

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended 31 March 2003

OR

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

For the transition period from _____ to _____

Commission file number 1-4534

AIR PRODUCTS AND CHEMICALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware

23-1274455

(State of Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

7201 Hamilton Boulevard, Allentown, Pennsylvania

18195-1501

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code 610-481-4911

not applicable

(Former name, former address and former fiscal year, if changes since last
report)

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 No

Indicate by check mark whether the registrant is an accelerated filer
(as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's
classes of common stock, as of the latest practicable date.

Class

Outstanding at 9 March 2003

Common Stock, \$1 par value

227,261,870

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BASIS OF PRESENTATION:

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

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year. Reference the 2003 Outlook included on page 18 of Item 2 in Management's Discussion and Analysis of Financial Condition and Results of Operations. Risk factors that could impact results are discussed under Forward-Looking Statements on page 22.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Millions of dollars, except per share)

	31 March 2003 (Unaudited)	30 September 2002
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash items	\$ 73.4	\$ 253.7
Trade receivables, less allowances for doubtful accounts	1,131.2	980.9
Inventories	431.6	392.6
Contracts in progress, less progress billings	79.8	68.1
Other current assets	207.1	214.0
	-----	-----
TOTAL CURRENT ASSETS	1,923.1	1,909.3
INVESTMENTS IN NET ASSETS OF AND ADVANCES TO EQUITY AFFILIATES	519.8	484.2
PLANT AND EQUIPMENT, at cost	11,316.4	10,879.8
Less accumulated depreciation	5,827.3	5,502.0
	-----	-----
PLANT AND EQUIPMENT, net	5,489.1	5,377.8
GOODWILL	589.1	431.1
OTHER NONCURRENT ASSETS	319.7	292.6
	-----	-----
TOTAL ASSETS	\$ 8,840.8	\$ 8,495.0
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables, trade and other	\$ 543.7	\$ 485.6
Accrued liabilities	293.8	353.7
Accrued income taxes	100.5	72.9
Short-term borrowings	70.5	116.9
Current portion of long-term debt	325.4	227.1
	-----	-----
TOTAL CURRENT LIABILITIES	1,333.9	1,256.2
LONG-TERM DEBT	2,028.5	2,041.0
DEFERRED INCOME & OTHER NONCURRENT LIABILITIES	887.3	827.4
DEFERRED INCOME TAXES	731.5	725.6
	-----	-----
TOTAL LIABILITIES	4,981.2	4,850.2
MINORITY INTEREST IN SUBSIDIARY COMPANIES	174.7	184.4
	-----	-----
SHAREHOLDERS' EQUITY		
Common stock (par value \$1 per share, issued 2003 and 2002-249,455,584 shares)	249.4	249.4
Capital in excess of par value	454.8	437.1
Retained earnings	4,460.1	4,312.8
Accumulated other comprehensive income (loss)	(524.9)	(566.9)
Treasury stock, at cost (2003 - 22,229,649 shares; 2002 - 22,236,196 shares)	(767.5)	(767.8)
Shares in trust (2003 - 7,808,846 shares; 2002 - 8,684,265 shares)	(187.0)	(204.2)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	3,684.9	3,460.4
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,840.8	\$ 8,495.0
	=====	=====

The accompanying notes are an integral part of these statements.

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(Millions of dollars, except per share)

	Three Months Ended 31 March		Six Months Ended 31 March	
	2003 ----	2002 ----	2003 ----	2002 ----
SALES	\$ 1,578.1	\$ 1,312.7	\$ 3,025.1	\$ 2,629.2
COSTS AND EXPENSES				
Cost of sales	1,176.3	942.3	2,209.3	1,879.4
Selling and administrative	203.9	189.1	394.7	358.4
Research and development	31.1	28.1	61.1	58.5
Other (income) expense, net	(12.2)	(1.6)	(15.5)	(6.1)

OPERATING INCOME	179.0	154.8	375.5	339.0
Income from equity affiliates, net of related expenses	12.5	20.3	38.3	38.7
Gain on sale of U.S. packaged gas business	--	55.7	--	55.7
Interest expense	28.6	31.0	60.3	66.1

INCOME BEFORE TAXES AND MINORITY INTEREST	162.9	199.8	353.5	367.3
Income taxes	48.7	69.6	103.8	118.4
Minority interest (a)	.6	4.1	7.4	9.1

INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	113.6	126.1	242.3	239.8
Cumulative effect of accounting change	--	--	(2.9)	--

NET INCOME	\$ 113.6	\$ 126.1	\$ 239.4	\$ 239.8
=====				
BASIC EARNINGS PER COMMON SHARE				
Income before cumulative effect of accounting change	\$.52	\$.58	\$ 1.11	\$ 1.11
Cumulative effect of accounting change	--	--	(.02)	--

Net Income	\$.52	\$.58	\$ 1.09	\$ 1.11

DILUTED EARNINGS PER COMMON SHARE				
Income before cumulative effect of accounting change	\$.51	\$.57	\$ 1.09	\$ 1.08
Cumulative effect of accounting change	--	--	(.02)	--

Net Income	\$.51	\$.57	\$ 1.07	\$ 1.08

WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in millions)	219.2	216.6	219.0	216.2

WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES (in millions)	222.5	222.9	222.7	221.7

DIVIDENDS DECLARED PER COMMON SHARE - Cash	\$.21	\$.20	\$.42	\$.40

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

The accompanying notes are an integral part of these statements.

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS
(UNAUDITED)

(Millions of dollars)

	Three Months Ended 31 March		Six Months Ended 31 March	
	2003 ----- ----	2002 ----- ----	2003 ----- ----	2002 ----- ----
NET INCOME	\$ 113.6	\$ 126.1	\$ 239.4	\$ 239.8
OTHER COMPREHENSIVE INCOME (LOSS), net of tax				
Unrealized (losses) gains on investments:				
Unrealized holding (losses) gains arising during the period	(.5)	(3.3)	.9	(2.5)
Less reclassification adjustment for gains included in net income	--	(1.7)	--	(1.7)
Net unrealized holding (losses) gains on investments	(.5)	(5.0)	.9	(4.2)
Net (loss) gain on derivatives	(3.8)	(1.2)	(4.3)	.4
Translation adjustments	3.6	(15.5)	45.4	(41.8)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), net of tax	(.7)	(21.7)	42.0	(45.6)
COMPREHENSIVE INCOME	\$ 112.9	\$ 104.4	\$ 281.4	\$ 194.2

The accompanying notes are an integral part of these statements.

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
CONSOLIDATED CASH FLOWS STATEMENTS
(UNAUDITED)

(Millions of dollars)

	Six Months Ended 31 March	
	2003 ----	2002 ----
OPERATING ACTIVITIES		
Net Income	\$ 239.4	\$ 239.8
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation	312.4	275.7
Deferred income taxes	25.1	7.4
Undistributed earnings of unconsolidated affiliates	(2.2)	(30.9)
Gain on sale of assets and investments	(8.9)	(58.6)
Other	(15.9)	66.1
Working capital changes that provided (used) cash, excluding effects of acquisitions and divestitures:		
Trade receivables	(69.9)	10.1
Inventories and contracts in progress	(33.6)	(5.8)
Payables, trade and other	26.1	(43.0)
Other	(32.4)	16.3
	-----	-----
CASH PROVIDED BY OPERATING ACTIVITIES	440.1	477.1
	-----	-----
INVESTING ACTIVITIES		
Additions to plant and equipment (a)	(294.1)	(321.3)
Investment in and advances to unconsolidated affiliates	(5.2)	(34.7)
Acquisitions, less cash acquired (b)	(233.8)	(1.1)
Proceeds from sale of assets and investments	40.0	267.8
Other	(1.0)	10.5
	-----	-----
CASH USED FOR INVESTING ACTIVITIES	(494.1)	(78.8)
	-----	-----
FINANCING ACTIVITIES		
Long-term debt proceeds	50.2	20.8
Payments on long-term debt	(60.2)	(164.8)
Net decrease in commercial paper and other short-term borrowings	(54.4)	(205.2)
Dividends paid to shareholders	(91.9)	(86.2)
Issuance of stock for options and award plans	24.6	75.5
	-----	-----
CASH USED FOR FINANCING ACTIVITIES	(131.7)	(359.9)
	-----	-----
Effect of Exchange Rate Changes on Cash	5.4	(6.8)
	-----	-----
(Decrease) Increase in Cash and Cash Items	(180.3)	31.6
Cash and Cash Items - Beginning of Year	253.7	66.2
	-----	-----
Cash and Cash Items - End of Period	\$ 73.4	\$ 97.8
	-----	-----

(a) Excludes capital lease additions of \$1.6 and \$1.8 in 2003 and 2002, respectively.

(b) Excludes \$1.0 of capital lease obligations and \$4.0 of long-term debt assumed in acquisitions in 2003.

The accompanying notes are an integral part of these statements.

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
SUMMARY BY BUSINESS SEGMENTS
(UNAUDITED)

Business segment information is shown below:

(Millions of dollars)

	Three Months Ended		Six Months Ended	
	31 March		31 March	
	2003	2002	2003	2002
	----	----	----	----
Revenues from external customers				
Gases	\$1,129.5	\$ 886.8	\$2,155.3	\$1,790.9
Chemicals	398.5	358.1	752.3	707.1
Equipment	50.1	67.8	117.5	131.2
	-----	-----	-----	-----
Segment Totals	1,578.1	1,312.7	3,025.1	2,629.2
	-----	-----	-----	-----
Consolidated Totals	\$1,578.1	\$1,312.7	\$3,025.1	\$2,629.2
	-----	-----	-----	-----
Operating income				
Gases	\$ 152.9	\$ 122.5(a)	\$ 323.4	\$ 274.5(a)
Chemicals	33.7	42.0(b)	66.8	82.5(b)
Equipment	3.0	5.1	7.1	6.0
	-----	-----	-----	-----
Segment Totals	189.6	169.6	397.3	363.0
	-----	-----	-----	-----
Corporate research and development and other income (expense)	(10.6)	(14.8)	(21.8)	(24.0)
	-----	-----	-----	-----
Consolidated Totals	\$ 179.0	\$ 154.8	\$ 375.5	\$ 339.0
	-----	-----	-----	-----
Equity affiliates' income				
Gases	\$ 11.9	\$ 16.3	\$ 26.6	\$ 32.1
Chemicals	.8	2.8	3.3	5.1
Equipment	(.2)	1.2	.1	1.5
	-----	-----	-----	-----
Segment Totals	12.5	20.3	30.0	38.7
	-----	-----	-----	-----
Other	--	--	8.3	--
	-----	-----	-----	-----
Consolidated Totals	\$ 12.5	\$ 20.3	\$ 38.3	\$ 38.7
	-----	-----	-----	-----

(Millions of dollars)

	31 March	
	2003	2002
	----	----
Identifiable assets(c)		
Gases	\$ 6,486.1	\$ 5,503.2
Chemicals	1,478.6	1,384.4
Equipment	173.6	214.1
	-----	-----
Segment Totals	8,138.3	7,101.7
	-----	-----
Corporate assets	182.7	238.5
	-----	-----
Consolidated Totals	\$ 8,321.0	\$ 7,340.2
	-----	-----

- (a) Included a cost reduction plan charge of \$26.2.
- (b) Included a cost reduction plan charge of \$4.6.
- (c) Identifiable assets are equal to total assets less investments in equity affiliates.

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
SUMMARY BY GEOGRAPHIC REGIONS
(UNAUDITED)

(Millions of dollars)

	Three Months Ended 31 March		Six Months Ended 31 March	
	2003 ----	2002 ----	2003 ----	2002 ----
Revenues from external customers				
United States	\$ 941.5	\$ 819.9	\$ 1,761.4	\$ 1,657.8
Canada	30.1	27.1	57.3	52.1

Total North America	971.6	847.0	1,818.7	1,709.9

United Kingdom	112.3	108.0	229.1	218.9
Spain	88.9	80.5	173.3	161.7
Other Europe	234.7	180.5	441.1	332.4

Total Europe	435.9	369.0	843.5	713.0

Asia	145.6	69.1	306.0	152.0
Latin America	24.9	27.6	56.7	54.2
All Other	.1	--	.2	.1

Total	\$ 1,578.1	\$ 1,312.7	\$ 3,025.1	\$ 2,629.2
	-----	-----	-----	-----

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

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

(Millions of dollars, except per share)

NEW ACCOUNTING STANDARDS

STANDARDS ADOPTED

The company adopted Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," on 1 October 2002. The Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. The liability is measured at discounted fair value and is adjusted to its present value in subsequent periods as accretion expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life. The company's asset retirement obligations are primarily associated with Gases on-site long-term supply contracts under which the company has built a facility on land leased from the customer and is obligated to remove the facility at the end of the contract term. At 1 October 2002, the company recognized transition amounts for existing asset retirement obligation liabilities, associated capitalizable costs and accumulated depreciation. An after-tax transition charge of \$2.9 was recorded as the cumulative effect of an accounting change. The ongoing expense on an annual basis resulting from the initial adoption of SFAS No. 143 is approximately \$1.

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in financial statements. Also, SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The company has included the interim disclosures prescribed by SFAS No. 148 under Stock-Based Compensation below. The company does not intend to change its accounting method for stock-based compensation until a new uniform accounting standard is issued.

In November 2002, the FASB published Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." The Interpretation expands on the disclosure requirements to be made in interim and annual financial statements. The company has included the required interim disclosures under Guarantees and Warranties below. The Interpretation also requires that a liability measured at fair value be recognized for guarantees even if the probability of payment on the guarantee is remote. The recognition provisions apply on a prospective basis for guarantees issued or modified after 31 December 2002. The company has not issued or modified any guarantees subsequent to 31 December 2002.

RECENTLY ISSUED STANDARDS

In January 2003, the FASB published Interpretation No. 46, "Consolidation of Variable Interest Entities." This Interpretation clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Interpretation establishes standards under which a Variable Interest Entity should be consolidated by the primary beneficiary. The company does not have an interest in a Variable Interest Entity.

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." This Issue addresses the appropriate accounting by vendors for arrangements that will result in the delivery of multiple products, services and/or rights to assets that

could occur over a period of time. The Issue is effective for revenue arrangements entered into in fiscal periods beginning after 15 June 2003. The application of EITF Issue No. 00-21 is not expected to have a material effect on the company's financial statements.

STOCK-BASED COMPENSATION

At 31 March 2003, the company had various stock-based compensation plans as described in Note 14 to the consolidated financial statements in the company's 2002 annual report on Form 10-K. The company accounts for its stock option plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No compensation expense has been recognized in net income for stock options, as options granted had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to its stock option plans.

	Three Months Ended		Six Months Ended	
	2003	2002	2003	2002
	-----	-----	-----	-----
Net income, as reported	\$ 113.6	\$ 126.1	\$ 239.4	\$ 239.8
Deduct total stock option employee compensation expense determined under fair value based method, net of related tax effects	(9.5)	(10.2)	(18.9)	(20.4)
	-----	-----	-----	-----
Pro forma net income	\$ 104.1	\$ 115.9	\$ 220.5	\$ 219.4
	-----	-----	-----	-----
Basic Earnings per Share				
As reported	\$.52	\$.58	\$ 1.09	\$ 1.11
Pro forma	\$.47	\$.54	\$ 1.01	\$ 1.02
	-----	-----	-----	-----
Diluted Earnings per Share				
As reported	\$.51	\$.57	\$ 1.07	\$ 1.08
Pro forma	\$.47	\$.52	\$.99	\$.99
	-----	-----	-----	-----

GUARANTEES AND WARRANTIES

As disclosed in Note 18 to the consolidated financial statements in the company's 2002 annual report on Form 10-K, the company is a party to certain guarantee agreements, including equity support agreements, debt guarantees of equity affiliates and a residual value guarantee. These guarantees are contingent commitments that are related to activities of the company's primary businesses. The company does not expect that any sum it may have to pay in connection with these guarantees will have a materially adverse effect on its consolidated financial position or results of operations.

