4	(2)
	30	32	23
	$ 193	$ 185	$ 92

The significant components of deferred tax assets and liabilities are as follows:

(Millions of dollars) 30 SEPTEMBER	1996	1995
Gross deferred tax assets:		
Pension and other compensation accruals	$ 73	$ 64
Alternative minimum tax	36	61
Tax loss carryforwards	40	48
Foreign currency translation adjustment	32	28
Reserves and accruals	29	24
Postretirement benefits	23	23
Plant and equipment	10	10
Inventory	18	9
Other	39	25
Valuation allowance	(33)	(34)
Deferred tax assets	267	258
Gross deferred tax liabilities:		
Plant and equipment	537	475
Investment in partnerships	181	164
Unrealized gain on investments	23	23
Employee benefit plans	25	23
Other	54	28
Deferred tax liabilities	820	713

	-----	-----
Net deferred income tax liability	$ 553	$ 455
	=====	=====

Net current deferred tax assets of $29 million and $23 million are included in other current assets at 30 September 1996 and 1995, respectively.

The company's domestic operations were subject to taxes under the Alternative Minimum Tax (AMT) for income tax purposes. The AMT limits the utilization of tax benefits in the current year. The unused tax benefits are carried forward for use in future years. These tax benefits were partially used in fiscal 1996.

Foreign and state operating loss carryforwards on 30 September 1996 were $62 million and $195 million, respectively. Foreign losses of $14 million are available to offset future foreign income through 2005. The balance of these losses has an unlimited carryover period. State operating loss carryforwards are available through 2010. Foreign capital loss carryforwards were $6 million on 30 September 1996 and have an unlimited carryover period.

The valuation allowance as of 30 September 1996 primarily relates to the tax loss carryforwards referenced above. If events warrant the reversal of the $33 million valuation allowance, it would reduce intangible assets by $8 million and reduce tax expense by $25 million.

Major differences between the federal statutory rate and the effective tax rate are:

(Percent of income before taxes)	1996	1995	1994
United States federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal tax benefit	2.3	2.4	2.2
Equity in earnings of foreign affiliates	(3.6)	(2.6)	(2.1)
Foreign tax credits and refunds on dividends received from foreign affiliates	.1	(.4)	(.8)
Nonconventional fuel credits	(1.0)	(1.0)	(1.5)
Export tax benefits	(.6)	(.6)	(1.3)
Investment tax credits	(.4)	(.2)	(.6)
Charitable contribution of stock investment ...	--	--	(1.2)
Impact of state law/rate change	(.1)	(.2)	(1.7)
Other	--	1.0	.2
Effective tax rate	31.7%	33.4%	28.2%

The following table summarizes the income of U.S. and foreign operations, before taxes:

(Millions of dollars)	1996	1995	1994
Income from consolidated operations:			
United States	$416	$398	$223
Foreign	92	87	55
Income from equity affiliates	101	68	48
	$609	$553	$326

Income before taxes presented above is distributed geographically according to where the income is taxed. This differs from the geographic segment operating income presented in Note 19 in which items of income and expense are allocated to the region where revenues are generated.

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 $563 million at the end of fiscal 1996. An estimated $132 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.

12. STOCK OPTION AND AWARD PLANS

The Long-Term Incentive Plan (the Plan) provides for the granting of stock options with or without related performance units to executives and key employees. Options generally 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 that date. Option prices are 100% of fair market value on the date of grant. Performance units have a dollar value determined by the Management Development and Compensation Committee and constitute rights to receive the value of the unit, provided performance objectives are met. Payment of a performance unit may be in cash and/or shares of Common Stock, as determined by the Committee. Performance units have been issued in tandem with stock options, so that the exercise of either of them will reduce, on a one-for-one basis, the tandem options or performance units. The company has not granted performance units since 1991. Following a change in control of the company as defined in the Plan, options and related performance units can be cancelled upon, or surrendered for, payment of 100% of the spread on the options.

Expense is not recorded relative to stock options. The difference between the proceeds and the average cost of Treasury Stock issued to satisfy the options is recorded in capital in excess of par value net of related tax benefits.

TWENTY-THREE

Certain information for 1996 and 1995 relative to stock options is summarized as follows:

(Number of shares)	1996	1995
Outstanding at beginning of year	5,125,754	5,194,293
Granted	794,990	751,670
Exercised(a)	(572,953)	(806,295)
Expired or cancelled	(9,019)	(13,914)
Outstanding at end of year(b)	5,338,772	5,125,754
Exercisable at end of year	3,794,363	3,691,975
Participants at end of year	480	395
Available for future grant at end of year	6,000,000	1,741,075

(a) Options were exercised at prices ranging from $13.14 to $46.25 per share during 1996 and $13.14 to $39.13 per share during 1995.

