

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) 22 April 1999

Air Products and Chemicals, Inc.

(Exact name of registrant as specified in charter)

Delaware

1-4534

23-1274455

(State of other jurisdiction of incorporation)

(Commission file number)

(IRS Identification number)

7201 Hamilton Boulevard, Allentown, Pennsylvania

18195-1501

(Address of principal executive offices)

(Zip Code)

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

Item 5. Other Events.

The registrant reported net income of \$107 million, or diluted earnings per share of 50 cents, for the second quarter ended March 31, 1999. Excluding disclosed items, net income was \$113 million, or diluted earnings per share of 53 cents. This compares to last year's \$121 million, or 55 cents per share. Sales of \$1.3 billion were up 4 percent versus \$1.2 billion last year. The following discussion excludes a disclosed item.

In reviewing the quarter, Air Products Chairman H. A. Wagner said, "We continued our focus on productivity improvement and cost containment initiatives this quarter. This enabled us to deliver results in line with expectations despite a much slower manufacturing sector and a significant decline in our equipment business. Additionally, we continue to take steps to rationalize our cost structure."

Industrial gas sales increased 2 percent, primarily outside of North America, while operating income declined 1 percent. Relative to last year, performance continued to be impacted by soft conditions in key markets such as electronics and metals. Consistent with productivity improvement and tight control of overhead costs, the worldwide gases operating margin improved from

the prior quarter to 19.6%. Gas equity affiliate income was up significantly due to improved performance at some equity affiliates combined with favorable foreign exchange and currency effects.

Chemicals' revenues were up 10% compared to the quarter a year ago due to the consolidation of Air Products Polymers, an emulsions joint venture with Wacker-Chemie, and other acquisitions. Operating income declined by 5%. Solid performance in a number of businesses was offset by volume and margin pressure from Asian impacts and the effects of the significant capacity expansions recently brought on-stream.

As expected, Equipment and Services' operating income of \$8 million was down compared to the quarter a year ago.

Mr. Wagner concluded, "In the first half of our fiscal year, we faced a challenging global manufacturing environment. However, we are encouraged by some signs of recovery in electronics, metals and chemicals processing, and our employees are maintaining their focus on productivity, cost containment and asset management. As a result, we are well-positioned to deliver top-line and earnings growth as our key markets recover. On balance, we continue to expect modest earnings growth in 1999."

NOTE: The forward-looking statements contained in this document are based on current expectations regarding important risk factors. Actual results may differ materially from those expressed. Important risk factors and uncertainties include the impact of worldwide economic growth; pricing of both the Company's products and raw materials such as electricity; customer demand; other factors resulting from fluctuations in interest rates and foreign currencies; the impact of competitive products and pricing; success of cost control programs; and the impact of tax and other legislation and other regulations in the jurisdictions in which the Company and its affiliates operate.

Financial tables follow:

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

(Millions of dollars, except per share)

	Three Months Ended		Six Months Ended	
	31 March		31 March	
	1999	1998	1999	1998
Sales	\$1,253.3	\$1,208.6	\$2,527.9	\$2,443.4
Net Income	\$ 106.9(a)	\$ 120.5	\$ 233.3(b)	\$ 281.0(c)
Basic Earnings Per Share	\$.51(a)	\$.56(d)	\$ 1.10(b)	\$ 1.29(c)(d)
Diluted Earnings Per Share	\$.50(a)	\$.55(d)	\$ 1.08(b)	\$ 1.27(c)(d)
Operating Return on Net Assets(e)			11.6%	11.8%
Capital Expenditures(f)			\$ 541.3(g)	\$ 479.8
Depreciation	\$ 133.5	\$ 120.6	\$ 261.3	\$ 238.2

- (a) Includes an after-tax charge of \$6.4 million, or \$.03 per share primarily related to Chemicals facility closure costs. Excluding the impact of this special item, net income was \$113.3 million, basic earnings per share was \$.54 and diluted earnings per share was \$.53.
- (b) Includes an after-tax gain of \$21.3 million, or \$.10 per share related to the formation of Air Products Polymers, an after-tax charge of \$12.9 million, or \$.06 per share related to a global cost reduction plan, and an after-tax charge of \$6.4 million, or \$.03 per share primarily related to Chemicals facility closure costs. Excluding the impact of these special items, net income was \$231.3 million, basic earnings per share was \$1.09 and diluted earnings per share was \$1.07.
- (c) Includes an after-tax gain of \$35.1 million, or \$.16 per share from the sale of the Company's 50% interest in American Ref-Fuel Company and a gain of \$7.6 million, or \$.03 per share from a cogeneration project contract settlement. Excluding the impact of these special items, net income was \$238.3 million, basic earnings per share was \$1.10 and diluted earnings per share was \$1.08.
- (d) The earnings per share amounts for the prior year have been restated to reflect a two-for-one stock split during the third quarter of fiscal 1998.
- (e) Operating return on net assets (ORONA) is calculated as the rolling four quarter sum of operating income divided by the rolling five

quarter average of total assets less investments in equity affiliates. The ORONA calculation excludes \$20.3 million in charges related to a global cost reduction plan and \$10.3 million in charges primarily related to Chemicals facility closure costs.

