SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1994

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM _________ TO _________

COMMISSION FILE NUMBER 1-4534

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

Delaware	23-1274455
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
7201 Hamilton Boulevard Allentown, Pennsylvania	18195-1501
(Address of principal executive offices)	(Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $1.00 per share	New York and Pacific
Preferred Stock Purchase Rights	New York and Pacific
11 1/2% Notes Due 1995	New York
8 3/4% Debentures Due 2021	New York

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. / X /

The aggregate market value of the voting stock held by non-affiliates of the registrant on November 1, 1994 was $5.8 billion. For purposes of the foregoing calculation (i) all directors and/or executive officers have been deemed to be affiliates, but the Registrant disclaims that any such director and/or executive officer is an affiliate and (ii) Registrant's Flexible Employee Benefit Trust, described under Item 12 of this Report, is deemed a non-affiliate.

The number of shares of Common Stock outstanding as of November 30, 1994 was 123,389,852.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Shareholders for the fiscal year ended September 30, 1994. With the exception of those portions which are incorporated by reference into Parts I, II and IV of this Form 10-K, the Annual Report is not deemed to be filed.

Proxy Statement for Annual Meeting of Shareholders to be held January 26, 1995. . . Part III.

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PART I

ITEM 1. Business.

Through internal development and by acquisitions, Air Products and Chemicals, Inc. has established an internationally recognized industrial gas and related industrial process equipment business, and developed strong positions as a producer of certain chemicals. In addition, the Company has developed an environmental and energy business principally through joint ventures.

The industrial gases business segment recovers and distributes industrial gases such as oxygen, nitrogen, argon and hydrogen and a variety of medical and specialty gases. The chemicals business segment produces and markets specialty chemicals and chemical intermediates. The environmental and energy business is principally composed of joint ventures in waste-to-energy, cogeneration and flue-gas desulfurization. The equipment and technology business segment supplies cryogenic and other process equipment and related engineering services.

Financial information concerning the Company's business segments appears in Note 20 to the Consolidated Financial Statements included under Item 8 herein, which information is incorporated herein by reference, as are all other specific references herein to information appearing in such 1994 Financial Review Section of the Annual Report.

As used in this Report, the term "Air Products" or "Company" includes subsidiaries and predecessors of the registrant or its subsidiaries, unless the context indicates otherwise.

INDUSTRIAL GASES

The principal industrial gases sold by the Company are oxygen, nitrogen, argon (primarily recovered by the cryogenic distillation of air), hydrogen, carbon monoxide, carbon dioxide (purchased, purified or recovered through the processing of natural gas or the by-product streams from process plants), synthesis gas (combined streams of hydrogen and carbon monoxide) and helium (purchased or refined from crude helium). Medical and specialty gases are manufactured or blended by the Company, or purchased for resale.

The Company's industrial gas business involves two principal modes of supply:

"Tonnage" or "on-site" supply -- For large volume or "tonnage" users of industrial gases, a plant is built adjacent to or near the customer's facility--hence the term "on-site". Alternatively, the gases are delivered through a pipeline from nearby locations. Supply is generally made under contracts having terms in excess of three years. In at least six areas--the Houston (Texas) Ship Channel including the Port Arthur, Texas, area; "Silicon Valley", California; Phoenix, Arizona; Central Louisiana; Rotterdam, the Netherlands; and Corpus Christi, Texas--Air Products' hydrogen, oxygen, carbon monoxide or nitrogen gas pipelines serve multiple customers from one or more centrally located plants. Affiliates have pipelines in Korea, Thailand and Malaysia.

Merchant supply -- Smaller volumes of industrial gas products are delivered to thousands of customers in liquid or gaseous form by tanker trucks or tube trailers. These merchant customers use equipment designed and installed by Air Products to store the product near the point of use, normally in liquid state, and vaporize the product into gaseous state for their use as needed. Increasingly some customers are being supplied by small on-site generators using noncryogenic technology based on adsorption and membrane technology. Merchant customers' contract terms normally are from three to five years. Merchant gases and various specialty gases are also delivered in cylinders, dewars and lecture bottle sizes.

Oxygen, nitrogen, argon and hydrogen sold to merchant customers are usually recovered at large "stand-alone" facilities located near industrial areas or high-tech centers, small noncryogenic generators, or are taken from tonnage plants used primarily to supply tonnage users. Tonnage plants are frequently designed to have more capacity than is required by their principal customer to recover additional product that is liquefied for sale to a merchant market. Air Products also designs and builds systems for recovering oxygen, hydrogen, nitrogen, carbon monoxide and low dew point gases using adsorption technology.

Tonnage and merchant sales of atmospheric gases--oxygen, nitrogen and argon--constituted approximately 31% of Air Products' consolidated sales in fiscal 1994 and 1993 and 33% in fiscal 1992. Tonnage and merchant sales of industrial gases--principally oxygen, nitrogen and hydrogen--to the chemical

process industry and the basic steel industry, the largest consuming industries, were approximately 12% and 6%, respectively, of Air Products' consolidated sales in fiscal 1994.

The electronics industries are other important consumers of Air Products' industrial and specialty gases, as are the oil industry (which uses inert nitrogen for oil well stimulation and field pressurization and hydrogen and oxygen for refining) and the food industry (which uses liquid nitrogen for food freezing). Air Products believes that it is the largest liquefier of hydrogen, which it supplies to many customers including the National Aeronautics and Space Administration for its space shuttle program.

Helium is sold for use in magnetic resonance imaging equipment, controlled atmospheres processes, welding and superconductivity research. Medical gases are sold in the merchant market to hospitals and clinics, primarily for inhalation therapy.

Specialty gases include fluorine products, rare gases such as xenon, krypton and neon and more common gases of high-purity or gases which are precisely blended as mixtures. These gases are used in numerous industries and in electronic and laboratory applications.

Sales of industrial gases to merchant customers and sales of specialty products to the electronics industries are made principally through field sales forces from 97 offices in 37 states in the United States and Puerto Rico, and from 109 offices in 16 foreign countries. In addition, industrial gas companies in which the Company has investments operate in 14 foreign countries. See "Foreign Operations" on pages 4 and 5 of this report.

Electricity and hydrocarbons, including natural gas as a feedstock for producing certain gases, are important to Air Products' industrial gas business. See "Raw Materials and Energy". The Company's large truck fleet, which delivers products to merchant customers, requires a readily available supply of gasoline or diesel fuel. Also, environmental and health laws and regulations will continue to affect the Company's industrial gas businesses. See "Environmental Controls".

CHEMICALS

The Company's chemicals businesses consist of specialty chemicals and chemical intermediates where the Company is able to differentiate itself by the performance of its products in the customer's application, the technical service which the Company provides, the production technology employed by the Company or the scale of production practiced by the Company.

SPECIALTY CHEMICALS

Air Products' specialty chemicals are differentiated from the competition based on their performance when used in the customer's products and the technical service which the Company provides. The principal products of these businesses are polymer emulsions, polyvinyl alcohol, pressure sensitive adhesives, specialty additives, polyurethane additives and epoxy additives. Total sales from these businesses constituted approximately 20% of Air Products' consolidated sales in fiscal years 1994 and 1993 and 19% in fiscal year 1992.

Polymer Emulsions -- The Company's major emulsion products are vinyl acetate homopolymer emulsions and Airflex(w) vinyl acetate-ethylene copolymer emulsions. The Company also produces emulsions which incorporate vinyl chloride and various acrylates in the polymer. These products are used in adhesives, nonwoven fabric binders, paper coatings, paints, inks and carpet backing binder formulations.

Polyvinyl Alcohol -- These polymer products are water-soluble synthetic resins which are used in textile warp sizes, surface sizes for paper, adhesives, safety glass laminates and as emulsifying agents in polymerization.

Pressure Sensitive Adhesives -- These products are water-based acrylic emulsions which are used for both permanent and removable pressure sensitive adhesives primarily for labels and tapes.

Specialty Additives -- These products are primarily acetylenic alcohols and amines which are used as performance additives in coatings, lubricants, electro-deposition processes, agricultural formulations and corrosion inhibitors.

Polyurethane Additives -- These products include catalysts, surfactants and release agents which are used as performance control additives and processing aids in the production of both flexible and rigid polyurethane foam around the world. The principal end markets for polyurethane foams include furniture cushioning, insulation, carpet underlay, bedding and automobile seating.

Epoxy Additives -- These products include polyamides, aromatic amines, cycloaliphatic amines, reactive diluents and specialty epoxy resins which are used as performance additives in epoxy formulations by epoxy manufacturers worldwide. The end markets for epoxies are coatings, flooring, adhesives, reinforced composites and electrical laminates.

CHEMICAL INTERMEDIATES

The chemical intermediates businesses use the Company's proprietary technology and scale of production to differentiate themselves from the competition. The principal chemical intermediates sold by the Company include amines and polyurethane intermediates. The Company also produces certain industrial chemicals (acetic acid, ammonia, methanol and nitric acid), as raw materials for or coproducts of its differentiated products. Total third-party sales from these businesses constituted 14% of Air Products' consolidated sales in fiscal year 1994 and 13% in fiscal years 1993 and 1992.

Amines -- The Company produces a broad range of amines using ammonia and methanol, both manufactured by Air Products, and other alcohol feedstocks purchased from various suppliers. Other, more specialized amines are produced by the hydrogenation of purchased intermediates. Substantial quantities of these products are sold under long-term contracts to a small number of customers. These products are used by the Company's customers as raw materials in the manufacture of herbicides, pesticides, water treatment chemicals, animal nutrients, polyurethane coatings, artificial sweeteners, rubber chemicals and pharmaceuticals.

Polyurethane Intermediates -- The Company produces dinitrotoluene ("DNT") and toluene diamine ("TDA") for use as intermediates by the Company's customers in the manufacture of a major precursor of flexible polyurethane foam. The principal end markets for flexible polyurethane foams include furniture cushioning, carpet underlay, bedding and seating in automobiles. Virtually all of the Company's production of DNT and TDA is sold under long-term contracts to a small number of customers.

Industrial Chemicals -- The Company produces acetic acid as a coproduct with polyvinyl alcohol. Air Products sells acetic acid as a merchant product to a variety of markets including textiles, pharmaceuticals and electronics. The Company also produces anhydrous ammonia, ammonium nitrate prills and solutions, and urea-ammonium nitrate solutions which are primarily used by customers as fertilizers, or in other agricultural applications. Ammonia is also used as a feedstock for alkylamines and polyurethane intermediates. Methanol is principally used by Air Products as a feedstock in methylamine production. It is also sold to others for use as an intermediate in the production of formaldehyde, antifreeze, and as an additive to improve the octane rating of gasoline.

* * *

Chemical sales are supported from various locations in the United States, England, Germany, Hong Kong, Mexico, the Netherlands, Japan and Singapore and through sales representatives or distributors in most industrialized countries. Dry products are delivered in railcars, trucks, drums, bags and cartons. Liquid products are delivered by barge, rail tank cars, tank-trailers, drums and pails, and, at one location, by pipeline.

The chemicals business depends on adequate energy sources, including natural gas as a feedstock for the production of certain products (see "Raw Materials and Energy"), and will continue to be affected by various environmental and health laws and regulations (see "Environmental Controls").

ENVIRONMENTAL AND ENERGY

The Company's environmental and energy business includes the Company's interest in American Ref-Fuel Company's waste-to-energy business, fluidized-bed coal and coal waste burning and natural gas fired cogeneration facilities and Pure Air's business of removal of sulfur dioxide from flue gases. Construction, management and operating services, and equipment sales by Air Products to the cogeneration and Pure Air project companies are included in the Environmental and Energy segment. The landfill gas business, which

is also included in the segment, recovers and processes methane gas generated by landfills. The recovered gas is sold as a fuel or used to generate electric power that is then sold to utilities.

American Ref-Fuel -- The Company's marketing partnership with Browning-Ferris Industries, Inc.--one of the world's largest waste services firms--designs, constructs, owns and operates plants through affiliates to combust solid waste, generate steam and convert the steam to electricity. This venture, American Ref-Fuel, combines Air Products' strengths in engineering and operation of large industrial gas and chemical plants; Browning-Ferris' knowledge of the waste market; and the proven technology of a European firm that has built numerous waste-to-energy plants. American Ref-Fuel partnerships owned equally by subsidiaries of Air Products and Browning-Ferris operate waste-to-energy facilities in Hempstead (Long Island), New York, and Essex County, New Jersey, which each combust approximately 900,000 tons per year of solid waste and generate electricity. A smaller waste-to-energy facility which combusts approximately 250,000 tons per year of solid waste is located in Preston, Connecticut. An American Ref-Fuel partnership also operates a waste-to-energy facility near Niagara Falls which processes about 700,000 tons per year of municipal waste, which is currently being expanded to process about 800,000 tons per year.

Cogeneration -- Air Products constructed, operates and has a 50% interest in a 49-megawatt fluidized-bed coal-fired power facility in Stockton, California; an 85-megawatt coal waste burning cogeneration facility in western Pennsylvania; and a 120-megawatt gas-fired combine cycle cogeneration facility in Orlando, Florida.

Pure Air -- Pure Air, the Company's venture with Mitsubishi Heavy Industries America, Inc., is marketing the Pure Air(TM) process in the United States. Air Products operates and owns a 50% interest in a facility utilizing the Pure Air process for removing sulfur dioxide from the flue gas of a coal-fired power plant in Indiana. Air Products is developing a similar facility utilizing the Pure Air(TM) process for removing sulfur dioxide from the flue gas of an electric plant in Florida to be powered by Orimulsion(R) fuel.

Additional information with respect to the Company's environmental and energy business is included in Notes 10 and 17 to the Consolidated Financial Statements included under Item 8 herein.

EQUIPMENT AND TECHNOLOGY

The equipment business of Air Products designs, manufactures and supplies cryogenic and other process equipment. Specifically, equipment is manufactured for cryogenic air separation, gas processing, natural gas liquefaction, hydrogen purification, and nitrogen rejection. Air Products also designs and builds systems for recovering hydrogen, nitrogen, carbon monoxide, carbon dioxide and low dew point gases using membrane technology. Additionally, a broad range of plant design, engineering, procurement, and construction management services is provided for the above areas. Equipment is manufactured for use by the industrial gases segment and for sale in industrial markets. The technology areas include certain research and commercial activities in technical diversification that are not directly related to the Company's other business segments.

The backlog of orders (including letters of intent) believed to be firm from other companies and equity affiliates for equipment was approximately $183 million on September 30, 1994, approximately 11% of which relates to natural gas liquefaction, as compared with a total backlog of approximately $193 million on September 30, 1993. It is expected that approximately $143 million of the backlog on September 30, 1994, will be completed during fiscal 1995.

GENERAL

FOREIGN OPERATIONS

Air Products through subsidiaries and affiliates conducts business in numerous countries outside the United States. The structure of the Air Products industrial gas business in Europe mirrors the Company's United States operation. Air Products' international business is subject to risks customarily encountered in foreign operations, including fluctuations in foreign currency exchange rates and controls, import and export controls, and other economic, political and regulatory policies of local governments.

Wholly owned subsidiaries operate in Australia, Austria, Belgium, Brazil, Canada, the Czech Republic, Dubai of the United Arab Emirates, France, Germany, Ireland, Italy, Japan, Mexico, the Netherlands,

Norway, Poland, Singapore and the United Kingdom. The Company also has less than controlling interests in industrial gas companies in China, Germany, Hong Kong, Indonesia, Italy, Japan, Malaysia, Mexico, Portugal, the Republic of Korea, Spain, Taiwan, Thailand and the United Kingdom. Air Products also has a 65% owned subsidiary engaged in the specialty gas and helium business in China, a 58% owned subsidiary engaged principally in cryogenic equipment manufacturing in the Czech Republic and 50% owned affiliates in France and South Africa (industrial gases) and the Republic of Korea (polymers).

The Company and a French industrial gas company have a joint venture in Algeria with the national oil company to construct, own and operate a helium purification and liquefaction plant which will provide helium to Air Products and the French industrial gas company. The helium facility is scheduled to commence production in early 1995.

In October 1994, the Company formed a majority-owned corporate joint venture in Mexico which acquired the polymer emulsions assets of a Mexican company including its manufacturing facility in Queretaro, north of Mexico City.

In October 1994, the Company announced a plan to acquire over the next two years up to 100% of the outstanding shares of the Sociedad Espanola de Carburos Metalicos, S.A., a major industrial gas company in Spain in which a minority interest is currently owned. See Note 18 to the Consolidated Financial Statements included under Item 8 herein.

Financial information about Air Products' foreign operations and investments is included in Notes 10, 12 and 20 to the Consolidated Financial Statements included under Item 8 herein. Information about foreign currency translation is included in Note 1 to the Consolidated Financial Statements included under Item 8 herein, under "Foreign Currency" and information on Company exposure to currency fluctuations is included in Note 7 to the Consolidated Financial Statements included under Item 8 herein, under "Foreign Exchange Contracts". Export sales from operations in the United States to unconsolidated customers amounted to $336 million, $342 million and $380 million in 1994, 1993 and 1992, respectively. Less than 15% of the total export sales are to affiliated customers.

TECHNOLOGY DEVELOPMENT

Air Products conducts research and development principally in its laboratories located in Trexlertown, Pennsylvania, as well as in Manchester and Basingstoke, England, Utrecht, Netherlands and Hamburg, Germany. The Company also works closely on research and development programs with a number of major universities and conducts a sizeable amount of research work funded by others, principally the United States Government.

The Company's market-oriented approach to technology development encompasses research and development, and engineering as well as commercial development.

The amount expended by the Company on research and development during fiscal 1994 was $97 million compared with $92 million and $85 million during fiscal 1993 and 1992, respectively. In addition, the Company estimates approximately $9 million was spent in fiscal year 1994, and approximately $9 million and $8 million was spent in fiscal years 1993 and 1992, respectively, on customer-sponsored research activities relating to the development or improvement of products, services or techniques.

In the industrial gases and equipment and technology segments, technology development is directed primarily to developing new and improved processes and equipment for the production and delivery of industrial gases and cryogenic fluids, developing new products, and developing new and improved applications for industrial gases. It is through such applications and improvements that the Company has become a major supplier to the electronics, polymer, petroleum, rubber, plastics, food processing and paper industries. Through fundamental research into sieve and polymer materials, advanced process engineering and integrated manufacturing methods, the Company discovers, develops and improves the economics of noncryogenic gas separation technologies.

In the chemicals segment, technology development is primarily concerned with new products and applications to strengthen and extend our present positions in specialty chemicals. In addition, a major continuing effort supports the development of new and improved manufacturing technology for chemical intermediates and various types of polymers.

Technology development for the environmental and energy businesses is directed primarily to reduce the capital and operating costs of its facilities and to commercialize new technologies in power production, air pollution control and nonhazardous waste disposal systems.

A corporate research group supports the research efforts of the Company's various businesses. This group includes the Company's Corporate Science and Technology Center, which conducts exploratory research in areas important to the long-term growth of the Company's core businesses, e.g., fluorine chemicals, gas and fluid separations, polymer science and organic synthesis.

As of November 1, 1994, Air Products owned 1,139 United States patents and 1,723 foreign patents. The Company is also licensed to practice under patents owned by others. While the patents and licenses are considered important, Air Products does not consider its business as a whole to be materially dependent upon any particular patent or patent license, or group of patents or licenses.