(b) For outstanding shares under option at 30 September 1996, option prices ranged from $17.60 to $52.06 (and averaged $35.44) per share. The expiration dates for these options range from 18 November 1997 to 3 October 2005. For outstanding shares under option at 30 September 1995, option prices ranged from $13.14 to $46.25 (and averaged $31.43) per share.

In addition to the Long-Term Incentive Plan, there is a plan granting stock options to directors. Options are exercisable six months after grant date and must be exercised no later than ten years and one day from that date. Under this plan, there were 28,000 and 19,000 options outstanding and exercisable at the end of fiscal 1996 and 1995, respectively. Option prices were $50.81 and $45.38 per share for options issued in 1996 and 1995, respectively. As of 30 September 1996, no stock options have been exercised under this plan.

At 30 September 1996, there were 1,349,471 performance units with maximum payout values ranging from $0.61 to $10.19 outstanding. In addition, deferred stock and similar awards equal to 875,717 shares of Air Products Common Stock were outstanding at 30 September 1996.

On 2 October 1995, the company awarded 100 stock options with an exercise price of $52.06 per share to virtually all employees. These options have a ten year term and may not be exercised until 2 October 1998. As of 30 September 1996, 1,340,500 options were outstanding.

13. PENSION PLANS

The company has various pension plans which cover almost all regular employees. The plan benefits are based primarily on years of service and employees' compensation near retirement. The funding policy is to accumulate plan assets that, over the long run, will approximate the present value of projected benefits payable. Plan assets consist primarily of listed stocks, corporate bonds, and government obligations. In fiscal 1996, the company contributed $52 million to these plans and expects to make contributions of approximately $6 to $10 million in fiscal 1997.

The actuarially computed pension cost (income) includes the following components:

(Millions of dollars)		1996		1995		1994
Service cost--benefits earned during the period		$ 33		$ 26		$ 30
Interest cost on projected benefit obligation		63		56		51
Return on plan assets:						
Actual	(97)		(91)		(26)	
Deferred	33		35		(30)	
Recognized return		(64)		(56)		(56)
Net amortization		3		(2)		3
Pension cost		$ 35		$ 24		$ 28

The following table shows the combined funded status of the U.S. plans at 30 September 1996 and 1995, foreign plans at 30 June 1996 and 1995, and amounts recognized in the company's consolidated balance sheets at 30 September 1996 and 1995:

(Millions of dollars)	1996		1995	
	Plans in Which Assets Exceed Accumulated Benefit Obligation	Plans in Which Accumulated Benefit Obligation Exceeds Assets	Plans in Which Assets Exceed Accumulated Benefit Obligation	Plans in Which Accumulated Benefit Obligation Exceeds Assets
Actuarial present value of benefit obligation:				
Vested	$ 530	$ 94	$ 149	$ 454
Nonvested	37	10	--	58
Accumulated benefit obligation	567	104	149	512
Actuarial present value of projected benefit obligation	714	123	179	655
Plan assets at fair value	737	50	240	436
Projected benefit obligation (in excess of) less than plan assets	23	(73)	61	(219)
Unamortized net transition (asset) obligation	(28)	3	(10)	(18)
Unrecognized net loss	6	11	--	89
Unamortized prior service (income) cost	(1)	14	12	18
Adjustment required to recognize minimum liability	--	(17)	--	(20)
Net pension (liability) asset	$ --	$ (62)	$ 63	$(150)

The projected benefit obligation was determined using the following assumptions:

	1996	1995
Weighted average discount rate	8 1/5%	7 4/5%
Weighted average long-term rate of compensation increase	5%	5%

These rates are used in the determination of pension cost in the succeeding year. The weighted average expected long-term return on plan assets used to determine pension cost was 10% in 1996, 10% in 1995, and 10 3/5% in 1994.

14. OTHER POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

The company provides health care and life insurance benefits for certain retired domestic employees until the age of 65, and provides health care coverage only for their covered dependents. The company's various health care programs include different cost-sharing features such as participant contributions, deductibles and copayments, and limits on the company's annual cost. The company accrues the estimated cost of providing postretirement benefits during the employees' applicable years of service.