An equity support agreement was entered into related to the financing of a cogeneration project. At 31 March 2003, the remaining term of this guarantee is 21 months with maximum potential payments of \$15. A partner in this project has agreed to share equally in any required equity contribution.

The company has entered into an equity support agreement related to the financing of an air separation facility being constructed in Trinidad for a venture in which the company, through equity affiliates, owns 50%. The maximum potential payments, under a joint and several guarantee with the partner, are \$72 upon commencement of operations. The maximum exposure under the equity support agreement declines over time as an underlying loan balance is amortized. Additionally, the company and its partner provided guarantees of certain obligations related to the normal operations of this facility. The maximum potential payments, under the joint and several operations guarantees, are \$32. The total combined maximum potential payments, under the joint and several equity support agreement and the operations guarantees, are \$104. The term of these guarantees is related to the underlying twenty-year customer gas supply contract from the facility.

The company has guaranteed repayment of some borrowings of certain foreign equity affiliates. At 31 March 2003, these guarantees have terms primarily in the range of one to eight years, with maximum potential payments of \$30.

In September 2001, the company entered into an operating lease of U.S. cryogenic vessel equipment, which included a residual value guarantee not to exceed \$256. The guarantee extends to September 2006.

The company has not accrued any amounts related to these guarantees. To date, no equity contributions or payments have been required since the inception of these guarantees. The fair value of the above guarantees totals approximately \$10. Additionally, the company has issued product warranties within its Equipment segment, which are not material. Product warranties are not a customary business practice within the company's Gases and Chemicals segments.

GLOBAL COST REDUCTION PLANS

The results for the three and six months ended 31 March 2002 included a charge of \$30.8 (\$18.9 after-tax, or \$.09 per share) for a global cost reduction plan including U.S. packaged gas divestiture related reductions. The plan included 333 position eliminations, resulting in a charge of \$27.1 for severance and pension related benefits. A charge of \$3.7 was recognized for asset impairments related to the planned sale or closure of two small chemicals facilities. The cost reduction plan charges included in cost of sales, selling and administrative, research and development, and other expense were \$13.4, \$14.1, \$.4, and \$2.9, respectively. This cost reduction plan was completed as expected in March 2003.

The following table summarizes changes to the carrying amount of the accrual for cost reduction plans for the six months ended 31 March 2003:

	Severance -----
Balance at 30 September 2002	\$6.8
Cash expenditures	(6.6)
Reverse 2002 Plan Balance	(.2)

Balance at 31 March 2003	\$ -- ----

ACQUISITIONS

Acquisitions for the six months ended 31 March 2003, totaling \$233.8, included American Homecare Supply, LLC (AHS), additional small homecare businesses, and Sanwa Chemical Industry Co., Ltd. The principal acquisition of the company was AHS in October 2002, for \$166. AHS is a homecare market leader throughout the northeastern United States.

In July 2002, the company purchased an additional 22% of the outstanding shares of San Fu Chemical Company, Ltd. (San Fu), increasing the company's ownership interest from 48% to 70%. As of 30 June 2002, the company accounted for its investment in San Fu using the equity method. With this acquisition, the company obtained control and consolidated this investment.

The acquisitions in fiscal 2003 and the San Fu acquisition in fiscal 2002 contributed \$172 and \$28 to sales and operating income, respectively, for the six months ended 31 March 2003.

DIVESTITURES

On 28 February 2002, the company completed the sale of the majority of its U.S. packaged gas business, excluding the electronic gases and magnetic resonance imaging related helium operations, to Airgas, Inc. (Airgas). The company also sold its packaged gas operations in the Carolinas and in Southern Virginia to National Welders Supply Company, Inc., a joint venture between Airgas and the Turner family of Charlotte, N.C. For the five months ended 28 February 2002, the assets sold generated revenues of approximately \$100 also with a modest contribution to operating income. The proceeds from these transactions were \$254.5. The results for the three and six months ended 31 March 2002 included a gain of \$55.7 (\$25.7 after-tax, or \$.12 per share).

On 1 April 2003, the company completed the sale of the majority of its Canadian packaged gas business to the BOC Group for approximately \$40.

EQUITY AFFILIATES' INCOME

Income from equity affiliates for the six months ended 31 March 2003 included \$14 for adjustments related to divestitures recorded in prior periods. \$8 is included in Other equity affiliates and \$6 is included in Gases equity affiliates.

Income from equity affiliates contributed \$.06 and \$.09 to diluted earnings per share for the three months ended 31 March 2003 and 2002, respectively. Income from equity affiliates contributed \$.15 and \$.16 to diluted earnings per share for the six months ended 31 March 2003 and 2002, respectively.

GOODWILL

Changes to the carrying amount of consolidated goodwill by segment for the six months ended 31 March 2003, are as follows:

	Gases	Chemicals	Equipment	Total
	-----	-----	-----	-----
Balance as of 30 September 2002	\$ 332.1	\$ 89.6	\$ 9.4	\$ 431.1
Acquisitions and adjustments	141.1	--	--	141.1
Disposals	(1.4)	--	--	(1.4)
Currency translation and other	16.5	1.7	.1	18.3
	-----	-----	-----	-----
Balance as of 31 March 2003	\$ 488.3	\$ 91.3	\$ 9.5	\$ 589.1
	-----	-----	-----	-----

The increase in goodwill was principally due to the acquisition of AHS.

EARNINGS PER SHARE

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

	Three Months Ended		Six Months Ended	
	31 March		31 March	
	2003	2002	2003	2002
	----	----	----	----
NUMERATOR				
Used in basic and diluted EPS				
Income before cumulative effect of accounting change	\$ 113.6	\$ 126.1	\$ 242.3	\$ 239.8
Cumulative effect of accounting change	--	--	(2.9)	--
	-----	-----	-----	-----
Net income	\$ 113.6	\$ 126.1	\$ 239.4	\$ 239.8
	-----	-----	-----	-----
DENOMINATOR (in millions)				
Weighted average number of common shares used in basic EPS	219.2	216.6	219.0	216.2
Effect of dilutive securities				
Employee stock options	2.8	5.5	3.2	4.9
Other award plans	.5	.8	.5	.6
	-----	-----	-----	-----
	3.3	6.3	3.7	5.5
	-----	-----	-----	-----
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	222.5	222.9	222.7	221.7
BASIC EPS				
Income before cumulative effect of accounting change	\$.52	\$.58	\$ 1.11	\$ 1.11
Cumulative effect of accounting change	--	--	(.02)	--
	-----	-----	-----	-----
Net income	\$.52	\$.58	\$ 1.09	\$ 1.11
	-----	-----	-----	-----
DILUTED EPS				
Income before cumulative effect of accounting change	\$.51	\$.57	\$ 1.09	\$ 1.08
Cumulative effect of accounting change	--	--	(.02)	--
	-----	-----	-----	-----
Net income	\$.51	\$.57	\$ 1.07	\$ 1.08
	-----	-----	-----	-----

Options on 8.4 million shares of common stock were not included in computing diluted earnings per share for the second quarter of 2003 because their effects were antidilutive.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SECOND QUARTER FISCAL 2003 VS. SECOND QUARTER FISCAL 2002

All comparisons are to the corresponding period in the prior year unless otherwise stated.

(MILLIONS OF DOLLARS, EXCEPT PER SHARE)

RESULTS OF OPERATIONS

CONSOLIDATED

Sales of \$1,578.1 increased 20%, or \$265.4. The effects of higher natural gas cost pass-through, favorable currency effects, and acquisitions net of divestitures accounted for 14% of the increase. Higher gases and chemicals volumes drove the remaining underlying revenue increase of 6%.

Operating income of \$179.0 increased 16%, or \$24.2. The prior year included a charge of \$30.8 for a global cost reduction plan. Favorable factors were higher gas and chemicals volumes, currency effects and the contribution of acquisitions. The results were unfavorably impacted by higher raw materials and energy costs, higher maintenance costs in Gases, higher pension and SAP expenses, and lower electronics specialty material pricing.

Income from equity affiliates of \$12.5 declined 38%, or \$7.8. This decline was primarily due to the consolidation of San Fu Gas Company, Ltd. (San Fu), a one-time tax benefit related to an asset revaluation of an Italian affiliate recorded in the prior year, and lower results from the global polymer joint venture.

Net income was \$113.6, or \$.51 diluted earnings per share, compared to net income of \$126.1, or \$.57 diluted earnings per share. Prior year results included a gain on the sale of the U.S. packaged gas business (\$25.7, or \$.12 per share) and a charge for a global cost reduction plan (\$18.9, or \$.09 per share).

GASES

Sales of \$1,129.5 increased 27%, or \$242.7. The effects of higher natural gas cost pass-through, favorable currency effects, and acquisitions accounted for 19% of the increase. Higher worldwide gases volumes drove the remaining underlying revenue increase of 8%. Excluding the impact of the acquisition of San Fu, electronics sales increased about 20%.

On-site and pipeline volumes in the Chemicals Process Industries (CPI) Division were up 5%, despite a number of outages. Liquid bulk volumes in North America declined 3% and were flat in Europe. Liquid bulk volumes were strong in Asia, up 26%.

On average, prices for liquid oxygen and liquid nitrogen (LOX/LIN) in North America were down 2%. Although underlying prices for LOX/LIN increased 2%, a negative 4% year-on-year surcharge variance resulted in the average price decline of 2%. LOX/LIN pricing in Europe was up 1%, despite an unfavorable customer mix from volumes at lower-priced accounts.

Operating income of \$152.9 increased 25%, or \$30.4. Prior year results included a charge of \$26.2 for a global cost reduction plan and a write-off of \$7.3 in receivables associated with three bankrupt steel customers. Results were unfavorably impacted by higher raw material and energy, maintenance, pension, and SAP costs, and lower electronics specialty material pricing. These factors more than offset the favorable impact of higher volumes, currency and acquisitions, net of divestitures.

Operating margin of 13.5% was down .3%. Operating margin was favorably impacted by the prior year cost reduction plan charge of \$26.2. The dilutive effect of higher natural gas cost pass-through, higher on-site maintenance costs, and higher energy costs in the liquid bulk business were the principal offsetting factors.

Gases equity affiliates' income of \$11.9 decreased 27%, or \$4.4. The decrease was due primarily to the consolidation of San Fu and the one-time tax benefit related to an asset revaluation of an Italian affiliate recorded in the prior year, offset to some extent by favorable currency effects.

CHEMICALS

Sales of \$398.5 increased 11%, or \$40.4. The effects of currency, natural gas cost pass-through, and divestitures accounted for 5% of the increase. The overall volume index increased 3%. In Chemical Intermediates, volumes increased 10%, led by higher amines. In Performance Materials, volumes were down 1%, led by performance polymers (emulsions).

Operating income of \$33.7 declined 20%, or \$8.3 from the prior year, which included a \$4.6 charge for a global cost reduction plan. The decline was driven by higher raw material and energy costs and weaker performance polymers (emulsions) volumes, which more than offset improved volumes in higher amines and favorable currency effects.

Operating margin of 8.5% declined 3.3%. Operating margin was favorably impacted by the prior year cost reduction plan charge of \$4.6. The decline was driven by higher natural gas and raw material costs.

Chemicals equity affiliates' income of \$0.8 decreased \$2.0 from the prior year. Chemicals equity affiliates' income consists primarily of a global polymer joint venture.

EQUIPMENT

Sales of \$50.1 decreased 26%, or \$17.7. Operating income of \$3.0 decreased by \$2.1. A higher level of Liquefied Natural Gas heat exchanger (LNG) activity was offset by a decrease in helium container shipments.

The sales backlog for the equipment segment at 31 March 2003 was \$231.7 compared to \$193.8 at 31 March 2002 and \$114.2 at 30 September 2002. The sales backlog has increased from the addition of a new air separation order received for a gas-to-liquids project in Qatar. Five LNG heat exchangers remain in the sales backlog.

ALL OTHER

All other principally comprises long-term research and development expense and unallocated corporate expenses and income. Operating loss of \$10.6 decreased \$4.2, primarily due to foreign exchange losses incurred in the prior year.

ANALYSIS OF OTHER ITEMS

OTHER (INCOME) EXPENSE, NET

Other income of \$12.2 increased \$10.6. Results in 2002 included the one-time write-off of certain steel customer receivables and a foreign exchange loss, compared to a foreign exchange gain in 2003.

SELLING AND ADMINISTRATIVE EXPENSE (S&A)

S&A expense of \$203.9 increased 8%, or \$14.8 from the prior year, which included a \$14.1 charge for a global cost reduction plan. The effects of acquisitions, divestitures and currency, accounted for an 11% increase. In addition, S&A increased due to higher pension expense, SAP costs, and spending on growth initiatives.

INTEREST EXPENSE

Interest expense of \$28.6 decreased 8%, or \$2.4. This decrease resulted from a lower average debt balance excluding currency effects and lower average interest rates, partially offset by the impact of a weaker U.S. dollar on the translation of foreign currency interest.

INCOME TAXES

The effective tax rates exclude minority interest. In the second quarter of 2003, the effective tax rate was 30.0% compared to 35.6% in the prior year. The difference between rates is principally due to nondeductible costs included in the sale of the U.S. packaged gas business in 2002.

SIX MONTHS FISCAL 2003 VS. SIX MONTHS FISCAL 2002

All comparisons are to the corresponding period in the prior year unless otherwise stated.

(Millions of dollars, except per share)

RESULTS OF OPERATIONS

CONSOLIDATED

Sales of \$3,025.1 increased 15%, or \$395.9. The effects of higher natural gas cost pass-through, favorable currency effects, and acquisitions net of divestitures accounted for 11% of the increase. The remaining underlying revenue increase of 4% was driven by higher worldwide gases volumes.

Operating income of \$375.5 increased \$36.5, or 11%. The prior year results included a charge of \$30.8 for a global cost reduction plan and the write-off of \$7.3 in receivables associated with three bankrupt steel customers. The current year included a favorable adjustment of \$8.1 for lower than anticipated payments of fiscal year 2002 incentive compensation costs, and the favorable impacts of acquisitions, currency, and higher gases volumes. Partially offsetting these impacts were higher raw materials and energy costs, higher pensions and SAP expenses, higher maintenance costs, and lower electronics specialty material pricing.

Income from equity affiliates of \$38.3 compared to \$38.7 in the prior year. Income from equity affiliates declined primarily due to the consolidation of San Fu, a one-time tax benefit related to an asset revaluation of an Italian affiliate recorded in the prior year, and lower results from the global polymer joint venture, offset by the favorable adjustments recorded in the first quarter of 2003 related to prior period divestitures.

Net income was \$239.4, or \$1.07 diluted earnings per share, compared to net income of \$239.8, or \$1.08 diluted earnings per share. Excluding the cumulative effect of an accounting change related to the company's adoption of Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," net income was \$242.3, or \$1.09 diluted earnings per share in 2003. Prior year results included a gain on the sale of the U.S. packaged gas business (\$25.7, or \$.12 per share) and a charge for a global cost reduction plan (\$18.9, or \$.09 per share).

GASES

Sales of \$2,155.3 increased 20%, or \$364.4. The effects of higher natural gas cost pass-through, favorable currency effects, and acquisitions accounted for 14% of the increase. Higher worldwide gases volumes drove the remaining underlying revenue increase of 6%. Excluding the impact of the acquisition of San Fu, electronics sales increased about 16%.

On-site and pipeline volumes in the Chemicals Process Industries (CPI) Division were up 6%, despite weather disruptions to customer operations and outages. Liquid bulk volumes in North America declined 2% while liquid bulk volumes increased 2% in Europe. Liquid bulk volumes were strong in Asia, up 20%.

On average, prices for LOX/LIN in North America were down 2%. Although underlying prices for LOX/LIN increased 3%, a negative 5% year-on-year surcharge variance resulted in an average price decline of 2%. LOX/LIN pricing in Europe was flat as the impact of price increases were offset by higher volumes at lower-priced accounts.

