

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended 30 June 2002

OR

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

For the transition period from _____ to _____

Commission file number 1-4534

AIR PRODUCTS AND CHEMICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

23-1274455

(State of Other Jurisdiction of Incorporation or Organization) (I.R.S. 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

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

Class	Outstanding at 8 August 2002
-----	-----
Common Stock, \$1 par value	227,219,388

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries
INDEX

Page No.

Part I. Financial Information

Consolidated Balance Sheets - 30 June 2002 and 30 September 2001	3
Consolidated Income - Three Months and Nine Months Ended 30 June 2002 and 2001	4
Consolidated Statement of Comprehensive Income - Three Months and Nine Months Ended 30 June 2002 and 2001	5
Consolidated Cash Flows - Nine Months Ended 30 June 2002 and 2001	6
Summary by Business Segments - Three Months and Nine Months Ended 30 June 2002 and 2001	7
Summary by Geographic Regions - Three Months and Nine Months Ended 30 June 2002 and 2001	9
Notes to Consolidated Financial Statements	10
Management's Discussion and Analysis	14

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K	20
Signatures	21

BASIS OF PRESENTATION:

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

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

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

(Millions of dollars, except per share)

	30 June 2002 (Unaudited)	30 September 2001
ASSETS		
CURRENT ASSETS		
Cash and cash items	\$185.8	\$66.2
Trade receivables, less allowances for doubtful accounts	933.4	913.4
Inventories	366.4	410.5
Contracts in progress, less progress billings	84.7	67.9
Other current assets	210.7	226.8
TOTAL CURRENT ASSETS	1,781.0	1,684.8
INVESTMENTS IN NET ASSETS OF AND ADVANCES TO EQUITY AFFILIATES		
PLANT AND EQUIPMENT, at cost	10,562.1	10,226.5
Less - Accumulated depreciation	5,413.8	5,108.0
PLANT AND EQUIPMENT, net	5,148.3	5,118.5
GOODWILL	381.9	384.7
OTHER NONCURRENT ASSETS	356.8	396.6
TOTAL ASSETS	\$8,236.5	\$8,084.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables, trade and other	\$486.7	\$512.2
Accrued liabilities	352.5	341.6
Accrued income taxes	64.7	48.4
Short-term borrowings	33.4	255.7
Current portion of long-term debt	173.2	194.5
TOTAL CURRENT LIABILITIES	1,110.5	1,352.4
LONG-TERM DEBT	2,007.4	2,027.5
DEFERRED INCOME & OTHER NONCURRENT LIABILITIES	689.2	702.0
DEFERRED INCOME TAXES	779.2	778.4
TOTAL LIABILITIES	4,586.3	4,860.3
MINORITY INTEREST IN SUBSIDIARY COMPANIES	126.5	118.0
SHAREHOLDERS' EQUITY		
Common stock (par value \$1 per share, issued 2002 and 2001-249,455,584 shares)	249.4	249.4
Capital in excess of par value	429.1	384.9
Retained earnings	4,214.5	3,965.9
Accumulated other comprehensive income (loss)	(392.0)	(452.5)
Treasury Stock, at cost (2002 - 22,236,196 shares; 2001 - 22,269,244 shares)	(767.8)	(768.8)
Shares in trust (2002 - 8,917,158 shares; 2001 - 11,723,720 shares)	(209.5)	(273.1)
TOTAL SHAREHOLDERS' EQUITY	3,523.7	3,105.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$8,236.5	\$8,084.1

The accompanying notes are an integral part of these statements.

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

(Millions of dollars, except per share)

	Three Months Ended 30 June		Nine Months Ended 30 June	
	2002	2001	2002	2001
SALES	\$1,374.0	\$1,450.9	\$4,003.2	\$4,461.2
COSTS AND EXPENSES				
Cost of sales	976.7	1,039.3	2,856.1	3,239.9
Selling and administrative	172.9	173.3	531.3	536.3
Research and development	31.9	31.0	90.4	90.3
Other (income) expense, net	(22.6)	(8.1)	(28.7)	(12.4)
OPERATING INCOME	215.1	215.4	554.1	607.1
Income from equity affiliates, net of related expenses	17.7	21.8	56.4	59.6
Gain on sale of packaged gas business	--	--	55.7	--
Interest expense	27.5	48.7	93.6	147.4
INCOME BEFORE TAXES AND MINORITY INTEREST	205.3	188.5	572.6	519.3
Income taxes	60.6	53.8	179.0	152.1
Minority interest (a)	3.4	2.4	12.5	4.7
NET INCOME	\$141.3	\$132.3	\$381.1	\$362.5
BASIC EARNINGS PER COMMON SHARE	\$.65	\$.62	\$1.76	\$1.69
DILUTED EARNINGS PER COMMON SHARE	\$.63	\$.60	\$1.71	\$1.65
WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in millions)	218.0	214.9	216.8	214.7
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES (in millions)	224.7	220.5	222.7	219.1
DIVIDENDS DECLARED PER COMMON SHARE - Cash	\$.21	\$.20	\$.61	\$.58

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

The accompanying notes are an integral part of these statements.

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

(Millions of dollars)

	Three Months Ended 30 June		Nine Months Ended 30 June	
	2002	2001	2002	2001
NET INCOME	\$141.3	\$132.3	\$381.1	\$362.5
OTHER COMPREHENSIVE INCOME (LOSS), net of tax				
Unrealized gains (losses) on investments:				
Unrealized holding gains (losses) arising during the period	3.3	9.7	.8	9.4
Less: reclassification adjustment for gains included in net income	(2.9)	--	(4.6)	--
Net unrealized holding gains (losses) on investments	.4	9.7	(3.8)	9.4
Net gain (loss) on derivatives	(.2)	3.8	.2	5.1
Translation adjustments	105.9	(10.2)	64.1	(87.5)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), net of tax	106.1	3.3	60.5	(73.0)
COMPREHENSIVE INCOME	\$247.4	\$135.6	\$441.6	\$289.5

The accompanying notes are an integral part of these statements.

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

(Millions of dollars)

	Nine Months Ended 30 June	
	2002	2001
OPERATING ACTIVITIES		
Net Income	\$381.1	\$362.5
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation	423.9	433.6
Deferred income taxes	30.8	26.5
Undistributed earnings of unconsolidated affiliates	(33.2)	(45.2)
(Gain) loss on sale of assets and investments	(66.6)	1.2
Other	12.1	(19.0)
Working capital changes that provided (used) cash, excluding effects of acquisitions and divestitures:		
Trade receivables	(16.8)	8.5
Inventories and contracts in progress	15.9	(33.2)
Payables, trade and other	(39.2)	(38.1)
Other	16.7	(8.4)
CASH PROVIDED BY OPERATING ACTIVITIES	724.7	688.4
INVESTING ACTIVITIES		
Additions to plant and equipment (a)	(459.8)	(510.1)
Investment in and advances to unconsolidated affiliates	(35.2)	(27.8)
Acquisitions, less cash acquired	(10.3)	--
Proceeds from sale of assets and investments	283.7	42.4
Other	6.3	30.1
CASH USED FOR INVESTING ACTIVITIES	(215.3)	(465.4)
FINANCING ACTIVITIES		
Long-term debt proceeds	43.6	120.5
Payments on long-term debt	(174.1)	(42.1)
Net decrease in commercial paper and other short-term borrowings	(229.6)	(157.4)
Purchase of treasury stock	--	(75.0)
Dividends paid to shareholders	(129.8)	(122.2)
Issuance of stock for options and award plans	96.4	77.6
CASH USED FOR FINANCING ACTIVITIES	(393.5)	(198.6)
Effect of Exchange Rate Changes on Cash	3.7	(2.4)
Increase in Cash and Cash Items	119.6	22.0
Cash and Cash Items - Beginning of Year	66.2	94.1
Cash and Cash Items - End of Period	\$185.8	\$116.1

(a) Excludes capital lease additions of \$2.7 and \$.6 in 2002 and 2001, respectively.

The accompanying notes are an integral part of these statements.

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

Business segment information is shown below:

(Millions of dollars)

	Three Months Ended 30 June		Nine Months Ended 30 June	
	2002	2001	2002	2001
Revenues from external customers				
Gases	\$915.7	\$1,018.9	\$2,706.6	\$3,125.0
Chemicals	385.4	374.7	1,092.5	1,158.3
Equipment	72.9	57.3	204.1	177.9
Segment Totals	1,374.0	1,450.9	4,003.2	4,461.2
Consolidated Totals	\$1,374.0	\$1,450.9	\$4,003.2	\$4,461.2
Operating income				
Gases	\$166.7	\$175.2	\$441.2	\$523.4
Chemicals	47.9	39.7	130.4	95.2
Equipment	5.7	2.7	11.7	7.3
Segment Totals	220.3	217.6	583.3	625.9
Corporate research and development and other income (expense)	(5.2)	(2.2)	(29.2)	(18.8)
Consolidated Totals	\$215.1	\$215.4	\$554.1	\$607.1
Operating income (excluding special items)				
Gases	\$166.7	\$175.2	\$467.4(a)	\$549.7(c)
Chemicals	47.9	39.7	135.0(b)	99.8(d)
Equipment	5.7	2.7	11.7	7.3
Segment Totals	220.3	217.6	614.1	656.8
Corporate research and development and other income (expense)	(5.2)	(2.2)	(29.2)	(12.8)(e)
Consolidated Totals	\$215.1	\$215.4	\$584.9	\$644.0
Equity affiliates' income				
Gases	\$14.4	\$17.8	\$46.5	\$53.1
Chemicals	3.4	3.7	8.5	5.2
Equipment	(.1)	.4	1.4	1.3
Segment Totals	17.7	21.9	56.4	59.6
Other	--	(.1)	--	--
Consolidated Totals	\$17.7	\$21.8	\$56.4	\$59.6

(Millions of dollars)

	30 June	
	2002	2001
Identifiable assets (f)		
Gases	\$5,771.1	\$5,926.0
Chemicals	1,399.3	1,404.5
Equipment	202.4	206.8
Segment Totals	7,372.8	7,537.3
Corporate assets	295.2	169.6
Consolidated Totals	\$7,668.0	\$7,706.9

	Twelve Months Ended 30 June	
	2002	2001
ORONA (f)		
Gases	11.1%	12.6%
Chemicals	12.7%	9.1%
Equipment	8.1%	6.2%
Segment Totals	11.3%	11.7%
Consolidated Totals	10.6%	11.1%

- (a) The results for the nine months ended 30 June 2002 excluded a cost reduction charge of \$26.2.
- (b) The results for the nine months ended 30 June 2002 excluded a cost reduction charge of \$4.6.
- (c) The results for the nine months ended 30 June 2001 excluded a cost reduction charge of \$26.3.
- (d) The results for the nine months ended 30 June 2001 excluded a cost reduction charge of \$4.6.
- (e) The results for the nine months ended 30 June 2001 excluded a litigation settlement charge of \$6.0.
- (f) Operating return on net assets (ORONA) is calculated as the rolling four quarter sum of operating income divided by the rolling five quarter average of total assets less investments in equity affiliates (identifiable assets). The ORONA calculation excluded all special items impacting operating income.

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

(Millions of dollars)

	Three Months Ended		Nine Months Ended	
	30 June		30 June	
	2002	2001	2002	2001
Revenues from external customers				
United States	\$845.8	\$958.0	\$2,503.6	\$2,970.1
Canada	28.5	31.2	80.6	90.5
Total North America	874.3	989.2	2,584.2	3,060.6
United Kingdom	122.4	115.7	341.3	353.8
Spain	89.2	79.5	250.9	236.6
Other Europe	173.8	151.0	506.2	458.5
Total Europe	385.4	346.2	1,098.4	1,048.9
Asia	88.1	84.0	240.1	253.7
Latin America	26.1	31.4	80.3	97.8
All Other	.1	.1	.2	.2
Total	\$1,374.0	\$1,450.9	\$4,003.2	\$4,461.2

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

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

(Millions of dollars, except per share)

Goodwill

The company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," on 1 October 2001. As required by SFAS No. 142, the company performed an impairment test on goodwill as of 1 October 2001, which indicated no impairment of goodwill. As of 1 October 2001, the company is no longer amortizing goodwill, including goodwill associated with investments in equity affiliates. Goodwill amortization in 2001 was \$14.8 on an after-tax basis, or \$.07 per share. Goodwill amortization for the three and nine months ended 30 June 2001 was \$3.6 and \$11.0, on an after-tax basis, or \$.02 and \$.05 per share, respectively.