The postretirement benefit cost includes the following components:

(Millions of dollars)	1996	1995	1994
Service cost-benefits earned during the period	$4	$3	$4
Interest cost on accumulated post retirement benefit obligation	4	5	4
Postretirement benefit cost	$8	$8	$8

At 30 September 1996 and 1995, the actuarial and recorded liabilities for postretirement benefits, none of which have been funded, are as follows:

(Millions of dollars) 30 SEPTEMBER	1996	1995
Actuarial present value of benefit obligation:		
Retirees	$22	$25
Fully eligible active plan participants	13	13
Other active plan participants	23	19
Accumulated postretirement benefit obligation	58	57
Unrecognized net gain	4	1

	---	---
Accrued postretirement benefit liability	$62	$58
	===	===

The accumulated postretirement benefit obligation was determined using a discount rate of 8% in 1996 and 7 1/2% in 1995. The weighted average assumed health care cost trend rate is 7 3/5% for fiscal 1997 (6 1/2% and 10 1/2% were assumed in 1996 and 1995, respectively). The weighted average health care cost trend rate is assumed to decrease gradually to 5 1/2% by the year 2005 and remain at that level thereafter. Increasing the health care cost trend rate by one percentage point would increase both the accumulated postretirement benefit obligation at 30 September 1996 and the postretirement benefit cost for fiscal 1996 by approximately 3%.

15. LEASES

Capital leases, primarily for machinery and equipment, are included with owned plant and equipment on the balance sheet in the amount of $46 million and $49 million at the end of fiscal 1996 and 1995, respectively. Related amounts of accumulated depreciation are $24 million and $23 million, respectively.

Operating leases, including month-to-month agreements, cost the company $50 million in 1996, $43 million in 1995, and $37 million in 1994.

At 30 September 1996, minimum payments due under leases are as follows:

(Millions of dollars)	Capital Leases	Operating Leases
1997	$ 7	$ 24
1998	7	18
1999	6	13
2000	5	8
2001	5	5
2002 and thereafter	15	43
	$45	$111

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 1996, $5 million was classified as current and $28 million as long-term.

16. OTHER COMMITMENTS AND CONTINGENCIES

Subsidiaries of Air Products and Browning-Ferris Industries, Inc. (BFI), have formed American Ref-Fuel partnerships which construct, own, and operate facilities to incinerate municipal solid waste and generate electricity. Five facilities--Hempstead, New York; Essex County, New Jersey; Preston, Connecticut; Niagara Falls, New York; and SEMASS in Rochester, Massachusetts are in commercial operation. Financing arrangements for these projects include agreements with Air Products and BFI to each fund one-half of certain partnership cash deficiencies resulting from the partnership's failure to perform. In all cases except Niagara Falls and SEMASS, (i) the sponsoring municipality is obligated to make minimum payments which are at least sufficient to support the project debt of the partnership in the event of failure to deliver waste or most changes in law, and (ii) the municipality is obligated at least to satisfy most of the outstanding project debt if the incineration service is terminated for reasons other than default by the Ref-Fuel partnership. If a partnership default results in termination, Air Products may limit its financial obligation by partnership as follows:

HEMPSTEAD: Periodic debt service on 50% of the unamortized project debt. Total unamortized debt was $215 million as of 30 September 1996. Average annual debt service on 50% of the debt over the next five years is $11 million.

ESSEX COUNTY: One-half of any partnership cash deficiency, including debt service, but which is limited to $50 million related to the debt and up to an additional $50 million if certain environmental events occur. Average annual debt service on 50% of the debt over the next five years is $10 million.

PRESTON: Periodic debt service on 50% of the unamortized debt. Total unamortized project debt was $86 million as of 30 September 1996, and $45 million of additional partnership debt of which $22 million is guaranteed by Air Products. Average annual debt service on 50% of the debt over the next five years is $6 million.

The financial support at SEMASS and Niagara is discussed below:

At Niagara Falls, Air Products and BFI entered into guarantees to each fund one-half of any partnership cash deficiency, relating to variable rate debt service. Total unamortized project debt was $165 million as of 30 September 1996. Average annual debt service on 50% of the debt over the next five years is estimated to be $3 million.

SEMASS: Air Products and BFI entered into support agreements and guarantees (50% each) which provide obligations to (i) lend up to $5 million to the SEMASS Partnership in certain circumstances, (ii) defer up to $7 million of operating cost reimbursement, and (iii) fund up to $5 million in operating damages. These obligations have been assigned to the lenders. The SEMASS Partnership's debt of approximately $341 million as of 30 September 1996 is not supported or guaranteed by either Air Products or BFI.