Operating income of \$323.4 increased 18%, or \$48.9. Prior year results included a charge of \$26.2 for a global cost reduction plan and a write-off of \$7.3 in receivables associated with three bankrupt steel customers. Operating income was favorably impacted by increased gas volumes, currency effects, acquisitions net of divestitures, and lower incentive compensation costs. Partially offsetting these gains were higher raw materials and energy, maintenance, pension and SAP costs, and lower electronics specialty material pricing.

Gases equity affiliates' income of \$26.6 decreased by 17%, or \$5.5. The decrease was due primarily to the consolidation of San Fu and the one-time tax benefit related to an asset revaluation of an Italian affiliate recorded in the prior year, offset to some extent by favorable adjustments to customary post-sale liabilities associated with two divested cogeneration plant investments.

CHEMICALS

Sales of \$752.3 increased 6%, or \$45.2. The effects of currency, natural gas cost pass-through, and divestitures accounted for 4% of the increase. The overall volume index was flat. In Chemical Intermediates, volumes increased 3%, led by polyurethane intermediates. In Performance Materials, volumes were down 2%, led by performance polymers (emulsions).

Operating income of \$66.8 decreased by 19%, or \$15.7 from the prior year, which included a \$4.6 charge for a global cost reduction plan. The decline was driven by higher raw material and energy costs and weaker volumes in performance polymers (emulsions). This decline was partially offset by favorable currency effects and improved volumes in polyurethane intermediates.

Chemicals equity affiliates' income was \$3.3 compared to \$5.1 in the prior year. Chemicals equity affiliates' income consists primarily of a global polymer joint venture.

A long-term supplier of sulfuric acid, which is used in the production of dinitrotoluene (DNT), has been operating under Chapter 11 bankruptcy protection since 8 May 2001. The company's DNT operation in its polyurethane intermediates business and supply to its customers have not been materially impacted. The company expects this supplier to be successful in its reorganization. If reorganization is not successful, the profitability of the Chemicals segment could be materially impacted on an annual basis due to the supplier's shutdown and the company's inability to supply all of its customers' base requirements. To facilitate the supplier's ability to continue to operate in bankruptcy, the company has entered into certain loans and prepayments with this supplier. At 31 March 2003, amounts due to the company from loans and product prepayments totaled \$28.3. As of 30 April 2003, this balance was \$29.7. At this time, the company expects to fully recover these advances. The company will participate in financing the supplier's credit facility upon its emergence from bankruptcy, which could increase the company's credit exposure to the supplier.

EQUIPMENT

Sales of \$117.5 decreased 10%, or \$13.7. Operating income of \$7.1 increased \$1.1. A higher level of project activity was partially offset by a decrease in helium container shipments.

ALL OTHER

All other principally comprises long-term research and development expense and unallocated corporate expenses and income. Operating loss of \$21.8 decreased \$2.2, primarily due to foreign exchange losses incurred in the prior year.

EQUITY AFFILIATES' INCOME - OTHER

Equity affiliates' income of \$8.3 represents a favorable adjustment to a customary post-sale liability associated with a divested business not associated with any of the company's current segments.

ANALYSIS OF OTHER ITEMS

OTHER (INCOME) EXPENSE, NET

Other income of \$15.5 increased \$9.4. Results in 2002 included the one-time write-off of certain steel customer receivables and a foreign exchange loss, compared to a foreign exchange gain in 2003.

SELLING AND ADMINISTRATIVE EXPENSE (S&A)

S&A expense of \$394.7 increased 10%, or \$36.3 from the prior year, which included a \$14.1 charge for a global cost reduction plan. The effects of acquisitions, divestitures and currency, accounted for a 9% increase. In addition, S&A increased due to higher pension expense, SAP implementation costs, and spending on growth initiatives.

INTEREST EXPENSE

Interest expense of \$60.3 decreased 9%, or \$5.8. This decrease resulted from a lower average debt balance excluding currency effects and lower average interest rates, partially offset by the impact of a weaker U.S. dollar on the translation of foreign currency interest.

INCOME TAXES

The effective tax rates exclude minority interest. For the first six months of 2003, the effective tax rate was 30% compared to 33.1% in the prior year. The difference between rates is due principally to nondeductible costs included in the sale of the U.S. packaged gas business in 2002.

The company expects an effective tax rate of 30.0% for 2003. This estimate is based on current tax law, the current estimate of earnings and the expected distribution of income among various tax jurisdictions.

2003 OUTLOOK

Economic growth was slower than expected in the first half of 2003 and the economic outlook in many parts of the world remains uncertain. Continued geopolitical tensions and S.A.R.S. are just two factors that could influence the timing and pace of economic activity. Our current outlook for growth in U.S. manufacturing is 0-2%, with broader ranges in individual sectors. Silicon growth is now estimated between 0-5% due to further delays in the semiconductor industry recovery. The current outlook for electronics assumes modest sequential improvement in the second half of the year.

Energy and raw material costs this year are higher than originally anticipated and have impacted our Chemicals segment and to a lesser extent, Gases. While energy related costs have moderated from peak levels, they will likely remain at higher levels for the full-year and could remain volatile as well. Pricing programs to recover

increased energy costs within our chemicals and merchant gases businesses are underway. We expect meaningful margin improvement in the second half of the year.

The slowdown in demand across the basic manufacturing industries is affecting our North American merchant gas and performance polymers volumes. Our current outlook anticipates improved merchant volumes going forward. Chemicals volumes in Performance Materials are expected to benefit from seasonality in the second half of the year.

For the Equipment segment, we anticipate a lower level of profitability.

Despite a weaker than expected economic climate, the company continues to execute its plans consistent with its strategy, focusing on the elements of its business that are controllable, including process improvement activities and building leadership positions in growth markets. The company continues its portfolio management actions and is identifying ways to improve its cost structure. Such actions could reduce near-term results.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

The company's cash flows from operating, investing, and financing activities, as reflected in the Consolidated Cash Flows Statements, are summarized in the following table:

	Six Months Ended 31 March	
	2003	2002
	----	----
Cash provided by (used for):		
Operating activities	\$ 440.1	\$ 477.1
Investing activities	(494.1)	(78.8)
Financing activities	(131.7)	(359.9)
Effect of exchange rate changes on cash	5.4	(6.8)
	-----	-----
(Decrease) increase in cash and cash items	(\$180.3)	\$ 31.6
	-----	-----

OPERATING ACTIVITIES

Cash provided by operating activities in 2003 declined \$37.0, or 8%. Net income of \$239.4 was similar to the prior year. Working capital changes using cash drove the overall decline in cash from operating activities. The increase in accounts receivables and inventories was partially offset by an increase in accounts payable. The net increase was principally due to higher energy and raw material costs and increased sales volumes in the company's electronics and chemicals businesses. The prior year gain on sale of assets and investments was significantly higher due to the sale of the U.S. packaged gas business. This partially offset the impact of working capital changes.

INVESTING ACTIVITIES

Cash used for investing activities increased \$415.3 due primarily to acquisitions in 2003 and lower proceeds from sale of assets and investments. Acquisitions in 2003, totaling \$233.8, included American Homecare Supply, LLC. (AHS), additional small homecare businesses, and Sanwa Chemical Industry Co., Ltd. The principal acquisition of the company was AHS in October 2002, for \$166. Proceeds from the sale of assets and investments declined \$227.8 from the prior year. In 2002, the company sold the majority of its U.S. packaged gas business for proceeds of \$254.5.

Capital expenditures are detailed in the following table:

	Six Months Ended 31 March	
	2003	2002
	----	----
Additions to plant and equipment	\$294.1	\$321.3
Investments in and advances to unconsolidated affiliates	5.2	34.7
Acquisitions	233.8	1.1
Long-term debt assumed in acquisitions	4.0	--
Capital leases	2.6	1.8
	-----	-----
	\$539.7	\$358.9
	-----	-----

Capital expenditures for new plant and equipment are expected to be between \$600 and \$650 in 2003. In addition, the company intends to continue to pursue acquisition opportunities and investments in affiliated entities. It is anticipated these expenditures will be funded principally with cash from operations and proceeds from asset sales. If necessary, proceeds from debt issuance will also be utilized.

FINANCING ACTIVITIES

Cash used for financing activities declined \$228.2, primarily due to lower short-term and long-term debt repayments.

Total debt at 31 March 2003 and 30 September 2002, expressed as a percentage of the sum of total debt, shareholders' equity, and minority interest, was 39% and 40%, respectively. Total debt increased from \$2,385.0 at 30 September 2002 to \$2,424.4 at 31 March 2003.

There was \$41.0 of commercial paper outstanding at 31 March 2003. The company's total revolving credit commitments amounted to \$600.0 at 31 March 2003. No borrowings were outstanding under these commitments. Additional commitments totaling \$71.2 are maintained by the company's foreign subsidiaries, of which \$10.9 was utilized at 31 March 2003.

The estimated fair value of the company's long-term debt, including current portion, as of 31 March 2003 is \$2,505.6 compared to a book value of \$2,353.9.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The company is obligated to make future payments under various contracts such as debt agreements, lease agreements and unconditional purchase obligations, and has certain contingent commitments such as debt and residual value guarantees. There have been no material changes to Contractual Obligations and Commercial Commitments as reflected in the Management's Discussion & Analysis in the company's 2002 annual report Form 10-K. Refer to Notes 11 and 12 to the consolidated financial statements in the company's 2002 annual report on Form 10-K for additional information on long-term debt and leases and Note 18 for information on commitments and contingencies.

Information on the company's obligations under its various retirement plans, including amounts recognized in the balance sheet, is reported in Note 17 (Pension and Other Postretirement Benefits) to the consolidated financial statements in the company's 2002 annual report on Form 10-K.

OFF-BALANCE SHEET ARRANGEMENTS

The company's off-balance sheet arrangements include certain guarantee agreements and the sale and leaseback of U.S. cryogenic vessel equipment with a third party. The company's guarantee agreements are discussed in the

Notes to the consolidated financial statements under Guarantees and Warranties. Information on the sale and leaseback of U.S. cryogenic vessel equipment is contained in Note 12 to the consolidated financial statements in the company's 2002 annual report on Form 10-K. The company does not have an obligation arising out of a variable interest entity. The company's off-balance sheet arrangements are not reasonably likely to have a material impact on financial condition, changes in financial condition, results of operations, or liquidity.

RELATED PARTY TRANSACTIONS

The company's principal related parties are equity affiliates operating in industrial gas and chemicals businesses. During 2002 and the six months ended 31 March 2003, the company did not engage in any material transactions involving related parties that included terms or other aspects that differ from those which would be negotiated with clearly independent parties.

MARKET RISKS AND SENSITIVITY ANALYSIS

The company's earnings, cash flows, and financial position are exposed to market risks relating to fluctuations in interest rates and foreign currency exchange rates. It is the policy of the company to minimize its cash flow exposure to adverse changes in currency and exchange rates and to reduce the financial risks inherent in funding the company with debt capital.

The company addresses these financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. Counter parties to all derivative contracts are major financial institutions, thereby minimizing the risk of credit loss. All instruments are entered into for other than trading purposes.

The net financial instrument position of the company increased from \$2,363.0 at 30 September 2002 to \$2,520.1 at 31 March 2003 primarily due to the impact of a weaker U.S. Dollar on the translation of foreign currency debt and the market value of foreign exchange forward contracts.

Information on the company's utilization of financial instruments and an analysis of the sensitivity of these instruments to selected changes in market rates and prices is included in the company's 2002 annual report on Form 10-K. There was no material change to market risk sensitivity since 30 September 2002.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of the company's financial condition and results of operations is based on the consolidated financial statements and accompanying notes that have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The significant accounting policies of the company are described in Note 1 to the consolidated financial statements and the critical accounting policies and estimates are described in the Management's Discussion and Analysis included in the 2002 annual report on Form 10-K. Information concerning the company's implementation and impact of new accounting standards issued by the Financial Accounting Standards Board (FASB) is included in the notes to the consolidated financial statements. Otherwise, the company did not adopt an accounting policy in the current period that had a material impact on the company's financial condition, change in financial condition, liquidity or results of operations.

NEW ACCOUNTING STANDARDS

In November 2002, the FASB published Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." In January 2003, the FASB published Interpretation No. 46, "Consolidation of Variable Interest Entities." See the notes to the consolidated financial statements for information concerning the company's implementation and impact of these new standards.

FORWARD-LOOKING STATEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to the Market Risks and Sensitivity Analysis on page 21 of Item 2 on Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of the Chief Executive Officer and Chief Financial Officer, the company's management conducted an evaluation of the effectiveness of the design and operation of the company's disclosure controls and procedures within 90 days of the filing date of this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of its disclosure controls and procedures have been effective. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of such evaluation.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

- a. The Annual Meeting of Shareholders of the Registrant was held on 23 January 2003.
- b. The following directors were elected at the meeting: Mario L. Baeza, L. Paul Bremer III, Edward E. Hagenlocker, and Terrence Murray. Directors whose term of office continued after the meeting include: James F. Hardyman, Charles H. Noski, Paula G. Rosput, Lawrason D. Thomas, Michael J. Donahue, Ursula F. Fairbairn, and John P. Jones III.
- c. The following matters were voted on at the Annual Meeting:
 - 1. Election of Directors

NUMBER OF VOTES CAST

NAME OF DIRECTOR	NUMBER OF VOTES CAST			
	FOR ---	AGAINST OR WITHHELD -----	ABSTENTIONS -----	BROKER NON- VOTES -----
Mario L. Baeza	189,961,061	3,626,776	0	0
L. Paul Bremer III*	190,101,765	3,486,072	0	0
Edward E. Hagenlocker	189,961,906	3,625,931	0	0
Terrence Murray	190,032,602	3,555,235	0	0

- 2. Ratification of the appointment of KPMG LLP of Philadelphia, Pennsylvania, as independent auditor for the registrant for the fiscal year ending 30 September 2003

NUMBER OF VOTES CAST

FOR ---	AGAINST OR WITHHELD -----	ABSTENTIONS -----	BROKER NON-VOTES -----
186,453,474	5,574,172	1,560,188	0

* L. Paul Bremer III resigned from the Company's Board of Directors effective 25 April 2003, in order to accept President Bush's assignment to serve as civilian administrator of post-war Iraq.

3. Approval of the amendments to the Long-Term Incentive Plan

NUMBER OF VOTES CAST			
FOR	AGAINST OR WITHHELD	ABSTENTIONS	BROKER NON-VOTES
---	-----	-----	-----
111,967,296	78,773,690	2,842,041	0

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

- (a) Exhibits required by Item 601 of Regulation S-K
- 10.1 Amended and Restated Supplementary Pension Plan of the Company Effective 1 May 2003.
 - 10.2 Amended and Restated Long-Term Incentive Plan of the Company Effective January 23, 2003
 - 10.3 Amended and Restated Supplementary Savings Plan of the Company Effective 1 April 1998, Reflecting Amendments Through September 30, 2002.
 - 12 Computation of Ratios of Earnings to Fixed Charges.
 - 99.1 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 - 99.2 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (b) Reports on Form 8-K
- Current Report on Form 8-K dated 22 January 2003, in which Items 5 and 9 of such Form were reported.

SIGNATURES

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

Air Products and Chemicals, Inc.