Changes to the carrying amount of consolidated goodwill by segment for the nine months ended 30 June 2002, are as follows:

	Gases	Chemicals	Equipment	Total
Balance as of 30 September 2001	\$289.2	\$87.1	\$8.4	\$384.7
Acquisitions and adjustments	13.1	--	--	13.1
Currency translation and other	17.2	2.3	.9	20.4
Goodwill related to the sale of U.S. packaged gas business	(36.3)	--	--	(36.3)
Balance as of 30 June 2002	\$283.2	\$89.4	\$9.3	\$381.9

Goodwill associated with the divested U.S. packaged gas business was included in the carrying amount of the business in determining the gain on disposal. The amount of goodwill included in the carrying amount of the divested business was based on the relative fair value of the divested business to the total reporting unit. The fair values were determined using the expected present value of future cash flows.

Acquisition

In July 2002, the company increased its ownership in San Fu Chemical Company, Ltd. (San Fu) from 48% to 70%. Since 1987, the company has had a joint venture arrangement with San Fu, the largest industrial gas company in Taiwan. San Fu is a full service industrial gas and chemical company with a broad product portfolio supplying specialty gases, electronic piping and equipment, liquid/bulk gases, pipeline/on-site gases and chemicals to the Taiwan marketplace. For the nine months ended 30 June 2002, San Fu had revenues of approximately \$153. This investment is consistent with the company's strategy of investing in growth markets (Asia) and industries (electronics) and will provide a stronger foundation for growth in both Taiwan and China.

As of 30 June 2002, the company accounted for its investment in San Fu using the equity method. In July 2002, the company obtained control through the acquisition of an additional 22% of the outstanding shares. As part of this transaction, put options have been issued which give other shareholders the right to sell San Fu stock to the company at market price when exercised. The options are effective from January 2005 thru January 2015 and allow for the sale of all stock owned by other shareholders to the company.

Divestiture

On 28 February 2002, the company completed the sale of the majority of its U.S. packaged gas business, excluding the electronic gases and magnetic resonance imaging related helium operations, to Airgas, Inc. (Airgas). This sale included approximately 100 facilities in 30 states associated with the filling and distribution of cylinders, liquid dewars, tube trailers, and other containers of industrial gases and non-electronic specialty gases, and the retail selling of welding hardgoods, including customer service centers, warehouses, and other related assets. The company also sold its packaged gas operations in the Carolinas and in Southern Virginia to National Welders Supply Company, Inc., a joint venture between Airgas and the Turner family of Charlotte, N.C. The assets sold generated approximately \$240 in revenues in 2001 with a modest contribution to operating income. For the five months ended 28 February 2002, the revenues were approximately \$100 also with a modest contribution to operating income. These facilities employed 1,200 people. The cash proceeds from these transactions were \$254.5. The results for the nine months ended 30 June 2002 included a gain of \$55.7 (\$25.7 after-tax, or \$.12 per share).

Earnings Per Share

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

	Three Months Ended 30 June		Nine Months Ended 30 June	
	2002	2001	2002	2001
Numerator for basic EPS and diluted EPS-net income	\$141.3	\$132.3	\$381.1	\$362.5
Denominator for basic EPS -weighted average shares (in millions)	218.0	214.9	216.8	214.7
Effect of diluted securities				
Employee stock options (in millions)	5.9	4.7	5.2	3.5
Other award plans (in millions)	.8	.9	.7	.9
	6.7	5.6	5.9	4.4
Denominator for diluted EPS -weighted average shares and assumed conversions (in millions)	224.7	220.5	222.7	219.1
Basic EPS	\$.65	\$.62	\$1.76	\$1.69
Diluted EPS	\$.63	\$.60	\$1.71	\$1.65

Equity Affiliates' Income

Income from equity affiliates contributed \$.08 and \$.09 to diluted earnings per share for the three months ended 30 June 2002 and 2001, respectively. Income from equity affiliates contributed \$.24 and \$.25 to diluted earnings per share for the nine months ended 30 June 2002 and 2001, respectively.

Cost Reduction Programs

The results for the nine months ended 30 June 2002 included a charge of \$30.8 (\$18.9 after-tax, or \$.09 per share) for a global cost reduction plan (2002 Plan) including packaged gas divestiture related reductions. This charge included \$27.1 for severance and pension related benefits and \$3.7 for asset impairments related to the planned sale or closure of two small chemical facilities. The company will eliminate 333 positions in areas of manufacturing, engineering, distribution, and overheads. The restructuring charges included in cost of sales, selling and administrative, research and development, and other expense were \$13.4, \$14.1, \$.4, and \$2.9, respectively.

The results for the nine months ended 30 June 2001 included a charge of \$30.9 (\$20.0 after-tax, or \$.09 per share) for a global cost reduction plan. The plan included 311 position eliminations, resulting in a charge of \$22.4 for severance and termination benefits. A charge of \$8.5 was recognized for asset impairments and other related restructuring costs. The restructuring charges included in cost of sales, selling and administrative, and other expense were \$14.4, \$9.4, and \$7.1, respectively. The results for the nine months ended 30 June 2001 also included a charge of \$6.0 (\$3.7 after-tax, or \$.02 per share) related to a litigation settlement.

The following table summarizes changes to the carrying amount of the accrual for cost reduction plans for the nine months ended 30 June 2002:

	Severance	Pension	Other (1)	Total
Balance at 30 September 2001	\$49.1	\$ --	\$1.5	\$50.6
Provision	16.4	10.7	3.7	30.8
Noncash charges	--	(10.7)	(3.7)	(14.4)
Cash expenditures	(29.1)	--	--	(29.1)
Adjustments 2001 Plan	(2.4)	--	(.6)	(3.0)
Balance at 30 June 2002	\$34.0	\$ --	\$.9	\$34.9

(1) Asset impairments and related expenses are included in the other category.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. The Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. The asset retirement obligations will be capitalized as part of the carrying amount of the long-lived asset. The Statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and normal operation of long-lived assets. The company will adopt the Statement effective 1 October 2002 and is currently evaluating its impact.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Statement also supersedes Accounting Principles Board Opinion (APB) No. 30 provisions related to the accounting and reporting for the disposal of a segment of a business. This Statement establishes a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale. The Statement retains most of the requirements in SFAS No. 121 related to the recognition of impairment of long-lived assets to be held and used. Additionally, SFAS No. 144 broadens the definition of businesses that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations. The company will adopt the Statement effective 1 October 2002. The company does not believe this Statement will have a material effect on the company's financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." The Statement requires gains and losses from debt extinguishments that are used as part of the company's risk management strategy to be classified as income from operations rather than as extraordinary items, net of tax. The company adopted this Statement as of 1 July 2002. The impact on the company will be to reclassify the extraordinary item recorded in the fourth quarter of the prior year to other (income) expense.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses the accounting for costs associated with disposal activities covered by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and with exit (restructuring) activities previously covered by Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." This Statement nullifies EITF 94-3 in its entirety and requires that a liability for all costs be recognized when the liability is incurred. This Statement also establishes a fair value objective for initial measurement of the liability. The Statement will be applied prospectively to exit or disposal activities initiated after 31 December 2002. The company is currently evaluating the impact of adopting this Statement.

Reclassification -----

As of 1 October 2001, the company changed its reporting of the demurrage/cylinder income to include it in revenues. Previously, it was included as an offset to cost of sales. The consolidated income statements of the prior periods have been adjusted to reflect this reclassification.

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

THIRD QUARTER FISCAL 2002 VS. THIRD QUARTER FISCAL 2001

(Millions of dollars, except per share)

RESULTS OF OPERATIONS

Consolidated - Sales in the third quarter of 2002 of \$1,374.0 declined 5%, or \$76.9, mainly due to the lower contractual natural gas cost pass-through compared with the same quarter in the prior year. Operating income of \$215.1 remained relatively flat compared with \$215.4. Income from equity affiliates was down \$4.1 to \$17.7. Net income was \$141.3, or \$.63 diluted earnings per share, compared to net income of \$132.3, or \$.60 diluted earnings per share.

There were no special items impacting the quarter's results of operations. All comparisons in the discussion are to the corresponding period in the prior year unless otherwise stated.

Gases - Sales declined \$103.2, or 10%, to \$915.7 in the third quarter of 2002. Excluding natural gas cost pass-through, acquisitions, divestitures, and currency effects, sales declined 1%. This decline of 1% was principally due to the recessionary impact on merchant gases demand.

Operating income of \$166.7 declined \$8.5, or 5%. This decline was principally due to higher maintenance spending in Chemicals and Process Industries (CPI) and the first full quarter effect of the U.S. packaged gas divestiture. Favorable currency and exchange, modest improvements in electronics demand, and continued margin improvement in the worldwide liquid bulk business partially offset the operating income decline. Operating margin of 18.2% was up 1% compared to 17.2%. This operating margin improvement resulted from lower natural gas cost pass-through.

The electronics business showed improvement with sales increasing 2%. Worldwide CPI tonnage volume increased 9% overall with hydrogen and carbon monoxide (HYCO) experiencing 5% growth. CPI posted record HYCO volumes and experienced a recovery in gaseous oxygen and nitrogen (GOX/GAN) volumes due to higher petrochemical demand. Liquid bulk volume declined 4% in North America, reflecting continued softness in demand across a number of end markets. Average liquid oxygen and nitrogen (LOX/LIN) prices decreased 2% as a direct result of the removal of national surcharges. Excluding the negative surcharge removal effect of 5%, the underlying average LOX/LIN price increased 3%.

In the European liquid bulk business, a 2% increase in the European LOX/LIN price index and lower operating costs were offset by a 2% decline in European liquid bulk volumes due to weakness in United Kingdom and Southern Europe manufacturing. The Asian liquid bulk volume increased 11% primarily due to rapid volume growth in Southern and Eastern China.

Gases equity affiliates' income was \$14.4 down \$3.4 from \$17.8. This decline resulted from the absence of income from two cogeneration facilities that were divested in the fourth quarter of 2001 and lower results of electronics equity affiliates.

Chemicals - Sales in the third quarter of 2002 of \$385.4 increased \$10.7, or 3%. Excluding the effects of natural gas cost pass-through and currency impacts, sales were up 4%. This increase was a result of an 8% volume increase offset by an unfavorable price/mix variance of 4%. In the performance chemicals division, volumes were up 11% led by emulsions with its improved U.S. demand in the adhesives, non-wovens, and coatings end markets. Chemical intermediates volumes increased 4%. Higher polyurethane intermediate shipments were partially offset by lower shipments of amines primarily due to continued weakness in the herbicide end market.

Operating income of \$47.9 increased \$8.2, or 21%, due primarily to higher chemical volumes. The operating margin of 12.4% improved from prior year's 10.6%.

Equipment - Sales of \$72.9 were up \$15.6, or 27%, and operating income increased \$3.0, to \$5.7, primarily due to higher liquid natural gas (LNG) exchanger activity coupled with higher shipments of helium containers. The sales backlog for the equipment segment at 30 June 2002 was \$145.7 compared to \$132.4 at 30 June 2001 and \$227.2 at 30 September 2001.

INTEREST

Interest expense of \$27.5 decreased \$21.2, or 44%. A third of this decline resulted from lower average interest rates with the remainder driven by lower average debt outstanding.

INCOME TAXES

The effective tax rate for the third quarter of 2002 was 30.0%, after minority interest of \$3.4. The comparable rate in the prior year was 28.9%. Excluding the impact of special items, the effective tax rate for the nine months ended 30 June 2002 and 2001 was 30.0%, respectively.

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

NINE MONTHS FISCAL 2002 VS. NINE MONTHS FISCAL 2001

(Millions of dollars, except per share)

RESULTS OF OPERATIONS

Consolidated - Sales for the nine months ended 30 June 2002 of \$4,003.2 were 10% lower than the \$4,461.2 reported in the prior year. Operating income of \$554.1 declined \$53.0, or 9%. Income from equity affiliates was \$56.4 compared with \$59.6. Net income was \$381.1, or \$1.71 diluted earnings per share, compared to net income of \$362.5, or \$1.65 diluted earnings per share. The results for the nine months ended 30 June 2002 were impacted by two special items: an after-tax gain of \$25.7, or \$.12 per share, on the sale of the U.S. packaged gas business; and an after-tax charge of \$18.9, or \$.09 per share, for a global cost reduction plan. The results for the nine months ended 30 June 2001 included an after-tax charge of \$20.0 million, or \$.09 per share, for a cost reduction program and an after-tax charge of \$3.7 million, or \$.02 per share, related to a litigation settlement. Excluding these special items, net income for the nine months ended 30 June 2002 of \$374.3 declined \$11.9, or 3%, from the prior year. Excluding special items, diluted earnings per share of \$1.68 declined \$.08, or 5%, from prior year.