- (f) Capital expenditures include additions to plant and equipment, investments in and advances to unconsolidated affiliates, acquisitions, and capital lease additions.
- (g) Excludes the Company's contribution of \$121.7 million of assets to the Air Products Polymers venture.

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

(Millions of dollars, except per share)

	Three Months Ended 31 March		Six Months Ended 31 March	
	1999	1998	1999	1998
SALES AND OTHER INCOME				
Sales	\$1,253.3	\$1,208.6	\$2,527.9	\$2,443.4
Other income	4.5	4.0(a)	9.4	(.9)(a)
	1,257.8	1,212.6	2,537.3	2,442.5
COSTS AND EXPENSES				
Cost of sales	877.5	816.1(b)	1,753.1	1,647.1 (b)
Selling and administrative	168.3	163.1(b)	351.5	322.7 (b)
Research and development	29.3	27.0	61.0	53.3
OPERATING INCOME	182.7	206.4	371.7	419.4
Income from equity affiliates, net of related expenses	14.1	7.9	23.9	13.6
Gain on American Ref-Fuel sale and contract settlements	--	--	--	75.2
Net gain on formation of polymer venture	(.1)	--	31.1	--
Interest expense	40.4	39.0	80.8	79.2
INCOME BEFORE TAXES AND MINORITY INTEREST	156.3	175.3	345.9	429.0
Income taxes	45.1	54.5	105.0	147.3
Minority interest(c)	4.3	.3(a)	7.6	.7(a)
NET INCOME	\$ 106.9	\$ 120.5	\$ 233.3	\$ 281.0
BASIC EARNINGS PER COMMON SHARE	\$.51	\$.56	\$ 1.10	\$ 1.29
DILUTED EARNINGS PER COMMON SHARE	\$.50	\$.55	\$ 1.08	\$ 1.27
WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in millions)	211.6	215.9	211.5	217.1
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES (in millions) (d)	215.1	220.9	215.3	221.8
DIVIDENDS DECLARED PER COMMON SHARE - Cash	\$.17	\$.15	\$.34	\$.30

(a) The results for the three and six months ended 31 March 1998 have been restated to reflect the current year presentation of minority interest in a separate line item between income taxes and net income.

(b) The results for the three and six months ended 31 March 1998 have been restated to reflect the current year presentation of distribution expense in cost of sales.

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

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

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

(Millions of dollars, except per share)

ASSETS	31 March 1999	31 March 1998
CURRENT ASSETS		
Cash and cash items	\$ 85.5	\$ 85.0
Trade receivables, less allowances for doubtful accounts	889.2	865.3
Inventories	432.9	407.5
Contracts in progress, less progress billings	143.0	86.1
Other current assets	164.8	166.2
TOTAL CURRENT ASSETS	1,715.4	1,610.1
INVESTMENTS IN NET ASSETS OF AND ADVANCES TO UNCONSOLIDATED AFFILIATES		
OTHER INVESTMENTS AND ADVANCES	441.5	330.4
PLANT AND EQUIPMENT, at cost	24.7	23.9
Less - Accumulated depreciation	9,744.2	8,996.4
	4,833.1	4,460.9
PLANT AND EQUIPMENT, net	4,911.1	4,535.5
GOODWILL	343.0	277.2
OTHER NONCURRENT ASSETS	357.9	382.7
TOTAL ASSETS	\$7,793.6	\$7,159.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables, trade and other	\$ 513.6	\$ 543.9
Accrued liabilities	306.5	278.5
Accrued income taxes	30.7	84.9
Short-term borrowings	288.3	88.5
Current portion of long-term debt	201.7	124.3
TOTAL CURRENT LIABILITIES	1,340.8	1,120.1
LONG-TERM DEBT	2,231.7	2,254.2
DEFERRED INCOME & OTHER NONCURRENT LIABILITIES	590.6	492.6
DEFERRED INCOME TAXES	730.2	674.4
TOTAL LIABILITIES	4,893.3	4,541.3
MINORITY INTERESTS IN SUBSIDIARY COMPANIES	124.3	17.8
SHAREHOLDERS' EQUITY		
Common stock, par value \$1 per share	249.5	124.7
Capital in excess of par value	335.2	453.4
Retained earnings	3,561.3	3,206.4
Accumulated other comprehensive income	(283.7)	(258.1)
Treasury stock, at cost	(681.7)	(492.0)
Shares in trust	(404.6)	(433.7)
TOTAL SHAREHOLDERS' EQUITY	2,776.0	2,600.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$7,793.6	\$7,159.8