(Registrant)

Date: May 14, 2003

By: /s/John R. Owings

John R. Owings
Vice President and
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, John P. Jones III certify that:

1. I have reviewed this quarterly report on Form 10-Q of Air Products and Chemicals, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: 14 May 2003

/s/ John P. Jones III

John P. Jones III
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John R. Owings certify that:

1. I have reviewed this quarterly report on Form 10-K of Air Products and Chemicals, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: 14 May 2003

/s/ John R. Owings

John R. Owings
Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

- (a) 10.1 Amended and Restated Supplementary Pension Plan of the Company Effective 1 May 2003.
- (a) 10.2 Amended and Restated Long-Term Incentive Plan of the Company Effective January 23, 2003.
- (a) 10.3 Amended and Restated Supplementary Savings Plan of the Company Effective 1 April 1998, Reflecting Amendments Through September 30, 2002.
- (a) 12 Computation of Ratios of Earnings to Fixed Charges.
- (a) 99.1 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (a) 99.2 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SUPPLEMENTARY PENSION PLAN
OF
AIR PRODUCTS AND CHEMICALS, INC.
AMENDED AND RESTATED EFFECTIVE
AS OF MAY 1, 2003

WHEREAS, Air Products and Chemicals, Inc. did, effective October 1, 1978, establish a Supplementary Retirement Plan for those of its employees eligible to participate therein, which Plan was thereafter amended from time to time, and was amended, restated and renamed the Supplementary Pension Plan of Air Products and Chemicals, Inc. as of October 1, 1988, and was thereafter amended, inter alia, as of 20 September 1995, 1 October 1995, 1 January 1996, 16 September 1999 and 20 September 2000; and

WHEREAS, Air Products and Chemicals, Inc. now wishes to make certain revisions in the Plan and to restate said Plan in its entirety;

NOW, THEREFORE, the Supplementary Pension Plan of Air Products and Chemicals, Inc. is hereby amended and restated in its entirety as follows effective as of 1 May 2003 and the said Supplementary Pension Plan, as so revised and restated, shall apply only to an Employee whose Separation from Service occurs on or after 1 May 2003, except as otherwise provided. The rights and benefits, if any, of a former employee shall be determined in accordance with the provisions of the Plan in effect on the date his Separation from Service occurred.

ARTICLE 1
PURPOSE OF THE PLAN

SECTION 1.1 This Plan is established to provide supplementary retirement income benefits to a certain select group of management or highly compensated persons in the employ of Air Products and Chemicals, Inc. and participating subsidiaries. It thereby supplements the benefits payable to such persons under the Air Products and Chemicals, Inc. Pension Plan for Salaried Employees.

ARTICLE 2
DEFINITIONS

SECTION 2.1 As used herein, the following terms shall have the following meanings, unless the context clearly indicates otherwise.

"ACCRUED BENEFIT" shall mean, in the case of an Employee, a monthly retirement benefit for the life of the Employee that such Employee would receive, commencing at his Normal Retirement Date, in an amount determined under Section 3.2 hereof based on his Credited Service, Average Compensation and benefit payable under the Salaried Pension Plan as of the date such Accrued Benefit is being determined.

"ANNUAL INCENTIVE PLAN" shall mean the Air Products and Chemicals, Inc. 1997 Annual Incentive Plan adopted by the Company's stockholders, as it may be amended from time to time.

"AVERAGE COMPENSATION" shall have the meaning set forth in Section 3.3 hereof."BOARD" shall mean the board of directors of the Company or the Management

Development and Compensation Committee of the board of directors of the Company or another committee thereof duly appointed by such Board to exercise and carry out the authority and responsibilities of the Board under the Plan.

"CHANGE IN CONTROL" shall mean the first to occur of any one of the events described below:

(i) Stock Acquisition. Any "person", as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), other than the Company or a corporation whose outstanding stock entitled to vote is owned in the majority, directly or indirectly, by the Company, or a trustee of an employee benefit plan sponsored solely by the Company and/or such a corporation, is or becomes, other than by purchase from the Company or such a corporation, the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities. Such a Change in Control shall be deemed to have occurred on the first to occur of the date securities are first purchased by a tender or exchange offeror, the date on which the Company first learns of acquisition of 20% of such securities, or the later of the effective date of an agreement for the merger, consolidation or other reorganization of the Company or the date of approval thereof by a majority of the Company's shareholders, as the case may be.

(ii) Change in Board. During any period of two consecutive years, individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority of the Board, unless the election or nomination for election by the Company's shareholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period. Such a

Change in Control shall be deemed to have occurred on the date upon which the requisite majority of directors fail to be elected by the shareholders of the Company.

(iii) Other Events. Any other event or series of events which, notwithstanding any other provision of this definition, is determined, by a majority of the outside members of the Board serving in office at the time such event or events occur, to constitute a change in control of the Company for purposes of this Plan. Such a Change in Control shall be deemed to have occurred on the date of such determination or on such other date as such majority of outside members of the Board shall specify.

"COMMITTEE" shall mean the Committee designated to administer the Plan in accordance with the provisions of Article 4 hereof.

"COMPANY" shall mean Air Products and Chemicals, Inc. and any successor thereto by merger, purchase or otherwise.

"COMPENSATION" shall have the meaning set forth in Section 3.3 hereof.

"EFFECTIVE DATE" shall mean, as to the Company, October 1, 1978 and, as to any other Employer, the date on which employees of such Employer become eligible to participate in the Salaried Pension Plan.

"EMPLOYEE" shall mean any person who is employed by an Employer on a regular salaried basis on or after the Effective Date of the Plan applicable to such Employer, who participates or participated in the Salaried Pension Plan as an "Employee" as defined therein, and who has been granted Incentive Compensation by an Employer for and in respect of any fiscal year of the Company or part thereof during such person's most recent ten (10) years of Credited Service or portion thereof.

"EMPLOYER" shall mean the Company and/or any Participating Employer either collectively or separately as the context requires.

"INCENTIVE COMPENSATION" shall mean a bonus award of stock and/or cash paid on a current basis by an Employer pursuant to the Annual Incentive Plan upon or following the conclusion of the Company's fiscal year to which such award relates and/or a bonus award of stock and/or cash, the payment of which was deferred under the terms of the Annual Incentive Plan.

"PARTICIPATING EMPLOYER" shall mean each Affiliated Company, some or all of whose employees are participating in the Salaried Pension Plan as "Employees" as defined therein, and have also received awards under the Annual Incentive Plan.

"PLAN" shall mean the "Supplementary Pension Plan of Air Products and Chemicals, Inc." as set forth herein and as amended from time to time.

"PLAN ADMINISTRATOR" shall mean the Company's Director of Compensation and Benefits.

"PLAN YEAR" shall mean the annual period beginning on October 1 and ending on September 30. A Plan Year shall be designated according to the calendar year in which such Plan Year ends.

"SALARIED PENSION PLAN" shall mean the "Air Products and Chemicals, Inc. Pension Plan for Salaried Employees" effective January 1, 1957 and as heretofore and hereafter amended from time to time.

SECTION 2.2 As used herein, the terms "Credited Service", "ERISA", "Employee", "Retire", "Retired", or "Retirement" and "Separate", "Separated" or "Separation from Service", and, except as specifically provided in this Article, all other capitalized terms, shall have the

same meanings as provided for in the Salaried Pension Plan, unless the context clearly indicates otherwise.

SECTION 2.3 The masculine pronoun whenever used herein shall include the feminine.

ARTICLE 3
BENEFITS

SECTION 3.1 ELIGIBILITY AND VESTING. An Employee shall be entitled to receive benefits under this Plan if such person shall be entitled to receive a benefit under the Salaried Pension Plan. Benefits under this Plan shall be calculated in accordance with Section 3.2 hereof and shall be subject to the limitations herein provided.

SECTION 3.2 AMOUNT OF BENEFITS. The amount of the benefit to be paid to an Employee or any other person entitled to receive a benefit hereunder shall be equal to the amount of the benefit such person would have received under the Salaried Pension Plan (without regard to the limitations under Sections 401(a)(17), and 415 of the Internal Revenue Code) if such benefit were calculated using Average Compensation calculated pursuant to Section 3.3 hereof, and then reduced by the amount of the actual benefit payable to such person under the Salaried Pension Plan. The normal form of benefit under Section 4.1 of the Salaried Pension Plan shall be employed as the basis for making computations under this Section 3.2 in order to insure the attaining for such purpose of equivalency between the various forms of benefits provided by the Salaried Pension Plan and this Plan, regardless of whether an optional form of benefit has been selected under Article V of the Salaried Pension Plan and/or under Section 3.6 of this Plan.

SECTION 3.3 EMPLOYEE COMPENSATION. For purposes of computing an Employee's benefit in accordance with Section 3.2 hereof, the Employee's Average Compensation shall be the monthly average of the Compensation of the Employee for the 36 consecutive months (or total consecutive months if he or she was employed by an Employer for less than 36 months) in which his Compensation was the highest during the 120 months nearest preceding his Separation from Service (or total period of employment if he or she was employed by an Employer less than

120 months). For this purpose, an Employee's Compensation for any period shall be equal to the sum of his "Compensation" for such period as defined in Article I of the Salaried Pension Plan, provided that no limitation based on Code Section 401(a)(17) shall apply, plus one hundred percent (100%) of the Employee's Incentive Compensation allocated to such period in accordance with Section 3.4 hereof and one hundred percent (100%) of the amount of annual salary deferred by the Employee under the Air Products and Chemicals, Inc. Supplementary Savings Plan, which amount, but for such deferral election, would have been received by the Employee as annual salary during such period.

SECTION 3.4 ALLOCATION OF INCENTIVE COMPENSATION. For the purpose of computing the Employee's Compensation in accordance with Section 3.3 hereof, all Incentive Compensation shall be allocated to the period for which the Incentive Compensation was awarded to the Employee by the Employer, notwithstanding actual distribution of the Incentive Compensation at a later time. The total dollar value of Incentive Compensation awards shall be allocated in equal amounts to each month of the period for which the award was made.

SECTION 3.5 PAYMENT OF BENEFITS. Benefits shall be payable under the Plan under the same terms and conditions, and at such time or times, as a corresponding benefit is payable to the Employee or such other person entitled thereto under the Salaried Pension Plan; provided that, an Employee who Separates from Service prior to Retirement shall not be permitted to commence payment of benefits until attaining age fifty five (55) except as provided for small benefits in Section 3.8. Payment of benefits will commence only upon the Employee's proper application therefore, except for small benefits as described in Section 3.8(a). Benefits shall be paid in the Primary Form of Benefit as determined in Section 5.2 of the Salaried Pension Plan, unless the Employee shall elect to have an optional form of benefit in accordance with the provisions of

Section 3.6 hereof. All payments of benefits shall be subject to Federal income and such other tax withholding as required by applicable law.

SECTION 3.6 OPTIONAL FORMS OF RETIREMENT BENEFIT.

(a) An Employee may elect prior to his Retirement to have distribution of any benefits otherwise payable in accordance with Section 3.5 hereof made in

- (i) either the Primary Form of Benefit as determined in the manner set forth in Section 5.2 of the Salaried Pension Plan or any of the optional forms of such benefit set forth in such Section 5.2, in both cases substituting the benefit determined under Section 3.2 above for the benefit determined under Article IV of the Salaried Plan, and notwithstanding that a different form of benefit may be selected by such Employee for the distribution of benefits under the Salaried Pension Plan, or
- (ii) a lump sum form of benefit described hereinafter in this Section 3.6.

Except as otherwise provided in Section 3.6(b) as to the lump sum form of benefit, the same election of form of benefit procedures and terms and conditions as are in effect under the Salaried Pension Plan shall be in effect under the Plan including that, if the Employee is married on the Annuity Starting Date, the Primary Form of Benefit shall take the form of Option A as provided in Section 5.2 of the Salaried Pension Plan.

(b) Subject to satisfaction of the procedures set forth below in this Section 3.6(b), an Employee who so elects will have distribution of his benefit under the Plan made in the form of a

single lump sum cash payment calculated by converting the benefit determined under Section 3.2 into a single cash payment, using the following assumptions:

- (x) For distributions prior to 20 September 2000, the mortality assumptions to determine life expectancy shall be the mortality table or tables used by the actuary as the basis for preparing the annual actuarial valuation for the Salaried Pension Plan for the Plan Year immediately preceding the Employee's Retirement and, for distributions made on or after 20 September 2000, the mortality assumptions used for this purpose shall be determined from a unisex version of the 1994 Group Annuity Mortality Table; provided that, with respect to any Employee who had an accrued benefit in the Plan as of 20 September 2000, the single cash payment shall be the greater of the amount calculated using the pre-September 20, 2000 mortality assumptions or the post-September 20, 2000 mortality assumptions; and
- (y) The discount rate used to determine the lump sum actuarial present value of the primary form of benefit shall be the yield for Aaa Municipal Bonds as published periodically by Moody's Investor Service, Inc. in Moody's Bond Survey, such rate to be based on the average yield of the three (3) months immediately preceding the ninety (90) day period prior to the Annuity Starting Date for the benefit.

In case either of the above measures is no longer in use or available, the Committee will select a comparable alternative. The lump sum form of benefit will be paid only if the following procedures are satisfied:

1. ADVANCE NOTICE. Written requests for a lump sum form of benefit will be accepted not more than three hundred sixty-five (365) days and not less than thirty (30) days prior to the Employee's Retirement.

2. EMPLOYEE STATEMENT. The Employee will be required to furnish a written statement that he forgoes any future ad hoc or other increases in benefits paid under the Plan.

3. SPOUSAL CONSENT. The Employee will be required to furnish a written, notarized consent from his spouse.

4. COMMITTEE APPROVAL. The Committee, through the Plan Administrator, will have sole discretion to approve or disapprove any election of a lump sum form of benefit, including the right to deny such an election if payment of the Employee's Plan benefit in such form would adversely affect the Company. Once an election of a lump sum form of benefit is approved or disapproved and the Employee Retires, the form of payment cannot be changed.

5. FURTHER ADMINISTRATIVE PROCEDURES. The Plan Administrator shall from time to time adopt such additional procedures as he, in his discretion, shall determine to be necessary or appropriate for the proper administration of elections, approvals and payment of Plan benefits in lump sum form, including procedures as to the timing of payment thereof, taking into consideration when information as to the Employee's final Incentive Compensation for services rendered to the date of his Retirement is first available. Such procedures shall be binding on Employees and the Company for all purposes of the Plan.

SECTION 3.7 PRE-RETIREMENT SPOUSAL BENEFITS. If an Employee dies prior to the commencement of his or her benefit under Section 3.6, a pre-Retirement spousal benefit shall be payable to the Employee's surviving spouse, if any, under the same terms and conditions and at such time or times as a corresponding benefit is payable to the Employee's surviving spouse under Section 5.7 of the Salaried Pension Plan, and calculated in the same manner as provided in such Section 5.7 except substituting the benefit determined under Section 3.2 above for the benefit determined under Article IV of the Salaried Pension Plan. The surviving spouse of the Employee may elect to have distribution of any such benefit made any time permitted under Section 5.7 of the Salaried Pension Plan, notwithstanding that a different time of benefit payment may be selected by such surviving spouse for the distribution of benefits under the Salaried Pension Plan. The same election of benefit procedures as are in effect under the Salaried Pension Plan shall be in effect under the Plan. For Annuity Starting Dates on or after 15 May 2002, the surviving spouse of an Employee who otherwise would have been eligible to elect a lump sum form of payment under Section 3.6 above, may also elect to have his or her pre-Retirement spousal benefit paid in the form of a single lump sum cash payment, calculated by converting the pre-Retirement spousal benefit to a single sum in accordance with Section 3.6(b) above.

SECTION 3.8 SMALL BENEFIT PAYMENT PROCEDURES.

(a) Notwithstanding Sections 3.5, 3.6 and 3.7 above, the payment of any Employee's monthly benefit hereunder having an aggregate actuarial present value of less than \$5,000 at the time of the Employee's Separation from Service or at the time of the commencement of payment of such benefit hereunder, shall be made by payment of a single lump sum, in which case the lump sum amount so paid shall be the actuarial present value of the monthly benefit.

(b) If an Employee Separates from Service prior to his or her Early Retirement Date and the aggregate actuarial present value of the Employee's monthly benefit hereunder is \$10,000 or less, the Employee may elect upon such Separation from Service, within 90 days of receiving notice from the Plan Administrator of his or her election right, to receive a single lump sum payment of the actuarial present value of his or her Plan benefit in full settlement of his or her rights under the Plan.

(c) For purposes of this Section 3.8, the same actuarial factors, assumptions and procedures as are employed under Section 5.1 of the Salaried Pension Plan shall be employed to calculate the actuarial present value of any benefit.