RAW MATERIALS AND ENERGY

The Company manufactures anhydrous ammonia, hydrogen, carbon monoxide, carbon dioxide and methanol principally from natural gas. Such products accounted for approximately 6% of the Company's consolidated sales in fiscal 1994. The Company's principal raw material purchases are chemical intermediates produced by others from basic petrochemical feedstocks such as olefins and aromatic hydrocarbons. These feedstocks are generally derived from various crude oil fractions or from liquids extracted from natural gas. The Company purchases its chemical intermediates from many sources and generally is not dependent on one supplier. However, with respect to vinyl acetate monomer, which supports the polymer business, the Company is heavily dependent on a single supplier under a long-term contract, which produces vinyl acetate monomer from several facilities. The Company characterizes the availability of these chemical intermediates as generally being readily available. The Company uses such raw materials in the production of emulsions, polyvinyl alcohol, amines, polyurethane intermediates, specialty additives, polyurethane additives and epoxy additives. Such products accounted for approximately 32% of the Company's consolidated sales in fiscal 1994. Natural gas is an energy source at a number of the Company's facilities.

The Company's industrial gas facilities use substantial amounts of electrical power. Any shortage of electrical power or interruption of its supply or increase in its price which cannot be passed through to customers for competitive reasons will adversely affect the merchant industrial gas business of the Company.

In addition, the Company purchases finished and semifinished materials and chemical intermediates from many suppliers. During fiscal 1994 no significant difficulties were encountered in obtaining adequate supplies of energy or raw materials.

The Company's Environmental and Energy Systems ventures use substantial amounts of natural gas, coal, coal waste and limestone which generally are supplied under long-term contracts.

ENVIRONMENTAL CONTROLS

The Company is subject to various environmental laws and regulations in the United States and foreign countries where it has operations. Compliance with these laws and regulations results in higher capital expenditures and costs. Additionally, from time to time the Company is involved in proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (the federal Superfund law), similar state laws, and the Resource Conservation and Recovery Act (RCRA) relating to the designation of certain sites for investigation and possible cleanup. Additional information with respect to these proceedings is included under Item 3, Legal Proceedings, below. The Company's accounting policies on environmental expenditures are discussed in Note 1 to the Consolidated Financial Statements included under Item 8 herein.

The amounts charged to earnings on an after-tax basis related to environmental protection totaled $27.9 million, $31.9 million, and $28.5 million for 1994, 1993, and 1992, respectively. These amounts represent expenses for compliance with environmental laws, as well as remedial activities, and costs incurred to meet internal Company standards. Such costs are estimated to be approximately $30 million in both 1995 and 1996.

Although precise amounts are difficult to define, the Company estimates that in fiscal 1994 it spent approximately $21 million on capital projects to control pollution (including expenditures associated with new plants) versus $19 million in 1993. Capital expenditures to control pollution in future years are estimated at $38 million in 1995 and $28 million in 1996. In addition, the Company's joint ventures in the environmental

and energy businesses include in the capital costs of their projects the costs of equipment and systems to control pollution. For example, it is estimated that in fiscal 1994 the ventures of the Company in Ref-Fuel and cogeneration projects spent approximately $4 million on equipment and systems within their facilities to control pollution, and it is estimated that approximately $20 million and $18 million will be expended in fiscal 1995 and 1996, respectively. With respect to certain of the Company's ventures, such as Pure Air, legal requirements for environmental controls are viewed as a business opportunity. For example, the Company estimates that in fiscal 1994 it spent approximately $1 million on a capital project relating to a Pure Air venture in Florida and capital expenditures for future years are estimated at $2 million in 1995 and $55 million in 1996. Additional information with respect to these ventures is included on pages 3 and 4 of this report.

The exact amount to be expended by the Company and its environmental and energy business joint ventures on equipment to control pollution will depend upon the timing of the capital projects and timing and content of regulations promulgated by environmental regulatory bodies during the life of any capital investment. Efforts are made to pass these costs through to customers. For example, with respect to most Ref-Fuel ventures, to the extent subsequent law changes require additional environmental equipment to control pollution, the costs generally are passed through to the municipality under long-term waste disposal contracts. To the extent long-term contracts have been entered into for supply of product such as for the industrial gas on-site business and for certain chemical products, the cost of any environmental compliance generally is contractually passed through to the customer.

It is the Company's policy to accrue environmental investigatory and noncapital remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from $24 million to a reasonably possible upper exposure of $55 million. The balance sheet at 30 September 1994 includes an accrual of $29.6 million. At 30 September 1993, the balance sheet accrual was $29.5 million.

In addition to the environmental exposures discussed in the preceding paragraph, there will be additional spending at a Company-owned manufacturing site where the Company is expected to undertake RCRA corrective action remediation. The Company estimates capital costs to implement the anticipated remedial program will range from $13-$20 million, with spending to commence during fiscal 1997. Operating and maintenance expenses associated with continuing the remedial program are estimated to reach $1 million per year by fiscal 2000 and could continue for an estimated period of up to 30 years.

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

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

COMPETITION

The Company's businesses face strong competition from others, some of which are larger and have greater resources than Air Products.

Air Products' industrial gas business competes in the United States with three major sellers and with several regional sellers. Competition in industrial gas markets is based primarily on price, reliability of supply, and furnishing or developing applications for use of such gases by customers. A similar competitive situation exists in European industrial gas markets in which the Company competes against one or more larger entrenched competitors in each country.

The number of the Company's principal competitors in the chemicals business varies from product to product, and it is not practical to identify such competitors because of the broad range of the Company's chemical products and the markets served, although the Company believes it has a leading or strong market position in most of its chemical products. For amines the competition is principally from other large chemical companies that also have the ability to provide competitive pricing, reliability of supply, technical service assistance and quality products and services. The possibility of back integration by large customers is the

major competitive factor for the sale of polyurethane intermediates. In its other chemical products, the Company competes with a large number of chemical companies some of which are larger, possess greater financial resources, and are more vertically integrated than the Company. Competition in these products is principally on the basis of price, quality, product performance, reliability of product supply and technical service assistance.

The Company's environmental and energy businesses compete in all aspects with a great number of firms, some of which have greater technical and financial resources than Air Products' ventures. Competition is based primarily on technological performance, service, technical know-how, price and performance guarantees. Competing for selection as a project developer may require commitment of substantial resources over a long period of time, without any certainty of being ultimately selected. Competition for attractive development opportunities is intense, as there are a number of competitors in the industries interested in such opportunities. Air Products believes that its and its joint ventures' comprehensive project development capability, operating experience, engineering and financing capabilities and construction management experience will enable it to compete effectively.

Price, delivery, technological advantage and reputation for performance are generally the important factors in competing for sales of cryogenic equipment, other equipment and process engineering services. Another important factor in certain export sales is financing provided by governmental entities in the United States and the United Kingdom as compared with financing offered by their counterparts in other countries.

INSURANCE

The Company's policy is to obtain public liability and property insurance coverage that is currently available at what management determines to be a fair and reasonable price. The Company, for itself and its Environmental and Energy joint venture affiliates for which it assumes turnkey construction or operating responsibility, maintains public liability and property insurance coverage at amounts which management believes are sufficient, after retention, to meet the company's anticipated needs in light of historical experience to cover future litigation and claims. There is no assurance, however, that the Company will not incur losses beyond the limits of, or outside the coverage of, its insurance.

EMPLOYEES

On September 30, 1994, the Company had approximately 13,300 full-time employees of whom approximately 3,600 were located outside the United States. The Company has collective bargaining agreements with unions at numerous locations, which expire on various dates over the next three years including an agreement with the Oil, Chemical and Atomic Workers Union (O.C.A.W.) relating to the facility which produces polyvinyl acetate emulsions, polyvinyl alcohol, acetic acid and acetylenic chemicals in Calvert City, Kentucky which agreement expires in February 1995. The Company considers relations with its employees to be satisfactory. The Company does not believe that any expiring collective bargaining agreements will result in a material adverse impact on the Company.

EXECUTIVE OFFICERS OF THE COMPANY

The Company's executive officers, their respective positions and their respective ages on December 15, 1994 follow. Except where indicated, each of the executive officers listed below has been employed by the Company in the position indicated during the past five fiscal years. Information with respect to offices held is stated in fiscal years.

NAME	AGE	OFFICE
James H. Agger .... (D)	58	Vice President, General Counsel and Secretary (became Secretary in 1990)
Robert E. Gadomski .... (D)	47	Group Vice President--Chemicals Group (became Group Vice President--Chemicals Group in 1992; Group Vice President--Process Systems Group 1990-1992; Vice President and General Manager--Process Systems Group 1988-1990)

Joseph J. Kaminski .... (D)	55	Executive Vice President--Gases and Equipment (became Executive Vice President--Gases and Equipment in 1993; President--Air Products Europe, Inc. 1990-1993; Vice President--Corporate Planning 1988-1990)
Arnold H. Kaplan .... (D)	55	Vice President--Energy and Materials
J. Robert Lovett .... (D)	63	Executive Vice President--Strategic Planning and Technology (became Executive Vice President--Strategic Planning and Technology in 1993; Executive Vice President--Gases and Equipment 1992-1993; Group Vice President--Chemicals Group 1988-1992)
Harold A. Wagner .... (A) (B) (C) (D)	59	Chairman of the Board, President and Chief Executive Officer (became Chairman of the Board and Chief Executive Officer in 1992; President in 1991; Executive Vice President--Gases and Equipment 1990-1991; President--Air Products Europe, Inc. 1988-1990)
Gerald A. White .... (D)	60	Senior Vice President--Finance (became Senior Vice President President--Finance in 1992; Vice President--Finance 1982-1992)

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(A) Member, Board of Directors.
(B) Member, Executive Committee of the Board of Directors.
(C) Member, Finance Committee of the Board of Directors.
(D) Member, Management Committee.

ITEM 2. PROPERTIES.

The principal executive offices of Air Products are located at its headquarters in Trexlertown, near Allentown, Pennsylvania. Additional administrative offices are located in owned facilities in Hersham, Surrey, England, near London, and Brampton, near Toronto, Canada, and in leased facilities in Fogelsville, Pennsylvania, Tokyo, Japan, and Sao Paulo, Brazil. The management considers the Company's facilities, described in more detail below, to be adequate to support the business efficiently. The following information with respect to properties is as of September 30, 1994.

INDUSTRIAL GASES

The industrial gases segment has approximately 147 plant facilities in 37 states, the majority of which recover nitrogen, oxygen and argon. The Company has six facilities which produce specialty gases and 23 facilities which recover hydrogen throughout the United States. Helium is recovered at two plants in Kansas and Texas, and acetylene is manufactured at six plants in six states in the United States. There are 104 sales offices and/or cylinder distribution centers located in 39 states.

The land on which the above plants are located is owned by Air Products at approximately one-third of the locations, and leased by Air Products at the remaining locations. However, in all cases, the plant itself is owned and operated by Air Products. Air Products owns approximately half of its sales offices and cylinder distribution centers, including related real estate, and leases the other half. A few industrial gas facilities of the Company are pledged as collateral under loans.

Air Products' European plant facilities total 39, and include six plants which recover hydrogen, three plants which manufacture dissolved acetylene, and one which recovers carbon monoxide. The majority of European plants recover nitrogen, oxygen and argon. In addition, there are three specialty gas centers. There is a combined total of 83 sales offices and/or cylinder distribution centers in Europe, and several additional facilities located in Brazil, Canada, Japan, Puerto Rico and the Middle East.

CHEMICALS

The chemicals segment manufactures amines, nitric acid, methanol, anhydrous ammonia and ammonia products at its Pace, Florida, facility; anhydrous ammonia at its New Orleans, Louisiana, facility; alkylamines at its St. Gabriel, Louisiana, facility; polyvinyl acetate emulsions at its South Brunswick, New

Jersey facility; nitric acid, dinitrotoluene, toluene diamine, polyvinyl alcohol and acetic acid at its Pasadena, Texas, facility; and polyvinyl acetate emulsions, polyvinyl alcohol, acetic acid and acetylenic chemicals at its Calvert City, Kentucky, facility; specialty amines at its Wichita, Kansas, facility; polyurethane additives release agents at its Hamburg, Germany, facility; and epoxy additives at its facilities in Manchester, England; Los Angeles, California and Cumberland, Rhode Island. The chemicals segment manufactures polyurethane additives at its Paulsboro, New Jersey, facility which is leased in part and owned in part. The chemicals segment also manufactures polyvinyl acetate emulsions at a number of smaller locations.

The chemicals segment has 17 plant facilities and six sales offices in the United States and operates two plants, six sales/representative offices and three laboratories in Europe, one laboratory in Brazil and sales offices in Australia, Brazil, Japan, Mexico and Singapore and sales/representative offices in Hong Kong. Substantially all of the chemicals segment's plants and real estate thereunder are owned. Approximately 75% of the offices are leased by the Company and 25% are owned.

ENVIRONMENTAL AND ENERGY

In addition to the joint venture facilities, described in the Environmental and Energy business on pages 3 and 4 of this report, the environmental and energy business has eight landfill gas-gathering facilities. Most of the Environmental and Energy projects are pledged as collateral under financing agreements.

EQUIPMENT AND TECHNOLOGY

The principal facilities utilized by the equipment and technology segment include five plants and two offices in the United States, three plants and three offices in Europe and one office in Japan. Air Products owns approximately 50% of the facilities and real estate in this segment and leases the remaining 50%.

ITEM 3.   LEGAL PROCEEDINGS.

In the normal course of business Air Products and its subsidiaries are involved in legal proceedings including proceedings involving governmental authorities. Included in these claims and actions are proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (the federal superfund law), the Resource Conservation and Recovery Act and similar state environmental laws relating to the designation of certain sites for investigation or remediation. There are presently approximately 60 sites on which a final settlement has not been reached where the Company, along with others, has been designated a Potentially Responsible Party by the Environmental Protection Agency or is otherwise engaged in investigation or remediation. The Company does not expect that any sums it may have to pay in connection with these matters would have a materially adverse effect on its consolidated financial position nor is there any material additional exposure expected in any one year in excess of the amounts the Company currently has accrued. Additional information on the Company's environmental exposure is included under Environmental Controls on pages 6 and 7 of this report.

ITEM 4.   SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5.   MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDERS MATTERS.

Market and dividend information for the Company's Common Stock appears under "Eleven-Year Summary of Selected Financial Data" on pages 28 and 29 of the 1994 Financial Review Section of the Annual Report to Shareholders which is incorporated herein by reference. In addition, the Company has authority to issue 25,000,000 shares of preferred stock in series. The Board of Directors is authorized to designate the series and to fix the relative voting, dividend, conversion, liquidation, redemption and other rights, preferences and limitations as between series. When preferred stock is issued, holders of Common Stock are subject to the dividend and liquidation preferences and other prior rights of the preferred stock. There currently is no preferred stock outstanding.

As of November 30, 1994, there were 11,765 record holders of the Company's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA.

The tabular information appearing under "Eleven-Year Summary of Selected Financial Data" on pages 28 and 29 of the 1994 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The textual information appearing under "Management's Discussion and Analysis" on pages 1 through 6 of the 1994 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS.

The consolidated financial statements and the related notes thereto together with the report thereon of Arthur Andersen LLP dated 3 November 1994, appearing on pages 7 through 27 of the 1994 Financial Review Section of the Annual Report to Shareholders, are incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY.

The biographical information relating to the Company's directors contained on pages 2 through 5 of the Proxy Statement relating to the Company's 1995 Annual Meeting of Shareholders is incorporated herein by reference. Biographical information relating to the Company's executive officers is set forth in Item 1 of Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION.

The information under "Other Relationships and Transactions", "Remuneration of Directors", "Report of the Management Development and Compensation Committee", "Compensation and Option Tables", "Stock Performance Information", "Pension Plans", and "Certain Agreements with Executive Officers" appearing on pages 7 through 18 of the Proxy Statement relating to the Company's 1995 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required for this Item is set forth in the section headed "Security Ownership of Certain Beneficial Owners and Management" contained on pages 18 through 20 of the Proxy Statement relating to the Company's 1995 Annual Meeting of Shareholders and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information under "Other Relationships and Transactions" appearing on page 7 of the Proxy Statement relating to the Company's 1995 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

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

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

1. The 1994 Financial Review Section of the Company's 1994 Annual Report to Shareholders. Information contained therein is not deemed filed except as it is incorporated by reference into this Report. The following financial information is incorporated herein by reference:

(PAGE REFERENCES TO 1994 FINANCIAL REVIEW SECTION OF THE ANNUAL REPORT)

Management's Discussion and Analysis	1
Report of Independent Public Accountants	7
Consolidated Income for the three years ended 30 September 1994	8
Consolidated Balance Sheets at 30 September 1994 and 1993	9
Consolidated Cash Flows for the three years ended 30 September 1994	10
Consolidated Shareholders' Equity for the three years ended 30 September 1994	11
Notes to Consolidated Financial Statements	12
Business Segment and Geographic Information	26
Eleven-Year Summary of Selected Financial Data	28

2. The following additional information should be read in conjunction with the financial statements in the Company's 1994 Financial Review Section of the Annual Report to Shareholders:

(PAGE REFERENCES TO THIS REPORT)

Report of Independent Public Accountants on Schedules	17
Consent of Independent Public Accountants	17

Consolidated Schedules for the years ended 30 September 1994, 1993 and 1992 as follows:

SCHEDULE NUMBER		
V	Plant and Equipment	18
VI	Accumulated Depreciation of Plant and Equipment	19
VIII	Valuation and Qualifying Accounts	20

All other schedules are omitted because the required matter or conditions are not present or because the information required by the Schedules is submitted as part of the consolidated financial statements and notes thereto.

3. EXHIBITS.

(3) Articles of Incorporation and By-Laws.

3.1 By-Laws of the Company. (Filed as Exhibit 3.1 to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

3.2 Restated Certificate of Incorporation of the Company. (Filed as Exhibit 3.2 to the Company's Form 10-K Report for the fiscal year ended September 30, 1987.)*

(4) Instruments defining the rights of security holders, including indentures. Upon request of the Securities and Exchange Commission, the Company hereby undertakes to furnish copies of the instruments with respect to its long-term debt.

4.1 Rights Agreement, dated as of March 23, 1988, between the Company and The Chase Manhattan Bank, N.A. (Filed as Exhibit 1, 2 to the Company's Form 8-A Registration Statement dated March 28, 1988.)*

(10) Material Contracts.

10.1 1990 Deferred Stock Plan of the Company, as amended and restated effective October 1, 1989. (Filed as Exhibit 10.1 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.2(a) Long-Term Incentive Plan of the Company, as amended. (Filed as Exhibit 10.2 to the Company's Form 10-K Reports for each of the fiscal years ended September 30, 1986, September 30, 1987 and September 30, 1988.)*

10.2(b) 1990 Long-Term Incentive Plan of the Company. (Filed as Exhibit 10.2(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.2(b)(1) Amendment to 1990 Long-Term Incentive Plan of the Company, effective July 16, 1992. (Filed as Exhibit 10.2(b)(1) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.3 1990 Annual Incentive Plan of the Company, as amended and restated effective October 1, 1989. (Filed as Exhibit 10.3 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.4 Supplementary Pension Plan of the Company, as amended effective October 1, 1988. (Filed as Exhibit 10.4 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

(a) Amendment to Supplementary Pension Plan of the Company, effective October 1, 1993 through September 30, 1994. (Filed as Exhibit 10.4(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

(b) Amendment to Supplementary Pension Plan of the Company, effective October 1, 1993 through September 30, 1995.

(c) Amended and Restated Trust Agreement by and between the Company and Provident National Bank dated as of October 31, 1989. (Filed as Exhibit 10.4(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.5 Supplementary Savings Plan of the Company as amended October 1, 1989. (Filed as Exhibit 10.5 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

(a) Trust Agreement by and between the Company and Provident National Bank dated as of October 31, 1989. (Filed as Exhibit 10.5(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.6(a) Deferred Compensation Plan for Directors of the Company, effective January 1, 1980, as amended effective January 25, 1990 and October 15, 1992. (Filed as Exhibit 10.6(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.6(b) Amended and Restated Pension Plan for Directors of the Company, effective January 1, 1983, as amended effective January 1, 1990 and January 1, 1994. (Filed as Exhibit 10.6(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.6(c) Stock Plan for Directors of the Company, effective January 25, 1990, as amended effective October 15, 1992. (Filed as Exhibit 10.6(c) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.6(d) Stock Option Plan for Directors of the Company, effective January 27, 1994. (Filed as Exhibit 10.6(d) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.7 Agreements with executives.