Operating income benefited from global cost reduction plans initiated in 2002 and prior years. See Note 3 to the consolidated financial statements in the 2001 annual report on Form 10-K for details of the 2001, 2000, and 1999 plans. Benefits generated from the plans of \$58 for fiscal year 2001 resulted primarily from reduced personnel costs. Benefits of \$87 are expected for fiscal year 2002 and \$110 for fiscal year 2003.

The remaining discussion and analysis of the results of operations excludes the impact of special items. The exclusion of special items focuses the discussion of the results on the ongoing operations of the company and its segments. See Summary of Business Segments for details of special items by segment. All comparisons in the discussion are to the corresponding period in the prior year unless otherwise stated.

Gases - Sales in the first nine months of 2002 were \$2,706.6 compared to \$3,125.0, down \$418.4 or 13%. Excluding natural gas cost pass-through, acquisitions, divestitures, and currency effects, sales declined 3% due principally to lower shipments to the electronics industry. The decline in sales was partially offset by higher prices for merchant gases and volume growth in CPI.

Operating income of \$467.4 declined \$82.3, or 15%, due principally to the depressed conditions in the global electronics market. North American operating results included a write-off of \$7.3 million in receivables associated with three bankrupt steel customers. Higher maintenance spending in CPI and the effect of the U.S. packaged gas divestiture also contributed to the decline in operating income. Higher merchant gases pricing partially offset the operating income decline. Currency and exchange related effects had minimal impact on operating income. Operating margin of 17.3% was down 0.3% compared to 17.6%.

Electronics volume decline resulted from continued depressed conditions in the global electronics market. Electronics was affected by a sharp reduction in customers' global silicon wafer processing due to soft demand. Overall CPI tonnage volume grew 6% as significantly increased HYCO demand was coupled with modest recovery in GOX/GAN. Liquid bulk volume declined 7% in North America, reflecting continued soft demand across a number of end markets. Improved pricing, lower operating costs, and lower overheads in liquid bulk were able to more than offset the volume decline. Average LOX/LIN prices increased 3% as a direct result of pricing and surcharge initiatives. The surcharges were discontinued in the third quarter of 2002.

A 4% increase in the European LOX/LIN price was tempered by a 4% decline in European liquid bulk volumes due to weakness in United Kingdom and Southern Europe manufacturing. The Asian liquid bulk volume increase

of 2% due to growth in Southern and Eastern China and Thailand was partially offset by lower demand by northern Chinese steel makers.

Gases equity affiliates' income was down \$6.6, or 12%, mainly due to the absence of income from two cogeneration facilities that were divested in the fourth quarter of 2001 which more than offset a \$5.0 one-time tax benefit related to an asset revaluation in an Italian affiliate.

Chemicals - Sales in the first nine months of 2002 were \$1,092.5 compared to \$1,158.3, down 6%. Excluding the effects of natural gas cost pass-through and some prior year polyvinyl alcohol (PVOH) post-sale export revenues, sales declined 2%. Unfavorable currency impacts had minimal effect on revenues. The overall volume index increase was 1%, excluding the impact of PVOH.

Performance chemicals experienced a volume increase of 3%, while chemical intermediates volume declined 3%. This decline in chemicals intermediates volume resulted primarily from weaker demand in specialty and higher amines.

Operating income of \$135.0 increased 35%, or \$35.2. Improved margins resulting from lower natural gas and feedstock costs, and reduced overhead costs drove the significant increase in operating income. Currency and exchange related effects had minimal impact on operating income. The operating margin of 12.4% was significantly improved from 8.6%.

Equity affiliates' income increased \$3.3 primarily due to the improved profitability of the global polymers joint venture.

A long-term supplier of sulfuric acid, which is used in the production of dinitrotoluene (DNT), has been operating under Chapter 11 bankruptcy protection since 8 May 2001. The company's DNT operation and supply to its customers have not been materially impacted. The company expects this supplier to be successful in its reorganization. In the unlikely event of unsuccessful reorganization, the profitability of the chemicals segment could be materially impacted on an annual basis. The company extended an \$8.0 line of credit to this supplier, of which \$5.6 was drawn at 30 June 2002. The company also entered into a product prepayment agreement with this supplier. At 30 June 2002, the unamortized balance was \$5.4. The company expects to fully recover these advances.

Equipment - Sales of \$204.1 grew \$26.2 while operating income of \$11.7 increased \$4.4. The improved results reflected increased activity across several product lines.

INTEREST

Interest expense of \$93.6 decreased \$53.8, or 36%. The decrease resulted from a combination of lower average debt outstanding and lower interest rates.

INCOME TAXES

The effective tax rate for the first nine months of 2002 was 32.0%, after minority interest of \$12.5. The effective rate excluding the impact of special items was 30.0% for both 2002 and 2001.

LIQUIDITY, CAPITAL RESOURCES, AND OTHER FINANCIAL DATA

Capital expenditures during the first nine months of 2002 totaled \$508.0 compared to \$538.5. Additions to plant and equipment were \$459.8 during the first nine months of 2002 compared to \$510.1. Investments in and advances to unconsolidated affiliates were \$35.2 during the current period versus \$27.8. Capital expenditures for new plant and equipment are expected to be between \$650 and \$700 in 2002. In addition, the company intends to

continue to pursue acquisition opportunities and investments in affiliated entities. It is anticipated these expenditures will be funded with cash from operations and proceeds from asset sales.

Total debt at 30 June 2002 and 30 September 2001, expressed as a percentage of the sum of total debt, shareholders' equity, and minority interest, was 38% and 43%, respectively. Total debt decreased from \$2,477.7 at 30 September 2001 to \$2,214.0 at 30 June 2002.

There was no commercial paper outstanding at 30 June 2002. The company's total revolving credit commitments amounted to \$600.0 at 30 June 2002. No borrowings were outstanding under these commitments. Additional commitments totaling \$63.4 are maintained by the company's foreign subsidiaries, of which \$27.2 was utilized at 30 June 2002.

The estimated fair value of the company's long-term debt, including current portion, as of 30 June 2002 is \$2,253.1 compared to a book value of \$2,180.6. There have been no material changes to the company's commitments for future payments of long-term debt, leases, and unconditional purchase obligations.

The company's off-balance sheet arrangements include the sale and leaseback of cryogenic vessel equipment with a third party and the debt of its equity affiliates. In September 2001, the company sold and leased back certain cryogenic vessel equipment for \$301.9. This operating lease has a five-year term with purchase and renewal options. This lease includes a residual value guarantee by the company not to exceed \$256. The probability of incurring a material loss under this guarantee is remote. Summarized financial information of equity affiliates was provided in Note 7 to the consolidated financial statements in the company's 2001 annual report on Form 10-K.

The company has not entered into any off-balance sheet arrangements with a limited or special purpose entity. Liquidity and availability of capital resources are not dependent on the use of off-balance sheet arrangements. The company has no material obligations to provide funding for lines of credit, take-or-pay contracts, throughput agreements, or similar types of arrangements.

As discussed in Note 16 to the consolidated financial statements in the company's 2001 annual report on Form 10-K, the company has guaranteed repayment of borrowings of certain foreign affiliates and has equity support agreements related to the financing by equity affiliates for cogeneration projects. The company does not expect that any sum it may have to pay in connection with these matters will have a materially adverse effect on its consolidated financial position or results of operations.

The company's principal related parties are equity affiliates operating in industrial gas and chemicals businesses. During 2001 and the nine months ended 30 June 2002, the company did not engage in any material transactions involving related parties that included terms or other aspects that differ from those which would be negotiated with clearly independent parties.

FINANCIAL INSTRUMENTS

The net financial instrument position of the company was reduced from \$2,300.5 at 30 September 2001 to \$2,243.1 at 30 June 2002 primarily due to scheduled repayments of outstanding long-term debt partially offset by the impact of a weaker U.S. Dollar on the translation of foreign currency debt. All financial instruments are entered into for other than trading purposes and there was no material change to market risk sensitivity since 30 September 2001.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements 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.

The significant accounting policies of the company are described in the notes to the consolidated financial statements included in the annual report on Form 10-K. Judgments and estimates of uncertainties are required in applying the company's accounting policies in many areas. Following are some of the areas requiring significant judgments and estimates: useful lives of plant and equipment; cash flow and valuation assumptions in performing asset impairment tests of long-lived assets and goodwill; and estimated costs to be incurred for environmental matters, contract disputes, and settlement of litigation.

NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations." In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." See the notes to the consolidated financial statements for information concerning the company's implementation and impact of these new standards.

FORWARD-LOOKING STATEMENTS

The forward-looking statements contained in this document are based on current expectations regarding important risk factors. Actual results may differ materially from those expressed. Factors that might cause forward-looking statements to differ materially from actual results include those specifically referenced as future events or outcomes that the company anticipates, as well as, among other things, overall economic and business conditions and demand for Air Products' goods and services during that time; competitive factors in the industries in which it competes; the ability to recover increased energy and raw material costs from customers; spikes in the pricing of natural gas; changes in government regulations; consequences of acts of terrorism impacting the United States' and other markets; the success of implementing cost reduction programs; the timing, impact, and other uncertainties of future acquisitions or divestitures; significant fluctuations in interest rates and foreign currencies; the impact of tax and other legislation and regulations in jurisdictions in which Air Products and its affiliates operate; and the timing and rate at which tax credits can be utilized.

PART II. OTHER INFORMATION

- Item 6. Exhibits and Reports on Form 8-K.
- (a)(10.1) Confidential Transition and Retirement Agreement and General Release
 - (a)(10.2) Employment Agreement
 - (a)(12) Computation of Ratios of Earnings to Fixed Charges
 - (a)99.1 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 - (a)99.2 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 - (b) During the quarter ended 30 June 2002, the Registrant filed Current Reports on Form 8-K dated 23 April 2002, 10 May 2002 and 4 June 2002 in which Item 5 of such form was reported, and 23 April 2002 in which Item 5 and Item 9 of such form were reported.

SIGNATURES

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

Air Products and Chemicals, Inc.

(Registrant)

Date: August 13, 2002

By: /s/John R. Owings

John R. Owings
Vice President and Chief Financial Officer

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

EXHIBITS

To

FORM 10-Q

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

For the quarter ended 30 June 2002

Commission File No. 1-4534

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

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INDEX TO EXHIBITS

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CONFIDENTIAL TRANSITION AND RETIREMENT AGREEMENT
AND GENERAL RELEASE

THIS AGREEMENT, made and entered into on this 19th day of April 2002, by and between Air Products and Chemicals, Inc., a Delaware corporation (hereinafter "Air Products" or the "Company"), with its principal office in Allentown, Pennsylvania, and Leo J. Daley, an individual residing at 4535 Belmont Drive, Emmaus, Pennsylvania, 18049 ("Executive"), reads as follows:

I. RECITALS

A. The Company currently employs Executive as its CFO. The Company and Executive have mutually agreed that Executive's employment by the Company will be continued until October 4, 2002 (the "Retirement Date"), except as provided below, but during that period, Executive will transition out of his duties and employment and assist the Company in the identification and recruitment of a successor, with Executive retiring from employment on the Retirement Date. In the event that Executive's successor is fully engaged in services to the Company prior to the Retirement Date, as determined in the discretion of the Company's Chairman, President and CEO (the "CEO") and as provided herein, Executive shall cease to perform the duties of his office on the date specified by the CEO without any effect on the terms of this Agreement except as specifically provided herein.

B. The Company and Executive wish to enter into an agreement, effective as of the date hereof, to (i) provide for transitional services to be rendered by Executive in a manner reasonably requested by the CEO prior to the Retirement Date, (ii) provide a release of the Company by Executive as to any claims including, without limitation, claims that might be asserted by Executive under the Age Discrimination in Employment Act, as further described herein, and (iii) assuming that Executive performs the services required by this Agreement, retires on the Retirement Date and executes and does not rescind the Second Release, as defined herein, provide Executive with the benefits and entitlements described in Section 2.