SECTION 3.9 CHANGE IN CONTROL. Notwithstanding the above provisions of this Article 3, upon a Change in Control, an Employee shall have an immediate, nonforfeitable right to his or her Accrued Benefit under the Plan and, for a three-year period commencing on the date of the Change in Control, the Employee shall be entitled to elect an immediate lump sum payment of such amount or, if greater, the amount of the Employee's vested Accrued Benefit on the date of the election. If an Employee elects a lump sum distribution pursuant to this Section 3.9, it shall not affect his or her continued eligibility under the Plan; however, his or her Accrued Benefit under the Plan shall be reduced by the amount paid out.

ARTICLE 3A
SPECIAL SUPPLEMENTAL BENEFITS

Notwithstanding any provision of the Plan to the contrary, certain employees of the Employer who have not been granted Incentive Compensation shall be entitled to receive a special supplemental benefit under the Plan in accordance with the following provisions:

(a) Any Participant in the Salaried Pension Plan who is not an Employee at the time of his or her Separation from Service, and who:

(i) Would be described in Section 3.2(b) of the Salaried Plan text except that such Participant was a Highly Compensated Employee at the time of his or her Separation from Service; or

(ii) Would be described in Section 3.2(c) of the Salaried Plan text except that such Participant was a Highly Compensated Employee Separated from Service after 1 January 2001 and notified of such Separation from Service prior to 1 July 2002 shall be entitled to a benefit under this Plan as follows:

(b) The amount of the benefit shall be the difference between the monthly retirement benefit the Participant receives under Section 3.4 of the Salaried Pension Plan and the benefit the Participant would have received under Section 3.2 of the Salaried Pension Plan had he or she Separated from Service on or after his or her Early Retirement Date.

(c) Such a Participant shall be treated as an Employee for purposes of this Plan except for purposes of Sections 3.1-3.4; provided that such a Participant whose Separation from Service occurred prior to 1 January 2000 shall not be treated as an Employee for purposes of Subsections 3.6(a)(ii) or 3.6(b).

ARTICLE 4 ADMINISTRATION

SECTION 4.1 PLAN ADMINISTRATION AND INTERPRETATION. The Plan shall be administered by the Committee which shall be composed of the same persons designated by the

Board to administer the Salaried Pension Plan. The Committee shall have full power and authority to administer the Plan and interpret the Plan in a manner which is as consistent with the interpretations of similar provisions in the Salaried Pension Plan as the context reasonably permits. The Committee's powers shall include, by way of illustration and not limitation, the discretionary authority and power to construe and interpret the Plan provisions, decide all questions of eligibility for benefits, and determine the amount, time, and manner of payments of any benefits and to authorize the payment of benefits hereunder, to the extent such powers have not been given to the Plan Administrator pursuant to Section 4.2 below or otherwise. The Committee may appoint one or more individuals or committees to assist it in carrying out its duties and responsibilities under the Plan and may adopt rules and regulations for the administration of the Plan and alter, amend, or revoke any rules or regulations so adopted. The decisions of the Committee or its delegates shall be final and binding on the Company, the Employers, the Employees, and their beneficiaries.

SECTION 4.2 CLAIM AND APPEAL PROCEDURE

(A) CLAIM PROCEDURE. In the event of a claim by an Employee or an Employee's beneficiary for or in respect of any benefit under the Plan or the method of payment thereof, such Employee or beneficiary shall present the reason for his claim in writing to the Plan Administrator. The Plan Administrator shall, within ninety (90) days after the receipt of such written claim, send written notification to the Employee or beneficiary as to its disposition, unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial ninety (90) day period. In no event, however,

shall such extension exceed a period of ninety (90) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the final decision.

In the event the claim is wholly or partially denied, the Plan Administrator's written notification shall state the specific reason or reasons for the denial, include specific references to pertinent Plan provisions on which the denial is based, provide an explanation of any additional material or information necessary for the Employee or beneficiary to perfect the claim and a statement of why such material or information is necessary, and set forth the procedure by which the Employee or beneficiary may appeal the denial of the claim. If the claim has not been granted and notice is not furnished within the time period specified in the preceding paragraph, the claim shall be deemed denied for the purpose of proceeding to appeal in accordance with paragraph (b) below.

(B) APPEAL PROCEDURE. In the event an Employee or beneficiary wishes to appeal the denial of his claim, he may request a review of such denial by making written application to the Committee within sixty (60) days after receipt of the written notice of denial (or the date on which such claim is deemed denied if written notice is not received within the applicable time period specified in paragraph (a) above). Such Employee or beneficiary (or his duly authorized representative) may, upon written request to the Committee, review documents which are pertinent to such claim, and submit in writing issues and comments in support of his position. Within sixty (60) days after receipt of the written appeal (unless an extension of time is necessary due to special circumstances or is agreed to by the parties, but in no event more than

one hundred and twenty (120) days after such receipt), the Committee shall notify the Employee or beneficiary of its final decision. If such an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The final decision shall be in writing and shall include: (i) specific reasons for the decision, written in a manner calculated to be understood by the claimant, and (ii) specific references to the pertinent Plan provisions on which the decision is based.

(C) CHANGE IN CONTROL. Notwithstanding the above, upon a Change in Control, for the three-year period commencing on the date of the Change in Control, the Plan Administrator shall notify the Employee of the disposition of a claim under paragraph (a) above, and the Committee shall notify the Employee of the decision on an appeal under paragraph (b) above, within ten (10) days of receipt of the claim or appeal, respectively.

ARTICLE 5

FUNDING

SECTION 5.1 BENEFITS UNFUNDED. The Plan shall be unfunded. Neither an Employer nor the Committee shall be required by the terms of the Plan to segregate any assets in connection with the Plan. Neither an Employer, the Board nor the Committee shall be deemed to be a trustee of any amounts to be paid under the Plan. Any liability to any person with respect to benefits payable under the Plan shall be only a claim against the general assets of the Employer. No such liability shall be deemed to be secured by any pledge or any other encumbrance on any specific property of the Employer.

SECTION 5.2 NON-QUALIFIED PLAN. The Plan will not be qualified under the Code and the Company and the Employers shall not be required to qualify the Plan.

SECTION 5.3 ERISA. The Plan is intended to constitute an unfunded plan maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees of the Employer which qualifies for the exclusion provided for in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. In the event that any regulatory body should determine that the Plan does not qualify for such exclusion, then the Company may retroactively revise the eligibility criteria under the Plan so that this Plan may qualify for the exclusion or take such other action as is deemed necessary, and the Company and the Employers shall have no liability to those individuals who had been eligible for benefits under the Plan prior to such revision or action except to the extent of the individual's Accrued Benefit as of the effective date of such action.

ARTICLE 6
AMENDMENT AND TERMINATION

SECTION 6.1 AMENDMENT AND TERMINATION. While the Company intends to maintain this Plan in conjunction with the Salaried Pension Plan for so long as necessary or desirable, the Company reserves the right at any time to amend, suspend and/or terminate this Plan by action of the Board (or the Committee consistent with the Committee's authority therefore under the Salaried Pension Plan or delegations from the Board), in its sole discretion, for whatever reason it may deem appropriate; provided that, no such amendment, termination or suspension shall reduce the benefits payable to or accrued by an Employee as of the date of such amendment, suspension or termination, except as provided in Section 5.3. If this Plan is terminated, no new benefits shall be accrued hereunder; and all benefits previously accrued shall be payable at such times as otherwise provided herein.

SECTION 6.2 CONTRACTUAL OBLIGATIONS. Notwithstanding Section 6.1 hereof, each Employer hereby makes a contractual commitment to pay the benefits theretofore accrued in respect of each Employee of such Employer under the Plan to the extent it is financially capable of meeting such obligations from its general assets, and at such times as such benefits are payable under the terms hereof.

SECTION 6.3 NO EMPLOYMENT RIGHTS. Nothing contained in the Plan shall be construed as a contract of employment between an Employer and any Employee, or as a right of any Employee to be continued in the employment of an Employer, or as a limitation on the right of an Employer to discharge any of its Employees, with or without cause. Specifically, no rights are created under the Plan with respect to continued employment. It is understood that each

Employee is employed at the will of the respective Employer and the Employee and in accord with all statutory provisions.

ARTICLE 7
GENERAL PROVISIONS

SECTION 7.1 NON-ALIENATION OF BENEFITS. Except as may be required by law, no benefit payable under the Plan is subject in any manner to anticipation, alienation, sale, transfer, assignment, garnishment, pledge, encumbrance, or charge whether voluntary or involuntary, including in respect of liability of an Employee or his beneficiary for alimony or other payments for the support of a spouse, former spouse, child, or other dependent, prior to actually being received by the Employee or beneficiary under the Plan, and any attempt to anticipate, alienate, sell, transfer, assign, garnish, pledge, encumber, or charge the same shall be void. No such benefits will in any manner be liable for or subject to the debts, liabilities, engagements, or torts of any Employee or other person entitled to receive the same and if such person is adjudicated bankrupt or attempts to anticipate, assign, or pledge any benefits, the Committee shall have the authority to cause the same or any part thereof then payable to be held or applied to or for the benefit of such Employee, his spouse, children or other dependents, or any of them, in such manner and in such proportion as the Committee may deem proper.

SECTION 7.2 MINOR OR INCOMPETENT. If the Committee determines that any Employee or beneficiary entitled to payments under the Plan is a minor or incompetent by reason of physical or mental disability, it may, in its sole discretion, cause all payments thereafter becoming due to such person to be made to any other person for his benefit, without responsibility to follow application of amounts so paid. Payments made pursuant to this

provision shall completely discharge the Company, the Employers, the Plan, the Board, and the Committee from all further obligations with respect to benefits under the Plan.

SECTION 7.3 PAYEE UNKNOWN. If the Committee has any doubt as to the proper beneficiary to receive payments hereunder, the Committee shall have the right to withhold such payments until the matter is finally adjudicated. However, any payment made in good faith shall fully discharge the Committee, the Company, the Employers, and the Board from all further obligations with respect to that payment.

SECTION 7.4 ILLEGAL OR INVALID PROVISION. In case any provision of the Plan shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced without regard to such illegal or invalid provision.

SECTION 7.5 GOVERNING LAW AND HEADINGS. The provisions of the Plan shall be construed, administered, and governed in accordance with the laws of the Commonwealth of Pennsylvania, including its statute of limitation provisions, to the extent such laws are not preempted by ERISA or other applicable Federal law. Titles of Articles and Sections of the Plan are for convenience of reference only and are not to be taken into account when construing and interpreting the provisions of the Plan.

SECTION 7.6 LIABILITY LIMITATION. No liability shall attach to or be incurred by any member of the Committee or any other officer or director of the Company or an Employer under or by reason of the terms, conditions, and provisions contained in the Plan, or for the acts or decisions taken or made thereunder or in connection therewith; and as a condition precedent to the receipt of benefits hereunder, such liability, if any, is expressly waived and released by the Employee and by any and all persons claiming under or through the Employee or any other

person. Such waiver and release shall be conclusively evidenced by any act of participation in or the acceptance of benefits under the Plan.

SECTION 7.7 NOTICES. Except as otherwise specified, any notice to the Committee, the Company, or an Employer which shall be or may be given under the Plan shall be in writing and shall be sent by registered or certified mail to the Plan Administrator. Notice to a Participant shall be sent to the address shown on the Company's or the Employer's records. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

SECTION 7.8 ENTIRE AGREEMENT. Except as may be provided in an individual severance agreement between the Company or other Employer and a Participant, this Plan document shall constitute the entire agreement between the Company or other Employer and the Participant with respect to the benefits promised hereunder and no other agreements or representations with respect to such benefits, oral or otherwise, express or implied, shall be binding on the Company or other Employer.

SECTION 7.9 BINDING EFFECT. All obligations for amounts not yet paid under the Plan shall survive any merger, consolidation, or sale of substantially all of the Company's or an Employer's assets to any entity, and be the liability of the successor to the merger or consolidation or purchaser of assets, unless otherwise agreed to in writing by the parties thereto.

IN WITNESS WHEREOF, the Company, intending to be legally bound hereby,
has caused the Plan to be adopted and approved by the execution of its duly
authorized officers as of the ____ day of _____, 2003.

AIR PRODUCTS AND CHEMICALS, INC.

By:

Vice President - Human Resources

ATTEST:

Assistant Secretary

AIR PRODUCTS AND CHEMICALS, INC.
LONG-TERM INCENTIVE PLAN

As Amended and Restated
Effective January 23, 2003

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1. PURPOSES OF THE PLAN

The purposes of this Plan are: (i) to provide long-term incentives and rewards to directors and to those executives or other key employees who are either in a position to contribute to the long-term success and growth of Air Products and Chemicals, Inc. (the "Company") and Participating Subsidiaries, or who have high potential for assuming greater levels of responsibility or who have demonstrated their critical importance to the operation of their organizational unit, (ii) to assist the Company and Participating Subsidiaries in attracting and retaining directors, executives and other key employees with experience and ability and (iii) to associate more closely the interests of such directors, executives and other key employees with those of the Company's shareholders.

2. ADMINISTRATION OF THE PLAN

With regard to Plan awards granted to employees, the Plan shall be administered by the Management Development and Compensation Committee of the Company's Board of Directors (the "Board") or such other committee thereof consisting of such members (not less than three) of the Board as are appointed from time to time by the Board (the "Compensation Committee"), each of the members of which, at the time of any action under the Plan, shall be (i) a "non-employee director" as then defined under Rule 16b-3 under the Act (or meeting comparable requirements of any successor rule relating to exemption from Section 16(b) of the Act), (ii) an "outside director" as then defined under Section 162(m) of the Internal Revenue Code and (iii) an "independent director" as then defined under the rules of the New York Stock Exchange (or meeting comparable requirements of any stock exchange on which the Company's Common Stock may then be listed). With regard to Plan awards granted to Eligible Directors, the Plan shall be administered by the Nominating and Corporate Governance Committee of the Board or such other committee thereof consisting of such members (not less than three) of the Board as are appointed from time to time by the Board (the "Nominating Committee"), each of the members of which, at the time of any action under the Plan, shall be (i) a "non-employee director" as then defined under Rule 16b-3 under the Act (or meeting comparable requirements of any successor rule relating to exemption from Section 16(b) of the Act) and (ii) an "independent director" as then defined under the rules of the New York Stock Exchange (or meeting comparable requirements of any stock exchange on which the Company's Common Stock may then be listed). As used herein, the term "Committee" shall mean the Compensation Committee as regards awards granted or to be granted to employees and the Nominating Committee as regards awards granted or to be granted to Eligible Directors.

The Committee shall have all necessary powers to administer and interpret the Plan. Such powers of the Compensation Committee include exclusive authority (within the limitations described and except as otherwise provided in the Plan) to select the employees or determine classes of employees to be granted awards under the Plan, to determine the aggregate amount, type, size, and terms of the awards to be made to eligible employees, and to determine the time when awards will be granted. The Compensation Committee may take into consideration recommendations from the appropriate officers of the Company and of each Participating Subsidiary with respect to making the foregoing determinations as to Plan awards,

administration, and interpretation. Such powers of the Nominating Committee include exclusive authority (within the limitations described and except as otherwise provided in the Plan) to select the Eligible Directors to be granted awards under the Plan, to determine the aggregate amount, type, size, and terms of the awards to be made to Eligible Directors, and to determine the time when such awards will be granted.