(a) Form of Employment Agreement dated July 30, 1987, which the Company has with each of its executive officers. (Filed as Exhibit 10.7(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1987.)*

(b) Annuity Agreement dated December 8, 1980, between the Company and an executive officer of the Company, as amended May 21, 1985, and March 5, 1990. (Filed as Exhibit 10.6(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1980, as Exhibit 10.7(b)3 to the Company's Form 10-K Report for the fiscal year ended September 30, 1985, and as Exhibit 10.7(d)1 to the Company's Form 10-K Report for the fiscal year ended September 30, 1990, respectively.)*

(c) Consulting Agreement dated November 4, 1993, between the Company and an executive officer and director of the Company. (Filed as Exhibit 10.7(c) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.8 Employee Severance Plans.

(a) Air Products and Chemicals, Inc. Severance Plan effective March 15, 1990. (Filed as Exhibit 10.8(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1992.)*

(b) Air Products and Chemicals, Inc. Change of Control Severance Plan effective March 15, 1990. (Filed as Exhibit 10.8(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1992.)*

(11) Earnings per share.

(12) Computation of Ratios of Earnings to Fixed Charges.

(13) 1994 Financial Review Section of the Annual Report to Shareholders for the fiscal year ended September 30, 1994, which is furnished to the Commission for information only, and not filed except as expressly incorporated by reference in this Report.

(21) Subsidiaries of the registrant.

(24) Power of Attorney.

(27) Financial Data Schedule, which is submitted electronically to the Securities and Exchange Commission for information only and not filed.

(b) Reports on Form 8-K filed during the quarter ended September 30, 1994.

Current Reports on Form 8-K dated July 22, 1994, and September 20, 1994, were filed in which Item 5 of such Form was reported.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 8, 1994

AIR PRODUCTS AND CHEMICALS, INC.
(Registrant)

By: /s/ GERALD A. WHITE

Gerald A. White, Senior Vice President--Finance
Principal Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ HAROLD A. WAGNER (Harold A. Wagner)	Director, Chairman of the Board and President (Principal Executive Officer)	December 8, 1994
/s/ PAUL E. HUCK (Paul E. Huck)	Corporate Controller (Principal Accounting Officer)	December 8, 1994
* (Dexter F. Baker)	Director	December 8, 1994
* (Tom H. Barrett)	Director	December 8, 1994
* (L. Paul Bremer)	Director	December 8, 1994
* (Will M. Caldwell)	Director	December 8, 1994
* (Robert Cizik)	Director	December 8, 1994
* (Ruth M. Davis)	Director	December 8, 1994

SIGNATURE	TITLE	DATE
* (Robert F. Dee)	Director	December 8, 1994
* (Terry R. Lautenbach)	Director	December 8, 1994
* (Walter F. Raab)	Director	December 8, 1994
* (Judith Rodin)	Director	December 8, 1994
* (Takeo Shiina)	Director	December 8, 1994
* (Lawrason D. Thomas)	Director	December 8, 1994

* James H. Agger, Vice President, General Counsel and Secretary, by signing his name hereto, does sign this document on behalf of the above noted individuals, pursuant to a power of attorney duly executed by such individuals which is filed with the Securities and Exchange Commission herewith.

/s/ JAMES H. AGGER

James H. Agger
Attorney-in-Fact

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

To: Air Products and Chemicals, Inc.

We have audited in accordance with generally accepted auditing standards the consolidated financial statements included in the 1994 Air Products and Chemicals, Inc. Annual Report to Shareholders incorporated by reference in this Form 10-K, and have issued our Report thereon, dated 3 November 1994. We have also audited the consolidated schedules referred to in Item 14(a) (2) in this Form 10-K. Our audits of the consolidated financial statements were made for the purpose of forming an opinion on those statements taken as a whole. The schedules are the responsibility of the Company's management and are presented for the purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
3 November 1994

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To: Air Products and Chemicals, Inc.

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated 3 November 1994 included or incorporated by reference in this Annual Report on Form 10-K, into the Company's previously filed Registration Statements on Form S-8 and Form S-3 (File Nos. 33-2068, 33-45354, 33-66006 and 33-49981).

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
8 December 1994

SCHEDULE V
CONSOLIDATED

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
SCHEDULE V--PLANT AND EQUIPMENT
FOR THE YEARS ENDED 30 SEPTEMBER 1994, 1993 AND 1992

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E		COLUMN F
				OTHER CHANGES INCREASE (DECREASE)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST (NET OF TRANSFERS)	SALES AND RETIRE-MENTS	CUMULATIVE TRANSLATION ADJUSTMENTS	OTHER	BALANCE AT END OF PERIOD
			(IN MILLIONS OF DOLLARS)			
YEAR ENDED 30 SEPTEMBER 1994						
Land	$ 79.0	$ .7	$ .5	$ 1.2	$ --	$ 80.4
Buildings	437.4	23.5	2.8	3.7	--	461.8
Gas generating and chemical facilities, machinery and equipment	5,167.1	498.1	130.0	77.8	(.7)	5,612.3
Construction in progress	269.3	92.1	.5	4.1	--	365.0
	$5,952.8	$614.4	$133.8	$ 86.8	$ (.7)	$6,519.5
YEAR ENDED 30 SEPTEMBER 1993						
Land	$ 78.5	$ 4.6	$ .2	$ (3.9)	$ --	$ 79.0
Buildings	429.3	22.8	3.1	(11.6)	--	437.4
Gas generating and chemical facilities, machinery and equipment	5,086.6	381.0	87.7	(213.1)	.3	5,167.1
Construction in progress	190.1	86.1	--	(7.0)	.1	269.3
	$5,784.5	$494.5	$ 91.0	$(235.6)	$ .4	$5,952.8
YEAR ENDED 30 SEPTEMBER 1992						
Land	$ 73.9	$ 3.1	$ --	$ 1.5	$ --	$ 78.5
Buildings	410.4	16.0	1.8	4.5	.2	429.3
Gas generating and chemical facilities, machinery and equipment	4,700.4	363.9	99.5	126.1	(4.3)	5,086.6
Construction in progress	147.5	50.6	9.9	2.7	(.8)	190.1
	$5,332.2	$433.6	$111.2	$ 134.8	$ (4.9)	$5,784.5

NOTE:

(1) Reference is made to Note 5 to the consolidated financial statements for information with respect to restrictions on creating property liens.

SCHEDULE VI
CONSOLIDATED

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
SCHEDULE VI--ACCUMULATED DEPRECIATION OF PLANT AND EQUIPMENT
FOR THE YEARS ENDED 30 SEPTEMBER 1994, 1993 AND 1992

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E		COLUMN F
				OTHER CHANGES INCREASE (DECREASE)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE - DEPRECIATION	SALES AND RETIRE-MENTS	CUMULATIVE TRANSLATION ADJUSTMENTS	OTHER	BALANCE AT END OF PERIOD
			(IN MILLIONS OF DOLLARS)			
YEAR ENDED 30 SEPTEMBER 1994						
Buildings	$ 187.6	$ 19.9	$ 2.3	$ 1.8	$ (.2)	$ 206.8
Gas generating and chemical facilities, machinery and equipment	3,059.6	332.9	114.2	41.6	.2	3,320.1
	$3,247.2	$352.8	$116.5	$ 43.4	$ --	$3,526.9
YEAR ENDED 30 SEPTEMBER 1993						
Buildings	$ 168.9	$ 24.9	$ 2.1	$ (4.1)	$ --	$ 187.6
Gas generating and chemical facilities, machinery and equipment	2,869.9	377.5	78.2	(110.7)	1.1	3,059.6
	$3,038.8	$402.4(1)	$ 80.3	$(114.8)	$ 1.1	$3,247.2
YEAR ENDED 30 SEPTEMBER 1992						
Buildings	$ 148.5	$ 18.8	$ 1.0	$ 2.5	$ .1	$ 168.9
Gas generating and chemical facilities, machinery and equipment	2,561.1	321.4	76.7	61.9	2.2	2,869.9
	$2,709.6	$340.2	$ 77.7	$ 64.4	$ 2.3	$3,038.8

NOTE:

(1) Depreciation expense in 1993 includes $56.7 million associated with asset write-downs.

SCHEDULE VIII
CONSOLIDATED

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
SCHEDULE VIII--VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED 30 SEPTEMBER 1994, 1993 AND 1992

COLUMN A	COLUMN B	COLUMN C		COLUMN D		COLUMN E
		ADDITIONS		OTHER CHANGES INCREASE (DECREASE)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO EXPENSE	CHARGED TO OTHER ACCOUNTS(1)	CUMULATIVE TRANSLATION ADJUSTMENTS	OTHER(2)	BALANCE AT END OF PERIOD
			(IN MILLIONS OF DOLLARS)			
Amounts deducted in the consolidated balance sheet from the asset to which it applies:						
YEAR ENDED 30 SEPTEMBER 1994						
Allowance for doubtful accounts	$12.4	$6.8	$ .1	$ .1	$(6.0)	$13.4
YEAR ENDED 30 SEPTEMBER 1993						
Allowance for doubtful accounts	$12.5	$5.1	$1.3	$(1.3)	$(5.2)	$12.4
YEAR ENDED 30 SEPTEMBER 1992						
Allowance for doubtful accounts	$11.5	$3.6	$ .7	$ .2	$(3.5)	$12.5

NOTES:

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

EXHIBIT INDEX

EX.NO. DESCRIPTION

(3) Articles of Incorporation and By-Laws.

3.1 By-Laws of the Company. (Filed as Exhibit 3.1 to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

3.2 Restated Certificate of Incorporation of the Company. (Filed as Exhibit 3.2 to the Company's Form 10-K Report for the fiscal year ended September 30, 1987.)*

(4) Instruments defining the rights of security holders, including indentures. Upon request of the Securities and Exchange Commission, the Company hereby undertakes to furnish copies of the instruments with respect to its long-term debt.

4.1 Rights Agreement, dated as of March 23, 1988, between the Company and The Chase Manhattan Bank, N.A. (Filed as Exhibit 1, 2 to the Company's Form 8-A Registration Statement dated March 28, 1988.)*

(10) Material Contracts.

10.1 1990 Deferred Stock Plan of the Company, as amended and restated effective October 1, 1989. (Filed as Exhibit 10.1 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.2(a) Long-Term Incentive Plan of the Company, as amended. (Filed as Exhibit 10.2 to the Company's Form 10-K Reports for each of the fiscal years ended September 30, 1986, September 30, 1987 and September 30, 1988.)*

10.2(b) 1990 Long-Term Incentive Plan of the Company. (Filed as Exhibit 10.2(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.2(b)(1) Amendment to 1990 Long-Term Incentive Plan of the Company, effective July 16, 1992. (Filed as Exhibit 10.2(b)(1) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.3 1990 Annual Incentive Plan of the Company, as amended and restated effective October 1, 1989. (Filed as Exhibit 10.3 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.4 Supplementary Pension Plan of the Company, as amended effective October 1, 1988. (Filed as Exhibit 10.4 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

(a) Amendment to Supplementary Pension Plan of the Company, effective October 1, 1993 through September 30, 1994. (Filed as Exhibit 10.4(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

(b) Amendment to Supplementary Pension Plan of the Company, effective October 1, 1993 through September 30, 1995.

(c) Amended and Restated Trust Agreement by and between the Company and Provident National Bank dated as of October 31, 1989. (Filed as Exhibit 10.4(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.5 Supplementary Savings Plan of the Company as amended October 1, 1989. (Filed as Exhibit 10.5 to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

(a) Trust Agreement by and between the Company and Provident National Bank dated as of October 31, 1989. (Filed as Exhibit 10.5(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1989.)*

10.6(a) Deferred Compensation Plan for Directors of the Company, effective January 1, 1980, as amended effective January 25, 1990 and October 15, 1992. (Filed as Exhibit 10.6(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.6(b) Amended and Restated Pension Plan for Directors of the Company, effective January 1, 1983, as amended effective January 1, 1990 and January 1, 1994. (Filed as Exhibit 10.6(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.6(c) Stock Plan for Directors of the Company, effective January 25, 1990, as amended effective October 15, 1992. (Filed as Exhibit 10.6(c) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.6(d) Stock Option Plan for Directors of the Company, effective January 27, 1994. (Filed as Exhibit 10.6(d) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.7 Agreements with executives.

(a) Form of Employment Agreement dated July 30, 1987, which the Company has with each of its executive officers. (Filed as Exhibit 10.7(a) to the Company's Form 10-K Report for the fiscal

year ended September 30, 1987.)*

(b) Annuity Agreement dated December 8, 1980, between the Company and an executive officer of the Company, as amended May 21, 1985, and March 5, 1990. (Filed as Exhibit 10.6(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1980, as Exhibit 10.7(b)3 to the Company's Form 10-K Report for the fiscal year ended September 30, 1985, and as Exhibit 10.7(d)1 to the Company's Form 10-K Report for the fiscal year ended September 30, 1990, respectively.)*

(c) Consulting Agreement dated November 4, 1993, between the Company and an executive officer and director of the Company. (Filed as Exhibit 10.7(c) to the Company's Form 10-K Report for the fiscal year ended September 30, 1993.)*

10.8 Employee Severance Plans.

(a) Air Products and Chemicals, Inc. Severance Plan effective March 15, 1990. (Filed as Exhibit 10.8(a) to the Company's Form 10-K Report for the fiscal year ended September 30, 1992.)*

(b) Air Products and Chemicals, Inc. Change of Control Severance Plan effective March 15, 1990. (Filed as Exhibit 10.8(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1992.)*

(11) Earnings per share.

(12) Computation of Ratios of Earnings to Fixed Charges.

(13) 1994 Financial Review Section of the Annual Report to Shareholders for the fiscal year ended September 30, 1994, which is furnished to the Commission for information only, and not filed except as expressly incorporated by reference in this Report.

(21) Subsidiaries of the registrant.

(24) Power of Attorney.

(27) Financial Data Schedule, which is submitted electronically to the Securities and Exchange Commission for information only and not filed.

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

EXHIBIT 10.4(b)

EXCERPT FROM APRIL 25, 1994 SUMMARY OF MATERIAL MODIFICATIONS TO CERTAIN BENEFIT PLANS

SPECIAL AMENDMENTS EFFECTIVE OCTOBER 1, 1993 THROUGH SEPTEMBER 30, 1995 APPLICABLE TO ELIGIBLE EMPLOYEES AGE 50 TO 55 WITH 20 YEARS OF SERVICE

Eligible employees whose employment is terminated because of position eliminations effective during fiscal years 1994 and 1995, who are age 50 to 55 and have 20 or more years of credited service under the Air Products and Chemicals, Inc. Pension Plan for Salaried Employees (the "Pension Plan") at the time of their separation from service and who sign a Release ("50/20 employees"), will also be entitled to participation in the following Medical and Pension Plan provisions which are normally only applicable to employees who separate from service on or after age 55 with a vested Pension Plan benefit.

The PENSION PLAN's early retirement subsidy will be available to 50/20 employees when they begin receiving their monthly benefit at age 55 or older. The Pension Plan would normally provide for an actuarial reduction in the age 65 accrued pension benefit of 6% for each year sooner than age 65 that the participant chooses to commence the benefit, as described at page 112 of your Benefits Handbook. Instead, the Pension Plan's early retirement subsidy will be applied to calculate the monthly pension benefit 50/20 employees will receive when they begin receiving pension benefits. This will enable 50/20 employees to (a) qualify for an unreduced pension benefit if their age plus vesting service equals 80 ("rule of 80") at benefit commencement or (b) experience only a 3% per year reduction for each year that combined age plus service is less than 80 or for each year that benefit commencement precedes age 62, whichever is less. The early retirement subsidy will also be applied to calculate the pre-retirement spouse benefit if death occurs before pension benefits are commenced, as described at page 113 of your Benefits Handbook. Any 50/20 employee who is "highly compensated" according to Internal Revenue Service rules may receive the early retirement subsidy from the Company's general assets rather than from Pension Plan funds. A more complete description of the pension benefit formula, the early retirement subsidy and rule of 80, and optional forms of pension benefits available under the Pension Plan appear at pages 106 to 113 of your Benefits Handbook.

Exhibit 11

COMPUTATION OF EARNINGS PER SHARE
(in millions, except per share data)

	Year Ended 30 September		
	1994	1993	1992
Earnings			
Income before extraordinary item and cumulative effect of accounting changes	$233.5	$200.9	$277.0
Extraordinary item - loss on early retirement of debt, net of income tax benefit of $3.5	--	--	(6.0)
Cumulative effect of accounting changes	14.3	--	--
Net income	$247.8	$200.9	$271.0
Primary shares			
Average common shares outstanding during the year	113.6	113.9	113.0
Common stock equivalents from stock option and award plans	2.0	2.0	2.4
Adjusted average common shares outstanding	115.6	115.9	115.4
Primary earnings per share			
Income before extraordinary item and cumulative effect of accounting changes	$2.02	$1.73	$2.40
Extraordinary item	--	--	(0.05)
Cumulative effect of accounting changes	0.12	--	--
Net income	$2.14	$1.73	$2.35
Fully diluted shares			
Average common shares outstanding during the year	113.6	113.9	113.0
Shares issuable from stock option and award plans	2.0	2.0	2.4
Adjusted average common shares outstanding	115.6	115.9	115.4
Fully diluted earnings per share			
Income before extraordinary item and cumulative effect of accounting changes	$2.02	$1.73	$2.40
Extraordinary item	--	--	(0.05)
Cumulative effect of accounting changes	0.12	--	--
Net income	$2.14	$1.73	$2.35

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

Exhibit 12

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Unaudited)

	Year Ended 30 September				
	1990	1991	1992	1993	1994
EARNINGS:	(Dollar amounts in millions)				
Income before extraordinary item and cumulative effect of accounting changes	$229.9	$248.9	$277.0	$200.9	$233.5
Add (deduct):					
Provision for income taxes	107.7	113.9	130.8	103.0	95.2
Fixed charges, excluding capitalized interest	112.2	121.8	133.4	127.3	127.1
Capitalized interest amortized during the period	6.6	6.7	7.5	7.7	8.0
Undistributed earnings of less-than-fifty-percent-owned affiliates	(12.0)	(8.6)	(12.5)	(8.1)	(2.8)
Earnings, as adjusted	$444.4	$482.7	$536.2	$430.8	$461.0
FIXED CHARGES:					
Interest on indebtedness, including capital lease obligations	$104.5	$112.8	$125.1	$118.6	$118.2
Capitalized interest	26.6	28.7	4.1	6.3	9.7
Amortization of debt discount premium and expense	1.3	2.1	.8	.7	.8
Portion of rents under operating leases representative of the interest factor	6.4	6.9	7.5	8.0	8.1
Fixed charges	$138.8	$150.5	$137.5	$133.6	$136.8
RATIO OF EARNINGS TO FIXED CHARGES:	3.2	3.2	3.9	3.2	3.4

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MAJOR FACTORS AFFECTING EARNINGS*

Major factors affecting comparison of earnings per share before cumulative effect of accounting changes between 1994 and 1993 were:

- Loss of 66 cents per share for derivative contract settlements versus a charge of 67 cents last year for workforce reduction costs and asset write-downs
- Higher worldwide shipments of merchant and on-site gases
- Record results in chemicals . . . higher shipments combined with higher selling prices for ammonia and methanol
- Improved earnings by 23 cents per share for reduced costs from 1993 workforce reduction program and asset write-downs
- Improved results in environmental and energy systems businesses
- Lower equipment sales
- Lower effective income tax rate

CHANGES IN EARNINGS PER SHARE*

	1994	1993	Increase (Decrease)
EARNINGS PER SHARE . . .	$2.18	$1.76	$.42
Add: Charge for nonoperating items . .	.53	.56	(.03)
	$2.71	$2.32	$.39

OPERATIONS(a)	
Industrial Gases and Chemicals (excluding industrial chemicals)	
Volume	$1.60
Selling price and mix	(.14)
Costs excluding depreciation	(1.21)
Depreciation	(.10)
Industrial Chemicals	.11
Environmental and Energy	.04
Equipment and Technology	(.10)
Corporate and Other	.02
Subtotal	.22
OTHER	
Equity affiliates' income	.10
Tax items	.06
Lower average shares outstanding	.01
Total	$ .39

(a) Includes $.23 per share for reduced costs resulting from 1993 workforce reduction program and asset write-downs.