II. SUBSTANTIVE PROVISIONS

In consideration of the mutual promises contained in this Agreement, the Company and Executive, intending to be legally bound, agree as follows:

1. The Company and Executive agree that Executive shall continue in employment and perform such duties for the Company as are related typically to the office of CFO and to the identification, recruitment and transitioning of his successor, in the manner reasonably directed by the CEO, in his sole discretion, beginning on the date hereof, and shall end his employment and resign all offices with the Company and all affiliates on the Retirement Date; provided, however, that, if Executive's successor has been hired prior to the Retirement Date and the successor is fully engaged in rendering services to the Company, (a) Executive's performance of the duties of his office shall end on any earlier date specified by the CEO which shall be not later than that date which is six weeks after the date such successor begins working as a full-time employee at the Company (the "Earlier Date"), (b) Executive shall make himself

available to the CEO from time to time to consult by telephone through the Retirement Date with regard to the transition of his duties and related matters, and (c) Executive's compensation and benefits will continue until October 4, 2002 at the levels in effect as of the date hereof (except as otherwise provided in subparagraphs (b) and (c) of Section 2 hereof). Until the Retirement Date or Earlier Date, Executive shall report to the CEO, perform his duties faithfully and assist in the identification and recruitment of, and transition to, his successor. On the Retirement Date or Earlier Date Executive agrees to return to the Company his office keys, Company credit cards and all other Company property. If Executive complies with the provisions of this Section 1, he shall continue to have office space appropriate for his current position and reasonable secretarial assistance through the Retirement Date.

2. In consideration of and subject to the performance of the obligations undertaken by Executive under Sections 4 and 7, the releases provided by Executive under Section 6 and, as contemplated by Section 1, Executive's provision to the Company of reasonable transition and other services through the Retirement Date and Executive's retirement on the Retirement Date, the Company shall pay or cause to be paid or provided to Executive, subject to applicable employment and income tax withholdings and deductions, the following amounts and benefits:

(a) Promptly following the Retirement Date or, if later, promptly following the eighth day after the date of execution of the Second Release, as defined below, without revocation (the "Payment Date"), a lump sum payment before taxes) of \$577,500 and an additional payment on the Payment Date representing 5 weeks vacation.

(b) On the regular date for payments under the Company's Annual Incentive Plan, but no earlier than the Payment Date, a bonus for the Company's fiscal year ended September 30, 2002 ("FY02") if a bonus is determined to be due under the terms of the plan for other executives of the Company in accordance with the terms of the plan in the amounts currently contemplated to be paid to Executive; provided, however, that if Executive leaves employment prior to September 30, 2002 after the transition has been completed to the satisfaction obtains another full-time position and begins work at such position prior to of the CEO and September 30, 2002, then any payment under this subparagraph shall be proportionately reduced for the portion of FY02 in which

Executive is working at such position.

(c) Earnout of the Performance Shares granted to Executive under the Company's Long Term Incentive Plan with performance periods ending on September 30, 2002, (i.e., Cycles 1B and 2) to the same extent as determined by the Management Development and Compensation Committee of the Board of Directors of the Company (the "MD&CC") for other officers of the Company, to be paid following the deferral period applicable to such awards as provided in the applicable award agreements; provided, however, that if Executive leaves employment prior to September 30, 2002 after the transition has been completed to the satisfaction of the CEO and obtains another full-time position and begins working at such other position prior to September 30, 2002, then the number of any Performance Shares earned out in accordance with this subparagraph shall be proportionately reduced for the portion of FY02 in

which Executive is working at such position. Also, (i) consistent with that certain letter agreement dated December 4, 2001 and the exhibits thereto (the "LTIP Grant Letter"), the Non-Statutory Stock Options granted pursuant to the LTIP Grant Letter shall vest in accordance with their terms on October 1, 2002 and be or become exercisable on and after each of October 1, 2002, 2003, and 2004, and (ii) for purposes of Exhibits B and C of the LTIP Grant Letter and all existing stock option and deferred stock unit (i.e., known as Performance Share and Career Share) award agreements between the Company and Executive (together, the "Incentive Award Agreements"), Executive's termination of employment shall be deemed a retirement.

(d) Payment of supplemental pension benefits equal to the difference between (i) Executive's accrued vested pension benefits under the Company's Pension Plan for Salaried Employees and Supplementary Pension Plan (together, the "Pension Plans") as of the Retirement Date and (ii) those pension benefits calculated by adding five years of service to the actual service credited under the Pension Plans for benefit accrual purposes, assuming that Executive's final average compensation under the Pension Plans is \$577,500, unless Executive's actual final average compensation is higher, and that Executive had satisfied as of the Retirement Date the age and service requirements for any early retirement subsidy available under the Pension Plans. Supplemental pension benefits payable as a result of this subparagraph calculated in all cases reflecting service to October 4, 2002 shall be payable solely from the Company's general assets and shall be paid in the same form, and at the same time, as is elected by Executive for the payment of his benefit under the Supplementary Pension Plan.

(e) \$40,000 for transition support provided by Right Management Consultants or such other firm as Executive shall select, as well as for all other costs related to the transition.

All payments and benefits under this Section 2 shall be made to Executive (or his estate or designated beneficiary) regardless of whether he dies or becomes disabled during the period in which payments are to be made; however, that that the payment under subparagraph (d) of this Section 2 shall be provided, paid in the same form, and at the same time, as provided for under the Supplementary Pension Plan.

3. Executive agrees and acknowledges that the Company, on a timely basis, has paid, or agreed to pay, to Executive all other amounts due and owing based on his prior services and that the Company has no obligation, contractual or otherwise to Executive, except as provided herein, nor does it have any obligation to hire, rehire or re-employ Executive in the future. Executive also acknowledges that the Company is not required to enter into this Agreement and that a continuation of his employment by the Company through the Retirement Date will provide Executive with compensation and benefits that are substantially in excess of that to which Executive would have been entitled.

4(a) Executive further agrees and acknowledges that by reason of his employment by and service to the Company, he has had access to confidential information of the Company and its affiliates, and, therefore, hereby reaffirms his obligations under, and agrees that

he shall continue to be subject to, the Employee Patent and Confidential Information Agreement entered into by Executive on May 14, 1979.

(b) Executive acknowledges that the Company is generally engaged in business throughout the world. During Executive's employment by the Company and for two years after the Retirement Date, Executive agrees that he will not, unless acting with the prior written consent of Air Products, directly or indirectly, own, manage, control, or participate in the ownership, management or control of, or be employed or engaged by, or otherwise affiliated or associated with, as an officer, director, employee, consultant, independent contractor or otherwise, any other corporation, partnership, proprietorship, firm, association or other business entity, or otherwise engage in any business, which is engaged in any manner anywhere (i) in one or more of the following businesses engaged in by the Company, determined as of the Retirement Date or the Earlier Date, if applicable: the industrial gas and/or the chemicals business, involving in the latter case alkyl amines, polymer emulsions, DNT and TDA, and/or specialty chemicals products, and/or services related to any of the foregoing; and/or (ii) in any business under development to be owned or managed by the Company as of the Retirement Date or the Earlier Date, if applicable, and/or in any business divested by the Company but as to which the Company, on the Retirement Date or the Earlier Date, if applicable, has an obligation to refrain from involvement, but only for so long as such restriction applies to the Company. Notwithstanding the foregoing, the ownership of not more than 5% of the equity of a publicly traded entity shall not be deemed to be a violation of this subparagraph.

(c) Executive also agrees that he will not, directly or indirectly, during the period described in subparagraph (b), induce any person who is an employee, officer, director, or agent of the Company, or any subsidiary or affiliate, to terminate such relationship, or employ, assist in employing, or otherwise be associated in a business referred to in subparagraph (b) with, any present employee or officer of the Company or of any subsidiary or affiliate of the Company, including without limitation those who commence such positions with the Company or any such subsidiary or affiliate after the Retirement Date or the Earlier Date, if applicable.

(d) For the purposes of this subparagraphs (a), (b), and (c) of this Section 4, the term "Company" shall be deemed to include Air Products and the controlled subsidiaries and affiliates of Air Products.

5(a) Executive acknowledges and agrees that the restrictions contained in Section 4 are reasonable including as to duration, scope and geography and are necessary to protect and preserve the legitimate interests, properties, goodwill and business of the Company and its subsidiaries and affiliates, that the Company would not have entered into this Agreement in the absence of such restrictions and that irreparable injury will be suffered by the Company should Executive breach the provisions of that Section. Executive represents and acknowledges that (i) Executive has been advised by the Company to consult Executive's own legal counsel in respect of this Agreement, and (ii) that Executive has had full opportunity, prior to execution of this Agreement, to review thoroughly this Agreement with Executive's counsel.

(b) Executive further acknowledges and agrees that a breach of the restrictions in Section 4 cannot be adequately compensated by monetary damages. Executive agrees that, the Company shall be entitled to (i) preliminary and/or permanent injunctive relief, without the necessity of proving actual damages, or posting of a bond, provided that the Company meets the relevant burdens of proof with respect to any preliminary and/or permanent injunctive proceedings other than as set forth above in this subparagraph (b), (ii) an equitable accounting of all earnings, profits and other benefits arising from any violation of Section 4, and (iii) enforce the terms, including requiring forfeitures, under other plans, programs and agreements under which Executive has been granted a benefit contingent on a covenant similar to those contained in Section 4, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled including without limitation under the Incentive Award Agreements as modified by Clause (ii) of Section 11 of this Agreement. In the event that the provisions of Section 4 should ever be adjudicated to exceed the limitations permitted by applicable law in any jurisdiction, it is the intention of the parties that the provision shall be amended to the extent of the maximum limitations permitted by applicable law, that such amendment shall apply only within the jurisdiction of the court (or other body to which the dispute was submitted for resolution) that made such adjudication, and that the provision otherwise be enforced to the maximum extent permitted by law.

(c) If Executive breaches his obligations under Section 4, he agrees that suit may be brought, and that he consents to personal jurisdiction, in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Allentown, Pennsylvania, consents to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding, and waives any objection which he may have to the laying of venue of any such suit, action or proceeding in any such court. Executive also irrevocably and unconditionally consents to the service of any process, pleadings, notices or other papers.

6. For and in consideration of the benefits to be paid to Executive under this Agreement, Executive does hereby REMISE, RELEASE, AND FOREVER DISCHARGE the Company, and each of its past or present subsidiaries and affiliates, its and their past or present officers, directors, shareholders, partners, employees and agents, their respective successors and assigns, heirs, executors and administrators, the pension and employee benefit plans of the Company, or of its past or present subsidiaries or affiliates, and the past or present trustees, administrators, agents, or employees of the pension and employee benefit plans (hereinafter collectively referred to as the "Company"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which he ever had, now has, or hereafter may have, or which his heirs, executors or administrators hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of his employment with the Company to the date of these presents and particularly, but including without limitation, any claims arising from or relating in any way to his employment relationship and the termination of that employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws,

including any claims under the Age Discrimination in Employment Act ("ADEA"),
29 U.S.C. Section 621 et seq., Title VII of the Civil Rights Act of 1964,

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42 U.S.C. Section 2000e et seq., the Pennsylvania Human Relations Act, any

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contracts between the Company and Executive and any common law claims now or hereafter recognized and all claims for counsel fees and costs; provided, however, that this release shall not apply to any entitlements under the terms of the Agreement or under any other plans or programs of the Company in which Executive participated and under which Executive has accrued and become entitled to a benefit other than under any Company separation or severance plan or program (except as provided under this Agreement or under the CIC Agreement as defined and provided in Section 11 hereof). Executive expressly waives all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. Executive acknowledges the significance of this release of unknown claims and the waiver of any protection against a release of unknown claims. Notwithstanding the foregoing, Executive shall be indemnified by the Company as to any liability, cost or expense for which Executive would have been indemnified during employment, in accordance with the Company's certificate of incorporation or insurance coverages to the extent in force for executives of the Company serving in similar capacities generally, for actions taken on behalf of the Company within the scope of his employment by the Company. The payments and benefits provided by Section 2 shall be also be conditioned upon Executive executing, and not revoking as provided therein, another written release containing substantially the same provisions as described in this Section 6, in the form attached hereto as Annex 1, prior to the 22nd day following the Retirement Date (the "Second Release"). In consideration of Executive's release in favor of the Company, the Company shall execute a release in favor of Executive on the date the Second Release becomes irrevocable, in the form attached hereto as Annex 2.