General partnerships, in which subsidiaries of Air Products have a 50% interest, own facilities in Stockton, California and Cambria County, Pennsylvania which burn coal and coal waste, respectively, and produce electricity and steam. Air Products is also operator of these projects. Specific performance guarantees obligate Air Products to pay damages up to the following amounts under certain circumstances and if the general partnership is unable to service its debt:

STOCKTON: Periodic debt service on the outstanding project debt ($34 million as of 30 September 1996). Average annual debt service over the next five years is $7 million.

CAMBRIA: Under certain circumstances, if the facility fails to operate as a result of not having fuel available, the outstanding project debt ($147 million as of 30 September 1996). Otherwise, $1 million (escalates from October 1989) annually up to a cumulative total of $17 million.

Additionally, Air Products and a subsidiary have a 50% interest in a limited partnership which 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 5 years.

In connection with financing of the cogeneration projects, Air Products has contracted to provide financial support in the event of a title problem at the plant site.

Air Products and an equity affiliate effectively own 48.9% of Bangkok Cogeneration Company. Bangkok Cogeneration Company is constructing a cogeneration facility in Thailand. This affiliate is currently working on financings aggregating approximately $95 million. The failure of the affiliate to achieve certain milestones allows the lenders recourse against the company in proportion to its ownership interest to the extent that the equity investors have continued to draw down on loans. Such milestones include obtaining government approvals, permits, and land rights by certain dates or by the time project costs reach certain levels. Construction is expected to be completed in September 1998.

In addition, the company has guaranteed repayment of borrowings of certain domestic and foreign equity affiliates. At year end, these guarantees totaled approximately $62 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 $18 million to a reasonably possible upper exposure of $45 million. The balance sheet at 30 September 1996 includes an accrual of $32 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.

At the end of fiscal 1996, the company had purchase commitments to spend approximately $195 million for additional plant and equipment.

17. ACQUISITION OF CARBUROS METALICOS S.A.

In November 1994, the company published a tender offer to acquire 74.2% of the outstanding shares (9.7 million) of Carburos Metalicos S.A. (Carburos), representing all of the shares in Carburos 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 million. After the second tender offer, the company owned 47.6% of the outstanding shares of Carburos. The acquisition of the additional 21.5% of the outstanding shares was funded through the issuance of U.S. dollar medium-term notes. In October 1996, the company acquired an additional 49.1% (6.4 million) of the outstanding shares at a cost of $288 million. After the third tender offer, the company owns 96.7% of the outstanding shares in Carburos. The company funded the acquisition of these shares through the issuance of $95 million in medium-term notes and $193 million of commercial paper. The U.S. dollar debt proceeds for the second and third tender offers were effectively converted to Spanish Peseta liabilities through the use of interest rate and currency swap contracts and foreign exchange contracts. The acquisition will be accounted for as a purchase.

Carburos is the leading supplier of industrial gases in Spain. For the year ended 30 September 1996, Carburos had unaudited revenues of $312 million.

18. SUPPLEMENTARY INFORMATION

PAYABLES, TRADE AND OTHER

(Millions of dollars) 30 SEPTEMBER	1996	1995
Accounts payable, trade	$396	$454
Outstanding checks payable in excess of certain cash balances	50	39
Customer advances	80	26
	$526	$519

ACCRUED LIABILITIES

(Millions of dollars) 30 SEPTEMBER	1996	1995
Accrued payroll and employee benefits	$ 77	$ 77
Accrued interest expense	44	32
Other accrued liabilities	120	140
	$241	$249

SHORT-TERM BORROWINGS

(Millions of dollars) 30 SEPTEMBER	1996	1995	1994
Bank obligations	$ 31	$ 21	$ 10
Commercial paper	370	272	148
Notes payable -- other	22	21	17
	$423	$314	$175

The weighted average interest rate of short-term commercial paper outstanding as of 30 September 1996, 1995, and 1994 was 5.5%, 5.9%, and 5.0%, respectively.

OTHER INCOME (EXPENSE), NET

(Millions of dollars)	1996	1995	1994
Interest income	$ 7	$ 8	$ 18
Foreign exchange	--	6	(17)
Gain (loss) on sale of assets and investments...	--	11	(1)
Royalty and technology income	1	2	3
Amortization of intangibles	(11)	(8)	(7)
Technical aid fees	13	10	11
Miscellaneous	15	(3)	(8)
	$ 25	$ 26	$ (1)

Foreign exchange in 1994 excludes a foreign currency gain on Brazilian debt of $1 million and a gain on Brazilian tax liabilities of $3 million which have been reported in interest expense and income taxes, respectively.