*See Management's Discussion and Analysis for further information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

CONSOLIDATED

(in millions, except per share)	1994	1993	1992
Sales	$3,485.3	$3,327.7	$3,217.3
Operating income	486.1	369.3	480.5
Equity affiliates' income	28.5	12.8	15.8
Income before extraordinary item and cumulative effect of accounting changes	233.5	200.9	277.0
Net income	247.8	200.9	271.0
Earnings per share			
Income before extraordinary item and cumulative effect of accounting changes	2.06	1.76	2.45
Net income	2.18	1.76	2.40

The results of 1994, 1993, and 1992 included the effects of several nonoperating items, including the cumulative impact of accounting changes and an extraordinary item. These items should be considered in the comparison of the annual results.

The 1994 results were reduced by a net after-tax charge of $60.2 million, or $.53 per share, for nonoperating items. The components of nonoperating items on a before- and after-tax basis were as follows: a charge of $121.6 million ($75.1 million after tax, or $.66 per share) for derivative contract settlements; a charge of $10.7 million ($7.1 million after tax, or $.06 per share) for the outsourcing of the merchant gas distribution function in the United Kingdom; a net tax benefit of $5.4 million, or $.05 per share, resulting from changes in certain state income tax regulations; an after-tax benefit of $2.3 million, or $.02 per share, from the favorable tax treatment, net of expense, of the charitable contribution of the remaining shares of a stock investment in an insurance company; and a net after-tax benefit of $14.3 million, or $.12 per share, from the adoption of three new accounting standards.

Nonoperating items in 1993 totaled to a net after-tax charge of $63.1 million, or $.56 per share. The components of nonoperating items on a before- and after-tax basis were as follows: a charge of $58.0 million ($36.6 million after tax, or $.32 per share) for costs associated with reducing the workforce by 7 to 10 percent during 1994 and 1995; a charge of $62.0 million ($39.5 million after tax, or $.35 per share) for selected asset write-downs; a gain of $13.5 million ($8.4 million after tax, or $.07 per share) from the sale of stock options and partial sale of a stock investment in an insurance company; a gain of $3.9 million ($2.4 million after tax, or $.02 per share) from the sale of a business venture; and a gain of $3.6 million ($2.2 million after tax, or $.02 per share) from an insurance settlement related to a chemicals facility.

Nonoperating items in 1992 consisted of a gain of $12.9 million ($9.1 million after tax, or $.08 per share) from the sale of a one-half interest in the Orlando cogeneration project and the sale of land by an equity affiliate. Also included in 1992 was an after-tax extraordinary charge of $6.0 million, or $.05 per share, for the early retirement of debt.

The table below presents the results for 1994, 1993, and 1992 exclusive of these nonoperating items. The discussion of the consolidated and segments results is based on income excluding nonoperating items.

EXCLUSIVE OF NONOPERATING ITEMS

(in millions, except per share)	1994	1993	1992
Sales	$3,485.3	$3,327.7	$3,217.3
Operating income	511.3	468.3	480.5
Equity affiliates' income	28.5	12.8	2.9
Net income	308.0	264.0	267.9
Earnings per share	2.71	2.32	2.37

Sales in 1994 increased 5% while operating income was up 9% or $43.0 million. Equity affiliates' income rose $15.7 million to $28.5 million in 1994. Net income increased $44.0 million, or $.39 per share, to $308.0 million, or $2.71 per share.

The improved profitability in 1994 was due to the strong operating performances of the three major business segments and from reduced costs resulting from the 1993 workforce reduction program and asset write-downs. Equipment and technology results declined significantly due to decreased levels of manufacturing activity. A key factor for the improved operating performances of the industrial gases and chemicals segments was higher worldwide shipments in most product lines. The profitability of the environmental and energy business continued to improve in 1994 due to the strong operating performance of

existing and new cogeneration and waste-to-energy facilities.

In the fourth quarter of 1993, the company announced a program to reduce the worldwide workforce by 7 to 10 percent over a two-year period and the write-down of selected assets to net realizable value. These actions reduced 1993 and 1994 costs (principally salaries/benefits and depreciation) by approximately $7 million and $50 million, respectively. The 1994 increase in operating income from these reduced costs was $43 million ($26 million after tax, or $.23 per share). The company estimates that these efforts will reduce annual cost levels by an additional $15-$20 million in future years.

Sales in 1993 increased 3% from 1992 while operating income declined $12.2 million to $468.3 million. Net income in 1993 was $264.0 million, or $2.32 per share, compared to $267.9 million, or $2.37 per share.

In 1993, industrial gases' and chemicals' results benefited from higher shipments in most product lines. The profitability of the industrial gases segment was down

slightly from 1992 as European results declined significantly as a result of a stronger U.S. dollar and weak business conditions. Chemicals' profit growth was comparable to 1992 as gains from higher shipments were offset by lower margins and higher natural gas feedstock costs. Environmental and energy's results were equal to 1992 while equipment and technology's results were modestly lower.

Fiscal 1993 and 1992 operating income of the industrial gases segment and corporate and other have been restated to reflect the current-year presentation of Brazilian conversion gains related to U.S. dollar denominated investments. For fiscal 1993 and 1992, operating income of the industrial gases segment was reduced by $12.3 million and $4.7 million, respectively, with a corresponding increase in corporate and other.

SEGMENT ANALYSIS

INDUSTRIAL GASES The company is a leading international supplier of industrial and specialty gas products. Principal products sold are oxygen, nitrogen, argon, hydrogen, carbon monoxide, synthesis gas, and helium. The industrial gas business involves two principal modes of supply: tonnage or on-site, and merchant.

(in millions)	1994	1993	1992
Sales	$1,968.1	$1,813.7	$1,775.4
Operating income excluding nonoperating items	391.3	362.1	367.1
Operating income, as reported	380.6	308.7	367.1
Equity affiliates' income excluding nonoperating items	4.1	.1	(1.2)
Equity affiliates' income, as reported	4.1	.1	1.4

Sales in 1994 were up 9% due to higher worldwide shipments of merchant and on-site gases. Worldwide volumes of merchant gases increased 6%, as shipments in most major product lines reached record levels. These worldwide gains were tempered by the impact of slightly lower average selling prices for merchant gases. Pressure on selling prices of merchant gases continued worldwide, especially in Europe. Movements in European foreign currency rates did not significantly affect the 1994 results. Worldwide on-site gas sales were up 10% over the prior year, principally due to volume growth. Additionally, sales of gas-related equipment and services associated with the electronics industry increased during 1994.

Income in 1994 increased 8%, or $29.2 million. Key factors for this improved profitability were higher worldwide shipments and reduced costs resulting from the 1993 workforce reduction program. These gains were partially offset by lower average selling prices for merchant gases. In the United States, the results were comparable to the prior year. Europe's results rebounded from the depressed levels of the prior year, and profits of the Brazilian subsidiary improved significantly due primarily to higher selling prices.

Nonoperating items included a $10.7 million charge for the outsourcing of the merchant gas distribution function in the United Kingdom in 1994 and a charge of $53.4 million for the workforce reduction program and selected asset write-downs in 1993. The outsourcing of the U.K. distribution function will not have a material effect on future operating results.

Equity affiliates' income in 1994 increased from the prior year principally as a result of higher earnings of a Spanish affiliate. This gain was partially offset by lower earnings of a Mexican affiliate.

Sales in 1993 increased 2% over 1992 due principally to higher shipments of merchant and on-site gases in the United States. Overall, worldwide volumes of merchant gases increased 2%. The variance in selling prices and mix for worldwide merchant gases did not significantly affect sales in 1993. Worldwide on-site gas sales increased 5%. Excluding European currency effects, sales of the segment rose 5%.

Income in 1993 declined slightly from 1992. Income was favorably affected by increased shipments in the United States combined with strong on-site results. These gains were offset by a significant deterioration in European profits due to a stronger U.S. dollar and weak business conditions. The 1992 results were reduced by a charge of $4.1 million for an obsolete inventory write-off.

Equity affiliates' income in 1992 included a loss of $.8 million from the sale of an investment in a foreign affiliate. Excluding this loss, income in 1993 was comparable to 1992. In 1993, the company significantly increased its minority ownership position in a Mexican affiliate. The additional earnings recognized by this affiliate in 1993 were offset by lower earnings of affiliates in Spain and Italy. The nonoperating item in 1992 was a $2.6 million gain from the sale of land by an affiliate.

CHEMICALS The company's principal chemical businesses consist of specialty chemicals and chemicals intermediates. Specialty chemicals include emulsions, polyvinyl alcohol, pressure-sensitive adhesives, specialty additives, polyurethane additives, and epoxy additives. Principal chemical intermediates are amines, polyurethane intermediates, and specialty amines. The company also produces certain industrial chemicals (acetic acid, ammonia and ammonia products, and methanol) for use as raw materials in or as coproducts of the company's principal chemical products.

(in millions)	1994	1993	1992
Sales	$1,182.2	$1,092.1	$1,030.2
Operating income excluding nonoperating items	147.9	127.5	128.0
Operating income, as reported	147.9	96.5	128.0

Sales in 1994 increased 8% from the prior year. Volumes rose 7%, as most major product lines experienced higher shipments. Volumes in polyurethane intermediates were significantly higher in comparison to the prior year, which was impacted by a longer-than-scheduled outage at a customer's facility. Average selling prices were up slightly from the prior year.

Income in 1994 increased 16%, or $20.4 million. The improved profitability was due to higher shipments, substantially improved ammonia and methanol margins, and reduced costs resulting from the 1993 workforce reduction program and selected asset write-downs. The improvement in ammonia and methanol margins resulted from higher selling prices combined with lower natural gas costs. These gains were partially offset by significantly lower polyvinyl alcohol margins resulting from excess world capacity, intense competition, and plant shutdowns to control inventory levels.

Nonoperating items in 1993 consisted of a charge of $34.6 million for the workforce reduction program and selected asset write-downs and a gain of $3.6 million from an insurance settlement.

Sales in 1993 increased 6% over 1992 while income was comparable. Volumes of shipments rose 7% as most major product lines, especially polymers and amines, experienced higher shipments. Improved operations at a new polyvinyl alcohol plant also contributed to the higher results. The 1992 results were adversely affected by costs associated with a planned maintenance turnaround at a polyvinyl alcohol facility in Calvert City, Kentucky. Profit growth in 1993 was offset by higher natural gas costs, unfavorable currency effects, and lower margins in certain major product lines. This margin decline was due to lower selling prices combined with cost increases.

ENVIRONMENTAL AND ENERGY This segment provides plant design, engineering, operations, and construction management for the company's cogeneration and flue gas desulfurization ventures; the segment also recovers and processes methane gas generated by landfills. The environmental and energy business includes the company's interest in American Ref-Fuel Company's waste-to-energy business, cogeneration facilities, and the flue gas desulfurization business.

(in millions)	1994	1993	1992
Sales	$67.1	$82.5	$65.5
Operating income excluding nonoperating items	5.6	(2.2)	(2.4)
Operating income, as reported	5.6	(25.5)	(2.4)
Equity affiliates' income excluding nonoperating items	24.2	12.2	3.7
Equity affiliates' income, as reported	24.2	12.2	14.0

Sales declined in 1994 from the prior year principally due to an equipment sale associated with the construction of a cogeneration facility in Orlando, Florida for an unconsolidated affiliate in 1993. This decline was partially offset by higher sales associated with the operating contracts for the Orlando and Stockton cogeneration facilities. The Orlando facility began commercial operations in late fiscal 1993 while the Stockton facility experienced lower customer curtailment in 1994. The higher sales associated with these operating contracts and lower depreciation charges for the landfill gas business were the principal factors for the improvement in income in 1994. Nonconventional fuel tax credits in 1994 of $5.0 million, applicable to the landfill gas business, benefited net income but are not included in operating income.

Equity affiliates' income substantially increased in 1994 from the prior year due to stronger operations at existing and new cogeneration and waste-to-energy facilities, including the waste-to-energy facility in Niagara Falls, New York which was acquired in the third quarter of fiscal 1993. These gains were mitigated by development costs for new projects.

Sales increased in 1993 from the prior year principally as a result of an equipment sale associated with the construction of a cogeneration facility in Orlando, Florida for an unconsolidated affiliate. Income in 1993 was comparable to the prior year. The 1993 results included the full-year effect of an operating contract associated with a flue gas desulfurization facility which began commercial operations in the third quarter of fiscal 1992. Nonconventional fuel tax credits were $5.2 million and $4.4 million in 1993 and 1992, respectively.

In 1993, a charge of $23.3 million for the workforce reduction program and the write-down of landfill gas assets was classified as a nonoperating item.

Equity affiliates' income increased in 1993 from the prior year due to stronger operations at cogeneration and waste-to-energy facilities, including the newly acquired waste-to-energy facility in Niagara Falls, New York. The nonoperating item in 1992 was a $10.3 million gain from the sale of a one-half interest in the Orlando cogeneration project.

EQUIPMENT AND TECHNOLOGY The equipment portion of this segment designs and manufactures cryogenic and gas processing equipment for air separation, gas processing, natural gas liquefaction, hydrogen purification and nitrogen rejection. The segment also designs and builds systems for recovering gases using membrane technology. Technology includes research and development activities not directly related to the other business segments.

(in millions)	1994	1993	1992
Sales	$267.9	$339.4	$346.2
Operating income excluding nonoperating items	11.5	29.7	33.6
Operating income, as reported	11.5	26.9	33.6

Sales and income in 1994 were down from the exceptionally high level of the prior year. The 1994 results reflect decreased levels of manufacturing activity in the cryogenic air separation and liquefied natural gas equipment businesses and increased costs to complete certain projects. Also included in the 1994 results was a gain from a contract settlement payment. Sales backlog for the equipment product lines was $183 million at 30 September 1994 as compared to $193 million at the end of fiscal 1993.

Sales and income in 1993 were down slightly from the prior year. Manufacturing activity in the cryogenic gas separation and liquefied natural gas business remained at a high level. The 1993 results were adversely affected by lower equipment sales associated with membrane technology and lower technology income. Technology's income in 1992 included royalty and licensing fees related to the Houdry catalyst business, which was divested in 1990.

Nonoperating items in 1993 consisted of a charge of $6.7 million for the workforce reduction program and a gain of $3.9 million from the sale of a business venture.

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

(in millions)	1994	1993	1992
Operating income excluding nonoperating items	$(45.0)	$(48.8)	$(45.8)
Operating income, as reported	(59.5)	(37.3)	(45.8)

The net expense declined $3.8 million in 1994. The impact of lower foreign exchange losses was partially offset by costs related to reengineering studies and lower interest and dividend income. Net expenses increased in 1993 from 1992 due to higher foreign exchange losses.

The 1994 nonoperating items included a charge of $12.2 million from the termination of two contracts which hedged currency risk and an expense of $2.3 million from the charitable contribution of the remaining shares of a stock investment in an insurance company. Nonoperating items in 1993 consisted of a gain of $13.5 million from the sale of stock options and the partial sale of a stock investment in an insurance company, and a charge of $2.0 million for the workforce reduction program.

LOSS ON LEVERAGED INTEREST RATE SWAPS

The company entered into five highly leveraged interest rate swap contracts with a notional value of $202.7 million during the first quarter of 1994. By 30 June 1994, the company terminated three of these contracts and closed the other two. These contracts were accounted for on a mark-to-market basis. In 1994, the company recognized a loss of $107.7 million on these derivative contracts. This loss reflects the cost to terminate or close these contracts. The termination and closure of these derivative contracts has eliminated any further earnings impact from these contracts due to changes in interest rates. The closure of the two highly leveraged interest rate swap contracts has resulted in a $66.0 million liability. For further information, see Note 6 to the consolidated financial statements.

The company will not enter into any forward interest rate swap contract which levers an unfavorable move in interest rates on a greater than one-to-one basis.

INTEREST EXPENSE

(in millions)	1994	1993	1992
Interest incurred	$90.0	$87.5	$93.1
Less: Interest capitalized . . .	(9.6)	(5.1)	(2.0)
Brazilian currency adjustments	(.5)	(1.1)	(1.8)
Add: Termination of derivatives	1.7	--	--
	$81.6	$81.3	$89.3

Interest expense in 1994, which included a charge of $1.7 million from the termination of certain small interest rate hedge agreements, was comparable to the prior year. Interest incurred in 1994 increased $2.5 million as the impact of a higher level of average debt outstanding was partially offset by lower interest rates. Interest incurred in 1993 declined principally as a result of lower interest rates.

INCOME TAXES

	1994	1993	1992
Effective tax rate	28.2%	33.2%	31.9%

The current-year effective tax rate reflects lower state taxes due principally to changes in state income tax regulations. The cumulative impact of these changes resulted in a net tax benefit of $5.4 million. The current-year effective tax rate also reflects the favorable tax treatment of the charitable contribution, before-tax expense of $2.3 million, of the remaining shares of a stock investment in an insurance company. The tax benefit associated with this contribution, based on fair value of the investment, was $4.6 million. The effective tax rate for 1993 was up from 1992 due to an increase in the federal statutory rate, higher state taxes, and lower foreign tax credits.

ENVIRONMENTAL MATTERS

The company is subject to various environmental laws and regulations in the United States and foreign countries where it has operations. Compliance with these laws and regulations results in higher capital expenditures and costs. Additionally, from time to time the company is involved in proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (the federal Superfund law), similar state laws, and the Resource Conservation and Recovery Act (RCRA) relating to the designation of certain sites for investigation and possible cleanup. The company's accounting policies on environmental expenditures are discussed in Note 1 to the consolidated financial statements.

The amounts charged to earnings on an after-tax basis related to environmental protection totaled $27.9 million, $31.9 million, and $28.5 million for 1994, 1993, and 1992, respectively. These amounts represent expenses for compliance with environmental laws, as well as remedial activities, and costs incurred to meet internal company standards. Such costs are estimated to be approximately $30 million in both 1995 and 1996.

Although precise amounts are difficult to define, the company estimates that in fiscal 1994 it spent approximately $21 million on capital projects to control pollution versus $19 million in 1993. Capital expenditures to control pollution in future years are estimated at $38 million in 1995 and $28 million in 1996.

It is the company's policy to accrue environmental investigatory and noncapital remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from $24 million to a reasonably possible upper exposure of $55 million. The balance sheet at 30 September 1994 includes an accrual of $29.6 million. At 30 September 1993, the balance sheet accrual was $29.5 million.

In addition to the environmental exposures discussed in the preceding paragraph, there will be additional spending at a company-owned manufacturing site where the company is expected to undertake RCRA corrective action remediation. The company estimates capital costs to implement the anticipated remedial program will range from $13-$20 million, with spending to commence during fiscal 1997. Operating and maintenance expenses associated with continuing the remedial program are estimated to reach $1 million per year by fiscal 2000 and could continue for an estimated period of up to 30 years.

Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, the company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a materially adverse effect on its financial condition or results of operations in any one year.

LIQUIDITY, CAPITAL RESOURCES, AND OTHER FINANCIAL DATA

Air Products maintained its solid financial condition in 1994, with capital needs being satisfied primarily with cash from operations. The company's senior debt and commercial paper continue to be rated A+/A1 and A1/P1, respectively.

CAPITAL EXPENDITURES Aggregate capital expenditures of $655.2 million in 1994 were 2% below the 1993 level; however, additions to plant and equipment largely in support of worldwide expansion of industrial gases and chemicals increased by 25%. Investments in and advances to unconsolidated affiliates are primarily equity investments in international affiliates and environmental and energy systems projects. Included in 1993 was a significant equity investment in the largest Mexican industrial gas company.

(in millions)	1994	1993	1992
Additions to plant and equipment	$611.1	$490.6	$427.5
Investment in and advances to unconsolidated affiliates	40.8	171.5	48.6
Acquisitions	--	--	4.5
Capital leases	3.3	3.9	4.3
	$655.2	$666.0	$484.9

Capital expenditures for new plant and equipment and investment in and advances to equity affiliates are expected to be in the range of $700-$800 million in 1995. It is anticipated that these expenditures will be funded with cash from operations supplemented with proceeds from financing activities. In addition, the company intends to continue to pursue acquisition opportunities closely aligned with existing businesses and key business strategies. In November 1994, the company published a tender offer and related preparatory contract to acquire 74.2% (9.7 million shares) of the outstanding shares of Carburos Metalicos (Carburos), representing all of the shares not owned by the company. The company will make additional tender offers in September 1995 and 1996, subject to the approval of the Spanish authorities, to acquire any remaining shares of Carburos. It is anticipated that the cost of purchasing the remaining 74.2% of the outstanding shares will be approximately $400 million based on forecasted exchange rates. It is expected that this acquisition will be funded with proceeds from financing activities. The acquisition is not expected to adversely affect the company's overall liquidity. See Note 18 to the consolidated financial statements for additional details.

FINANCING AND CAPITAL STRUCTURE Capital needs in 1994 were satisfied with cash from operations and a reduction in cash balances. Total debt was reduced by $7.5 million in 1994. At year end, total debt as a percentage of total debt plus equity was 36% as compared to 37% at the end of 1993.

Financing activities during 1994, principally in the United States, included the issuance of $95 million of medium-term notes with maturities ranging from two to seven years. At year end, $148 million of commercial paper was outstanding.

Substantial credit facilities continue to be maintained to provide backup funding for commercial paper and to ensure availability of adequate resources for corporate liquidity. In the United States, the company's revolving credit commitments amount to $400 million; no borrowings were outstanding under these commitments at the end of fiscal 1994. Additional commitments totaling $96.8 million are maintained by the company's foreign subsidiaries, of which $.8 million was utilized at year end.

At 30 September 1994, the company had unutilized shelf registrations for $250 million of long-term debt securities and $81 million of medium-term notes.

In December 1993, the company established a trust to fund a portion of future payments to employees under existing compensation and benefit plans. The trust, which is administered by an independent trustee, was funded with 10 million shares of Treasury Stock. It will not increase or alter the amount of benefits or compensation which will be paid under existing plans, but it is expected to enhance the company's financial flexibility. The existence of the trust has no impact on earnings per share or return on shareholders' equity.

During the period October 1993 through March 1994, the company bought back 1.8 million shares of its common stock as part of a program to purchase up to 4.5 million shares, subject to market conditions.

WORKING CAPITAL Working capital (excluding cash and cash items, short-term borrowings, and current portion of long-term debt) was $322.4 million at the end of 1994 compared to $318.5 million last year. At 30 September 1994, months-on-hand of chemicals inventories declined modestly from the prior year. Accounts receivable increased due to higher sales activity.

Working capital (excluding cash and cash items, short-term borrowings, and current portion of long-term debt) was $318.5 million at the end of 1993 versus $282.8 million at the end of 1992. Months-on-hand of chemicals inventories increased slightly at the end of 1993 compared to 1992. Additionally, accounts receivable increased due to higher sales activity.

DIVIDENDS In June 1994, the Board of Directors increased the quarterly cash dividend from 23 cents per share to 24.5 cents, an increase of 7%.

INFLATION The consolidated financial statements are presented on a historical cost basis and do not fully reflect the impact of prior years' inflation. It is estimated that the cost of replacing the company's plant and equipment today is greater than its historical cost. Accordingly, depreciation expense would be greater if the expense were stated on a current cost basis.

COMPANY RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by the company. They conform with generally accepted accounting principles and reflect judgments and estimates as to the expected effects of incomplete transactions and events being accounted for currently. The company believes that the accounting systems and related controls that it maintains are sufficient to provide reasonable assurance that assets are safeguarded, transactions are appropriately authorized and recorded, and the financial records are reliable for preparing such financial statements. The concept of reasonable assurance is based on the recognition that the cost of a system of internal accounting controls must be related to the benefits derived. The company maintains an internal audit function which is responsible for evaluating the adequacy and application of financial and operating controls and for testing compliance with company policies and procedures.

The independent public accountants are engaged to perform an audit of the consolidated financial statements in accordance with generally accepted auditing standards. Their report follows.

The Audit Committee of the Board of Directors is comprised entirely of individuals who are not employees of the company. This Committee meets periodically with the independent public accountants, the internal auditors, and management to consider audit results and to discuss significant internal accounting control, auditing, and financial reporting matters. The Audit Committee recommends the selection of the independent public accountants who are then appointed by the Board of Directors subject to ratification by the shareholders.

/s/ HAROLD A. WAGNER	/S/ GERALD A. WHITE
HAROLD A. WAGNER Chairman, President, and Chief Executive Officer	GERALD A. WHITE Senior Vice President-Finance and Chief Financial Officer

3 November 1994

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors, Air Products and Chemicals, Inc.:

We have audited the accompanying consolidated balance sheets of Air Products and Chemicals, Inc. (a Delaware corporation) and subsidiaries as of 30 September 1994 and 1993, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the three years in the period ended 30 September 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Air Products and Chemicals, Inc. and subsidiaries as of 30 September 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended 30 September 1994, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective 1 October 1993, Air Products and Chemicals, Inc. changed its methods of accounting for postretirement benefits other than pensions, postemployment benefits, and income taxes.

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP
Philadelphia, Pennsylvania
3 November 1994

CONSOLIDATED INCOME
Air Products and Chemicals, Inc. and Subsidiaries

(in millions, except per share) YEAR ENDED 30 SEPTEMBER	1994	1993	1992
SALES AND OTHER INCOME			
Sales (Note 1)	$3,485.3	$3,327.7	$3,217.3
Other income (expense), net (Note 19)	(1.5)	27.8	8.8
	3,483.8	3,355.5	3,226.1
COSTS AND EXPENSES			
Cost of sales	2,111.5	2,029.9	1,936.7
Selling, distribution, and administrative	788.8	744.0	723.7
Research and development	97.4	92.3	85.2
Workforce reduction and asset write-downs (Note 3)	--	120.0	--
OPERATING INCOME	486.1	369.3	480.5
Income from equity affiliates net of related expenses (Note 10)	28.5	11.8	6.7
Gain on sale of investment in equity affiliates (Note 19)	--	1.0	9.1
Loss on leveraged interest rate swaps (Note 6)	107.7	--	--
Interest expense (Note 1)	81.6	81.3	89.3
INCOME BEFORE TAXES	325.3	300.8	407.0
Income taxes (Notes 1 and 12)	91.8	99.9	130.0
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	233.5	200.9	277.0
Extraordinary Item--loss on early retirement of debt, net of income tax benefit of $3.5 (Note 5)	--	--	6.0
Cumulative Effect of Accounting Changes (Note 2)	14.3	--	--
NET INCOME	$ 247.8	$ 200.9	$ 271.0
MONTHLY AVERAGE OF COMMON SHARES OUTSTANDING	113.6	113.9	113.0
EARNINGS PER COMMON SHARE			
Income before Extraordinary Item and Cumulative Effect of Accounting Changes	$2.06	$1.76	$2.45
Extraordinary Item	--	--	(.05)
Cumulative Effect of Accounting Changes	.12	--	--
NET INCOME	$2.18	$1.76	$2.40

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS
Air Products and Chemicals, Inc. and Subsidiaries

(in millions, except per share) 30 SEPTEMBER	1994	1993
ASSETS		
CURRENT ASSETS		
Cash and cash items (Note 1)	$ 99.9	$ 238.4
Trade receivables, less allowances for doubtful accounts of $13.4 in 1994 and $12.4 in 1993	558.8	514.5
Inventories (Notes 1 and 9)	292.4	293.6
Contracts in progress, less progress billings	103.2	62.2
Other current assets	123.4	87.6
TOTAL CURRENT ASSETS	1,177.7	1,196.3
INVESTMENTS (Notes 1, 4, and 10)		
Investment in net assets of and advances to equity affiliates	607.9	592.2
Other investments and advances	14.1	16.3
TOTAL INVESTMENTS	622.0	608.5
PLANT AND EQUIPMENT, at cost (Notes 1, 5, 8, and 16)	6,519.5	5,952.8
Less--Accumulated depreciation	3,526.9	3,247.2
PLANT AND EQUIPMENT, net	2,992.6	2,705.6
GOODWILL (Note 1)	67.2	64.5
OTHER NONCURRENT ASSETS	176.7	186.6
TOTAL ASSETS	$5,036.2	$4,761.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables, trade and other (Note 19)	$ 488.1	$ 425.5
Accrued liabilities (Note 19)	229.3	196.1
Accrued income taxes	38.0	17.8
Short-term borrowings (Note 19)	175.2	145.4
Current portion of long-term debt (Note 5)	145.8	89.2
TOTAL CURRENT LIABILITIES	1,076.4	874.0
LONG-TERM DEBT (Notes 5 and 16)	922.5	1,016.4
DEFERRED INCOME AND OTHER NONCURRENT LIABILITIES	407.4	280.1
DEFERRED INCOME TAXES (Notes 1 and 12)	423.5	489.1
TOTAL LIABILITIES	2,829.8	2,659.6
SHAREHOLDERS' EQUITY (Notes 1, 11, and 13)		
Common Stock, par value $1 per share	124.7	124.7
Capital in excess of par value	477.6	198.7
Retained earnings	2,134.7	1,994.7
Cumulative translation adjustments	(16.1)	(32.6)
Treasury Stock, at cost	(57.0)	(183.6)
Shares in trust	(457.5)	--
TOTAL SHAREHOLDERS' EQUITY	2,206.4	2,101.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$5,036.2	$4,761.5

The accompanying notes are an integral part of these statements.

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

(in millions) YEAR ENDED 30 SEPTEMBER	1994	1993	1992
OPERATING ACTIVITIES			
Net income	$247.8	$200.9	$271.0
Adjustments to reconcile income to cash provided by operating activities:			
Depreciation (Notes 1 and 8)	352.8	345.7	340.2
Loss on leveraged interest rate swaps (Note 6)	107.7	--	--
Deferred income taxes (Note 12)	9.4	(.2)	20.0
Workforce reduction and asset write-downs (Note 3)	--	118.7	--
Loss (Gain) on sale of assets and investments	.5	(21.9)	(14.6)
Cumulative effect of accounting changes (Note 2)	(14.3)	--	--
Extraordinary loss on early retirement of debt	--	--	6.0
Other	46.3	46.7	24.3
Working capital changes that provided (used) cash, net of effects of acquisitions:			
Trade receivables	(41.3)	(44.1)	(64.9)
Inventories and contracts in progress	(35.0)	(68.9)	(6.9)
Payables, trade and other	62.0	39.1	(17.1)
Accrued liabilities and income taxes	18.4	(15.1)	23.1
Other	(6.5)	(13.6)	19.2
Other	3.2	(2.9)	(1.1)
CASH PROVIDED BY OPERATING ACTIVITIES	751.0	584.4	599.2
INVESTING ACTIVITIES			
Additions to plant and equipment(a)	(611.1)	(490.6)	(427.5)
Investment in and advances to unconsolidated affiliates	(40.8)	(171.5)	(48.6)
Termination of leveraged interest rate swaps (Note 6)	(41.9)	--	--
Acquisitions, less cash acquired	--	--	(4.5)
Proceeds from sale of assets and investments	17.7	47.2	51.4
Other	1.0	6.5	26.5
CASH USED FOR INVESTING ACTIVITIES	(675.1)	(608.4)	(402.7)
FINANCING ACTIVITIES			
Long-term debt proceeds(a)	127.6	276.3	96.2
Payments on long-term debt	(123.6)	(121.7)	(148.3)
Net increase (decrease) in commercial paper	13.0	18.9	(31.5)
Net increase (decrease) in other short-term borrowings	(43.6)	54.4	(7.1)
Dividends paid to shareholders	(107.8)	(101.6)	(93.3)
Purchase of Treasury Stock (Note 11)	(85.6)	--	--
Other	3.8	30.5	(7.1)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(216.2)	156.8	(191.1)
Effect of Exchange Rate Changes on Cash	1.8	(11.2)	7.0
Increase (Decrease) in Cash and Cash Items	(138.5)	121.6	12.4
Cash and Cash Items--Beginning of Year	238.4	116.8	104.4
Cash and Cash Items--End of Year (Note 1)	$ 99.9	$238.4	$116.8

The accompanying notes are an integral part of these statements.

(a) Excludes capital leases of $3.3 million, $3.9 million, and $4.3 million in 1994, 1993, and 1992, respectively.

CONSOLIDATED SHAREHOLDERS' EQUITY
Air Products and Chemicals, Inc. and Subsidiaries

(in millions, except per share) YEAR ENDED 30 SEPTEMBER	1994	1993	1992
COMMON STOCK			
Balance, Beginning of Year	$ 124.7	$ 124.7	$ 62.4
Two-for-one stock split	--	--	62.3
Balance, End of Year	124.7	124.7	124.7
CAPITAL IN EXCESS OF PAR VALUE			
Balance, Beginning of Year	198.7	187.7	236.3
Issuance of Treasury Shares for benefit and stock option and award plans, 1,100,286 shares in 1994, 785,867 shares in 1993, and 698,882 shares in 1992	(2.1)	2.1	6.8
Issuance of 10,000,000 Treasury Shares to trust	271.6	--	--
Tax benefit of stock option and award plans	9.4	8.9	6.9
Two-for-one stock split	--	--	(62.3)
Balance, End of Year	477.6	198.7	187.7
RETAINED EARNINGS			
Balance, Beginning of Year	1,994.7	1,895.4	1,717.7
Net income	247.8	200.9	271.0
Cash dividends--Common Stock, $.95 per share in 1994, $.89 per share in 1993, and $.83 per share in 1992	(107.8)	(101.6)	(93.3)
Balance, End of Year	2,134.7	1,994.7	1,895.4
CUMULATIVE TRANSLATION ADJUSTMENTS			
Balance, Beginning of Year	(32.6)	85.5	36.3
Translation adjustments, net of income taxes of $.6 benefit in 1994, $3.2 in 1993, and $.4 benefit in 1992	16.5	(118.1)	49.2
Balance, End of Year	(16.1)	(32.6)	85.5
TREASURY STOCK			
Balance, Beginning of Year	(183.6)	(195.6)	(211.4)
Issuance of Treasury Shares for benefit and stock option and award plans, 1,100,286 shares in 1994, 785,867 shares in 1993, and 698,882 shares in 1992	26.3	12.0	15.8
Issuance of 10,000,000 Treasury Shares to trust	185.9	--	--
Purchase of 1,800,000 Treasury Shares (Note 11)	(85.6)	--	--
Balance, End of Year	(57.0)	(183.6)	(195.6)
SHARES IN TRUST (Note 1)			
Balance, Beginning of Year	--	--	--
Contribution of 10,000,000 Treasury Shares	(457.5)	--	--
Balance, End of Year	(457.5)	--	--
TOTAL SHAREHOLDERS' EQUITY	$2,206.4	$2,101.9	$2,097.7

The accompanying notes are an integral part of these statements.

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

1 MAJOR ACCOUNTING POLICIES

CONSOLIDATION PRINCIPLES The consolidated financial statements include the accounts of Air Products and Chemicals, Inc. and its majority-owned subsidiary companies (the company). The equity method of accounting is used when the company has a 20% to 50% interest in other companies. Under the equity method, original investments are recorded at cost and adjusted by the company's share of undistributed earnings or losses of these companies.

LONG-TERM EQUIPMENT AND CONSTRUCTION REVENUE Revenues from equipment sale contracts are recorded primarily using the percentage-of-completion method. Under this method, the equipment and technology segment recognizes revenues based primarily on labor costs incurred to date compared with total estimated labor costs. The environmental and energy segment recognizes revenues based primarily on contract costs incurred to date compared with total estimated contract costs. Changes to total estimated labor or contract costs and anticipated losses, if any, are recognized in the period determined.

DEPRECIATION In the financial statements, the straight-line method of depreciation is used which deducts equal amounts of the cost of each asset from earnings every year over its expected useful life. The following table shows the estimated useful lives of different types of assets:

Classification	Expected Useful Lives
Buildings and components	5 to 45 years (principally 30 years)
Gas generating and chemical facilities, machinery and equipment	3 to 20 years (principally 11 to 15 years)

CAPITALIZED INTEREST As the company builds new plant and equipment or invests in unconsolidated affiliates in the development stage, it includes in the cost of these assets a portion of the interest payments it makes during the year. In 1994, the amount of capitalized interest was $9.6 million. In 1993, it was $5.1 million, and in 1992, $2.0 million.

INTEREST RATE HEDGE AGREEMENTS The company enters into interest rate hedge agreements which involve the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement without the exchange of the underlying principal amounts. The differential to be paid or received is accrued as interest rates change and recognized over the life of the agreements as an adjustment to interest expense.

FOREIGN CURRENCY The value of the U.S. dollar rises and falls day to day on foreign currency exchanges. Since the company does business in many foreign countries, these fluctuations affect the company's financial position and results of operations.

Generally, foreign subsidiaries translate their assets and liabilities into U.S. dollars at current exchange rates--that is, the rates in effect at the end of the fiscal period. The gains or losses that result from this process are shown in the cumulative translation adjustments account in the shareholders' equity section of the balance sheet.

The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period. Therefore, the U.S. dollar value of these items on the income statement fluctuates from period to period depending on the value of the dollar against foreign currencies.

Some transactions of the company and its subsidiaries are made in currencies different from their own. Gains and losses from these foreign currency transactions are generally included in income as they occur. The company enters into forward exchange contracts to manage the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities denominated in a foreign currency as well as certain highly anticipated cash flows. Gains and losses on these contracts are recognized in income and offset the foreign exchange gains and losses of the related transaction.

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

ENVIRONMENTAL EXPENDITURES Accruals for investigatory and noncapital remediation costs are recorded when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Remediation costs are capitalized if the costs improve the company's property as compared with the condition of the property when originally constructed or acquired or if the costs prevent environmental contamination from future operations. Costs to operate and maintain the capitalized facilities are expensed as incurred.

The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. While the current law potentially imposes joint and several liability upon each party at any Superfund site, the company's contribution to cleanup of these sites is expected to be limited, given the number of other companies which have also been named as potentially responsible parties and the volumes of waste involved. A reasonable basis for apportionment of costs among responsible parties is determined and the likelihood of contribution by other parties is established. If it is considered probable that the company will only have to pay its expected share of the total site cleanup, the liability reflects the

company's expected share. In determining

the probability of contribution, the company considers the solvency of the parties, whether responsibility is being disputed, the terms of any existing agreements, and experience to date regarding similar matters. These liabilities do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, these liabilities are reviewed periodically and adjusted to reflect additional technical and legal information which becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. The accruals for environmental liabilities are reflected in the balance sheet primarily as part of other noncurrent liabilities.