7. Executive further agrees, covenants and promises that he will not in any way communicate the terms of this Agreement to any person other than his immediate family and his attorney and financial consultant or when necessary to enforce this Agreement or to advise a third party of his obligations under this Agreement. Notwithstanding the foregoing, the Company and Executive also agree that for a period of two years following the Retirement Date, Executive will provide and that at all times after the date hereof the Company may similarly provide, with prior written notice to Executive, a copy of Section 4 to any business or enterprise (i) which Executive may directly or indirectly own, manage, operate, finance, join, control or of which he may participate in the ownership, management, operation, financing, or control, or (ii) with which Executive may be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise, or in connection with which Executive may use or permit to be used Executive's name. Executive agrees not to disparage the name, business reputation or business practices of the Company or its subsidiaries or affiliates, or its or their officers, employees, or directors, and the Company agrees not to disparage the name or business reputation of Executive.

8. Executive hereby certifies that he has read the terms of the General Release contained herein, that he has had the opportunity to discuss it with his attorney, and that he understands its terms and effects. Executive acknowledges, further, that he is executing this

Agreement and General Release of his own volition with a full understanding of its terms and effects and with the intention of releasing all claims recited herein in exchange for the consideration described above, which he acknowledges is adequate and satisfactory to him. None of the above-named parties, nor their agents, representatives, or attorneys have made any representations to Executive concerning the terms or effects of the General Release contained herein other than those contained herein.

9. Executive hereby acknowledges that he has the right to consider this Agreement for a period of 21 days prior to execution. Executive also understands that he has the right to revoke this General Release for a period of seven days following execution by giving written notice to the Company at 7201 Hamilton Boulevard, Allentown, Pennsylvania, 18195-1501, in which event the provisions of this Agreement shall be null and void, and the parties shall have the rights, duties, obligations and remedies afforded by applicable law.

10. This Agreement may be assigned to any subsidiary, affiliate or successor of the Company and shall inure to the benefit of and be binding upon the Company and Executive and the successors and assigns of each; provided, however, that any assignment by the Company shall not relieve it of its obligation to ensure the satisfaction of its obligations to Executive as required by Section 2. Executive may not assign any of his personal undertakings hereunder.

11. This Agreement supersedes all prior agreements and sets forth the entire understanding among the parties hereto with respect to the subject matter hereof and cannot be changed, modified, extended or terminated except upon written amendment approved and executed by the CEO; provided, however, that Executive agrees that, notwithstanding this Agreement, (i) the provisions of the Employee Patent and Confidential Information Agreement entered into by Executive on May 14, 1979, shall continue to apply in accordance with their terms notwithstanding this Agreement, and (ii) the provisions of the Incentive Award Agreements shall continue to apply in accordance with their terms except as otherwise provided in subparagraph (c) of Section 2 hereof as to Performance Shares and except that, for purposes of interpreting the provisions of the first indented clause of Section 2 of the "Conditions"(as defined in, and as set forth in Exhibit A to, each of the Incentive Award Agreements), "in Competition with the Company" shall mean a violation or breach of subparagraph (b) of Section 4 of this Agreement; and provided further, however, that should a Change in Control of the Company, as defined in that certain agreement between Executive and the Company dated September 16, 1999 (the "CIC Agreement"), occur on or before the Retirement Date, the CIC Agreement shall continue in full force and effect and the Retirement Date under this Agreement shall be treated under the CIC Agreement as Executive's "Termination Date" for other than death, "Disability" or "Cause", as such terms appearing in quotations are defined in the CIC Agreement, and this Agreement shall be null and void.

12. The Company and Executive mutually consent to the resolution by arbitration, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association, to be held in Philadelphia, Pennsylvania, of all claims

or controversies, other than a request for equitable relief such as an injunction, arising out of the Executive's employment (or its termination) that the Company may have against the Executive or that the Executive may have against the Company or against its officers, directors, shareholders, employees or agents in their capacity as such other than a claim which is primarily for an injunction or other equitable relief. The parties shall share the fees and costs of the arbitrator and all other costs in connection with any arbitration and each party shall bear its legal fee and expenses. Any such arbitration proceedings must be instituted by the party requesting a resolution within twelve months of the time that party knew, or should have known, of the events or facts giving rise to the dispute requiring resolution. The failure to institute arbitration proceedings within such period shall constitute an absolute bar to the institution of any proceedings and a waiver of all claims.

13. This Agreement shall be interpreted and enforced under the laws of the Commonwealth of Pennsylvania.

14. The Company and Executive mutually agree that all public statements made by or on behalf of either of them with respect to Executive's transition from employment with and retirement from the Company in accordance with this Agreement shall be subject to the prior written consent of the other which consent will not be unreasonably delayed or denied.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

ATTEST: AIR PRODUCTS AND CHEMICALS, INC.

/s/ W. D. Brown

Secretary

/s/ John P. Jones III
By:-----
Chairman, President and CEO

/s/ Leo J. Daley

Executive

/s/ Paula E. Buchvalt

Witness

GENERAL RELEASE

1. I, Executive, for and in consideration of certain payments to be made and the benefits to be provided to me under the Confidential Transition and Retirement Agreement and Mutual Release, dated as of April 19, 2002 (the "Agreement") with Air Products and Chemicals, Inc. (the "Company"), and conditioned upon such payments and provisions, do hereby REMISE, RELEASE, AND FOREVER DISCHARGE the Company and each of its past or present subsidiaries and affiliates, its and their past or present officers, directors, shareholders, partners, employees and agents, their respective successors and assigns, heirs, executors and administrators, the pension and employee benefit plans of the Company, or of its past or present subsidiaries or affiliates, and the past or present trustees, administrators, agents, or employees of the pension and employee benefit plans (hereinafter collectively included within the term the "Company"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which I ever had, now have, or hereafter may have, or which my heirs, executors or administrators hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of my employment with the Company to the date of these presents and particularly, but including without limitation, any claims arising from or relating in any way to my employment relationship and the termination of, and my retirement from, my employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, including any claims under the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. Section 621 et seq.,

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Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000e et seq., the

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Pennsylvania Human Relations Act, any contracts between the Company and me and any common law claims now or hereafter recognized and all claims for counsel fees and costs; provided, however, that this Release shall not apply to any entitlements under the terms of the Agreement or under any other plans or programs of the Company in which I participated and under which I have accrued and become entitled to a benefit other than under any Company separation or severance plan or program (other than as provided for under the Agreement or under the CIC Agreement as defined and provided in Section 11 of the Agreement). Notwithstanding the foregoing, I understand that I shall be indemnified by the Company as to any liability, cost or expense for which I would have been indemnified during employment, in accordance with the Company's certificate of incorporation or insurance coverages to the extent in force for executives of the Company serving in similar capacities generally, for actions taken on behalf of the Company within the scope of my employment by the Company.

2. Subject to the limitations of paragraph 1 above, I expressly waive all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. I understand the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. I hereby agree and recognize that my employment by the Company was permanently and irrevocably severed on June 30, 2002 and the Company has no obligation, contractual or otherwise to me to hire, rehire or re-employ me in the future. I acknowledge that the terms of the Agreement provide me with payments and benefits which are in addition to any amounts to which I otherwise would have been entitled.

4. I hereby agree and acknowledge that the payments and benefits provided by the Company are to bring about an amicable resolution of my employment arrangements and are not to be construed as an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by the Company and that the Agreement was, and this Release is, executed voluntarily to provide an amicable resolution of my employment relationship with the Company through retirement.

5. I hereby certify that I have read the terms of this Release, that I have been advised by the Company to discuss it with my attorney, and that I understand its terms and effects. I acknowledge, further, that I am executing this Release of my own volition with a full understanding of its terms and effects and with the intention of releasing all claims recited herein in exchange for the consideration described in the Agreement, which I acknowledge is adequate and satisfactory to me. None of the above-named parties, nor their agents, representatives, or attorneys have made any representations to me concerning the terms or effects of this Release other than those contained herein.

6. I hereby acknowledge that I have been informed that I have the right to consider this Release for a period of 21 days prior to execution. I also understand that I have the right to revoke this General Release for a period of seven days following execution by giving written notice to the Company at Air Products and Chemicals, Inc., 7201 Hamilton Boulevard, Allentown, Pennsylvania 18195-1501, Attention: General Counsel.

7. I hereby further acknowledge that the terms of Section 4 of the Agreement continue to apply for the balance of the time periods provided therein and that I will abide by and fully perform such obligations.

Intending to be legally bound hereby, I execute the foregoing Release this 20 day of May 2002.

/s/ Paula Buchvalt

Witness

/s/ Leo J. Daley

Executive

ANNEX 2

RELEASE

1. Air Products and Chemicals, Inc., on its behalf and on behalf of its subsidiaries and affiliates, their officers, directors, partners, employees and agents, their respective successors and assigns, heirs, executors and administrators (hereinafter collectively included within the term "Air Products"), for and in consideration of the release of Leo J. Daley ("Executive") executed in connection with the Agreement dated as of April 19, 2002 between Air Products and Executive (hereinafter the "Agreement"), and other good and valuable consideration, does hereby REMISE, RELEASE, AND FOREVER DISCHARGE Executive, his assigns, heirs, executors and administrators (hereinafter collectively included within the term "Executive"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which it ever had, now have, or hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of Executive's employment with Air Products to the date of this Release arising from or relating in any way to Executive's employment relationship and the termination of his employment relationship with Air Products, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, any contracts between Air Products and Executive, other than the Agreement and the Employee Patent and Confidential Information Agreement entered into by Executive on May 14, 1979, and any common law claims now or hereafter recognized and all claims for counsel fees and costs, but in no event shall this release apply to an any action attributable to a criminal act or to an action outside the scope of Executive's employment.

2. Subject to the limitations of paragraph 1 above, Air Products expressly waives all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. Air Products understands the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. Air Products hereby certifies that it has been advised by counsel in the preparation and review of this Release.

Intending to be legally bound hereby, Air Products executes the foregoing Release this 28th day of May 2002.

/s/ Nancy Bickert

Witness

/s/ John P. Jones III

Chairman, President and CEO

EMPLOYMENT AGREEMENT

THIS AGREEMENT by and between Air Products and Chemicals, Inc., a Delaware corporation (hereinafter "Air Products" or the "Company"), with its principal office in Allentown, Pennsylvania, and John R. Owings (the "Executive"), an individual residing at 5851 Teal Lane, Long Grove, Illinois 60047, dated and effective as of April 18, 2002.

WHEREAS, the Board of Directors of the Company (the "Board"), upon the recommendation of the Management Development and Compensation Committee of the Board (the "Committee"), has determined that it is in the best interests of the Company and its shareholders to employ the Executive as the Chief Financial Officer of the Company, and the Executive desires to serve in that capacity;

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Employment Period. The Company shall employ the Executive, and the

Executive shall serve the Company, on the terms and conditions set forth in this Agreement, for the period beginning on or before June 1, 2002 (the "Employment Date") and ending on May 31, 2007 (the "Employment Period"). The Employment Period shall automatically renew beginning on June 1, 2007, for periods of one year unless one party gives written notice to the other, at least 60 days prior to the end of the initial or any one-year renewal period, that the Agreement shall not be further extended. In addition, the Executive's employment may be terminated as provided below in Section 4.

2. Position and Duties.

(a) During the Employment Period, the Executive shall be employed as the Chief Financial Officer of the Company. The Executive shall report to the Chief Executive Officer of the Company (the "CEO") and perform such duties for the Company as are related typically to the office of chief financial officer in the manner reasonably directed by the CEO, in his sole discretion.

(b) During the Employment Period, and excluding any periods of vacation and absence due to intermittent illness to which the Executive is entitled, and services on corporate, civic or charitable boards or committees not significantly interfering with the performance of his responsibilities to the Company, the Executive shall devote his full time and attention during normal business hours to the business and affairs of the Company and the Executive shall use reasonable efforts to carry out all duties and responsibilities assigned to him faithfully and efficiently.

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3. Compensation.

(a) Base Salary. During the Employment Period, the Executive shall

receive an annual base salary of \$450,000, payable in accordance with the regular payroll practices of the Company. The Executive's base salary shall be reviewed on October 1, 2003.

(b) Initial Bonus and Stock Awards. The Executive shall be paid an

initial bonus of \$150,000 which will be included in Executive's first regular pay cycle after employment, subject to normal withholding and employment taxes; and shall be granted non-statutory stock options and deferred stock units under the Company's Long-Term Incentive Plan in accordance with and subject to the terms and conditions set forth in the form of awards agreement appended hereto as Exhibit A. In addition, the Executive shall be eligible to receive, for the portion of the Employment Period ending with the Company's fiscal year 2002 on 30 September 2002, a minimum bonus of \$100,000 pursuant to the Company's Annual Incentive Plan.