ADDITIONAL INCOME STATEMENT INFORMATION Fiscal 1995 results included a gain of $11 million ($6 million after tax, or $.06 per share) from the sale of an industrial gas plant.

Fiscal 1994 results included a loss of $11 million ($7 million after tax, or $.06 per share) for the outsourcing of the United Kingdom's distribution function. Also included in the 1994 results is an after-tax benefit of $2 million, or $.02 per share, from the favorable tax treatment, net of expense, of the charitable contribution of the remaining shares of a stock investment in an insurance company.

ADDITIONAL CASH FLOW INFORMATION Cash paid for interest and taxes is as follows:

(Millions of dollars)	1996	1995	1994
Interest (net of amounts capitalized)	$117	$99	$80

Taxes (net of refunds)	99	88	67

Significant noncash transactions are as follows:

(Millions of dollars)	1996	1995	1994
Capital lease additions	$5	$ 5	$3
Receivable from terminated environmental and energy project	--	20	--
Debt associated with acquisition	5	18	--

SUMMARY BY QUARTER

This table summarizes the unaudited results of operations for each quarter of 1996 and 1995:

(Millions of dollars, except per share)	First	Second	Third	Fourth
1996				
Sales	$ 947	$1,013	$ 997	$1,051
Operating income	144	148	156	143
Net income	89	135	98	94
Earnings per common share ..	.80	1.21	.87	.85
Dividends per common share .	.26	.26	.275	.275
Price per common share:				
High	58 3/4	58	60 7/8	58 3/4
Low	49 3/4	50 3/8	54 3/8	51 3/4
1995				
Sales	$ 921	$ 983	$ 982	$ 979
Operating income	146	152	161	143
Net income	87	88	100	93
Earnings per common share ..	.77	.79	.89	.84
Dividends per common share .	.245	.245	.26	.26
Price per common share:				
High	48 1/8	52 1/4	56 3/8	59 5/8
Low	43 1/8	43 7/8	49 5/8	51 1/2

As discussed in Note 5, the $67 million gain ($41 million after tax, or $.36 per share) from the settlement with Bankers Trust Company was recorded in the second quarter of 1996.

The gain of $11 million ($6 million after tax, or $.06 per share) in 1995, discussed in additional income statement information, was recorded in the third quarter of 1995.

19. BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

The company has four business segments that manufacture products or provide services to many different markets.

The company is a leading international supplier of industrial and specialty gas products. Principal products of the industrial gases segment are oxygen, nitrogen, argon, hydrogen, carbon monoxide, carbon dioxide, 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 market positions in the United States and Europe.

The chemical businesses consist of polymer chemicals, performance chemicals, and chemical intermediates. Polymer chemicals include polymer emulsions, pressure-sensitive adhesives, 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, and Asia.

The environmental and energy business includes the company's interest in American Ref-Fuel Company's waste-to-energy business; fluidized-bed coal and coal waste burning and natural gas -- fired power generation facilities; and the Pure Air(TM) flue gas treatment facilities. Construction, management and operating services, and equipment sales by the company to the power generation and Pure Air project companies are included in the environmental and energy segment. The segment also recovers and processes methane gas generated by landfills. The principal end markets for these businesses are solid waste disposal, electrical power generation, and air pollution reduction. The United States is the principal geographic market. The company plans to divest the American Ref-Fuel Company's waste-to-energy business. The landfill gas recovery business, GSF Energy Inc., was sold in November 1996.

The equipment and services segment designs and manufactures cryogenic and gas processing equipment for air separation, gas processing, natural gas liquefaction, hydrogen purification, and nitrogen rejection. The segment also designs and builds systems for recovering gases using membrane technology. The equipment is sold along with a broad range of plant design, engineering, and operating services. 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.

Business segment information is shown below:

(Millions of dollars)	Industrial Gases	Chemicals	Environmental and Energy	Equipment and Services	Corporate and Other	Total
1996						
Sales	$2,310	$1,362	$ 60	$ 276	$ --	$4,008
Operating income	406	199	8	23	(45)	591
Equity affiliates' income	44	--	36	--	--	80
Identifiable assets	3,924	1,225	84	290	240	5,763
Investment in and advances to equity affiliates	524	3	232	--	--	759
Depreciation	298	98	1	6	9	412
Additions to plant and equipment	746	172	16	6	11	951
1995						
Sales	$2,177	$1,359	$ 58	$ 271	$ --	$3,865
Operating income	445	193	(5)	(2)	(29)	602
Equity affiliates' income	22	1	28	--	--	51
Identifiable assets	3,564	1,145	79	263	184	5,235
Investment in and advances to equity affiliates	385	6	190	--	--	581
Depreciation	268	91	5	8	10	382
Additions to plant and equipment	678	133	24	25	10	870
1994						
Sales	$1,968	$1,182	$ 67	$ 268	$ --	$3,485
Operating income	380	148	6	11	(59)	486
Equity affiliates' income	4	--	24	--	--	28
Identifiable assets	2,979	1,032	54	202	161	4,428
Investment in and advances to equity affiliates	401	6	201	--	--	608
Depreciation	253	83	3	8	6	353
Additions to plant and equipment	473	116	6	6	10	611