INCOME TAXES Effective 1 October 1993, the company adopted Statement of Financial Accounting Standard (SFAS) No. 109, "Accounting for Income Taxes," which requires the accounting for income taxes under the liability method. Under this method, deferred tax liabilities and assets are recognized for the tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates. A principal temporary difference results from the excess of tax depreciation over book depreciation because accelerated methods of depreciation and shorter useful lives are used for income tax purposes. The new standard will not have a significant impact on income tax expense, except when there are significant changes in statutory rates or regulations. The cumulative impact of a change in tax rates or regulations is included in income tax expense in the period that includes the enactment date. In fiscal 1994, as a result of changes in a state tax rate and regulation, income tax expense was reduced by a net benefit of $5.4 million.

Prior to 1 October 1993, income taxes were determined under the deferred method in accordance with Accounting Principle Board Opinion 11. Under this method, deferred income taxes represent the tax effect of timing differences, as certain transactions are recognized in different time periods for tax and financial reporting purposes, at tax rates in effect during the period. Deferred income taxes were not adjusted for subsequent changes in tax rates or regulations.

CASH AND CASH ITEMS Cash and cash items include cash, time deposits, and certificates of deposit acquired with an original maturity of three months or less.

INVENTORIES To determine the cost of chemical inventories and some gas and equipment inventories in the United States, the company uses the last-in, first-out (LIFO) method. This method assumes the most recent cost is closer to the cost of replacing an item that has been sold. During periods of rising prices, LIFO maximizes the cost of goods sold and minimizes the profit reported on the company's income statement.

Inventory values of foreign subsidiaries are determined using the first-in, first-out (FIFO) method. Cost of an item sold is based on the first item produced or on the current market value, whichever is lower.

GOODWILL When a company is acquired, the difference between the fair value of its net assets and the purchase price is goodwill. Goodwill is recorded as an asset on the balance sheet and is amortized into income over periods not exceeding 40 years.

SHARES IN TRUST The company has established a trust, funded with Treasury Stock, to provide for a portion of future payments to employees under the company's existing compensation and benefit programs. Shares issued to the trust are valued at market price on the date of contribution and reflected as a reduction of shareholders' equity in the balance sheet. As shares are transferred from the trust to fund compensation and benefit obligations, this equity account is reduced based on the original cost of shares to the trust; the satisfaction of liabilities is based on the fair value of shares transferred; and the difference between the fair value of shares transferred and the original cost of shares to the trust is charged or credited to capital in excess of par value.

2 ACCOUNTING CHANGES

Effective 1 October 1993, the company adopted Statement of Financial Accounting Standard (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," SFAS No. 109, "Accounting for Income Taxes," and SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of these accounting changes on years prior to fiscal 1994 is included in net income of fiscal 1994. Prior-year financial statements have not been restated to apply the provisions of these standards. The cumulative effect of each of these standards is as follows:

(in millions, except per share)	Income (Loss)	Earnings (Loss) per Common Share
Postretirement benefits other than pensions, net of an income tax benefit of $19.3 (Note 15) . . .	$(31.3)	$(.28)
Income taxes (Notes 1 and 12)	55.9	.49
Postemployment benefits, net of an income tax benefit of $6.4 (Note 15)	(10.3)	(.09)
	$14.3	$.12

Additionally, in 1994 the company adopted SFAS No. 119, "Disclosure about

Derivative Financial Instruments and Fair Value of Financial Instruments."

3 WORKFORCE REDUCTION AND ASSET WRITE-DOWNS

In 1993, the company recorded a charge of $120.0 million for reducing the workforce by 7 to 10 percent over a two-year period and for selected asset write-downs.

The 1993 charge of $58.0 million for reducing the workforce includes efforts to improve work processes, consolidate and restructure selected organizations, and eliminate some lower-potential technology and commercial programs. This charge was composed principally of salaries and benefits. All business segments were affected by this charge. Approximately two-thirds of the charge was related to industrial gases. The accrual balance for the workforce reduction program was $19.7 million at 30 September 1994. This accrual balance declined during 1994 due principally to cash expenditures related to severance costs. It is anticipated that this remaining liability will be paid in 1995. Since inception of this program, approximately 8% of the workforce has been eliminated.

In 1993, certain assets included principally in plant and equipment were written down to net realizable value resulting in a charge of $62.0 million. The asset write-downs involved the epoxy and agricultural chemical product lines, the landfill gas business in the environmental and energy segment, and miscellaneous assets in the industrial gases segment.

4 FAIR VALUE OF FINANCIAL INSTRUMENTS

Summarized below are the carrying values and fair values of the company's financial instruments as of 30 September 1994 and 1993.

The fair value of the company's debt, interest rate hedge agreements, forward exchange contracts, and foreign currency options is based on estimates using standard pricing models that take into account the present value of future cash flows. The fair value of other investments is based principally on quoted market prices. The carrying amounts reported in the balance sheet for cash and cash items, accrued liabilities, accrued income taxes, and short-term borrowings approximate fair value due to the short-term nature of these instruments. Accordingly, these items have been excluded from the table below.

(in millions) 30 SEPTEMBER	1994 CARRYING VALUE	 FAIR VALUE	1993 Carrying Value	 Fair Value
ASSETS				
Other investments	$14.1	$78.8	$16.3	$86.3
Currency option contracts (Note 7)	10.4	3.3	9.4	7.8
Forward exchange contracts (Note 7)	2.0	3.9	1.1	(.1)
LIABILITIES				
Long-term debt, including current portion (Note 5)	$1,068.3	$1,066.5	$1,105.6	$1,223.1
Interest rate hedge agreements (Note 6)	12.2	39.5	8.8	(5.5)

5 LONG-TERM DEBT

The following table shows the company's outstanding debt at the end of fiscal 1994 and 1993, excluding any portion of the debt required to be repaid within a year:

(in millions) 30 SEPTEMBER	1994	1993
Payable in U.S. dollars:		
Medium-term Notes, Series B, due through 2003, weighted average interest rate 5.7%	$ 78.5	$ 108.5
Medium-term Notes, Series C, due through 2003, weighted average interest rate 3.8%	145.0	50.0
11 1/2% Notes, due 1995	--	100.0
8 7/8% Notes, due 2001	100.0	100.0
6 1/4% Notes, due 2003	100.0	100.0
8 1/2% Debentures, due 2006, effective interest rate 8.6%	100.0	100.0
8 3/4% Debentures, due 2021, effective interest rate 9.0%	100.0	100.0
Commercial paper	--	60.0
Other, due 2002 to 2012, weighted average interest rate 4.8%	24.7	24.7
Payable in foreign currency:		
6.7% British Pound loan	--	16.5
13.0% British Pound mortgage loan	--	16.5
14 3/4% Italian Lira Notes, due 1996, effective interest rate 13.9%	32.0	31.4
11 3/4% Canadian Dollar Notes, due 1996, effective interest rate 11.4%	22.3	22.5
9 1/2% British Pound Notes, due 1997	71.7	68.1
5.9% British Pound loan, due 1999	34.7	--
10.8% French Franc loan, due through 2002	5.7	5.8
9.2% Deutsche Mark loan, due through 2002	13.6	14.1
Belgian Franc loans, due through 2006, weighted average interest rate 6.2%	49.1	50.2
Other, due through 2004, weighted average interest rate 8.3%	17.1	19.8
Less: Unamortized discount	(2.5)	(2.5)
	891.9	985.6
Capital lease obligations:		
United States, due through 2002, weighted average interest rate 5.4%	5.9	6.2
Foreign, due through 2004, weighted average interest rate 10.0%	24.7	24.6
	30.6	30.8
	$922.5	$1,016.4

Various debt agreements to which the company is a party include restrictions pertaining to the ability to create property liens and enter into certain sale and leaseback transactions.

The company has obtained the commitment of several commercial banks to lend money at market rates whenever needed by the company. For Air Products and Chemicals, Inc. and its U.S. subsidiaries, the total commitment of the banks at 30 September 1994 amounted to $400.0 million; no borrowings were outstanding under these commitments at the end of fiscal 1994. These committed lines of credit also are used to support the issuance of commercial paper. At 30 September 1994, foreign subsidiaries also had committed credit lines of $96.8 million, $.8 million of which was borrowed and outstanding.

Maturities of long-term debt in each of the next five years are as follows: $145.8 million in 1995; $157.3 million in 1996; $106.5 million in 1997; $28.1 million in 1998; and $91.0 million in 1999.

In 1992, the company retired its outstanding 113/8% debentures prior to scheduled maturity. This transaction resulted in a one-time extraordinary charge on an after-tax basis of $6.0 million, or $.05 per share.

6 INTEREST RATE HEDGE AGREEMENTS

Interest rate hedge agreements are used to reduce interest rate risks and costs inherent in the company's debt portfolio. The company enters into these agreements to change the fixed/variable interest rate mix of the debt portfolio to reduce the company's aggregate risk to movements in interest rates. Accordingly, the company enters into agreements to effectively convert variable-rate debt to fixed-rate debt to reduce the company's risk of incurring higher interest costs due to rising interest rates. The company will also enter into agreements to effectively convert its fixed-rate debt to variable-rate debt which is indexed to commercial paper or LIBOR rates to reduce the company's risk of incurring higher

interest costs in periods of falling interest rates. During 1994 the company entered into interest rate swap contracts to effectively convert the stated variable interest rates on $70 million of the medium-term notes, series C, to interest rates slightly below the three-month U.S. dollar LIBOR rate. The company is also party to interest rate hedge and currency swap contracts, which hedge intercompany lending transactions. These contracts entail both the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement and the exchange of one currency for another currency at inception and a specified future date.

The company has entered into two LIBOR swap agreements, each with a $50 million notional amount. These agreements contain counterbalancing formula-based rate features such that the interest rate paid on $50 million of fixed-rate debt is converted to substantially a LIBOR interest rate through the year 2003. The unrealized loss related to these two interest rate swap contracts, as included in the table below under fixed to variable, is $12.6 million as of 30 September 1994.

Counterparties to interest rate hedge agreements are major financial institutions. Management believes the risk of incurring losses related to credit risk is remote and any losses would be immaterial.

The table below illustrates the contract or notional (face) amounts outstanding, maturity dates, weighted average receive and pay rates, and the net unrealized gain (loss) of interest rate hedge agreements by type at 30 September 1994 and 1993. The notional amounts are used to calculate contractual payments to be exchanged and are not generally actually paid or received, except for the currency swap component of the contracts. The net unrealized gain (loss) on these agreements is equal to their fair value.

(in millions)	Notional Amount	Maturities	Weighted Average Rate Receive	Weighted Average Rate Pay	Unrealized Gross Gain	Unrealized Gross (Loss)	Net Unrealized Gain (Loss)
30 SEPTEMBER 1994							
Fixed to Variable	$363.2	1995-2003	7.1%	6.2%	$1.3	$(22.2)	$(20.9)
Variable to Fixed	15.0	1997	5.9%	7.1%	.2	--	.2
Variable to Variable . . .	70.0	1996-2001	2.8%	4.8%	--	(4.9)	(4.9)
Interest Rate/Currency . .	118.3	1995-1996	5.6%	6.6%	--	(13.9)	(13.9)
	$566.5				$1.5	$(41.0)	$(39.5)
30 September 1993							
Fixed to Variable	$300.5	1994-2003	7.3%	5.0%	$15.5	$ --	$15.5
Variable to Fixed	90.0	1994-2003	4.1%	5.3%	--	(.8)	(.8)
Interest Rate/Currency . .	138.4	1994-1996	3.7%	6.1%	--	(9.2)	(9.2)
	$528.9				$15.5	$(10.0)	$ 5.5

Of the net unrealized gain (loss) as of 30 September 1994 and 1993, a net loss of $27.3 million and a net gain of $14.3 million, respectively, has not been recognized in the financial statements. Deferred gains/losses from terminated contracts at the end of fiscal 1994 and 1993 were not material.

After the effects of interest rate hedge agreements, the company's total debt, including current portion, is composed of 56% fixed-rate debt and 44% variable-rate debt as of 30 September 1994. Subsequent to 30 September 1994, certain interest rate hedge agreements expired which changed the composition of total debt to 60% fixed-rate debt and 40% variable-rate debt as of 31 October 1994.

The fair value of long-term debt and interest rate hedge agreements is affected by fluctuations in market interest rates. A 100 basis point increase in market interest rates would result in a $38.8 million decline (favorable) in the fair value of long-term debt while the fair value of interest rate hedge agreements would decline $15.7 million (unfavorable). A 100 basis point decline in market interest rates would result in a $42.7 million increase (unfavorable) in the fair value of long-term debt while the fair value of interest rate hedge agreements would increase $14.4 million (favorable). Based on the composition of the company's debt portfolio, including interest rate hedge agreements, as of 30 September 1994, a 100 basis point increase in market interest rates would result in an additional $5.4 million in interest incurred per year. A 100 basis point decline would lower interest incurred by $5.4 million per year.

The company entered into five highly leveraged interest rate swap contracts with a notional value of $202.7 million during the first quarter of fiscal 1994. By 30 June 1994, the company terminated three of these contracts and closed the other two. These contracts had been accounted for on a mark-to-market basis. In 1994, the company recognized a loss of $107.7 million on these

derivative contracts. This loss reflects the costs to terminate or close these contracts. The termination and closure of these derivative contracts has eliminated any further earnings impact from these contracts due to changes in interest rates. The company will not enter into any future interest rate swap contracts which lever an unfavorable move in interest rates on a greater than one-to-one basis. The closure of the two highly leveraged interest rate swap contracts has resulted in a $66.0 million liability. Additionally, the company terminated in 1994 a number of smaller interest rate hedge agreements and an interest rate hedge and currency swap contract and recognized a loss of $13.9 million. This loss is recognized in the consolidated income statement as $12.2 million foreign exchange loss included in other income and $1.7 million interest expense.

7 FOREIGN EXCHANGE CONTRACTS

The company, in management of its exposure to fluctuations in foreign currency exchange rates, has entered into a variety of foreign exchange contracts, including forward and option contracts. These agreements generally involve the exchange of one currency for a second currency at some future date. Counterparties to these agreements are major international financial institutions. The risk of loss associated with these agreements and management's position regarding possible exposure is comparable to that for interest rate hedge agreements as discussed in Note 6.

The company enters into forward exchange contracts to reduce the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities, as well as certain firm commitments and highly anticipated cash flows. The company is also party to option contracts which, if exercised, involve the sale of foreign currency at a fixed exchange rate for a specified period of time. These contracts are used to hedge certain anticipated export sales transactions.

The table below illustrates the U.S. dollar equivalent, including offsetting positions, of foreign exchange contracts at 30 September 1994 and 1993 along with maturity dates, net unrealized gain (loss), and net unrealized gain (loss) deferred. At the end of fiscal 1994, all material cash flow exposures to foreign currency fluctuations resulting from monetary assets or liabilities, firm commitments, or highly anticipated cash flows being denominated in a currency other than an entity's functional currency are hedged by forward exchange or option contracts.

(in millions)	Contract Amount ($U.S. Equivalent)	Latest Maturity Date	Unrealized Gross Gain	Unrealized Gross (Loss)	Net Unrealized Gain (Loss)	Net Unrealized Gain (Loss) Deferred
30 SEPTEMBER 1994						
Forward exchange contracts:						
$U.S./$Canadian	$261.1	2003	$4.9	$ (.6)	$ 4.3	$1.7
$U.S./U.K. Pound Sterling	98.2	1995	.2	(1.4)	(1.2)	(1.0)
$U.S./German DM	37.6	1995	.9	(.3)	.6	.8
Other	210.2	1996	2.5	(2.3)	.2	.4
	607.1		8.5	(4.6)	3.9	1.9
Option contracts:						
$U.S./Japanese Yen	31.5	1998	--	(1.7)	(1.7)	(1.7)
$U.S./German DM	156.6	1999	.3	(5.7)	(5.4)	(5.4)
	188.1		.3	(7.4)	(7.1)	(7.1)
	$795.2		$8.8	$(12.0)	$(3.2)	$(5.2)
30 September 1993						
Forward exchange contracts	$313.1	1996	$3.0	$(3.1)	$ (.1)	$(1.2)
Option contracts	220.8	1998	1.5	(3.1)	(1.6)	(1.6)
	$533.9		$4.5	$(6.2)	$(1.7)	$(2.8)

The company's net equity position in its principal foreign subsidiaries at 30 September 1994 was $650 million. These subsidiaries have operations in the United Kingdom, Germany, France, Netherlands, Belgium, Brazil, and Canada. It is not the company's policy to hedge its accounting translation exposure to foreign currency fluctuations relative to this net equity position, since these do not represent actual cash flow exposures.

8 PLANT AND EQUIPMENT

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

(in millions) 30 SEPTEMBER	1994	1993
Land	$ 80.4	$ 79.0
Buildings	461.8	437.4
Gas generating and chemical facilities, machinery and equipment	5,612.3	5,167.1
Construction in progress	365.0	269.3
	$6,519.5	$5,952.8

Expenses for the maintenance and repair of plant and equipment are deducted from earnings as they occur. In 1994, these costs were $168.9 million. In 1993, they were $168.1 million and in 1992, $153.2 million. Depreciation expense in 1993 totaled $402.4 million, which includes $56.7 million associated with asset write-downs.

9 INVENTORIES

The components of inventories are as follows:

(in millions) 30 SEPTEMBER	1994	1993
Inventories at FIFO cost:		
Finished goods	$208.5	$206.9
Work in process	14.9	21.2
Raw materials and supplies	97.0	90.7
	320.4	318.8
Less excess of FIFO cost over LIFO	(28.0)	(25.2)
	$292.4	$293.6

Inventories valued using the LIFO method comprised 61.0% and 63.6% of consolidated inventories before LIFO adjustment at 30 September 1994 and 1993, respectively. Liquidation of prior years' LIFO inventory layers in 1994, 1993, and 1992 did not materially affect cost of sales in any of these years.

10 SUMMARIZED FINANCIAL INFORMATION OF EQUITY AFFILIATES

The following table presents summarized financial information on a combined 100% basis of the principal companies accounted for by the equity method. Amounts presented include the accounts of the following equity affiliates: American Ref-Fuel of Hempstead (50%); American Ref-Fuel of Essex County (50%); American Ref-Fuel of Niagara (50%); American Ref-Fuel of Southeastern Connecticut (50%); Cambria CoGen Company (50%); Stockton CoGen Company (50%); Orlando CoGen Limited, L.P. (50%); Carburos Metalicos S.A. (25.8%); Sapio Produzione Idrogeno Ossigeno S.r.L. (49%); INFRA Group (40%); San Fu Chemicals (45%); ProCal (50%); Korea Industrial Gases (48.75%); and principally other industrial gas producers.

(in millions)	1994	1993
Current assets	$ 624.3	$ 563.8
Noncurrent assets	2,219.2	2,157.2
Current liabilities	482.3	381.9
Noncurrent liabilities	1,399.1	1,410.2
Net sales	1,187.8	1,105.1
Sales less cost of sales	577.3	580.1
Net income	125.4	70.6

During the first quarter of fiscal 1993, the company increased significantly its minority ownership position in a Mexican affiliate. This affiliate, the largest industrial gas group in Mexico, supplies industrial gases and related products through a nationwide distribution network.

The company's share of income of all equity affiliates for 1994, 1993, and 1992 was $48.5 million, $31.0 million, and $24.4 million, respectively. These amounts exclude $20.0 million, $19.2 million, and $17.7 million of related net expenses incurred by the company.

The investment in net assets of and advances to equity affiliates at 30

September 1994 and 1993 included investment in foreign affiliates of $386.1 million and $390.4 million, respectively.