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

(Millions of dollars)

	Three Months Ended 31 March		Six Months Ended 31 March	
	1999	1998	1999	1998
NET INCOME	\$ 106.9	\$ 120.5	\$ 233.3	\$ 281.0
OTHER COMPREHENSIVE INCOME, net of tax				
Foreign currency translation adjustments	(80.6)	(47.9)	(56.3)	(80.7)
Unrealized gains on investments:				
Unrealized holding gains arising during the period	.2	4.1	4.1	1.7
Less: reclassification adjustment for gains included in net income	--	--	--	--
Net unrealized gains on investments	.2	4.1	4.1	1.7
TOTAL OTHER COMPREHENSIVE INCOME	(80.4)	(43.8)	(52.2)	(79.0)
COMPREHENSIVE INCOME	\$ 26.5	\$ 76.7	\$ 181.1	\$ 202.0

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

(Millions of dollars)

	Six Months Ended 31 March	
	1999	1998
OPERATING ACTIVITIES		
Net Income	\$233.3	\$281.0
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation	261.3	238.2
Deferred income taxes	31.9	37.6
Ref-Fuel divestiture deferred income taxes	--	(80.3)
Gain on formation of polymer venture	(31.1)	--
Undistributed (earnings) of unconsolidated affiliates	(4.6)	15.9
Loss (gain) on sale of assets and investments	1.6	(83.7)
Other	68.0	65.1
Working capital changes that provided (used) cash, net of effects of acquisitions:		
Trade receivables	(18.7)	9.7
Other receivables	43.2	34.0
Inventories and contracts in progress	(40.2)	18.6
Payables, trade and other	45.7	(66.9)
Accrued liabilities	(31.2)	(48.8)
Accrued income taxes	(2.4)	89.0
Other	(5.1)	(10.9)
Cash (used for) discontinued operations	(2.0)	(3.4)
CASH PROVIDED BY OPERATING ACTIVITIES	549.7	495.1
INVESTING ACTIVITIES		
Additions to plant and equipment	(450.9)	(332.7)
Acquisitions, less cash acquired	(22.4)	(125.0)
Investment in and advances to unconsolidated affiliates	(66.0)	(10.0)
Proceeds from sale of assets and investments	31.3	285.9
Other	19.8	(13.8)
CASH (USED FOR) INVESTING ACTIVITIES	(488.2)	(195.6)
FINANCING ACTIVITIES		
Long-term debt proceeds	51.5	52.2
Payments on long-term debt	(31.7)	(54.0)
Net increase in commercial paper	11.4	10.2
Net increase (decrease) in other short-term borrowings	9.2	(15.1)
Dividends paid to shareholders	(71.9)	(65.4)
Purchase of Treasury Stock	(24.6)	(200.0)
Other	19.6	7.1
CASH (USED FOR) FINANCING ACTIVITIES	(36.5)	(265.0)
Effect of Exchange Rate Changes on Cash	(1.0)	(2.0)
Increase in Cash and Cash Items	24.0	32.5
Cash and Cash Items - Beginning of Year	61.5	52.5
Cash and Cash Items - End of Period	\$85.5	\$85.0

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

The results for the three and six months ended 31 March 1999 include a charge of \$10.3 million (\$6.4 million after-tax or \$.03 per share) primarily related to Chemicals facility closure costs.

The results for the six months ended 31 March 1999 include a net gain of \$31.1 million (\$21.3 million after-tax or \$.10 per share) related to the formation of Air Products Polymers (a 65% majority owned venture with Wacker-Chemie). The gain was partially offset by costs related to an emulsions facility shutdown not included in the joint venture and for costs related to indemnities provided by Air Products to the venture.

On 21 December 1998, the Company committed to a global cost reduction plan. The plan results in a staffing reduction of 206 employees in the areas of manufacturing, distribution, and overhead. The plan will be completed by 31 December 1999. \$20.3 million (\$12.9 million after-tax or \$.06 per share) related to employee termination benefits was charged to expense in the first fiscal quarter of which \$10.3 million has been incurred and the balance is included in accrued liabilities. The charges to cost of sales, selling and administrative and research and development were \$9.9 million, \$9.3 million and \$1.1 million, respectively.

In December 1997, the Company sold its 50% interest in American Ref-Fuel Company, its former waste-to-energy joint venture with Browning-Ferris Industries, Inc.(BFI), to Duke Energy Power Services and United American Energy Corporation. This transaction provided for the sale of Air Products' interest in American Ref-Fuel's five waste-to-energy facilities for \$237 million, and the assumption of various parental support agreements by Duke Energy Capital Corporation, the parent company of Duke Energy Power Services. The income statement for the six months ended 31 March 1998 includes a gain of \$62.6 million from this sale, (\$35.1 million after-tax or \$.16 per share).