Notes: Corporate and other operating income principally includes unallocated corporate expenses and income and foreign exchange gains and losses. Corporate and other identifiable assets include cash and cash items, unallocated administrative facilities, and certain deferred items.

Identifiable assets exclude the investment in and advances to equity affiliates.

Sales are to unconsolidated customers. Sales between segments, excluding transfers of products at cost, are not material. Products transferred at cost consist primarily of air separation plants and distribution equipment manufactured by the equipment and services segment for use by the industrial gases segment. These transfers amounted to $637 million, $507 million, and $285 million in 1996, 1995, and 1994, respectively.

Geographic information is presented below:

(Millions of dollars)	United States	Europe	Canada and Latin America	Other	Total
1996					
Sales					
Industrial Gases	$1,477	$ 698	$133	$ 2	$2,310
Chemicals	1,282	56	10	14	1,362
Environmental and Energy	60	--	--	--	60
Equipment and Services	198	78	--	--	276
Total	3,017	832	143	16	4,008
Operating income	461	116	14	--	591
Equity affiliates' income	35	24	8	13	80
Identifiable assets	3,993	1,412	224	134	5,763
Investment in and advances to equity affiliates	250	324	71	114	759
1995					
Sales					
Industrial Gases	$1,357	$ 691	$129	$ --	$2,177
Chemicals	1,310	45	1	3	1,359
Environmental and Energy	58	--	--	--	58
Equipment and Services	170	101	--	--	271
Total	2,895	837	130	3	3,865
Operating income	457	119	26	--	602
Equity affiliates' income	27	16	4	4	51
Identifiable assets	3,570	1,395	156	114	5,235
Investment in and advances to equity affiliates	210	195	82	94	581
1994					
Sales					
Industrial Gases	$1,265	$ 584	$119	$ --	$1,968
Chemicals	1,142	40	--	--	1,182
Environmental and Energy	67	--	--	--	67
Equipment and Services	158	110	--	--	268
Total	2,632	734	119	--	3,485
Operating income	381	88	17	--	486
Equity affiliates' income	24	5	3	(4)	28
Identifiable assets	2,978	1,257	142	51	4,428
Investment in and advances to equity affiliates	222	162	147	77	608

Notes: Included in United States sales are export sales to unconsolidated customers of $497 million in 1996, $436 million in 1995, and $376 million in 1994. These sales were principally to customers in Europe and Asia. The Europe segment operates principally in the United Kingdom, France, Germany, Netherlands, and Belgium. Equity affiliates' income and investment in and advances to equity affiliates included under Other relates to the company's equity affiliates in Asia and South Africa. Prior years' identifiable assets have been restated to conform to current year presentation.

ELEVEN-YEAR SUMMARY OF SELECTED FINANCIAL DATA
Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars, except per share)	1996	1995	1994	1993
OPERATING RESULTS				
Sales	$ 4,008	$ 3,865	$ 3,485	$ 3,328
Cost of sales	2,408	2,317	2,112	2,030
Selling, distribution, and administrative	920	869	789	744
Research and development	114	103	97	92
Workforce reduction and asset write-downs	--	--	--	120
Operating income	591	602	486	369
Equity affiliates' income(b)	80	51	28	13
(Settlement)/Loss on leveraged interest rate swaps	(67)	--	107	--
Interest expense	129	100	81	81
Income taxes	193	185	92	100
Income from continuing operations	416(c)	368	234(d)	201(e)
Net income	416(c)	368	248(f)	201(e)
Earnings per common share:(h)				
Continuing operations	3.73(c)	3.29	2.06(d)	1.76(e)
Net income	3.73(c)	3.29	2.18(f)	1.76(e)
YEAR-END FINANCIAL POSITION				
Plant and equipment, at cost	$ 8,103	$ 7,350	$ 6,520	$ 5,953
Total assets	6,522	5,816	5,036	4,761
Working capital	112	21	101	322
Long-term debt and other financings	1,739	1,194	923	1,016
Shareholders' equity	2,574	2,398	2,206	2,102
FINANCIAL RATIOS				
Return on sales(i)	10.4%	9.5%	6.7%	6.0%
Return on average shareholders' equity(i)	16.6%	16.1%	10.9%	9.6%
Total debt to sum of total debt and shareholders' equity(j)	46.0%	41.2%	36.0%	37.3%
Cash provided by operations to average total debt(j)	38.5%	48.6%	59.5%	50.3%
Interest coverage ratio	5.1	5.5	4.5	4.4
OTHER DATA				
For the year:				
Cash provided by operations	$ 756	$ 718	$ 751	$ 584
Depreciation	412	382	353	346(k)
Capital expenditures(l)	1,164	969	655	666
Cash dividends per common share(h)	1.07	1.01	.95	.89
Market price range per common share(h)	60-49	59-43	51-38	50-37
Average common shares outstanding (millions)	112	112	114	114
At year end:				
Book value per common share(h)	23.30	21.48	19.46	18.41
Shareholders	11,700	11,800	11,900	11,800
Employees	15,200	14,800	14,100	15,300