As of 30 September 1994, the amount of investment in companies accounted for by the equity method included goodwill in the amount of $116.8 million which is being amortized into income over periods not exceeding 40 years.

11 CAPITAL STOCK

The authorized capital stock consists of 25 million preferred shares with a par value of $1 per share, none of which was outstanding at 30 September 1994, and 150 million shares of Common Stock with a par value of $1 per share.

In October 1993, the company announced its intention to begin purchasing up to approximately 4.5 million shares of its Common Stock, subject to market conditions. During fiscal 1994, 1.8 million shares were purchased at a cost of $85.6 million.

In December 1993, the company established a trust to fund a portion of future payments to employees under the company's existing compensation and benefit programs. The trust, which is administered by an independent trustee, was funded with 10 million shares of Treasury Stock. It will not increase or alter the amount of benefits or compensation which will be paid under existing plans, but it is expected to enhance the company's financial flexibility. The establishment of the trust will not have an effect on earnings per share or return on average shareholders' equity.

At 30 September 1994, the number of shares of Common Stock outstanding was 113,408,829 after deducting 1,318,963 shares of Treasury Stock and 10,000,000 shares held in trust.

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

12 INCOME TAXES

As discussed in Notes 1 and 2, the company adopted Statement of Financial Accounting Standard (SFAS) No. 109, "Accounting for Income Taxes," on 1 October 1993.

This table shows the components of the provision for income taxes:

(in millions)	1994	1993	1992
Federal:			
Current	$51.5	$74.2	$ 75.2
Deferred	19.5	5.1	21.6
	71.0	79.3	96.8
State:			
Current	6.2	11.7	9.4
Deferred	.5	2.2	2.8
Impact of law/rate change	(8.4)	--	--
	(1.7)	13.9	12.2
Foreign:			
Current	24.7	14.2	25.4
Deferred	(2.2)	(7.5)	(4.4)
	22.5	6.7	21.0
	$91.8	$99.9	$130.0

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

(in millions) 30 SEPTEMBER	1994
Gross deferred tax assets:	
Pension and other compensation accruals	$ 66.4
Alternative minimum tax	55.6
Tax loss carryforwards	45.1
Reserves and accruals	24.4
Postretirement benefits	19.3
Plant and equipment	12.2
Inventory	11.8
Other	31.8
Valuation allowance	(25.8)
Deferred tax assets	240.8
Gross deferred tax liabilities:	
Plant and equipment	441.5
Investment in partnerships	153.5
Other	41.3
Deferred tax liabilities	636.3
Net deferred income tax liability	$395.5

Net current deferred tax assets of $28.0 million are included in other current assets at 30 September 1994.

The company's domestic operations were subject to taxes under the Alternative Minimum Tax (AMT) for income tax purposes. The AMT limits the utilization of tax benefits in the current year. These tax benefits will be carried forward to future years.

Foreign and state operating loss carryforwards on 30 September 1994 were $48.8 million and $183.9 million, respectively. Foreign losses of $36.9 million are available to offset future foreign income through 2004. The balance of these

losses has an unlimited carryover period. State operating loss carryforwards are available through 2009. Foreign capital loss carryforwards were $15.0 million on 30 September 1994 and have an unlimited carryover period.

The valuation allowance as of 30 September 1994 primarily relates to the tax loss carryforwards referenced above. If events warrant the reversal of the $25.8 million valuation allowance, it would reduce intangible assets by $7.4 million and reduce tax expense by $18.4 million.

The components of the deferred income tax provision, under APB 11, are as follows:

(in millions)	1993	1992
Excess of tax depreciation over book depreciation	$52.4	$49.1
Workforce reduction and asset write-downs	(43.6)	--
Joint venture development costs	0.3	1.4
Alternative minimum tax	(6.7)	(30.0)
Noncurrent pension liability .	(3.5)	(1.8)
Miscellaneous	0.9	1.3
	$(0.2)	$20.0

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

(percent of income before taxes)	1994	1993	1992
United States federal statutory rate	35.0%	34.7%(a)	34.0%
State taxes, net of federal tax benefit	2.2	3.2	1.9
Equity in earnings of foreign affiliates	(2.1)	(2.2)	(1.6)
Foreign tax credits and refunds on dividends received from foreign affiliates	(.8)	(.5)	(1.2)
Nonconventional fuel credits	(1.5)	(1.7)	(1.1)
Export tax benefits	(1.3)	(1.2)	(.8)
Charitable contribution of stock investment	(1.2)	--	--
Impact of state law/rate change	(1.7)	--	--
Other	(.4)	.9	.7
Effective tax rate	28.2%	33.2%	31.9%

(a) Federal statutory rate increased to 35% as of 1 January 1993. This rate was applicable for the last nine months of fiscal 1993.

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

(in millions)	1994	1993	1992
Income from consolidated operations:			
United States	$222.5	$264.8	$333.9
Foreign	54.3	5.0	48.7
Income from equity affiliates	48.5	31.0	24.4
	$325.3	$300.8	$407.0

Income before taxes presented above is distributed geographically according to where the income is taxed. This differs from the geographic segment operating income presented in Note 20 in which items of income and expense are allocated to the region where revenues are generated.

The company does not pay or record U.S. income taxes on the undistributed earnings of its foreign subsidiaries and its 20% to 50% owned corporate joint ventures as long as those earnings are permanently reinvested in the companies that produced them. These cumulative undistributed earnings are included in consolidated retained earnings on the balance sheet and amounted to $429.0 million at the end of fiscal 1994. An estimated $98.4 million in U.S. and withholding taxes would be due if these earnings were remitted as dividends, after payment of all deferred taxes.

13 STOCK OPTION AND AWARD PLANS

The Long-Term Incentive Plan (the Plan) provides for the granting of stock options with or without related performance units to executives and key employees. Options generally become exercisable in cumulative installments of 33 1/3% one year after the date of grant and annually thereafter, and must be exercised no later than ten years and one day from that date. Option prices are 100% of fair market value on the date of grant. Performance units have a dollar value determined by the Management Development and Compensation Committee and constitute rights to receive the value of the unit, provided performance objectives are met. Payment of a performance unit may be in cash and/or shares of Common Stock, as determined by the Committee. Performance units have been issued in tandem with stock options, so that the exercise of either of them will reduce, on a one-for-one basis, the tandem options or performance units. The company did not grant performance units in 1994 and 1993. Following a change in control of the company as defined in the Plan, options and related performance units can be cancelled upon, or surrendered for, payment of 100% of the spread on the options.

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

Certain information for 1994 and 1993 relative to stock options is summarized as follows:

(number of shares)	1994	1993
Outstanding at beginning of year	5,339,148	5,335,155
Granted	699,930	615,660

Exercised (a)	(819,690)	(600,739)
Expired or cancelled	(25,095)	(10,928)
Outstanding at end of year (b)	5,194,293	5,339,148
Exercisable at end of year	3,812,126	3,915,116
Participants at end of year	397	402
Available for future grant at end of year	2,478,831	3,153,666

(a) Options were exercised at prices ranging from $10.86 to $44.38 per share during 1994 and $10.86 to $33.85 per share during 1993.

(b) For outstanding shares under option at 30 September 1994, option prices ranged from $13.14 to $44.38 (and averaged $27.37) per share. The expiration dates for these options range from 2 October 1995 to 2 October 2003. For outstanding shares under option at 30 September 1993, option prices ranged from $10.86 to $44.38 (and averaged $24.10) per share.

At 30 September 1994, there were 2,151,620 performance units with maximum payout values ranging from $3.68 to $17.42 outstanding. In addition, deferred stock and similar awards equal to 742,485 shares of Air Products Common Stock were outstanding at 30 September 1994.

14 PENSION PLANS

The company has various pension plans which cover almost all regular employees. The plan benefits are based primarily on years of service and employees' compensation near retirement. The funding policy is to accumulate plan assets that, over the long run, will approximate the present value of projected benefits payable. Plan assets consist primarily of listed stocks, corporate bonds, and government obligations.

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

(in millions)		1994		1993		1992
Service cost--						
benefits earned during the period		$30.5		$26.9		$25.5
Interest cost on projected benefit						
obligation		50.8		46.8		44.7
Return on plan assets:						
Actual	(26.3)		(91.9)		(37.0)	
Deferred	(29.9)		36.6		(19.9)	
Recognized return		(56.2)		(55.3)		(56.9)
Net amortization		3.1		(2.6)		(4.0)
Pension cost		$28.2		$15.8		$ 9.3

In 1993, a loss of $5.8 million for enhanced pension benefits was included in workforce reduction costs. (See Note 3.)

The following table shows the combined funded status of the U.S. plans at 30 September 1994 and 1993, foreign plans at 30 June 1994 and 1993, and amounts recognized in the company's consolidated balance sheets at 30 September 1994 and 1993:

(in millions)	1994		1993	
	PLANS IN WHICH ASSETS EXCEED ACCUMULATED BENEFIT OBLIGATION	PLANS IN WHICH ACCUMULATED BENEFIT OBLIGATION EXCEEDS ASSETS	Plans in Which Assets Exceed Accumulated Benefit Obligation	Plans in Which Accumulated Benefit Obligation Exceeds Assets
Actuarial present value of benefit obligation:				
Vested	$409.0	$ 58.7	$400.9	$57.8
Nonvested	29.6	6.3	37.2	8.2
Accumulated benefit obligation	$438.6	$ 65.0	$438.1	$66.0
Actuarial present value of projected benefit obligation	$541.7	$ 77.5	$579.9	$78.7
Plan assets at fair value	560.3	27.2	543.0	27.0
Projected benefit obligation (in excess of) less than plan assets	18.6	(50.3)	(36.9)	(51.7)
Unamortized net transition (asset) obligation	(34.4)	2.4	(37.7)	2.6
Unrecognized net (gain) loss	(9.5)	(1.4)	61.3	16.3
Unamortized prior service cost	9.2	14.0	8.9	6.7
Adjustment required to recognize minimum liability	--	(8.5)	--	(18.2)
Net pension (liability) asset	$ (16.1)	$(43.8)	$ (4.4)	$(44.3)

The projected benefit obligation was determined using the following assumptions:

	1994	1993
Weighted average discount rate . . .	8 4/5%	7 5/8%
Weighted average long-term rate of compensation increase	5%	5 1/8%

These rates are used in the determination of pension cost in the succeeding year. The weighted average expected long-term return on plan assets used to determine pension cost was 10 3/5% in 1994, 11% in 1993, and 11 2/5% in 1992. For the fiscal 1995 pension cost determination, the company anticipates that a weighted average expected long-term return on plan assets of approximately 10%

will be used.

15 OTHER POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

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

Effective 1 October 1993, the company adopted Statement of Financial Accounting Standard (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This standard requires the company to accrue the estimated cost of providing postretirement benefits during the employees' applicable years of service. Prior to adoption of SFAS No. 106, the company recognized the cost of providing postretirement benefits as incurred. Upon adoption of this standard, the company immediately recognized the transition obligation as the cumulative effect of an accounting change in the income statement. (See Note 2.)

The fiscal 1994 postretirement benefit cost included the following components:

(in millions)	1994
Service cost-benefits earned during the period	$3.6
Interest cost on accumulated postretirement benefit obligation	3.9
Postretirement benefit cost	$7.5

The cost of retiree health care and life insurance benefits which was expensed as incurred in 1993 and 1992 totaled $4.7 million and $2.1 million, respectively.

At 30 September 1994 and 1 October 1993, the actuarial and recorded liabilities for postretirement benefits, none of which have been funded, are as follows:

(in millions)	30 SEPTEMBER 1994	1 October 1993
Actuarial present value of benefit obligation:		
Retirees	$17.4	$21.0
Fully eligible active plan participants	11.1	11.4
Other active plan participants	21.3	18.2
Accumulated postretirement benefit obligation	49.8	50.6
Unrecognized net gain.	4.6	--
Accrued postretirement benefit liability	$54.4	$50.6

The accumulated postretirement benefit obligation was determined using a discount rate of 8 3/4% at 30 September 1994 and 7 1/2% at 1 October 1993. The assumed health care cost trend rate is 10 1/2% for fiscal 1995 (11 1/2% was assumed in fiscal 1994); the rate is assumed to decrease gradually to 6% by the year 2004 and remain at that level thereafter. Increasing the health care cost trend rate by one percentage point would increase both the accumulated postretirement benefit obligation at 30 September 1994 and the postretirement benefit cost for fiscal 1994 by approximately 4%.

On 1 October 1993, the company also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires that employers accrue the cost and recognize the liability for providing certain benefits to former and inactive employees after employment but before retirement. The company previously recognized these benefits as an expense as the cost was incurred. Upon adoption of this standard, the company recognized the transition obligation as the cumulative effect of an accounting change. (See Note 2.) Adoption of this standard did not materially affect 1994 income before cumulative effect of accounting changes.

16 LEASES

Capital leases, primarily for machinery and equipment, are included with owned plant and equipment on the balance sheet in the amount of $50.3 million and $59.6 million at the end of fiscal 1994 and 1993, respectively. Related amounts of accumulated depreciation are $24.8 million and $28.9 million, respectively.

Operating leases, including month-to-month agreements, cost the company $36.6 million in 1994, $36.6 million in 1993, and $35.3 million in 1992.

At 30 September 1994, minimum payments due under leases are as follows:

(in millions)	Capital Leases	Operating Leases
1995	$ 6.6	$19.9
1996	5.9	15.6
1997	5.8	10.4
1998	4.3	6.5
1999	4.1	4.5
2000 and thereafter	23.8	31.0
	$50.5	$87.9

The present value of the above future capital lease payments is included in the liability section of the balance sheet. At the end of fiscal 1994, $3.8 million was classified as current and $30.6 million as long-term.

17 OTHER COMMITMENTS AND CONTINGENCIES

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

Hempstead: Periodic debt service on 50% of the unamortized project debt. Total unamortized debt was $227 million as of 30 September 1994. Average annual debt service on 50% of the debt over the next five years is $13 million.

Essex County: One-half of any partnership cash deficiency, including debt service. Total unamortized project debt was $178 million as of 30 September 1994, and $10 million of additional partnership debt of which $5 million is guaranteed by Air Products. Average annual debt service on 50% of the debt over the next five years is $10 million.

Preston: Periodic debt service on 50% of the unamortized debt. Total unamortized project debt was $95 million as of 30 September 1994, and $44 million of additional partnership debt of which $22 million is guaranteed by Air Products. Average annual debt service on 50% of the debt over the next five years is $6 million.

At Niagara Falls, Air Products and BFI entered into support agreements to each fund one-half of any partnership cash deficiency, including debt service. Total unamortized project debt was $35 million as of 30 September 1994. Average annual debt service on 50% of the debt over the next five years is $3 million.

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

Stockton: Periodic debt service on the outstanding project debt ($55 million as of 30 September 1994). Average annual debt service over the next five years is $13 million.

Cambria: In the event failure to maintain a minimum of one year's fuel supply with the current fuel supplier causes a failure to operate, the outstanding project debt ($146 million as of 30 September 1994). Otherwise, $1 million (escalates from October 1989) annually up to a cumulative total of $17 million.

Additionally, Air Products and a subsidiary have a 50% interest in a limited partnership which owns a natural gas-fired cogeneration facility in Orlando, Florida. Under agreements with the partnership, Air Products provides financial support relating to the facility's natural gas supply. In the event the partnership's municipal utility district customer (one of the project's two power purchasers) terminates its contract due to a partnership default, Air Products will make available up to $15 million (escalates from February 1992) to compensate the utility district for the higher cost of power procured from other sources over a period of up to 5 years.

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

In addition, the company has guaranteed repayment of borrowings of certain domestic and foreign equity affiliates. At year end, these guarantees totaled approximately $66.2 million.

The company has accrued for certain environmental investigatory and noncapital remediation costs consistent with the policy set forth in Note 1. The potential exposure for such costs is estimated to range from $24 million to a reasonably possible upper exposure of $55 million. The balance sheet at 30 September 1994 includes an accrual of $29.6 million. The company does not expect that any sums it may have to pay in connection with these environmental matters would have a materially adverse effect on its consolidated financial position, nor is there any material additional exposure expected in any one year in excess of the amounts the company currently has accrued.

In September 1994, the legal proceedings with Syncrude Canada Ltd., its owners, and the province of Alberta, Canada have been settled. The settlement, which was funded principally by the company's insurance carriers, did not have a material impact on the company's financial position or results of operations.

The company in the normal course of business has commitments, lawsuits, contingent liabilities, and claims. However, the company does not expect that any sum it may have to pay in connection with these matters will have a materially adverse effect on its consolidated financial position or results of operations.

At the end of fiscal 1994, the company had purchase commitments to spend approximately $204.1 million for additional plant and equipment.

18 SUBSEQUENT EVENT

In November 1994, the company published a tender offer and related preparatory contract to acquire 74.2% of the outstanding shares (9.7 million) of Carburos Metalicos S.A. (Carburos), representing all of the shares in Carburos not owned by the company. The tender offer for 34.5% of the outstanding shares (4.5 million) was at a price of 4,550 pesetas per share. Shares representing 39.7% of the outstanding shares (5.2 million) had committed to accept the preparatory contract offer and were excluded from the tender offer. The company will make additional tender offers in September 1995 and September 1996, subject to the approval of the Spanish authorities, to acquire any remaining shares of Carburos. As part of this transaction, the company offered to all shareholders a preparatory contract whereby in exchange for 250 pesetas per share, payable in cash upon settlement of the 1994 tender offer, the shareholder would agree not to tender any shares in the initial tender offer and to limit the number of shares tendered to 50% of its holdings in each of the September 1995 and 1996 tender offers. Additionally, this preparatory contract grants a call option to the company to acquire in fiscal 1998 any shares not previously tendered. The price for the September 1995 and 1996 tender offer is 5,150 pesetas per share and 5,730 pesetas per share, respectively, subject to adjustment and payable by 31 October of the relevant year, and the option price is 6,016 pesetas per share, also subject to adjustment. The expected cost of purchasing the remaining 74.2% of the shares will be approximately $400 million using forecasted exchange rates. The acquisition is expected to be financed with borrowings. Carburos is the leading supplier of industrial gases in Spain. For the year ended 30 September 1994, Carburos had unaudited revenues of $222 million and net income of $16 million.

19 SUPPLEMENTARY INFORMATION

PAYABLES, TRADE AND OTHER

(in millions) 30 SEPTEMBER	1994	1993
Accounts payable, trade	$410.1	$334.3
Outstanding checks payable in excess of certain cash balances	37.4	45.3
Customer advances	40.6	45.9
	$488.1	$425.5

ACCRUED LIABILITIES

(in millions) 30 SEPTEMBER	1994	1993
Accrued payroll and employee benefits.	$ 66.7	$ 62.4
Accrued interest expense . . .	28.4	26.4
Workforce reduction costs . . .	19.7	34.1
Other accrued liabilities . . .	114.5	73.2
	$229.3	$196.1

SHORT-TERM BORROWINGS

(in millions) 30 SEPTEMBER	1994	1993	1992
Bank obligations	$ 10.0	$ 52.5	$ 1.5
Commercial paper	148.0	75.0	41.1
Notes payable--other . . .	17.2	17.9	14.9
	$175.2	$145.4	$57.5

The weighted average interest rate of short-term commercial paper outstanding as of 30 September 1994, 1993, and 1992 was 5.0%, 3.3%, and 3.5%, respectively. The maximum amount of short-term commercial paper at the end of any month was $165.0 million in 1994, $198.0 million in 1993, and $197.1 million in 1992. Average monthly short-term commercial paper borrowings were $106.5 million at a

weighted average interest rate of 4.2% for 1994, $120.7 million at a weighted average interest rate of 3.3% for 1993, and $129.6 million at a weighted average interest rate of 4.4% for 1992.