The Committee shall have full power and authority to adopt such rules, regulations, agreements and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan and all action taken and determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all parties concerned, including the Company, its shareholders and any director or employee of the Company or any Subsidiary. Notwithstanding any other provision of the Plan to the contrary, the Committee may delegate to appropriate Company officers its authority to take all final action with respect to granting and administering Plan awards granted to Participants who are at the time of such action not members of the Board or "officers" within the meaning of Rule 16a-1(f) of the Act, including without limitation selecting the executives and key employees to whom such awards will be granted and determining the amount of any such awards to be made to such executives and key employees, determining the terms and conditions of such awards and administering, interpreting, and taking all action on behalf of the Company with respect to administering, vesting, and paying such awards; provided, however, that (i) all such awards shall be granted within the limitations and subject to the terms and conditions required by the Plan and by the Committee's determinations and interpretations thereof and thereunder; (ii) the aggregate of such awards granted under the Plan for or with respect to a given Fiscal Year shall not, when added to the awards approved by the Committee for granting to individuals who are members of the Board of Directors or are "officers" within the meaning of Rule 16a-1(f) of the Act for or with respect to the same Fiscal Year, exceed the total amount of awards approved by the Committee for or with respect to such Fiscal Year; and (iii) any action with respect to such awards taken because of or in connection with a Change in Control of the Company or as contemplated by Section 12 shall be taken by the Committee. With respect to matters so delegated, the term "Committee" as used herein shall mean the delegate.

3. ELIGIBILITY FOR PARTICIPATION

Participation in the Plan shall be limited to (i) directors of the Company who are not employees of the Company or any of its subsidiaries or their respective predecessors ("Eligible Directors") and (ii) executives or other key employees (including officers and directors who are also employees) of the Company and its Participating Subsidiaries selected on the basis of such criteria as the Committee may determine. Employees who participate in other incentive or benefit plans of the Company or any Participating Subsidiary may also participate in this Plan. As used herein, the term "employee" shall mean any person employed full time or part time by the Company or a Participating Subsidiary on a salaried basis, and the term "employment" shall mean full-time or part-time salaried employment by the Company or a Subsidiary.

4. SHARES OF STOCK SUBJECT TO THE PLAN

The shares that may be delivered upon exercise, in payment or in respect of stock options, stock appreciation rights, deferred stock units, restricted shares and other stock awards granted under the Plan on or after January 23, 2003 shall not exceed in the aggregate 9,000,000 shares of common stock of the Company ("Common Stock") plus the number of shares previously authorized under the Plan but not then issued or subject to an outstanding award, subject to adjustment as provided in Section 12. Any share subject to a Plan award which for any reason is not delivered, whether because the award expires, is forfeited, or terminates unexercised, because payment under the award is made in a form other than in shares, or for any other reason may again be subject to an award subsequently granted under the Plan. Shares used as payment of the exercise price of an award or in satisfaction of tax obligations relating to an award are available again for Plan awards.

5. AWARDS

Awards granted to employee Participants or Eligible Directors under the Plan may be of the following types: (i) stock options, (ii) restricted shares, (iii) deferred stock units and/or (iv) other stock awards. Awards granted to employees under the Plan may be of the following types: (i) stock options, (ii) stock appreciation rights, (iii) restricted shares, (iv) deferred stock units and/or (v) other stock awards.

Stock options ("Stock Options"), are rights to purchase Common Stock from the Company. Stock Options granted to employees may be either Nonstatutory Stock Options or Incentive Stock Options, both as described below. The Committee shall designate each Stock Option grant to an employee as being either a Nonstatutory Stock Option or an Incentive Stock Option. If the same employee receives both Nonstatutory Stock Options and Incentive Stock Options, each type shall be clearly identified and separately granted.

Stock appreciation rights ("Stock Appreciation Rights") are rights to receive cash and/or Common Stock equivalent in value to the "spread" between (a) the aggregate fair market value of the number of shares with respect to which the Participant has elected to exercise Stock Appreciation Rights and (b) the aggregate purchase price of such shares based on the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Rights were granted. Restricted shares ("Restricted Shares") are shares of Common Stock awarded subject to restrictions and to possible forfeiture upon the occurrence of specified events. Deferred stock units ("Deferred Stock Units") are rights to receive at the end of a deferral period cash and/or Common Stock equivalent in value to one share of Common Stock for each unit. Other stock awards ("Other Stock Awards") are awards in such form as the Committee may determine that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of Common Stock.

Nonstatutory Stock Options, Restricted Shares, Deferred Stock Units and Other Stock Awards, and in the case of employee Participants Incentive Stock Options and Stock Appreciation Rights, may be granted to the same Participant as separate awards at or for the same

period of time under terms whereby the issuance of shares or payment under one award has no effect on any other award. Stock Appreciation Rights may be granted to an employee Participant in relation to (i.e., in "tandem" with) each other or with a previously or concurrently granted Stock Option under terms whereby the issuance of shares or payment under one award reduces directly the number of shares, units, and/or rights remaining available under the related award(s). Nonstatutory Stock Options may also be granted in tandem with other Plan awards.

6. STOCK OPTIONS

(a) DIRECTOR STOCK OPTIONS

All Stock Options granted to Eligible Directors under the Plan shall be Nonstatutory Stock Options. The purchase price per share of Common Stock covered by each Stock Option shall be determined by the Committee but shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of such Option. The Committee will determine, absolutely or by formula, the number of shares to be subject to each Stock Option.

(b) EMPLOYEE STOCK OPTIONS

Stock Options granted to eligible employees under the Plan may be either Incentive Stock Options or Nonstatutory Stock Options, as determined by the Committee at the time of grant. The Committee may grant Stock Options to eligible employees either alone or in conjunction with and related to Stock Appreciation Rights and may also grant Nonstatutory Stock Options in conjunction with and related to other Plan awards. No Incentive Stock Option shall be granted under this Plan more than 10 years after the most recent date this Plan is adopted or approved by the shareholders of the Company.

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

The Committee will determine, absolutely or by formula related to the Fair Market Value of a share of Common Stock, the number of shares of Common Stock to be subject to each Stock Option. The number of shares subject to an outstanding Stock Option will be reduced on a one-for-one basis to the extent that shares under such Stock Option are used to calculate the cash and/or shares received upon exercise of related Stock Appreciation Rights. In no event shall the number of shares subject to Stock Options (and any related Stock Appreciation Rights) granted to any Participant in any Fiscal Year exceed 1,000,000.

The aggregate Fair Market Value, determined on the date of grant, of stock with respect to which Incentive Stock Options are exercisable for the first time by such Participant during any calendar year (under this Plan and all such other plans of the Company and any predecessor, parent, subsidiary or affiliate) shall not exceed \$100,000, except as a result of an acceleration of the exercise date of an Incentive Stock Option provided for in Section 11.

(c) TERMS APPLICABLE TO ALL STOCK OPTIONS.

Except as otherwise determined by the Committee and reflected in the applicable Stock Option agreement or an amendment thereto, Stock Options shall be granted on the following additional terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

(i) Term and Exercise Dates. The Committee shall fix the term during which each Stock Option may be exercised, but no Stock Option shall be exercisable after the tenth anniversary of its date of grant. No Stock Option shall be exercisable prior to one year from its date of grant, except as otherwise provided in Section 11. Except as otherwise provided in Section 11, each Stock Option shall become exercisable in installments as follows:

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

2. An additional one-third of such shares subject to such Stock Option may be purchased commencing on each of the second and third yearly anniversaries of the date of grant (or on the last day of the second and third Fiscal Year following the grant date, if earlier).

Notwithstanding any other provision of the Plan, the Committee may determine that the date on which any outstanding Stock Option or any portion thereof is exercisable shall be or shall have been advanced to an earlier date or dates designated by the Committee in accordance with such terms and subject to such conditions, if any, as the Committee shall specify; provided, however, that any such earlier date shall not be prior to one year from the date of grant of such Stock Option, except as otherwise provided in Section 11.

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

(iii) Payment. The purchase price of shares purchased upon exercise of any Option shall be paid in full in cash at the time of exercise of the Option, except that the Committee, in its sole discretion, and on such terms and conditions as it may specify, may approve payment by the exchange of shares of Common Stock having a Fair Market Value on the Exercise Date equal to the purchase price of such shares or by a combination of cash and Common Stock having a Fair Market Value on the Exercise Date equal to the portion of such purchase price not paid in cash provided, however, that except as the Committee shall otherwise determine, any such shares submitted in the exchange must have been beneficially owned by the Participant for a certain period prior to the Exercise Date, the duration of such period to be determined from time to time by the Committee but in no event to be less than six months. Subject to any administrative rules from time to time adopted by the Committee for administering Option exercises, payment of the exercise price of the Option will be permitted through the delivery (including by facsimile transmission) of an irrevocable exercise notice coupled with irrevocable instructions to a designated broker to simultaneously sell the underlying shares of Common Stock and deliver to the Company on the settlement date the portion of the proceeds representing the exercise price (and any taxes to be withheld).

(iv) Termination of Employment or Death.

(A) A Participant whose employment or whose service as a director is terminated by Retirement or Disability, and, in the case of the Participant's death while an employee or director or after termination of employment or service due to Retirement or Disability, the Participant's Designated Beneficiary or, if none, his or her legal representative, shall continue to have the same rights to exercise any unexercised portion of the Participant's Stock Option which is exercisable at the time of, or will by its terms become exercisable after, such termination or death, as the Participant would have had if he or she had continued to be an active or retired employee or director of the Company or a Subsidiary, as the case may be.

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

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

7. STOCK APPRECIATION RIGHTS

The Committee may grant Stock Appreciation Rights either alone or in conjunction with and related to previously or concurrently granted Stock Options and/or other Plan awards.

Except as otherwise determined by the Committee and reflected in the applicable Stock Appreciation Rights agreement or an amendment thereto, all Stock Appreciation Rights shall be granted on the following terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

(a) Number of Rights. The Committee shall determine, absolutely or by formula related to the Fair Market Value of a share of Common Stock, the number of Stock Appreciation Rights which shall be granted. As to any Stock Appreciation Rights granted in tandem with a Stock Option, such number shall not be greater than the number of shares which are then subject to the related Stock Option, and the number of such Stock Appreciation Rights will be reduced on a one-for-one basis to the extent that shares under the related Stock Option are purchased. In no event shall the number of Stock Appreciation Rights granted to any Participant in any Fiscal Year (excluding Stock Appreciation Rights granted in tandem with a Stock Option, which shall be subject to the limitation in Section 6(b)), exceed 1,000,000.

(b) Exercise. Stock Appreciation Rights shall entitle the Participant, to the extent he or she so elects from time to time, to receive, without any payment to the Company, an amount of cash and/or a number of shares determined and payable as provided in Section 7(c). Stock Appreciation Rights shall generally be exercisable to the extent and upon the same conditions that Stock Options are exercisable under Section 6(c)(iv); provided, however, that, unless otherwise determined by the Committee, Stock Appreciation Rights may not be exercised prior to one year following the date of their grant. A Participant wishing to exercise Stock Appreciation Rights shall give written notice of such exercise to the Company. The date of receipt of such notice shall be the "Exercise Date" for such Stock Appreciation Rights. Promptly after the Exercise Date the Company shall pay and/or deliver to the Participant the cash and/or shares to which he or she is entitled.

(c) Amount of Cash and/or Number of Shares. Except as otherwise provided in Section 11, the amount of the payment to be made upon exercise of Stock Appreciation Rights shall be determined by multiplying (i) that portion, as elected by the Participant, of the total number of shares as to which the Participant is entitled to exercise the Stock Appreciation Rights award as of the Stock Appreciation Right Exercise Date, by (ii) 100% of the amount by which the Fair Market Value of a share of Common Stock on the Exercise Date exceeds the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Rights were granted. The Committee may make payment in cash or partly in cash and partly in Common Stock, all as determined by the Committee in its sole discretion. To the extent that payment is made in Common Stock, the number of shares shall be determined by dividing the amount of such payment by the Fair Market Value of a share of Common Stock on the Exercise Date. No fractional shares shall be issued, but instead the Participant shall be entitled to receive a cash adjustment equal to the same fraction of the Fair Market Value on the Exercise Date.

(d) Termination of Employment or Death. In the event that a recipient of Stock Appreciation Rights ceases to be employed by the Company or a Subsidiary by reason of Retirement, Disability or death, his or her Stock Appreciation Rights shall continue to be or become exercisable following such termination of employment and termination of directorship, if

any, to the extent and upon the same conditions that a Stock Option is exercisable under Section 6(c)(iv). In the event a recipient of Stock Appreciation Rights ceases to be employed by the Company or a Subsidiary for a reason other than Retirement, Disability or death, his or her Stock Appreciation Rights shall automatically terminate unless and to the extent the Committee, in its sole discretion, shall determine otherwise.

8. RESTRICTED SHARES

Restricted Share awards shall be evidenced by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of Common Stock awarded, the restrictions imposed thereon (including, without limitation, restrictions on the right of the grantee to sell, assign, transfer or encumber such shares while such shares are subject to other restrictions imposed under this Section 8), the duration of such restrictions which shall not be less than one year from the effective date of the award; the events (which may, in the discretion of the Committee, include performance-based events or objectives) the occurrence of which would cause a forfeiture of the Restricted Shares in whole or in part; and such other terms and conditions as the Committee in its discretion deems appropriate. If so determined by the Committee at the time of an award of Restricted Shares, the lapse of restrictions on Restricted Shares may be based on the extent of achievement over a specified performance period of one or more performance targets based on performance criteria established by the Committee. In no event shall the number of Restricted Shares granted to any Participant in any Fiscal Year exceed 100,000.

Restricted share awards shall be effective upon execution of the applicable Restricted Share agreement by the Company and the Participant. Following a Restricted Share award and prior to the lapse or termination of the applicable restrictions, the share certificates for such Restricted Shares shall be held in escrow by the Company. Upon the lapse or termination of the applicable restrictions (and not before such time), the certificates for the Restricted Shares shall be issued or delivered to the Participant. From the date a Restricted Share award is effective, the Participant shall be a shareholder with respect to all the shares represented by such certificates and shall have all the rights of a shareholder with respect to all such shares, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares, subject only to the restrictions imposed by the Committee.

9. DEFERRED STOCK UNITS

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

(a) Number, Value, and Manner of Payment of Deferred Stock Units. Each Deferred Stock Unit shall be equivalent in value to one share of Common Stock and shall entitle the Participant to receive from the Company at the end of the deferral period (the "Deferral Period") applicable to such Unit the value at such time of each Unit. Except as otherwise determined by the Committee, Deferred Stock Units shall be granted without payment of cash or other

consideration to the Company but in consideration of services performed for or for the benefit of the Company or a Participating Subsidiary by such Participant. Payment of the value of Deferred Stock Units may be made by the Company in shares of Common Stock, cash or both as determined by the Committee during, or as soon as practicable after the end of the Deferral Period. If paid in Common Stock, the Participant shall receive a number of shares of Common Stock equal to the number of matured or earned Deferred Stock Units, and if paid in cash, the Participant shall receive for each matured Deferred Stock Unit an amount equal to the Fair Market Value of a share of Common Stock on the last day of the applicable Deferral Period (except as otherwise provided in Section 11). Upon payment in respect of a Deferred Stock Unit, such Unit shall be canceled. In no event shall the number of Deferred Stock Units granted to any Participant in any Fiscal Year exceed 100,000.

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

(c) Termination of Service or Death. Unless otherwise determined by the Committee:

(i) in the case of Deferred Stock Units granted to employee Participants:

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

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

(ii) Deferred Stock Units granted to Eligible Directors shall not be required to be forfeited upon termination of service as a director.

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

10. OTHER STOCK AWARDS

The Committee shall have the authority in its discretion to grant to eligible Participants such other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock as deemed by the Committee to be consistent with the purposes of the Plan, including, without limitation, purchase rights, shares awarded without restrictions or conditions, or securities or other rights convertible or exchangeable into shares of Common Stock. In the discretion of the Committee, such Other Stock Awards, including shares of Common Stock, or other types of awards authorized under the Plan, may be used in connection with, or to satisfy obligations of the Company or a Subsidiary to eligible employees under, other compensation or incentive plans, programs or arrangements of the Company or a Subsidiary, including without limitation the Company's Deferred Compensation Plan for Directors, Annual Incentive Plan, Supplementary Savings Plan, and the U.K. Savings-Related Share Option Scheme. The Committee shall determine the terms and conditions, if any, of any Other Stock Awards made under the Plan. In no event shall Other Stock Awards be granted to any Participant in any Fiscal Year with respect to more than 100,000 shares of Common Stock (i.e., have a value greater than the value of 100,000 shares of Common Stock).