(c) Other Benefits. During the Employment Period: (i) the Executive

shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs of the Company to at least the same extent as other senior executives of the Company holding positions at the salary grade applicable to Executive's position; (ii) the Executive and/or the Executive's family, as the case may be, shall be eligible for participation, and shall receive all benefits under, all welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, salary continuation, employee life insurance, group life insurance, accidental death and travel accident insurance plans and programs) to at least the same extent as other senior executives of the Company; and (iii) the Executive shall be entitled to, and the Company shall provide the Executive with, five weeks of paid vacation during each calendar year, the annual stipend for financial counseling, estate planning and tax preparation provided for other senior executives, currently \$8,000 annually, and the Company's change in control arrangements applicable to other senior executives as in effect from time to time.

(d) Expenses. During the Employment Period, the Executive shall be

entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in carrying out the Executive's duties under this Agreement, provided that the Executive complies with the generally applicable policies,

practices and procedures of the Company for submission of expense reports, receipts, or similar documentation of such expenses.

(e) (i) Special Retirement Benefit. In addition to benefits earned

under any qualified or nonqualified retirement plan or arrangement maintained by the Company, the Executive shall earn a supplemental normal retirement benefit, payable from the Company's general assets, equal to (1) minus the sum of (2) and (3) (the "Pension Enhancement"), where:

(1) is the normal retirement benefit that the Executive would have received under the Air Products and Chemicals, Inc. Pension Plan for Salaried Employees and Supplementary Pension Plan as each may be amended from time to time (together, the "Pension Plans"), if the Credited Service as defined in the Pension Plans included Executive's service while employed by Motorola, Inc. ("Motorola") beginning on May 1, 1973.

(2) is the normal retirement benefit earned by the Executive under the Pension Plans; and

(3) is the normal retirement benefit earned by the Executive under any qualified and/or nonqualified defined benefit plan(s) sponsored by Motorola. Any benefit payable in the form of a lump sum will be converted to an annuity based on an interest rate of 6% and the 1983 Unisex Group Annuity Mortality Tables.

The Executive shall earn a nonforfeitable right to the Pension Enhancement on the fifth anniversary of the Employment Date or on an earlier Date of Termination to the extent and as provided in Section 5. When the Executive earns a nonforfeitable right to all or some of the Pension Enhancement under the terms of this Agreement, Vesting Service as defined in the Pension Plans shall include Executive's service while employed by Motorola.

(ii) Notwithstanding the provisions of subsection (i), the Pension Enhancement calculated under subsection (i) shall be paid in the form, and at the time, elected by the Executive with respect to his benefit and/or as provided for under the Supplementary Pension Plan; provided, however, that any such Pension Enhancement benefit payment(s) shall be actuarially equivalent, determined using the actuarial assumptions set forth in the Supplementary Pension Plans for the corresponding calculations of the retirement benefit due under the Supplementary Pension Plan, to the supplemental normal retirement benefit calculated under subsection (i).

(iii) In the event Executive dies before the commencement of benefits under this paragraph but after earning a nonforfeitable right to the Pension Enhancement his surviving spouse shall receive the pre-retirement spousal benefit associated with the Pension Enhancement, calculated and payable in the same manner as the pre-retirement spousal benefit under the Supplementary Pension Plan and with the corresponding pre-retirement spousal benefit offsets for the calculation in subsection (i).

(iv) For purposes of subsections (i) and (ii), "normal retirement benefit" shall mean a monthly benefit payable in the form of a single life

annuity commencing on the first day of the month coincident with or next following the date on which the Executive attains age 65.

(f) Temporary Living and Moving Expenses. The Company shall provide

temporary housing for the Executive in a suitable residence in the vicinity of its offices and shall pay the cost of the Executive commuting between such residence and his current residence in Long Grove, Illinois until the Executive relocates his residence to the vicinity of the Company's corporate headquarters located in Allentown, Pennsylvania, on or before September 1, 2003. The Company shall also reimburse Executive for moving and home seeking and buying expenses incurred by Executive in accordance with its relocation policy for other senior executives including the Full Home Sale Assistance Program as to which the Company agrees that the stated limitations as to property value are waived for the Executive.

4. Termination of Employment.

(a) Death or Disability. The Executive's employment and the Employment

Period shall terminate automatically upon the Executive's death or long term disability during the Employment Period. "Disability" shall be as defined under the Company's Long Term Disability Plan.

(b) By the Company. The Company may terminate the Executive's

employment during the Employment Period for Cause or without Cause. "Cause" means

(i) the willful and continued failure by the Executive to substantially perform his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness or injury or any such actual or anticipated failure after the issuance by the Executive of a Notice of Termination for Good Reason) over a period of not less than thirty days after a demand for substantial performance is delivered to the Executive by the Board which identifies the manner in which the Board believes that the Executive has not substantially performed his duties; or

(ii) the willful misconduct of the Executive materially and demonstrably injurious to the Company (including, without limitation, any breach by the Executive of Section 8 of this Agreement); provided that no act or failure to act on the Executive's part will be considered willful if done, or omitted to be done, by him in good faith and with reasonable belief that his action or omission was in the best interest of the Company.

(c) Good Reason. The Executive may terminate employment for Good Reason

or without Good Reason. "Good Reason" means:

(i) the assignment to the Executive of any duties inconsistent in any material respect with paragraph (a) of Section 2 of this Agreement; or

(ii) material failure by the Company to comply with any provision of Section 3 of this Agreement, other than an isolated, insubstantial or inadvertent failure that is not taken in bad faith and is remedied by the Company within 30 days after receipt of written notice thereof from the Executive.

A termination of employment by the Executive for Good Reason shall be effectuated by giving the Company written notice ("Notice of Termination for Good Reason") of the termination, setting forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provision(s) of this Agreement on which the Executive relies. A termination of employment by the Executive for Good Reason shall be effective on the fifth business day following the date when the Notice of Termination for Good Reason is given, unless the notice sets forth a later date (which date shall in no event be later than 30 days after the notice is given). A termination of the Executive's employment by the Executive without Good Reason shall be effected by giving the Company at least 30 days' advance written notice of the termination.

(d) Date of Termination. The "Date of Termination" means the date of the Executive's death, the date of the Executive's Disability, the date the termination of the Executive's employment by the Company for Cause or without Cause or by the Executive for Good Reason or without Good Reason, as the case may be, is effective. The Employment Period shall end on the Date of Termination.

5. Obligations of the Company upon Termination.

(a) By the Company Other Than for Cause; or By the Executive for Good Reason. If, during the Employment Period, the Company terminates the Executive's employment (other than for Cause) or the Executive terminates employment for Good Reason, the Executive's right to the accrued Pension Enhancement calculated based on the Executive's service to the Date of Termination shall become nonforfeitable; and the Executive shall be entitled to a lump sum payment (before taxes) equal to one year's current base salary, plus a 100% target bonus for Executive's salary grade (currently 55% of base salary). The Company shall also pay to the Executive, in a lump sum in cash within 30 days after the Date of Termination, the Executive's accrued but unpaid cash compensation (the "Accrued Obligations"), which shall include but not be limited to, (1) the Executive's base salary through the Date of Termination that has not yet been paid and an amount representing a 100% target bonus for the Executive's salary grade for the year of termination, multiplied by a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 (the "Annual Bonus Amount"), (2) any accrued but unpaid vacation pay, and (3) similar unpaid items that have accrued or to which the Executive has become entitled as of the Date of Termination, including declared but unpaid bonuses and unreimbursed employee business expenses; provided, however, that the Company's obligation to make any payments under this paragraph(a) to the extent any such payment shall not have accrued as of the day before the Date of Termination shall also be

conditioned upon the Executive's execution, and non-revocation, of a written release, substantially in the form attached hereto as Annex 1 (the "Release"), of any and all claims against the Company and all related parties with respect to all matters arising out of the Executive's employment by the Company or the termination thereof (other than any entitlements under the terms of this Agreement to indemnification or under any other plans or programs of the Company in which the Executive participated and under which the Executive has accrued and is due a benefit). As further consideration for the Executive's Release, the Company shall execute a release in favor of Executive, on the date the Release becomes irrevocable, substantially in the form attached hereto as Annex 2.

(b) Death or Disability. If the Executive's employment is terminated by

reason of the Executive's death or Disability during the Employment Period, the Company shall pay the Accrued Obligations to the Executive or the Executive's estate or legal representative, as applicable, in a lump sum in cash within 30 days after the Date of Termination. In such event, the Company shall have no further obligations under this Agreement or otherwise to or with respect to the Executive other than with respect to the accrued Pension Enhancement, which, subject to and conditioned upon the execution and non-revocation of a Release, shall become nonforfeitable and shall be calculated on the basis of the Executive's service to the Date of Termination and as provided under Section 3(e) of this Agreement; and for any entitlements under the terms of any other plans or programs of the Company in which the Executive participated and under which the Executive has accrued and is due a benefit.

(c) By the Company for Cause; By the Executive Other than for Good

Reason. If the Executive's employment is terminated by the Company for Cause

during the Employment Period, or the Executive voluntarily terminates employment during the Employment Period, other than for Good Reason, the Company shall pay the Executive the Executive's base salary through the Date of Termination that has not been paid and the amount of any declared but unpaid bonuses, accrued but unpaid vacation pay, and unreimbursed employee business expenses, and the Company shall have no further obligations under this Agreement or otherwise to or with respect to the Executive other than for any entitlements under the terms of any other plans or programs of the Company in which the Executive participated and under which the Executive has accrued or become entitled to a benefit; provided however, that, in the event of such voluntary termination by the Executive where the Date of Termination occurs on or after the third anniversary of the Employment Date, and subject to and conditioned on the execution and non-revocation of the Release, the Executive shall have a nonforfeitable right to 50% of the Pension Enhancement calculated on the basis of the Executive's service to the Date of Termination.

6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or

limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies for which the Executive may qualify. Vested benefits and other amounts that the Executive is

otherwise entitled to receive on or after the Date of Termination under any plan, policy, practice or program of, or any contract or agreement with, the Company or any of its affiliated companies shall be payable in accordance with such plan, policy, practice, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

7. No Mitigation. In no event shall the Executive be obligated to seek

other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

8. Confidential Information; Non-solicitation; Non-competition.

(a) The Executive agrees and acknowledges that by reason of his employment by and service to the Company, he will have access to confidential information of the Company and its affiliates, and, therefore, he agrees to be subject to the Employee Patent, Copyright and Confidential Information Agreement of the Company appended hereto as Exhibit B.

(b) The Executive acknowledges that the Company is generally engaged in business throughout the world. During the Executive's employment by the Company and for two years after the Date of Termination or the expiration of the final Employment Period, the Executive agrees that he will not, unless acting with the prior written consent of the Company, directly or indirectly, own, manage, control, or participate in the ownership, management or control of, or be employed or engaged by, or otherwise affiliated or associated with, as an officer, director, employee, consultant, independent contractor or otherwise, any other corporation, partnership, proprietorship, firm, association or other business entity, or otherwise engage in any business, which is engaged in any manner anywhere in any business which, as of the Date of Termination or expiration of the final Employment Period, as applicable, is engaged in by the Company, has been reviewed with the CEO for development to be owned or managed by the Company, and/or has been divested by the Company but as to which the Company has an obligation to refrain from involvement, but only for so long as such restriction applies to the Company; provided, however, that the ownership of not more than 5% of the equity of a publicly traded entity shall not be deemed to be a violation of this paragraph.

(c) The Executive also agrees that he will not, directly or indirectly, during the period described in paragraph (b), induce any person who is an employee, officer, director, or agent of the Company, or any subsidiary or affiliate, to terminate such relationship, or employ, assist in employing or otherwise be associated in business with any present or former employee or officer of the Company or of any subsidiary or affiliate of the Company, including without limitation those who commence such positions with the Company or any such subsidiary or affiliate after the Date of Termination.

(d) For the purposes of this Section 8, the term "Company" shall be deemed to include Air Products and the subsidiaries and affiliates of Air Products.

(e) The Executive acknowledges and agrees that the restrictions contained in this Section 8 are reasonable and necessary to protect and preserve the legitimate interests, properties, goodwill and business of the Company and its subsidiaries and affiliates, that the Company would not have entered into this Agreement in the absence of such restrictions and that irreparable injury will be suffered by the Company should the Executive breach the provisions of this Section. The Executive represents and acknowledges that (i) the Executive has been advised by the Company to consult the Executive's own legal counsel in respect of this Agreement, and (ii) that the Executive has had full opportunity, prior to execution of this Agreement, to review thoroughly this Agreement with the Executive's counsel.