(a) Special items reduced operating income in 1986 by $46 million.

(b) Includes related expenses and gain on sale of investment in equity affiliates.

(c) Includes an after-tax gain of $41 million, or $.36 per share, from a settlement associated with leveraged interest rate swap contracts.

(d) Includes a charge of $75 million, or $.66 per share, for a loss on certain derivative contracts.

(e) Includes a charge of $76 million, or $.67 per share, for workforce reduction and asset write-downs.

(f) Includes a charge of $75 million, or $.66 per share, for a loss on certain derivative contracts and a net gain of $14 million, or $.12 per share, for the cumulative effect of accounting changes.

(g) Net income for fiscal 1992 and 1987 includes an extraordinary charge of $6 million, or $.05 per share, and $4 million, or $.04 per share, respectively, for the early retirement of debt.

(Millions of dollars, except per share)	1992	1991	1990
OPERATING RESULTS			
Sales	$ 3,217	$ 2,931	$ 2,895
Cost of sales	1,937	1,755	1,775
Selling, distribution, and administrative	724	686	659
Research and development	85	80	72
Workforce reduction and asset write-downs	--	--	--
Operating income	481	435	399
Equity affiliates' income(b)	16	13	17
(Settlement)/Loss on leveraged interest rate swaps	--	--	--
Interest expense	90	86	83
Income taxes	130	113	103
Income from continuing operations	277	249	230
Net income	271(g)	249	230
Earnings per common share:(h)			
Continuing operations	2.45	2.22	2.07
Net income	2.40(g)	2.22	2.07
YEAR-END FINANCIAL POSITION			
Plant and equipment, at cost	$ 5,785	$ 5,332	$ 5,010
Total assets	4,492	4,228	3,900
Working capital	279	117	214
Long-term debt and other financings	956	945	954
Shareholders' equity	2,098	1,841	1,688
FINANCIAL RATIOS			
Return on sales(i)	8.6%	8.5%	7.9%
Return on average shareholders' equity(i)	14.0%	14.1%	14.7%
Total debt to sum of total debt and shareholders' equity(j)	33.9%	38.1%	38.5%
Cash provided by operations to average total debt(j)	52.7%	57.7%	52.7%
Interest coverage ratio	5.4	4.2	4.2
OTHER DATA			
For the year:			
Cash provided by operations	$ 599	$ 619	$ 528
Depreciation	340	319	303
Capital expenditures(l)	485	657	621
Cash dividends per common share(h)	.83	.75	.69
Market price range per common share(h)	50-31	37-21	31-22
Average common shares outstanding (millions)	113	112	111
At year end:			
Book value per common share(h)	18.50	16.40	15.17
Shareholders	11,100	10,900	11,100
Employees	14,500	14,600	14,000