11. CHANGE IN CONTROL

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

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

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

(B) the Fair Market Value of a share of Common Stock on the date of grant of the Stock Appreciation Rights.

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

(b) Cash Surrender of Stock Options. All or certain outstanding Stock Options may, at the discretion of the Committee, be required to be surrendered by the holder thereof for cancellation in exchange for a cash payment for each such Stock Option. In the absence of Committee action requiring the surrender of Stock Options, each holder of Stock Options may elect to surrender all or certain of his or her outstanding Options which are then exercisable for cancellation in exchange for a cash payment for each such Stock Option. In any case, the cash payment received for each share subject to the Stock Option shall be 100% of the amount by which the amount described in paragraph (A) of Section 11(a) exceeds the Fair Market Value of a share of Common Stock on the date of grant of the Option. Such payments shall be due and payable immediately upon surrender to the Committee for cancellation of appropriate award agreements or other evidence in writing of the Participant's relinquishment of his or her rights to such award or at such earlier date as the Committee shall determine (but in no event earlier than the occurrence of a Change in Control) and shall be valued as if the Exercise Date were the date of receipt of said materials or such earlier date as the Committee shall determine.

(c) Reduction in Accordance with Plan. The number of shares covered by Stock Options and Stock Appreciation Rights will be reduced on a one-for-one basis to the extent related Stock Options or Stock Appreciation Rights are exercised, or surrendered for cancellation in exchange for a cash payment, as the case may be, under this Section 11.

(d) Lapse of Restrictions on Restricted Shares. Unless the applicable Restricted Share agreement or an amendment thereto shall otherwise provide, all restrictions applicable to an outstanding award of Restricted Shares shall lapse immediately upon the occurrence of such Change in Control regardless of the scheduled lapse of such restrictions.

(e) Accelerated Payment of Deferred Stock Units. Unless otherwise provided in the applicable Deferred Stock Unit award agreement or an amendment thereto, all outstanding Deferred Stock Units together with any Dividend Equivalents for the period for which such Units have been outstanding, notwithstanding that the Deferral Periods as to such Deferred Stock Units have not been completed, shall be paid in full. Such payment shall be in cash and shall be due and payable to Participants immediately upon the occurrence of a Change in Control in an amount in respect of each Deferred Stock Unit equal to the greater of (i) the highest tender or exchange offer price paid or to be paid for Common Stock pursuant to the offer associated with the Change in Control (such price to be determined by the Committee from such source or sources of information as the Committee shall determine including, without limitation, the Schedule 13D or an amendment thereto filed by the offeror pursuant to Rule 13d-1 under the Act) or the price paid or to be paid for Common Stock under an agreement associated with the Change in Control, as the case may be, and (ii) the highest Fair Market Value of a share of Common Stock on any day during the sixty-day period immediately preceding the Change in Control. For purposes of determining the price paid or to be paid for Common Stock under clause (i) of the preceding sentence, consideration other than cash forming part or all of the consideration for Common Stock paid or to be paid pursuant to the exchange offer or agreement associated with the Change in Control shall be valued at the higher of the valuation placed thereon by the Board of Directors or by the person making the offer or entering into the agreement with the Company.

12. DILUTION AND OTHER ADJUSTMENTS

Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, a rights offering to purchase Common Stock at a price substantially below fair market value, or other similar corporate change, including without limitation in connection with a Change in Control, an equitable adjustment shall be made, as determined by the Committee, so as to preserve, without increasing or decreasing, the value of Plan awards and authorizations, in (i) the maximum number or kind of shares issuable or awards which may be granted under the Plan, (ii) the amount payable upon exercise of Stock Appreciation Rights, (iii) the number or kind of shares or purchase price per share subject to outstanding Stock Options, (iv) the number or value, or kind of shares which may be issued in payment of outstanding Stock Appreciation Rights, (v) the value and attributes of Deferred Stock Units, (vi) the maximum number, kind or value of any Plan awards which may be awarded or paid in general or to any one employee, (vii) the performance-based events or objectives applicable to any Plan awards, (viii) any other aspect or aspects of the Plan or outstanding awards made thereunder as specified by the Committee, or (ix) any combination of the foregoing. Such adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

13. MISCELLANEOUS PROVISIONS

(a) The holder of a Plan award shall have no rights as a Company shareholder with respect thereto unless, and until the date as of which, certificates for shares of Common Stock are issued upon exercise or payment in respect of such award.

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

(c) All Stock Options, Stock Appreciation Rights, Restricted Shares, and Deferred Stock Units granted under the Plan shall be evidenced by agreements in such form and containing and/or incorporating such terms and conditions (not inconsistent with the Plan and applicable domestic and foreign law) in addition to those provided for herein as the Committee shall approve.

(d) No shares of Common Stock shall be issued, delivered or transferred upon exercise or in payment of any award granted hereunder unless and until all legal requirements applicable to the issuance, delivery or transfer of such shares have been complied with to the satisfaction of the Committee and the Company, including, without limitation, compliance with the provisions of the Securities Act of 1933, the Act and the applicable requirements of the exchanges on which the Company's Common Stock may, at the time, be listed. The Committee and the Company shall have the right to condition any issuance of shares of Common Stock made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares as the Committee and/or the Company shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may be legended to reflect any such restrictions.

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

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

under this Plan are employed at the will of the Company or such Subsidiary and in accord with all statutory provisions.

(g) Distributions of shares of Common Stock upon exercise, in payment or in respect of awards made under this Plan may be made either from shares of authorized but unissued Common Stock reserved for such purpose by the Board of Directors or from shares of authorized and issued Common Stock reacquired by the Company and held in its treasury or held under the Company's Flexible Employee Benefits Trust, as from time to time determined by the Committee, the Board, or pursuant to delegations of authority from either.

(h) The costs and expenses of administering this Plan shall be borne by the Company and not charged to any award or to any employee, director or Participant receiving an award. However, the Company may charge the cost of any awards made to employees of Participating Subsidiaries, including administrative costs and expenses related thereto, to the respective Participating Subsidiaries by which such persons are employed.

(i) This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any award under this Plan and payment of awards shall be subordinate to the claims of the Company's general creditors.

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

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

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

(i) Stock Acquisition. Any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Act), other than the Company or a corporation, a majority of whose outstanding stock entitled to vote is owned, directly or indirectly, by the Company, or a trustee of an employee benefit plan or trust sponsored solely by the Company and/or such a corporation, is or becomes, other than by purchase from the Company or such a corporation, the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities. Such a Change in Control shall be deemed to have occurred on the first to occur of the date securities are first purchased by a tender or exchange offeror, the date on which the Company first learns of acquisition of 20% of such securities, or the later of the effective date of an agreement for the merger, consolidation or other reorganization of the Company or the date of approval thereof by a majority of the Company shareholders, as the case may be.

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

(iii) Other Events. Any other event or series of events which, notwithstanding any other provision of this definition, is determined, by a majority of the outside members of the Board of Directors of the Company serving in office at the time such event or events occur, to constitute a change in control of the Company for purposes of this Plan. Such a Change in Control shall be deemed to have occurred on the date of such determination or on such other date as such majority of outside members of the Board shall specify.

"Designated Beneficiary" shall mean the person or persons, if any, last designated as such by the Participant on a form filed by him or her with the Company in accordance with such procedures as the Committee shall approve.

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

"Fair Market Value" of a share of Common Stock of the Company on any date shall mean an amount equal to the mean of the high and low sale prices for such date on the New York Stock Exchange, as reported on the composite transaction tape, or on such other exchange as the Committee may determine. If there are no such sale price quotations for the date as of which Fair Market Value is to be determined but there are such sale price quotations within a reasonable period both before and after such date, then Fair Market Value shall be determined by taking a weighted average of the means between the highest and lowest sales prices per share of Common Stock as so quoted on the nearest dates before and after the date as of which Fair Market Value is to be determined. The average should be weighted inversely by the respective numbers of trading days between the sales dates and the date as of which Fair Market Value is to be determined. If there are no such sale price quotations on or within a reasonable period both before and after the date as of which Fair Market Value is to be determined, then the Committee shall in good faith determine the Fair Market Value of the Common Stock on such date.

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

"Incentive Stock Option" shall mean a Stock Option designated by the Committee as an Incentive Stock Option and if so designated is intended to comply with the requirements in Subsection (b) of Section 422 of the Internal Revenue Code so as to be eligible for preferential income tax treatment.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986 and regulations thereunder as amended from time to time. References to particular sections of the Internal Revenue Code shall include any successor provisions.

"Nonstatutory Stock Option" shall mean a Stock Option which is not eligible for preferential tax treatment under Section 421(a) of the Internal Revenue Code.

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

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

"Retirement" shall mean

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

(b) in the case of an Eligible Director, (i) resigning from serving as a director, failing to stand for re-election as a director or failing to be re-elected as a director after being duly nominated, and (ii) in any such case having the right to immediate or deferred pension benefits under the Company's Pension Plan for Directors as then in effect or, in the absence of such Pension Plan or another pension plan being applicable to any director, after at least six (6) full years of service as a director of the Company. More than six (6) months' service during any twelve (12) month period after a director's first election by the shareholders to the Board shall be considered as a full year's service for this purpose.

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

(k) This Plan shall be governed by the laws of the Commonwealth of Pennsylvania and shall be construed for all purposes in accordance with the laws of said Commonwealth except as may be required by the General Corporation Law of Delaware or by applicable federal law.

14. AMENDMENTS AND TERMINATION; REQUISITE SHAREHOLDER APPROVAL

The Board may at any time terminate or from time to time amend or suspend the Plan in whole or in part in such respects as the Board may deem advisable in order that awards granted thereunder shall conform to any change in the law, or in any other respect which the Board may deem to be in the best interests of the Company; provided, however, that no amendment of the Plan shall be made without shareholder approval if shareholder approval of the amendment is at the time required by applicable law, or by the rules of the New York Stock Exchange or any stock exchange on which Common Stock may be listed.

In addition, without shareholder approval, no outstanding Stock Option (or Stock Appreciation Right) will have its exercise price reduced or will be cancelled and replaced with a new Stock Option (or Stock Appreciation Right) with a lower exercise price where the economic effect would be the same as reducing the exercise price of the cancelled Stock Option (or Stock Appreciation Right); and no more than a total of 20% of the shares of Common Stock subject to Plan awards for Fiscal Year 2002 and later years may be for Deferred Stock Units, Restricted Shares or Other Stock Awards providing for the acquisition of shares of Common Stock for a consideration less than Fair Market Value as of the date of grant or exercise of such awards. For this purpose, Fair Market Value may be determined as of a date not more than two trading days prior to the date of grant or exercise in order to facilitate compliance with the reporting requirements under Section 16 of the Act.

The Board shall have the power to amend the Plan in any manner contemplated by Section 12 or deemed necessary or advisable for awards granted under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the Act), to qualify as "performance-based" compensation under Section 162(m) of the Internal Revenue Code or to comply with applicable law, and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding awards theretofore granted under the Plan notwithstanding any contrary provisions contained in any award agreement. In the event of any such amendment to the Plan, the holder of any award outstanding under the Plan shall, upon request of the Board and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Board to any award agreement relating thereto within such reasonable time as the Board shall specify in such request.

With the consent of the Participant affected, the Board may amend outstanding agreements evidencing Plan awards in a manner not inconsistent with the terms of the Plan. Notwithstanding anything contained in this Section 14 or in any other provision of the Plan, unless required by law, no action contemplated or permitted by this Section 14 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any award theretofore made under the Plan without the consent of the affected Participant.

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

This Plan, previously denominated the "Air Products and Chemicals, Inc. 1990 Long-Term Incentive Plan," became effective for the Fiscal Year commencing October 1, 1989 for awards to be made for the Fiscal Year commencing October 1, 1989 and for Fiscal Years thereafter and was continued in effect indefinitely until terminated, amended, or suspended as permitted by its terms, following approval by a majority of those present at the January 26, 1989 annual meeting of shareholders of the Company and entitled to vote thereon. Following approval by the holders of a majority of the shares of Common Stock of the Company present at the January 25, 1996 annual meeting of shareholders of the Company and entitled to vote thereon, the Plan was amended, restated, denominated the "Air Products and Chemicals, Inc. 1997 Long-Term Incentive Plan", and continued in effect indefinitely for awards made for the Fiscal Year commencing October 1, 1996 and for Fiscal Years thereafter, until terminated, amended, or suspended as permitted by its terms. Following approval by the holders of a majority of the shares of Common Stock of the Company present at the January 25, 2001 annual meeting of shareholders of the Company and entitled to vote thereon, the Plan was amended, restated, denominated the "Air Products and Chemicals, Inc. Long-Term Incentive Plan", and continued in effect indefinitely for awards made for the Fiscal Year commencing October 1, 2001 and for Fiscal Years thereafter, until terminated, amended, or suspended as permitted by its terms. The Plan as amended and restated herein, was continued in effect indefinitely for awards made on or after January 23, 2003, until terminated, amended, or suspended as permitted under Section 14, following approval by a majority of those present at the January 23, 2003 annual meeting of shareholders of the Company and entitled to vote thereon.

AIR PRODUCTS AND CHEMICALS, INC.

SUPPLEMENTARY SAVINGS PLAN

As Amended and Restated Effective as of April 1, 1998

Reflecting Amendments through September 30, 2002

AIR PRODUCTS AND CHEMICALS, INC.
SUPPLEMENTARY SAVINGS PLAN

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AIR PRODUCTS AND CHEMICALS, INC.
SUPPLEMENTARY SAVINGS PLAN
As Amended and Restated Effective as of April 1, 1998
Reflecting Amendments through September 30, 2002

Preamble

WHEREAS, Air Products and Chemicals, Inc. (the "Company") established effective October 1, 1983, a nonqualified savings plan (the "Plan") for employees whose participation in the Air Products and Chemicals, Inc. Retirement Savings and Stock Ownership Plan ("the Savings Plan") is limited (as defined herein) due to provisions of the Internal Revenue Code (the "Code"), which Plan was thereafter amended and restated effective as of January 1, 1987 and October 1, 1989; and

WHEREAS, the Company now wishes to restate the Plan, effective as of April 1, 1998, to clarify certain provisions, to add language to make the Plan conform more closely to the terms of the Savings Plan, to delete outdated references, and to incorporate amendments made through September 30, 2002;

NOW, THEREFORE, the Air Products and Chemicals, Inc. Supplementary Savings Plan is hereby amended and restated effective as of April 1, 1998, as set forth herein. The rights and benefits, if any, of a former participant shall be determined in accordance with the provisions of the Plan in effect on the date of his or her separation from service with the Company and all Employers.

ARTICLE 1

PURPOSE OF THE PLAN

SECTION 1.1 PURPOSE. This Plan is a non-qualified, unfunded employee benefit plan which was established to permit participants in the Savings Plan whose participation therein is limited by Code Sections 401(a), 415, 402(g) or 401(a)(17), or administrative procedures adopted by the Savings Plan Administrator to comply with such Code sections, (collectively, the "Tax Limitations") to obtain certain benefits which would have been available under the Savings Plan had such Tax Limitations not applied. The Plan thereby supplements the benefits payable to such participants under the Savings Plan.

ARTICLE 2

DEFINITIONS

SECTION 2.1 DEFINITIONS. Except as specifically provided herein, all capitalized terms shall have the meaning provided in the Savings Plan. As used herein, the following terms shall have the following meanings, unless the context clearly indicates otherwise:

(a) "ANNUAL INCENTIVE PLAN" shall mean the Air Products and Chemicals, Inc. 1997 Annual Incentive Plan adopted by the stockholders, as amended from time to time.