The results for the six months ended 31 March 1998 also include a gain of \$12.6 million from a cogeneration project contract settlement(\$7.6 million after-tax or \$.03 per share).

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

(Millions of dollars)

	Three Months Ended 31 March		Six Months Ended 31 March	
	1999	1998	1999	1998
Sales:				
Industrial Gases	\$ 727.0	\$ 715.3	\$1,467.8	\$1,442.3
Chemicals	416.9	378.4	818.7	759.3
Equipment/Services	109.4	114.9	241.4	241.8
Corporate/Other	--	--	--	--
CONSOLIDATED	\$1,253.3	\$1,208.6	\$2,527.9	\$2,443.4
Operating Income:				
Industrial Gases	\$ 142.6	\$ 144.7	\$ 264.8 (b)	\$ 291.9
Chemicals	44.2(a)	57.6	96.8(a)(b)	126.0
Equipment/Services	8.2	17.4	37.0 (b)	30.0
Corporate/Other	(12.3)	(13.3)(c)	(26.9)(b)	(28.5)(c)
CONSOLIDATED	\$ 182.7	\$ 206.4	\$ 371.7	\$ 419.4
Equity Affiliates' Income:				
Industrial Gases	\$ 7.2	\$ 2.8	\$ 13.3	\$ 3.2
Chemicals	3.4	.4	5.5	.4
Equipment/Services	3.6	3.9	4.7	8.3
Corporate/Other	(.1)	.8	.4	1.7
CONSOLIDATED	\$ 14.1	\$ 7.9	\$ 23.9	\$ 13.6
Operating Return on Net Assets:(d)				
Industrial Gases			11.1%	11.8%
Chemicals			15.2	17.9
Equipment/Services			30.8	13.9
Corporate/Other			N/A	N/A
CONSOLIDATED			11.6%	11.8%

(a) The results for the three and six months ended 31 March 1999 include a charge of \$10.3 million primarily related to Chemicals facility closure costs.

(b) The results for the six months ended 31 March 1999 include the cost reduction charge in Industrial Gases (\$16.3 million), Chemicals (\$1.6 million), Equipment/Services (\$1.9 million), and Corporate/Other (\$.5 million).

(c) The results for the three and six months ended 31 March 1998 have been restated to reflect the current year presentation of minority interest in a separate line item between income taxes and net income.

(d) Operating return on net assets (ORONA) is calculated as the rolling four quarter sum of operating income divided by the rolling five quarter average of total assets less investments in equity affiliates. The ORONA calculation excludes \$20.3 million in charges related to a global cost reduction plan and \$10.3 million in charges primarily related to Chemicals facility closure costs.

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

(Millions of dollars)

	Three Months Ended 31 March		Six Months Ended 31 March	
	1999	1998	1999	1998
Sales:				
United States	\$ 801.8	\$ 836.7	\$1,609.7	\$1,712.7
Europe	388.6	315.7	787.9	615.1
Canada/Latin America	45.2	52.4	103.2	103.7
Other	17.7	3.8	27.1	11.9
CONSOLIDATED	\$1,253.3	\$1,208.6	\$2,527.9	\$2,443.4
Operating Income:				
United States	\$ 126.7(a)	\$ 158.8 (c)	\$ 262.7(a)(b)	\$ 328.0 (c)
Europe	51.4	45.7 (c)	99.7 (b)	86.9 (c)
Canada/Latin America	5.3	3.3 (c)	10.7	6.8 (c)
Other	(.7)	(1.4)(c)	(1.4)	(2.3)(c)
CONSOLIDATED	\$ 182.7	\$ 206.4	\$ 371.7	\$ 419.4
Equity Affiliates' Income:				
United States	\$ 5.0	\$ 4.2	\$ 6.9	\$ 9.7
Europe	3.5	2.3	6.4	5.0
Canada/Latin America	4.4	2.7	8.9	5.6
Other	1.2	(1.3)	1.7	(6.7)
CONSOLIDATED	\$ 14.1	\$ 7.9	\$ 23.9	\$ 13.6

(a) The results for the three and six months ended 31 March 1999 include a charge of \$10.3 million primarily related to Chemicals facility closure costs.

(b) The results for the six months ended 31 March 1999 include the cost reduction charge in the United States (\$10.5 million) and Europe (\$9.8 million).

(c) The results for the three and six months ended 31 March 1998 have been restated to reflect the current year presentation of minority interest in a separate line item between income taxes and net income.

SIGNATURES

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

Air Products and Chemicals, Inc.

(Registrant)

Dated: 22 April 1999

By: /s/ Leo J. Daley

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