(Millions of dollars, except per share)	1989	1988	1987	1986
OPERATING RESULTS				
Sales	$ 2,642	$ 2,432	$ 2,132	$ 1,941
Cost of sales	1,601	1,452	1,279	1,146
Selling, distribution, and administrative	610	545	489	466
Research and development	71	72	57	61
Workforce reduction and asset write-downs	--	--	--	--
Operating income	382	374	327	240(a)
Equity affiliates' income(b)	9	(8)	(9)	(14)
(Settlement)/Loss on leveraged interest rate swaps	--	--	--	--
Interest expense	73	65	77	74
Income taxes	96	87	81	45
Income from continuing operations	222	214	160	107
Net income	222	214	156(g)	5
Earnings per common share:(h)				
Continuing operations	2.02	1.95	1.42	.91
Net income	2.02	1.95	1.38(g)	.04
YEAR-END FINANCIAL POSITION				
Plant and equipment, at cost	$ 4,442	$ 4,085	$ 3,714	$ 3,397
Total assets	3,366	3,000	2,705	2,661
Working capital	262	110	145	180
Long-term debt and other financings	854	668	616	707
Shareholders' equity	1,445	1,272	1,147	1,100
FINANCIAL RATIOS				
Return on sales(i)	8.4%	8.8%	7.5%	5.5%
Return on average shareholders' equity(i)	16.4%	17.6%	14.2%	9.2%
Total debt to sum of total debt and shareholders' equity(j)	38.4%	37.6%	36.8%	40.2%
Cash provided by operations to average total debt(j)	53.7%	65.4%	64.7%	64.6%
Interest coverage ratio	4.6	4.9	3.9	2.8
OTHER DATA				
For the year:				
Cash provided by operations	$ 447	$ 469	$ 471	$ 437
Depreciation	281	258	243	219
Capital expenditures(l)	562	556	368	407
Cash dividends per common share(h)	.63	.55	.45	.38
Market price range per common share(h)	25-18	27-14	27-16	21-13
Average common shares outstanding (millions)	110	110	113	117

At year end:				
Book value per common share(h)	13.11	11.60	10.33	9.60
Shareholders	11,400	11,900	12,000	11,600
Employees	14,100	13,300	12,100	12,700

(h) 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 1992 and 1986, except for book value per common share, which is based on the number of shares outstanding at the end of each year retroactively restated.

(i) Financial ratios were calculated using income from continuing operations.

(j) Total debt includes long-term debt, other financings, current portion of long-term debt and other financings, and short-term borrowings as of the end of the year.

(k) Depreciation expense in 1993 excludes $56 million associated with asset write-downs.

(l) Capital expenditures include additions to plant and equipment, investment in and advances to unconsolidated affiliates, acquisitions, and capital lease additions.

EXHIBIT 22

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 1996, 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 Ref-Fuel of Essex County, Inc. which is incorporated in the State of New Jersey.

Registrant -- Air Products and Chemicals, Inc.
Air Products Helium, Inc.
Air Products Hydrogen Company, Inc.
Air Products, Incorporated
Air Products International Corporation
Air Products Manufacturing Corporation
Air Products Ref-Fuel of Essex County, Inc.
Air Products Ref-Fuel of Hempstead, Inc.
APCI (U.K.), Inc.
GSF Energy, Inc.
Middletown Oxygen Company, Inc.
Permea, 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.

FRANCE

Prodair S.A.

GERMANY

Air Products GmbH

THE NETHERLANDS

Air Products Nederland B.V.
Air Products (Pernis) B.V.

SPAIN

Air Products Iberica, S.A.

UNITED KINGDOM

Air Products PLC
Air Products (GB) Limited
Air Products (UK) Limited
Air Products (BR) Limited
Anchor Chemical Group PLC

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints HAROLD A. WAGNER or ARNOLD H. KAPLAN or JAMES H. AGGER, 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, 1996 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 his/her 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 21, 1996
/s/ Dexter F. Baker Dexter F. Baker	Director	November 21, 1996
/s/ Tom H. Barrett Tom H. Barrett	Director	November 21, 1996
/s/ L. Paul Bremer, III L. Paul Bremer, III	Director	November 21, 1996
/s/ Robert Cizik Robert Cizik	Director	November 21, 1996

/s/ Ruth M. Davis Ruth M. Davis	Director	November 21, 1996
/s/ Joseph J. Kaminski Joseph J. Kaminski	Director	November 21, 1996
/s/ Terry R. Lautenbach Terry R. Lautenbach	Director	November 21, 1996
/s/ Rudolphus F. M. Lubbers Rudolphus F. M. Lubbers	Director	November 21, 1996
/s/ Judith Rodin Judith Rodin	Director	November 21, 1996
/s/ Takeo Shiina Takeo Shiina	Director	November 21, 1996
/s/ Lawrason D. Thomas Lawrason D. Thomas	Director	November 21, 1996

5

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. DOLLARS

YEAR
SEP-30-1996
OCT-01-1995
SEP-30-1996
1
79
0
683
13
371
1,375
8,103
4,144
6,522
1,263
1,739
0
0
125
2,449
6,522
4,008
4,008
2,408
2,408
114
5
129
609
193
416
0
0
0
416
3.73
3.73