(f) The Executive further acknowledges and agrees that a breach of the restrictions in this Section 8 will not be adequately compensated by monetary damages. The Executive agrees that the Company shall be entitled to (i) preliminary and permanent injunctive relief, without the necessity of proving actual damages, or posting of a bond, (ii) an equitable accounting of all earnings, profits and other benefits arising from any violation of this Section 8, and (iii) enforce the terms, including requiring forfeitures, under other plans, programs and agreements under which the Executive has been granted a benefit contingent on a covenant similar to those contained in this Section 8, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled. In the event that the provisions of this Section 8 should ever be adjudicated to exceed the limitations permitted by applicable law in any jurisdiction, it is the intention of the parties that the provision shall be amended to the extent of the maximum limitations permitted by applicable law, that such amendment shall apply only within the jurisdiction of the court that made such adjudication and that the provision otherwise be enforced to the maximum extent permitted by law.

(g) If the Executive breaches his obligations under this Section 8, he agrees that suit may be brought, and that he consents to personal jurisdiction, in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Allentown, Pennsylvania; consents to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding; and waives any objection which he may have to the laying of venue of any such suit, action or proceeding in any such court. The Executive also irrevocably and unconditionally consents to the service of any process, pleadings, notices or other papers.

9. Successors.

(a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean both the Company as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

10. Arbitration. The Company and the Executive mutually consent to the

resolution by arbitration, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association, to be held in Allentown, Pennsylvania, of all claims or controversies, other than a claim which is primarily for equitable relief or an injunction to enforce a right or remedy under Section 8 of this Agreement, arising out of the Executive's employment (or its termination) that the Company may have against the Executive or that the Executive may have against the Company or against its officers, directors, shareholders, employees or agents in their capacity as such. The parties shall share the fees and costs of the arbitrator and all other costs in connection with any arbitration and each party shall bear its legal fees and expenses. Any such arbitration proceedings must be instituted by the party requesting a resolution within twelve months of the time that party knew, or should have known, of the events or facts giving rise to the dispute requiring resolution. The failure to institute arbitration proceedings within such period shall constitute an absolute bar to the institution of any proceedings and a waiver of all claims.

11. Legal Fees. The Company agrees to pay all legal fees incurred by the

Executive in connection with the negotiation and preparation of this Agreement up to \$7,500.

12. Miscellaneous.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended

or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications under this Agreement shall be in writing and shall be given by hand to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Mr. John R. Owings
5851 Teal Lane
Long Grove, Illinois 60047

With a required copy to:

Gardner, Carton & Douglas

321 North Clark Street, Suite 3400

Chicago, Illinois 60610-4795

Attention: Gregory K. Brown

If to the Company:

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501
Attention: General Counsel

With a required copy to:

Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
Attention: Robert J. Lichtenstein

or to such other address as either party furnishes to the other in writing in accordance with this paragraph (b) of Section 12. Notices and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(d) Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of, or to assert any right under, this Agreement (including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to paragraph (c) of Section 5 of this Agreement) shall not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

(f) This Agreement may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument.

13. The respective rights and obligations of the parties hereunder shall survive any termination of the Executive's employment to the extent necessary to the intended preservation of such rights and obligations, including, but not by way of limitation, those rights and obligations set forth in Sections 3, 5, 6, 8 and 10.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization of the Committee, the Company has caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

AIR PRODUCTS AND CHEMICALS, INC.

By

Chairman, President and
Chief Executive Officer

EXECUTIVE

GENERAL RELEASE

1. I, Executive, for and in consideration of certain payments to be made and the benefits to be provided to me under the Employment Agreement, dated as of April 18, 2002 (the "Agreement") with Air Products and Chemicals, Inc. (the "Company"), and conditioned upon such payments and provisions, do hereby REMISE, RELEASE, AND FOREVER DISCHARGE the Company and each of its past or present subsidiaries and affiliates, its and their past or present officers, directors, shareholders, partners, employees and agents, their respective successors and assigns, heirs, executors and administrators, the pension and employee benefit plans of the Company, or of its past or present subsidiaries or affiliates, and the past or present trustees, administrators, agents, or employees of the pension and employee benefit plans (hereinafter collectively included within the term the "Company"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which I ever had, now have, or hereafter may have, or which my heirs, executors or administrators hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of my employment with the Company to the date of these presents and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to my employment relationship and the termination of, and my retirement from, my employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, including any claims under the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. Section 621 et seq., Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000e et seq., the Pennsylvania Human Relations Act, any contracts between the Company and me and any common law claims now or hereafter recognized and all claims for counsel fees and costs; provided, however, that this Release shall not apply to any entitlements under the terms of the Agreement or under any other plans or programs of the Company in which I participated and under which I have accrued and become entitled to a benefit other than under any Company separation or severance plan or programs. Notwithstanding the foregoing, I understand that I shall be indemnified by the Company as to any liability, cost or expense for which I would have been indemnified during employment, in accordance with the Company's certificate of incorporation or insurance coverages to the extent in force for executives of the Company serving in similar capacities generally, for actions taken on behalf of the Company within the scope of his employment by the Company.

2. Subject to the limitations of paragraph 1 above, I expressly waive all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. I understand the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. I hereby agree and recognize that my employment by the Company was permanently and irrevocably severed on _____, 20__ and the Company has no obligation, contractual or otherwise to me to hire, rehire or re-employ me in the future. I acknowledge that the terms of the Agreement provide me with payments and benefits which are in addition to any amounts to which I otherwise would have been entitled.

4. I hereby agree and acknowledge that the payments and benefits provided by the Company are to bring about an amicable resolution of my employment arrangements and are not to be construed as an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by the Company and that the Agreement was, and this Release is, executed voluntarily to provide an amicable resolution of my employment relationship with the Company.

5. I hereby certify that I have read the terms of this Release, that I have been advised by the Company to discuss it with my attorney, and that I understand its terms and effects. I acknowledge, further, that I am executing this Release of my own volition with a full understanding of its terms and effects and with the intention of releasing all claims recited herein in exchange for the consideration described in the Agreement, which I acknowledge is adequate and satisfactory to me. None of the above-named parties, nor their agents, representatives, or attorneys have made any representations to me concerning the terms or effects of this Release other than those contained herein.

6. I hereby acknowledge that I have been informed that I have the right to consider this Release for a period of 21 days prior to execution. I also understand that I have the right to revoke this General Release for a period of seven days following execution by giving written notice to the Company at _____, Attention: General Counsel.

7. I hereby further acknowledge that the terms of Section 8 of the Agreement continue to apply for the balance of the time periods provided therein and that I will abide by and fully perform such obligations.

Intending to be legally bound hereby, I execute the foregoing Release this _____ day of _____ 20__.

Witness

Executive

ANNEX 2

RELEASE

1. Air Products and Chemicals, Inc., on its behalf and on behalf of its subsidiaries and affiliates, their officers, directors, partners, employees and agents, their respective successors and assigns, heirs, executors and administrators (hereinafter collectively included within the term "Air Products"), for and in consideration of the release of _____ ("Executive")

executed in connection with the Agreement dated as of 18 April, 2002 between Air Products and Executive (hereinafter the "Agreement"), and other good and valuable consideration, does hereby REMISE, RELEASE, AND FOREVER DISCHARGE Executive, his assigns, heirs, executors and administrators (hereinafter collectively included within the term "Executive"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which it ever had, now have, or hereafter may have, by reason of any matter, cause of thing whatsoever from the beginning of Executive's employment with Air Products to the date of this Release arising from or relating in any way to Executive's employment relationship and the termination of his employment relationship with Air Products, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, any contracts between Air Products and Executive, other than the Agreement and the Employee Patent, Copyright and Confidential Information Agreement entered into by Executive on _____, and any common law

claims now or hereafter recognized and all claims for counsel fees and costs, but in no event shall this release apply to any action attributable to a criminal act or to an action outside the scope of Executive's' employment.

2. Subject to the limitations of paragraph 1 above, Air Products expressly waives all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. Air Products understands the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. Air Products hereby certifies that it has been advised by counsel in the preparation and review of this Release.

Intending to be legally bound hereby, Air Products executes the foregoing Release this _____ day of _____ 20____.

Air Products and Chemicals, Inc.

By: _____

Witness

Exhibit A

16 May 2002

Subject: 2002 Long-Term Incentive Plan Awards

Dear Executive:

In consideration of your decision to join the Air Products team, and to recognize your potential contributions to our business, align your accountabilities and goals with our global strategy, and provide you with a competitive pay and wealth accumulation opportunity, you are hereby granted the following 2002 Awards under the Air Products Long-Term Incentive Plan:

- o A Nonstatutory Stock Option to purchase 100,000 shares of Air Products Common Stock at a purchase price of \$52.19 per share, which is 100% of the 15 May 2002 Fair Market Value of a share of Common Stock;
- o 3,000 Cycle 1B and 6,000 Cycle 2 Performance Share Deferred Stock Units for performance periods ending with fiscal year 2002, each Unit being equivalent in value to one share of Common Stock; and
- o 4,000 Special Deferred Stock Units with a three-year deferral period, each Unit being equivalent in value to one share of Common Stock.

Your 2002 Awards have been approved by authority of the Management Development and Compensation Committee of the Board of Directors (the "Committee"), subject to and contingent upon your agreement to the conditions described in Schedule A (the "Conditions"). Please countersign this letter, make a copy for your records, and return the original of the letter to Jim Bell by 31 May 2002 in acknowledgement of your receipt of a copy of the text of the Long-Term Incentive Plan (the "Plan"), and your agreement to be bound by the provisions of the Plan, the Conditions and by any determinations made by the Committee with respect to your 2002 Awards as contemplated or permitted by the Plan and/or the Conditions.

This letter, together with Schedules A, B, C, and D appended hereto, constitutes the agreement governing your 2002 Awards (this "Awards Agreement"). Your 2002 Awards are also at all times subject to the applicable provisions of the Plan. Neither your 2002 Awards, this Awards Agreement or the Plan constitute a contract of employment, nor do

they guarantee your continued employment for any period required for all or any of your 2002 Awards to vest or become exercisable, or to be earned or paid out. Except as indicated in this Awards Agreement, all capitalized words used herein have the meanings described in the Plan.

WITNESSETH the due execution of this Awards Agreement at Allentown, Pennsylvania effective as of the 15th day of May 2002 intending to be legally bound hereby.

AIR PRODUCTS AND CHEMICALS, INC.

By: /s/ John P. Jones III

John P. Jones III

ACKNOWLEDGED AND AGREED this 20th day of May 2002.

EXECUTIVE

/s/ John R. Ownings

Schedules

SCHEDULE A

2002 AWARDS UNDER THE PLAN ARE SUBJECT TO THE FOLLOWING CONDITIONS:

1. You continue to comply with the terms of your employee patent and trade secret agreement and with all other agreements with, and obligations and duties to, the Company and any of its subsidiaries and affiliates (together, the "Company"), and refrain from conducting yourself in a manner adversely affecting the Company;
2. Without limiting the generality of the foregoing, while employed by the Company and for two years following your separation from service with the Company for any reason, you

Refrain from engaging in any activity in competition with the Company, whether as an officer, director, employee, consultant, advisor, agent, broker, independent contractor, partner, shareholder, or principal of any corporations, partnership, proprietorship, firm, association, person or other entity;

Refrain from undertaking any employment or activity wherein the fulfillment of your duties would call upon you to reveal, to make judgments on, or otherwise to use any "confidential information" of the Company;

Refrain from directly or indirectly, either for yourself or for any other person, diverting or taking away or attempting to divert or take away (or calling on or soliciting or attempting to call on or solicit) any of the Company's customers or patrons, including but not limited to those upon whom you called or whom you solicited or with whom you became acquainted while employed by the Company; and

Refrain from directly or indirectly or by action in concert with others, inducing or influencing (or seeking to induce or influence) any person who is engaged (as an employee, agent, independent contractor, or otherwise) by the Company to terminate his or her employment or engagement.

If, in the Committee's sole discretion, it is determined that you have breached any of the foregoing Conditions, after notice by registered mail directed to your last known address, all of your outstanding awards under the Plan will be completely terminated. Notwithstanding any other provisions hereof, following or in connection with a Change in Control, the foregoing Conditions shall lapse and be of no further force or effect.