OTHER INCOME (EXPENSE), NET

(in millions)	1994	1993	1992
Interest income	$17.6	$16.0	$15.9
Foreign exchange	(17.3)	(17.9)	(15.2)
Gain (loss) on sale of assets and investments	(.5)	20.9	5.5
Royalty and technology income	2.5	4.1	4.8
Amortization of intangibles . . .	(7.2)	(7.6)	(9.0)
Miscellaneous	3.4	12.3	6.8
	$ (1.5)	$27.8	$ 8.8

Foreign exchange excludes foreign currency gains on Brazilian debt ($.5 million in 1994, $1.1 million in 1993, and $1.8 million in 1992) and gains on Brazilian tax liabilities ($2.8 million in 1994, $1.6 million in 1993, and $.4 million in 1992) which have been reported in interest expense and income taxes, respectively.

ADDITIONAL INCOME STATEMENT INFORMATION Fiscal 1994 results included a loss of $10.7 million ($7.1 million after tax, or $.06 per share) for the outsourcing of the United Kingdom's distribution function. Also included in the 1994 results is an after-tax benefit of $2.3 million, or

$.02 per share, from the favorable tax treatment, net of expense, of the charitable contribution of the remaining shares of a stock investment in an insurance company.

Fiscal 1993 results included a gain of $21.0 million ($13.0 million after tax, or $.11 per share). This gain consisted of a $3.6 million ($2.2 million after tax, or $.02 per share) insurance settlement, $3.9 million ($2.4 million after tax, or $.02 per share) from the sale of a business venture, and $13.5 million ($8.4 million after tax, or $.07 per share) from the sale of stock options and partial sale of a stock investment in an insurance company.

Fiscal 1992 results included a gain of $12.9 million ($9.1 million after tax, or $.08 per share). This gain consisted of $10.3 million ($6.5 million after tax, or $.06 per share) from the sale of a one-half interest in the Orlando CoGen Limited, L.P. and an after-tax gain of $2.6 million, or $.02 per share, from the sale of land by an equity affiliate.

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

(in millions)	1994	1993	1992
Interest (net of amounts capitalized)	$80.1	$ 81.7	$96.0
Taxes (net of refunds)	67.4	105.5	75.2

Significant noncash transactions were as follows:

(in millions)	1994	1993	1992
Capital lease additions	$3.3	$ 3.9	$ 4.3
Payable associated with purchase of long-term sales contract	--	17.0	--
Receivable from sales of equity interest in affiliates	--	--	10.3
Receivable associated with construction of environmental and energy facility for affiliate	--	--	22.5

SUMMARY BY QUARTER

This table summarizes the unaudited results of operations for each quarter of 1994 and 1993:

(in millions, except per share)	FIRST	SECOND	THIRD	FOURTH
1994				
Sales	$827.3	$858.6	$868.4	$931.0
Operating income	120.8	122.4	111.5	131.4
Income before cumulative effect of accounting changes	75.1	13.5	65.8	79.1
Cumulative effect of accounting changes	14.3	--	--	--
Net income	89.4	13.5	65.8	79.1
Earnings per common share				
Income before cumulative effect of accounting changes	$.66	$.12	$.58	$.70
Cumulative effect of accounting changes	.12	--	--	--
Net income	$.78	$.12	$.58	$.70
1993				
Sales	$813.5	$833.9	$824.8	$855.5
Operating income before workforce reduction and asset write-downs	124.2	133.9	122.0	109.2
Operating income	124.2	133.9	122.0	(10.8)
Net income	69.0	75.3	70.8	(14.2)
Earnings (loss) per common share	$.61	$.66	$.62	$(.13)

As discussed in additional income statement information, the after-tax benefit of $2.3 million, or $.02 per share, from the favorable tax treatment of the charitable contribution of a stock investment was recorded in the first quarter of 1994 and the loss of $10.7 million ($7.1 million after tax, or $.06 per share) was recorded in the third quarter of 1994. The loss of $121.6 million ($75.1 million after tax, or $.66 per share) on certain derivative contract settlements was reflected in quarterly results as follows: $96.4 million ($59.6 million after tax, or $.53 per share) in the second quarter, and $25.2 million ($15.5 million after tax, or $.13 per share) in the third quarter. The third quarter of 1994 also includes a net tax benefit of $5.4 million, or $.05 per share, resulting from changes in certain state income tax regulations and rates.

The gain of $21.0 million ($13.0 million after tax, or $.11 per share) in 1993, discussed in additional income statement information, was reflected in quarterly results as follows: $6.7 million ($4.2 million after tax, or $.04 per

share) in the first quarter; $2.7 million ($1.7 million after tax, or $.01 per share) in the second quarter; $7.7 million ($4.8 million after tax, or $.04 per share) in the third quarter; and $3.9 million ($2.3 million after tax, or $.02 per share) in the fourth quarter. The charge of $120.0 million ($76.1 million after tax, or $.67 per share) for workforce reduction and asset write-downs was recorded in the fourth quarter of 1993.

20 BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

Business segment information is shown below:

(in millions)	Industrial Gases	Chemicals	Environmental and Energy	Equipment and Technology	Corporate and Other	Total
1994						
Sales	$1,968.1	$1,182.2	$ 67.1	$267.9	$ --	$3,485.3
Operating income	$ 380.6	$ 147.9	$ 5.6	$ 11.5	$(59.5)	$ 486.1
Equity affiliates' income	$ 4.1	$ .2	$ 24.2	$ --	$ --	$ 28.5
Identifiable assets	$2,978.6	$1,032.1	$ 54.4	$201.9	$161.3	$4,428.3
Investment in and advances to equity affiliates	401.2	5.4	201.3	--	--	607.9
Depreciation	253.0	83.4	2.5	7.8	6.1	352.8
Additions to plant and equipment	472.6	116.4	6.1	5.8	10.2	611.1
1993						
Sales	$1,813.7	$1,092.1	$ 82.5	$339.4	$ --	$3,327.7
Operating income before workforce reduction and asset write-downs	$ 362.1	$ 131.1	$ (2.2)	$ 33.6	$(35.3)	$ 489.3
Workforce reduction and asset write-downs	(53.4)	(34.6)	(23.3)	(6.7)	(2.0)	(120.0)
Operating income	$ 308.7	$ 96.5	$(25.5)	$ 26.9	$(37.3)	$ 369.3
Equity affiliates' income	$ .1	$ .5	$ 12.2	$ --	$ --	$ 12.8
Identifiable assets	$2,665.0	$ 981.3	$ 37.7	$146.5	$338.8	$4,169.3
Investment in and advances to equity affiliates	400.6	4.4	187.2	--	--	592.2
Depreciation	246.9	77.5	8.0	8.4	4.9	345.7
Additions to plant and equipment	353.7	101.4	8.6	20.9	6.0	490.6
1992						
Sales	$1,775.4	$1,030.2	$ 65.5	$346.2	$ --	$3,217.3
Operating income	$ 367.1	$ 128.0	$ (2.4)	$ 33.6	$(45.8)	$ 480.5
Equity affiliates' income	$ 1.4	$ .4	$ 14.0	$ --	$ --	$ 15.8
Identifiable assets	$2,632.6	$ 947.4	$103.8	$154.2	$184.5	$4,022.5
Investment in and advances to equity affiliates	284.7	4.0	180.4	--	--	469.1
Depreciation	247.8	72.2	7.5	8.6	4.1	340.2
Additions to plant and equipment	289.5	107.5	1.8	15.8	12.9	427.5

Notes: Fiscal 1993 and 1992 operating income of the Industrial Gases segment and Corporate and Other have been restated to reflect the current year presentation of Brazilian conversion gains related to U.S. dollar denominated investments. For fiscal 1993 and 1992, operating income of the Industrial Gases segment was reduced $12.3 million and $4.7 million, respectively, with a corresponding increase in Corporate and Other.

Equity affiliates' income includes gain on sale of investment in equity affiliates as follows: Environmental and Energy included gains of $1.0 million and $9.9 million in 1993 and 1992, respectively; and Industrial Gases included a loss of $.8 million in 1992. Identifiable assets exclude the investment in and advances to equity affiliates.

A description of the products and services for each of the four business segments is included in the Management's Discussion and Analysis on pages 2 through 4. Corporate and Other operating income principally includes unallocated corporate expenses and income and foreign exchange gains and losses. Corporate and Other identifiable assets include cash and cash items, unallocated administrative facilities, and certain deferred items.

Sales are to unconsolidated customers. Sales between segments, excluding transfers of products at cost, are not material. Products transferred at cost consist primarily of air separation plants and distribution equipment manufactured by the Equipment and Technology segment for use by the Industrial Gases segment. These transfers amounted to $284.7 million, $221.2 million, and $153.9 million in 1994, 1993, and 1992, respectively.

Geographic information is presented below:

(in millions)	United States	Europe	Canada and Latin America	Other	Total
1994					
Sales					
Industrial Gases	$1,265.6	$ 583.9	$118.6	$ --	$1,968.1
Chemicals	1,142.2	40.0	--	--	1,182.2
Environmental and Energy	67.1	--	--	--	67.1
Equipment and Technology	157.4	110.5	--	--	267.9
Total	$2,632.3	$ 734.4	$118.6	$ --	$3,485.3
Operating income	$ 380.7	$ 87.8	$ 17.6	$ --	$ 486.1
Equity affiliates' income	$ 23.5	$ 5.5	$ 3.4	$ (3.9)	$ 28.5
Identifiable assets	$2,829.9	$1,333.9	$211.2	$ 53.3	$4,428.3
Investment in and advances to equity affiliates	221.8	162.1	146.9	77.1	607.9
1993					
Sales					
Industrial Gases	$1,157.3	$ 554.2	$102.2	$ --	$1,813.7
Chemicals	1,039.5	52.6	--	--	1,092.1
Environmental and Energy	82.5	--	--	--	82.5
Equipment and Technology	210.9	128.5	--	--	339.4
Total	$2,490.2	$ 735.3	$102.2	$ --	$3,327.7
Operating income before workforce reduction and asset write-downs	$ 395.1	$ 88.3	$ 5.6	$ .3	$ 489.3
Workforce reduction and asset write-downs	(87.8)	(31.4)	(.7)	(.1)	(120.0)
Operating income	$ 307.3	$ 56.9	$ 4.9	$ .2	$ 369.3
Equity affiliates' income	$ 12.3	$ (2.9)	$ 8.0	$ (4.6)	$ 12.8
Identifiable assets	$2,694.6	$1,251.2	$188.7	$ 34.8	$4,169.3
Investment in and advances to equity affiliates	201.8	154.9	170.3	65.2	592.2
1992					
Sales					
Industrial Gases	$1,076.9	$ 601.1	$ 97.4	$ --	$1,775.4
Chemicals	968.9	61.3	--	--	1,030.2
Environmental and Energy	65.5	--	--	--	65.5
Equipment and Technology	219.4	126.8	--	--	346.2
Total	$2,330.7	$ 789.2	$ 97.4	$ --	$3,217.3
Operating income	$ 362.4	$ 112.6	$ 5.6	$ (.1)	$ 480.5
Equity affiliates' income	$ 14.0	$ 4.5	$ .5	$ (3.2)	$ 15.8
Identifiable assets	$2,526.6	$1,306.2	$154.1	$ 35.6	$4,022.5
Investment in and advances to equity affiliates	186.6	201.9	20.3	60.3	469.1

Notes: Included in United States sales are export sales to unconsolidated customers of $336.2 million in 1994, $341.8 million in 1993, and $379.9 million in 1992. These sales were principally to customers in Europe and Asia. The Europe segment operates principally in the United Kingdom, France, Germany, Netherlands, and Belgium. Equity affiliates' income and investment in and advances to equity affiliates included under Other relates to the company's Far East equity affiliates.

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

(in millions of dollars, except data per common share)	1994	1993	1992	1991
OPERATING RESULTS				
Sales	$3,485	$3,328	$3,217	$2,931
Cost of sales	2,112	2,030	1,937	1,755
Selling, distribution, and administrative	789	744	724	686
Research and development	97	92	85	80
Workforce reduction and asset write-downs	--	120	--	--
Operating income	486	369	481	435
Equity affiliates' income (b)	28	13	16	13
Loss on leveraged interest rate swaps	107	--	--	--
Interest expense	81	81	90	86
Income taxes	92	100	130	113
Income from continuing operations	234(c)	201(e)	277	249
Net income	248(d)	201(e)	271(f)	249
Earnings per common share: (g)				
Continuing operations	2.06(c)	1.76(e)	2.45	2.22
Net income	2.18(d)	1.76(e)	2.40(f)	2.22
YEAR-END FINANCIAL POSITION				
Plant and equipment, at cost	$6,520	$5,953	$5,785	$5,332
Total assets	5,036	4,761	4,492	4,228
Working capital	101	322	279	117
Long-term debt and other financings	923	1,016	956	945
Shareholders' equity	2,206	2,102	2,098	1,841
FINANCIAL RATIOS				
Return on sales (h)	6.7%	6.0%	8.6%	8.5%
Return on average shareholders' equity (h)	10.9%	9.6%	14.0%	14.1%
Total debt to sum of total debt and shareholders' equity (i)	36.0%	37.3%	33.9%	38.1%
Cash provided by operations to average total debt (i)	59.5%	50.3%	52.7%	57.7%
Interest coverage ratio	4.5	4.4	5.4	4.2
OTHER DATA				
For the year:				
Cash provided by operations	$751	$584	$599	$619
Depreciation	353	346(j)	340	319
Capital expenditures (k)	655	666	485	657
Cash dividends per common share (g)	.95	.89	.83	.75
Market price range per common share (g)	51-38	50-37	50-31	37-21
Average common shares outstanding (millions)	114	114	113	112
At year end:				
Book value per common share (g)	19.46	18.41	18.50	16.40
Shareholders	11,900	11,800	11,100	10,900
Employees	13,300	14,100	14,500	14,600

(a) Special items reduced operating income in 1986 by $46 million.
(b) Includes related expenses and gain on sale of investment in equity affiliates.
(c) Includes a charge of $75 million, or $.66 per share, for a loss on certain derivative contracts.
(d) Includes a charge of $75 million, or $.66 per share, for a loss on certain derivative contracts and a net gain of $14 million, or $.12 per share, for the cumulative effect of accounting changes.
(e) Includes a charge of $76 million, or $.67 per share, for workforce reduction and asset write-downs.
(f) Net income for fiscal 1992 and 1987 includes an extraordinary charge of $6 million, or $.05 per share, and $4 million, or $.04 per share, respectively, for the early retirement of debt.

1990	1989	1988	1987	1986	1985	1984
$2,895	$2,642	$2,432	$2,132	$1,941	$1,765	$1,676
1,775	1,601	1,452	1,279	1,146	1,062	1,020
659	610	545	489	466	407	363
72	71	72	57	61	51	44
--	--	--	--	--	--	--
399	382	374	327	240(a)	267	264
17	9	(8)	(9)	(14)	--	4
--	--	--	--	--	--	--
83	73	65	77	74	55	48
103	96	87	81	45	71	82
230	222	214	160	107	141	138
230	222	214	156(f)	5	143	141
2.07	2.02	1.95	1.42	.91	1.17	1.12
2.07	2.02	1.95	1.38(f)	.04	1.19	1.14
$5,010	$4,442	$4,085	$3,714	$3,397	$3,041	$2,663
3,900	3,366	3,000	2,705	2,661	2,457	2,199
214	262	110	145	180	84	55
954	854	668	616	707	528	389
1,688	1,445	1,272	1,147	1,100	1,163	1,119
7.9%	8.4%	8.8%	7.5%	5.5%	8.0%	8.2%
14.7%	16.4%	17.6%	14.2%	9.2%	12.4%	12.8%
38.5%	38.4%	37.6%	36.8%	40.2%	33.8%	29.6%
52.7%	53.7%	65.4%	64.7%	64.6%	69.8%	68.7%
4.2	4.6	4.9	3.9	2.8	4.4	4.8
$528	$447	$469	$471	$437	$372	$332
303	281	258	243	219	187	176
621	562	556	368	407	399	266
.69	.63	.55	.45	.38	.32	.26
31-22	25-18	27-14	27-16	21-13	15-10	13-9
111	110	110	113	117	121	124
15.17	13.11	11.60	10.33	9.60	9.89	9.08
11,100	11,400	11,900	12,000	11,600	11,400	12,000
14,000	14,100	13,300	12,100	12,700	12,500	12,000

(g) Data per common share are based on the average number of shares outstanding during each year retroactively restated to reflect a two-for-one stock split in 1992 and 1986, except for book value per common share, which is based on the number of shares outstanding at the end of each year retroactively restated.
(h) Financial ratios were calculated using income from continuing operations.
(i) Total debt includes long-term debt, other financings, current portion of long-term debt and other financings, and short-term borrowings as of the end of the year.
(j) Depreciation expense in 1993 excludes $56 million associated with asset write-downs.
(k) Capital expenditures include additions to plant and equipment, investment in and advances to unconsolidated affiliates, acquisitions, and capital lease additions.

Exhibit 21

SUBSIDIARIES OF AIR PRODUCTS AND CHEMICALS, INC.

The following is a list of the Company's subsidiaries, all of which are wholly owned as of 30 September 1994, except for certain subsidiaries of the Registrant which do not in the aggregate constitute a significant subsidiary as that term is defined in Rule 12b-2 under the Securities Exchange Act of 1934.

UNITED STATES

All companies are incorporated in the State of Delaware with the exception of Air Products Ref-Fuel of Essex County, Inc. which is incorporated in the State of New Jersey.

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

BELGIUM

Air Products S.A.
Air Products Management S.A.

BRAZIL

Air Products Gases Industriais Ltda. (The organization of this affiliate more closely resembles a partnership with limited liability than a corporation.)

CANADA

Air Products Canada Ltd.

FRANCE

Prodair S.A.

THE NETHERLANDS

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

UNITED KINGDOM

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

GERMANY

Air Products GmbH

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints HAROLD A. WAGNER or GERALD A. WHITE or JAMES H. AGGER, acting severally, his/her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place and stead, in any and all capacities, to sign Form 10-K Annual Report for the fiscal year ended September 30, 1994 and all amendments thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Power of Attorney has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Harold A. Wagner Harold A. Wagner	Director and Chairman of the Board (Principal Executive Officer)	November 17, 1994
/s/ Dexter F. Baker Dexter F. Baker	Director	November 17, 1994
/s/ Tom H. Barrett Tom H. Barrett	Director	November 17, 1994
/s/ L. Paul Bremer, III L. Paul Bremer, III	Director	November 17, 1994
/s/ Will M. Caldwell Will M. Caldwell	Director	November 17, 1994

Signature	Title	Date
/s/ Robert Cizik Robert Cizik	Director	Novmeber 17, 1994
/s/ Ruth M. Davis Ruth M. Davis	Director	November 17, 1994
/s/ Robert F. Dee Robert F. Dee	Director	November 17, 1994
/s/ Terry R. Lautenbach Terry R. Lautenbach	Director	November 17, 1994
/s/ Walter F. Raab Walter F. Raab	Director	November 17, 1994
/s/ Judith Rodin Judith Rodin	Director	November 17, 1994
/s/ Takeo Shiina Takeo Shiina	Director	November 17, 1994
/s/ Lawrason D. Thomas Lawrason D. Thomas	Director	November 17, 1994

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND THE
CONSOLIDATED STATEMENT OF INCOME FILED AS PART OF THE
ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY
BY REFERENCE TO SUCH ANNUAL REPORT ON FORM 10-K.

1,000,000

YEAR
SEP-30-1994
OCT-01-1993
SEP-30-1994
100
0
572
13
292
1178
6520
3527
5036
1076
923
125
0
0
2081
5036
3485
3485
2112
2112
97
7
81
325
92
234
0
0
14
248
2.18
2.18