SCHEDULE B

NONSTATUTORY STOCK OPTIONS

Vesting and Expiration. You can first purchase shares of Common Stock ("Shares")

as follows: (i) up to one-third of the Shares may be purchased on or after 15 May 2005 and (ii) up to an additional one-third of such Shares may be purchased on or after 15 May 2006 and 2007, respectively. The Options cannot be exercised with respect to fractional Shares, and accordingly, the number of Shares will be rounded down to the nearest Share on the first two of the foregoing dates and up to the nearest Share on the third such date to eliminate fractional Shares. The Options were granted on 15 May 2002 and will continue for a period of ten (10) years and one day from such grant date and will expire and no longer be exercisable on 16 May 2012.

How to Exercise. You may purchase Shares by delivering to the Company at its

principal offices in Allentown, Pennsylvania, written notice of exercise of the Option on forms to be provided by the Company and the full purchase price of the Shares. Payment of the purchase price may be made in cash; by the delivery of an irrevocable exercise notice coupled with irrevocable instructions to a designated broker to simultaneously sell the Shares and deliver to the Company on the settlement date the portion of the proceeds representing the purchase price and any taxes to be withheld; or by delivery or attestation of ownership of other shares of Common Stock owned by you. Payment of any taxes required to be withheld at the time of exercise may be made in cash (including from a broker on the settlement date) or by having the number of Shares acquired in the exercise reduced by an amount equal in value to the amount of such taxes required to be withheld.

In the event of a Change in Control, Options become exercisable earlier than described above. You would be able to purchase all of the Shares following the later of a Change in Control or the first date more than six months from 15 May 2002 following a Change in Control. Further, during the 30-day period following a Change in Control, Options may be surrendered for payment of 100% of the "spread" between the value of the Shares (as said value is defined in Section 10(a)(A) of the Plan), and the purchase price.

Termination of Stock Options at End of Employment. Options terminate as of the

close of business on the last day of your employment with the Company (or a Subsidiary), unless your employment ends due to your death, Disability, or Retirement on or after 15 May 2005, in which case the Options will be extended for the remaining term of the award (that is, will become vested and be exercisable) as if you had continued to be an active employee of the Company.

Assignment and Transfer. Options are nonassignable and nontransferable except to
- -----
your Designated Beneficiary; by will or by the laws of descent and distribution;
or by gift to family members or to trusts of which only family members are
beneficiaries (but only on and after the date upon which, and to the extent,
such Option has become exercisable and subject to such administrative procedures
and to such restrictions and conditions as the officers of the Company shall
determine to be consistent with the purposes of the Plan and the interests of
the Company and/or to be necessary or appropriate for compliance with all
applicable tax and other legal requirements). Subject to the foregoing, you may
so transfer Options by gift only by delivering to the Company at its principal
offices in Allentown, Pennsylvania, written notice of the intent to transfer the
Options on forms to be provided by the Company.

SCHEDULE C
DEFERRED STOCK UNITS

PERFORMANCE SHARES. Deferred Stock Units known as Performance Shares will earn

out at the end of Fiscal Year 2002 and entitle you to receive from the Company
at the end of the Deferral Period a Share of Common Stock (and related Dividend
Equivalents) but only if and to the extent the following Operating Return on Net
Assets (ORONA) objectives ("Performance Objectives") are attained by the Company
for the respective periods specified.

Performance Objectives

CYCLE 1B		CYCLE 2	
FY01/02 AVERAGE ORONA*	Earnout Factor	FY02 ORONA	Earnout Factor
-----	-----	-----	-----
12.0%	150%	12.0%	200%
11.75%	100%	11.0%	100%
11.0%	50%	10.9%	75%
10.9% or below	0%	10.8%	50%

*The ORONA achieved for FY01 was 11.1%.

ORONA calculations will be based upon the Company's Consolidated Operating
Income divided by the average (5 point) net segment assets for the appropriate
fiscal period. Upon the Committee's determination of the extent to which
Performance Objectives have been attained, any Performance Shares (and related
Dividend Equivalents) not earned out will be completely forfeited in their
entirety.

Performance Share Deferral Period

The Deferral Period which applies to one-half of the Cycle 1B and all of the
Cycle 2 Performance Shares ends on the earlier of (i) the date two years
following your Retirement or Disability, and (ii) your death, but in no event
earlier than 15 May 2003. The Deferral Period which applies to the other half
of the Cycle 1B Performance Shares ends on 15 May 2003.

SPECIAL DEFERRED STOCK UNITS. Special Deferred Stock Units will entitle you to

receive from the Company at the end of the Deferral Period a Share of Common
Stock (and related Dividend Equivalents) for each Unit. The Deferral Period
which applies to the Special Deferred Stock Units ends on 15 May 2005.

PAYMENT OF DEFERRED STOCK UNITS. Except as provided in the next paragraph,

payment in respect of Deferred Stock Units, together with related Dividend

Equivalents, will be made only following the end of the applicable Deferral Period. Payment of Deferred Stock Units will be delivered net of appropriate taxes and may be made in Shares, cash or both, as determined by the Committee.

Following or in connection with a Change in Control, 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 Performance Objectives have not yet been achieved or that the Deferral Periods as to such Deferred Stock Units have not been completed. Such payment may be in cash or in Shares, or a combination thereof, as determined by the Committee, and will be due and payable to you following the Committee's determination to pay said Deferred Stock Units, but in no event earlier than the occurrence of a Change in Control. If paid in cash, you will receive payment of an amount in respect of each Deferred Stock Unit equal to a Share of Common Stock valued as prescribed by the formula set forth in Plan Section 10(e).

TERMINATION OF DEFERRED STOCK UNITS AT END OF EMPLOYMENT. Your Performance Share

Deferred Stock Units terminate automatically as of the close of business on the last day of your employment with the Company (or a Subsidiary), unless your employment ends due to your death, Disability or Retirement on or after 15 May 2003. Your Special Deferred Stock Units terminate automatically as of the close of business on the last day of your employment with the Company (or a Subsidiary), unless your employment ends due to your death, Disability or Retirement on or after 15 May 2003.

SCHEDULE D

CERTAIN DEFINITIONS

"Retirement" as used in Schedules B and C means separating from service with the Company or a Subsidiary with the right to begin receiving immediate payment(s) of all or some of the Pension Enhancement as defined and as provided in the Employment Agreement between Executive and the Company dated and effective as of 18 April 2002.

"Disability" means permanent and total disability of an employee as determined by, or under delegation of authority to management from, the Committee in accordance with uniform principles consistently applied, upon the basis of such evidence as the Committee (or its delegate) deems necessary and desirable.

Exhibit B

AIR PRODUCTS AND CHEMICALS, INC.
STYLIZED LOGO

EMPLOYEE PATENT, COPYRIGHT, AND CONFIDENTIAL INFORMATION AGREEMENT

In consideration of my employment by Air Products and Chemicals, Inc., its divisions, affiliates and subsidiaries (all, collectively, referred to hereinafter as the Company), I agree that I will:

- A. Communicate to the Company promptly and fully in writing, in such format as the Company may deem appropriate, all inventions made or conceived by me whether alone or jointly with others from my time of entering the Company's employ until I leave, and as requested, to assign to the Company those of such inventions which (1) relate to a field of business, research or investigation in which the Company has an interest, or (2) result from, or are suggested by, any work which I may do for or on behalf of the Company;
- B. Make and maintain adequate permanent records of all such inventions, in the form of memoranda, notebook entries, drawings, print-outs or reports relating thereto, in keeping with then current Company procedures. I agree that these records, as well as the inventions themselves, shall be and remain the property of the Company at all times;
- C. Cooperate with and assist the Company and its nominees, at their sole expense, during my employment and thereafter, in securing and protecting patent rights in which I am a named inventor or other similar rights in the United States and foreign countries. In this connection, I specifically agree to execute all papers which the Company deems necessary to protect its interests including the execution of assignments of invention and to give evidence and testimony, as may be necessary, to secure and enforce the Company's rights;
- D. Except as the Company may otherwise authorize in writing, not use or disclose to others, reproduce or copy at any time, except as my Company duties may require, either during or subsequent to my employment, any private information of the Company or of others as to whom the Company has an obligation of confidentiality which may come to my attention or be developed by me during the course of my employment other than information which is or becomes public knowledge in a lawful manner;
- E. Upon termination of my employment with the Company, deliver to it all records, data and memoranda of any nature which are in my possession or control and which relate to my employment or the activities of the Company, including, for example, notebooks, diaries, reports, photographs, films, manuals and computer software media.
- F. Following termination of my employment, honor and abide by my continuing obligation of confidentiality. I agree that, in any situation which arises and involves a question of my freedom to disclose particular information to a subsequent employer or anyone else, I will contact the Company in writing and elicit its opinion on my freedom to make such a disclosure.

It is also agreed that:

- G. All creative works which I produce during my employment and which relate to the Company's business or technology shall be considered to have been prepared for the Company as a part of and in the course of my employment. Any such work shall be owned by the Company regardless of whether it would otherwise be considered a work made for hire. Such works shall include, among other things, computer programs and documentation, non-dramatic literary works (e.g. professional papers and journal articles), visual arts (e.g. pictorial, graphic and three dimensional), sound recordings, motion pictures and other audiovisual works.
- H. Nothing in this agreement shall bind me or the Company to any specific period of service or employment, nor shall the termination of such employment in any way affect the obligations assumed by me herein. Further, this agreement replaces any and all prior agreements or understandings between me and the Company concerning these subjects;
- I. This agreement shall bind my heirs, executors, and administrators, and shall inure to the benefit of the successors and assigns of the Company.
- J. I will not disclose to any other employee of the Company any information as to which I owe a continuing obligation of confidentiality to a previous employer or client. Any inventions, patented or unpatented, which were made or conceived by me prior to my employment are excluded from the operation of this agreement, and I warrant that there are no such inventions, other than those listed by me in the space provided on the attached Prior Invention(s) List.

(L.S.)

Signature of Employee

WITNESS: -----

DATED: -----

(List invention information on the attached Prior Invention(s) List.)

Exhibit B

PRIOR INVENTION(S) LIST

ATTACHMENT TO EMPLOYEE PATENT, COPYRIGHT AND CONFIDENTIAL INFORMATION AGREEMENT

Dated: -----

Employee Name

Date

Description of
Invention

Patent Numbers or
Application Numbers
(if any)

Assignment or disposition
employee has made or will make
of invention

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Employee Signature

Date

WITNESS: -----

DATED: -----

AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Unaudited)

	Year Ended 30 September					Nine Months Ended 30 June
	1997	1998	1999	2000	2001	2002
Earnings:						
Income before extraordinary item and the cumulative effect of accounting changes:	\$429.3	\$546.8	\$450.5	\$124.2	\$512.9	\$381.1
Add (deduct):						
Provision for income taxes	203.4	280.9	209.5	(7.5)	224.8	183.7
Fixed charges, excluding capitalized interest	233.0	202.8	194.4	232.6	217.4	113.0
Capitalized interest amortized during the period	8.3	7.4	6.1	6.6	7.1	5.4
Undistributed earnings of less-than-fifty-percent-owned affiliates	(31.1)	(25.3)	(44.5)	(32.1)	(34.3)	(41.2)
Earnings, as adjusted	<u>\$842.9</u>	<u>\$1,012.6</u>	<u>\$816.0</u>	<u>\$323.8</u>	<u>\$927.9</u>	<u>\$642.0</u>
Fixed Charges:						
Interest on indebtedness, including capital lease obligations	\$217.8	\$186.7	\$175.4	\$210.3	\$201.6	\$96.5
Capitalized interest	20.9	18.4	24.7	19.7	8.8	7.4
Amortization of debt discount premium and expense	1.8	1.9	1.3	3.1	(3.6)	(0.0)
Portion of rents under operating leases representative of the interest factor	13.4	14.2	17.7	19.3	19.3	16.5
Fixed charges	<u>\$253.9</u>	<u>\$221.2</u>	<u>\$219.1</u>	<u>\$252.4</u>	<u>\$226.1</u>	<u>\$120.4</u>
Ratio of Earnings to Fixed Charges:	<u>3.3</u>	<u>4.6</u>	<u>3.7</u>	<u>1.3</u>	<u>4.1</u>	<u>5.3</u>

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Air Products and Chemicals, Inc. (the "Company") on Form 10-Q for the period ending 30 June 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Jones III, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: 13 August 2002

/s/ John P. Jones III

John P. Jones III
Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Air Products and Chemicals, Inc. (the "Company") on Form 10-Q for the period ending 30 June 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), John R. Owings, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: 13 August 2002

/s/ John R. Owings

John R. Owings
Chief Financial Officer