(b) "ANNUAL SALARY" shall mean the total annual salary of an Employee which would be payable by the Company or an Employer if the Employee made no Deferral Election under the Plan or any similar deferral election under the Savings Plan or other deferred compensation or cafeteria plan, excluding:

(1) Discretionary bonuses or grants, including, without limitation, awards under the Annual Incentive Plan, income howsoever derived from the granting of stock options or other stock awards, scholastic aid, or payments and awards for suggestions and patentable inventions, other merit awards, expense allowances, and noncash compensation (including imputed income);

(2) Matching Credits under this Plan and Company Matching Contributions under the Savings Plan; accruals or distributions under the Savings Plan and this Plan; and payments, accruals, and distributions under any

severance or incentive plan or other retirement, pension, or profit-sharing plan of the Company or an Employer;

(3) Overtime payments, shift premium payments, commissions, mileage, and payments in lieu of vacation by the Company or an Employer; and

(4) All supplemental compensation from the Company or an Employer for domestic and overseas assignments, including without limitation, premium pay, cost of living and relocation allowances, mortgage interest allowances and forgiveness, tax-equalization payments, and other emoluments of such service.

(c) "BENEFICIARY" shall mean the person(s), trust(s), or other recipient(s) who would be entitled to receive the balance of a Participant's accounts, if any, under the Savings Plan following the Participant's death unless the Participant designates in writing, on a form supplied by the Plan Administrator, different person(s), trust(s), or other recipient(s) to receive the balance of the Participant's Supplementary Savings Account in the event of such Participant's death and such designated Beneficiary survives the Participant. Any such designation may be revoked or changed by the Participant at any time and from time to time prior to death without the consent of any prior Beneficiary, except as provided in the next sentence. The designation of a person other than the Participant's spouse as Beneficiary shall be ineffective unless made with the consent of the Participant's spouse under the same terms and conditions which are applicable to such designations of beneficiaries under the Savings Plan.

(d) "BOARD" shall mean the board of directors of the Company or the Management Development and Compensation Committee of the board of directors of the Company or another committee thereof duly appointed by such Board to exercise and carry out the authority and responsibilities of the Board under the Plan.

(e) "CASH SAVINGS ACCOUNT" shall mean a Participant's sub-account to which dollar denominated amounts are credited as described in Section 4.1 below.

(f) "CHANGE IN CONTROL" shall mean the first to occur of any one of the events described below:

- (i) Stock Acquisition. Any "person", as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), other than the Company or a corporation whose outstanding stock entitled to vote is owned in the majority, directly or indirectly, by the Company, or a trustee of an employee benefit plan sponsored solely by the Company and/or such a corporation, is or becomes, other than by purchase from the Company or such a corporation, the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities. Such a Change in Control shall be deemed to have occurred on the first to occur of the date securities are first purchased by a tender or exchange offeror, the date on which the Company first learns of acquisition of 20% of such securities, or the later of the effective date of an agreement for the merger, consolidation or other reorganization of the Company or the date of approval thereof by a majority of the Company's shareholders, as the case may be.
- (ii) Change in Board. During any period of two consecutive years, individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority of the Board, unless the election or nomination for election by the Company's shareholders of

each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period. Such a Change in Control shall be deemed to have occurred on the date upon which the requisite majority of directors fail to be elected by the shareholders of the Company.

- (iii) Other Events. Any other event or series of events which, notwithstanding any other provision of this definition, is determined, by a majority of the outside members of the Board serving in office at the time such event or events occur, to constitute a change in control of the Company for purposes of this Plan. Such a Change in Control shall be deemed to have occurred on the date of such determination or on such other date as such majority of outside members of the Board shall specify.

(g) "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) "COMMITTEE" shall mean the Committee designated in accordance with the provisions of Article 6 hereof to administer the Plan.

(I) "COMMON STOCK" shall mean common stock of the Company.

(j) "COMPANY" shall mean Air Products and Chemicals, Inc. and any successor thereto by merger, purchase, or otherwise.

(k) "COMPANY MATCHING CONTRIBUTIONS" shall mean Company Matching Contributions made on behalf of a Participant under, and as defined in, the Savings Plan.

(l) "COMPANY STOCK ACCOUNT" shall mean a Participant's sub-account to which company stock units are credited as described in Section 4.2 below.

(m) "DEFERRAL ELECTION" shall mean an election made by an Employee described in Section 3.2.

(n) "DISTRIBUTION EVENT" shall mean an event other than death pursuant to which a Participant can become entitled to receive a distribution under the Savings Plan, as determined under Section 2.19 of the Savings Plan or any successor provision thereto.

(o) "EFFECTIVE DATE" shall mean, as to the Company, April 1, 1998; and as to any other Employer, the later of April 1, 1998 or the date as of which the Savings Plan initially becomes effective for Employees of the Employer.

(p) "ELECTIVE DEFERRALS" shall mean the deferrals under the Plan of all or a portion of each periodic installment of a Participant's Annual Salary pursuant to the Participant's Deferral Election.

(q) "EMPLOYEE" shall mean any person designated by the Plan Administrator who is in the employ of the Company or an Employer, who is a member of a select group of management or highly compensated employees of the Company or an Employer, who participates in or who is eligible to participate in the Savings Plan, and whose participation in the Savings Plan is limited by the Tax Limitations. The Plan Administrator will make the determination of who is an Employee in his sole discretion, and an employee will be notified by the Plan Administrator of his status as an Employee hereunder. Notwithstanding the above, on or after August 1, 2001, Employee shall mean any employee of the Company or an Employer who is a participant in the Annual Incentive Plan.

(r) "EMPLOYEE CONTRIBUTIONS" shall mean Before-Tax Contributions and After-Tax Contributions to the Savings Plan.

(s) "EMPLOYER" shall mean each subsidiary of the Company, some or all of whose employees are participants in the Savings Plan, either collectively, or separately as to its Employees, as the context requires.

(t) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended and in effect from time to time.

(u) "MATCHING CREDITS" shall mean the amounts credited to a Participant's Supplementary Savings Account as of the last day of each calendar month pursuant to Section 4.1(b) representing Company Matching Contributions that would have been made to the Savings Plan on Participant's behalf if the Participant's participation in the Savings Plan were not limited.

(v) "PARTICIPANT" shall mean an Employee who is either (a) making Elective Deferrals under the Plan, or (b) is not making Elective Deferrals but has a balance in his Supplementary Savings Account.

(w) "PLAN" shall mean the Air Products and Chemicals, Inc. Supplementary Savings Plan, as set forth herein and as amended and in effect from time to time hereafter.

(x) "PLAN ADMINISTRATOR" shall mean the Director of Compensation and Benefits of the Company, or any successor to such position and any person to whom the Plan Administrator delegates any of his responsibilities hereunder with respect to such delegated responsibilities.

(y) "PLAN YEAR" shall mean the twelve-month period beginning on October 1 of each calendar year and ending on September 30 of the following calendar year. A Plan Year shall be designated according to the calendar year in which such Plan Year ends (e.g., the 1998 Plan Year refers to the Plan Year beginning on October 1, 1997 and ending on September 30, 1998).

(z) "SAVINGS PLAN" shall mean the Air Products and Chemicals, Inc. Retirement Savings and Stock Ownership Plan, as in effect on the Effective Date and as amended and in effect from time to time thereafter.

(aa) "SUPPLEMENTARY SAVINGS ACCOUNT" shall mean the account established for a Participant pursuant to Section 4.1 and maintained under the Plan to record the Elective Deferrals and Matching Credits, and the change in value thereof, and distributions therefrom, as provided in Article 4.

(bb) "TAX LIMITATIONS" shall mean Code sections identified in Section 1.1 and the Savings Plan provisions and administrative procedures adopted by the Plan Administrator to ensure compliance of the Savings Plan with such Code sections.

SECTION 2.2 GENDER AND NUMBER. Whenever used herein, the masculine pronoun shall include the feminine and vice versa. The singular shall include the plural and the plural shall include the singular whenever used herein, unless the context requires otherwise.

ARTICLE 3

PARTICIPATION AND DEFERRAL ELECTIONS

SECTION 3.1 PARTICIPATION.

(a) Each person who was a Participant on the day before the Effective Date shall remain a Participant on and after the Effective Date, until such person ceases to be a Participant in accordance with paragraph (c) below.

(b) An Employee who was not a Participant on the day before the Effective Date shall become a Participant in the Plan as of the first day of the calendar month after which he becomes an Employee; provided that a Deferral Election is completed and timely filed prior to that time in accordance with Section 3.2. An Employee who does not become a Participant when he first becomes an Employee, as provided in the preceding sentence, can become a Participant as of the first day of any subsequent calendar month, provided that he is still an Employee and a Deferral Election is completed and timely filed prior to that time in accordance with Section 3.2. Notwithstanding the above, on or after August 1, 2001, an Employee who is not already a Participant shall become a Participant as of the first pay when he is an Employee that his Employee Contributions are stopped due to the Tax Limitations, provided that he does not decline participation as provided in Subsection 3.2(b) below.

(c) An Employee who becomes a Participant shall continue to be a Participant until such time as his Supplementary Savings Account has been completely distributed to him or on his behalf.

SECTION 3.2 DEFERRAL ELECTIONS.

(a) Prior to August 1, 2001, an Employee may elect to participate in the Plan by making a Deferral Election in accordance with the following: The Employee may elect to defer a portion of each periodic installment of his Annual Salary which has not been earned, which portion may be expressed as a whole percentage of each such periodic installment or two different percentages of each such periodic installment applying respectively to Annual Salary over and under a certain level. The total percentage of Annual Salary deferred under the Plan may not exceed the difference between Employee Contributions made by the Participant under the Savings Plan for the Plan Year expressed as a percentage of the Participant's Annual Salary for the Plan Year, and the deferral percentage limit which is in effect for "highly compensated employees", as defined by Code Section 414(q), under the Savings Plan to maintain the Savings Plan's compliance with the anti-discrimination provisions of Code Section 401(k) applicable to Before-Tax Contributions, also referred to as the Actual Deferral Percentage Test.

A Deferral Election may be made, changed, or terminated with respect to the first periodic installment of Annual Salary earned in any calendar month, provided that the Employee notifies the Plan Administrator no later than the 15th day of the preceding calendar month. Any Deferral Election which is made, changed, or terminated will apply only with respect to Annual Salary not yet earned by the Employee. An Employee's Deferral Election remains in effect until changed or terminated by the Employee or until he no longer is an Employee. An Employee's Deferral Election shall be made in such form and manner and at such times as determined by the Committee or the Plan Administrator.

(b) After August 1, 2001, unless he or she elects not to make a Deferral Election, an Employee who cannot make Employee Contributions with respect to a

periodic installment of his Annual Salary which has not yet been earned due to Tax Limitations will be deemed to have made a Deferral Election to defer from such periodic installment of his Annual Salary, an amount equal to a fixed whole percentage of such periodic installment of Annual Salary, which percentage shall equal the percentage of Annual Salary the Employee elected to make as Employee Contributions to the Savings Plan in his most recent Deferral Election under Section 3.02 of the Savings Plan; provided that such percentage may not exceed 8% prior to January 1, 2002 and 16% thereafter.

An Employee's Deferral Election which is deemed to be made in accordance with the preceding paragraph may be changed or terminated with respect to the first periodic installment of Annual Salary earned in any month provided that the Employee notifies the Plan Administrator no later than the 15th day of the prior month. An Employee may also elect to decline deferring Annual Salary. Such an election shall be made in the form or manner determined by the Plan Administrator.

(c) Each Employee who becomes a Participant for the first time by making a Deferral Election in accordance with (a) or (b) above shall provide the Plan Administrator with a designation as to the form of distribution and time of distribution from the available options described in Section 5.3. Annual Salary which is deferred pursuant to a Deferral Election will not be paid at the time it is earned but will be credited to the Participant's Supplementary Savings Account as provided in Section 4.1 and may be distributed only in accordance with Article 5.

ARTICLE 4

ACCOUNTING AND VALUATION

SECTION 4.1 ACCOUNTING FOR ELECTIVE DEFERRALS, MATCHING CREDITS, AND EARNINGS.

(a) A Supplementary Savings Account will be established and maintained for each Participant on the financial books and records of the Company or the Employer with respect to its Employees who are Participants, as a liability to the Participant. Each Participant's Supplementary Savings Account shall consist of two sub-accounts, a Cash Savings Account and a Company Stock Account.

(b) As of the last day of each calendar month, a Participant's Cash Savings Account will be credited with the amount of the Participant's Elective Deferrals for such month. Effective October 1, 1994, a Participant's Cash Savings Account will be credited as of the last day of the calendar month with a Matching Credit equal to the Company Matching Contribution that would have been made under the Savings Plan on account of the Participant's Elective Deferrals for the calendar month if the Elective Deferrals had been Employee Contributions made under the Savings Plan. Prior to August 1, 2001, the Matching Credit shall be calculated as if the Participant had first made all allowable Employee Contributions which are Matched Contributions under the Savings Plan.

(c) A Participant's Cash Savings Account will be credited with interest on the balance quarterly at the Moody's A-rated long-term industrial bond average rate, unless the Committee determines that a different interest rate shall be used. In the event a

different interest rate is determined to be used, which results in a lower return to the Participant, it shall begin to apply as of a date on or following the date of such determination.

SECTION 4.2 COMPANY STOCK ACCOUNT.

(a) Effective January 1, 2000, while he or she is employed by the Company or an Employer, a Participant may elect, at the times and in the manner determined by the Plan Administrator, to have all or a portion of the amount credited to his or her Cash Savings Account transferred to a Company Stock Account which is a sub-account deemed to be invested in Common Stock. The Participant's Company Stock Account shall be credited with that number of whole units obtained by dividing the amount he or she elects to transfer from his or her Cash Savings Account by the fair market value of a share of Common Stock on the date credited (with the units thus calculated herein referred to as "company stock units"). Any excess shall remain credited to the Participant's Cash Savings Account. For purposes of the Plan, the fair market value of a share of Common Stock on any date shall be equal to the closing sales price on the New York Stock Exchange, as reported on the composite transaction tape, for such date, or, if no sales were quoted on such date, on the most recent preceding date on which sales were quoted. Amounts credited to the Company Stock Account may not be converted back to the Cash Savings Account.

(b) Following the declaration of a cash dividend on the Common Stock, each Participant who has a Company Stock Account shall be credited with an amount equal to the cash dividends ("Dividend Equivalents") which would have been paid if the company stock units credited to such Account on the record date for such dividend had been issued and outstanding shares of Common Stock. Such Dividend Equivalents shall be credited to such Participant's Cash Savings Account effective no later than the

last day of the fiscal quarter in which the payment date for such dividend occurred and shall therein accumulate interest as provided in paragraph 4.1(c) above.

(c) Following the declaration of a dividend payable in Common Stock, a Participant's Company Stock Account shall be credited with additional company stock units equivalent to the number of shares of Common Stock which would have been delivered if the company stock units credited to such Account on the record date for such dividend had been issued and outstanding shares of Common Stock. Such additional company stock units shall be credited to each Participant's Company Stock Account effective no later than the last day of the fiscal quarter in which the payment date for such dividend occurred.

SECTION 4.3 STATEMENTS TO PARTICIPANTS. The Plan Administrator shall maintain such books and records as he deems necessary to administer the Plan and shall be responsible for determining the balance in the Participants' Supplementary Savings Accounts from time to time. Participants shall receive a statement at least once during each Plan Year which shows the balance in their Supplementary Savings Account.

ARTICLE 5

VESTING AND DISTRIBUTION

SECTION 5.1 VESTING. A Participant's Supplementary Savings Account is 100% vested at all times.

SECTION 5.2 ELIGIBILITY FOR DISTRIBUTION. No distributions will be made prior to a Participant's Distribution Event or death.

(a) DISTRIBUTION EVENT. In the event of a Participant's Distribution Event, his Supplementary Savings Account shall be valued and distributed as provided in Section 5.3.

(b) DEATH. In the event of a Participant's death prior to a Distribution Event, his Supplementary Savings Account shall be valued as of the last day of the Plan Year during which the Participant's death occurs and distributed to the Participant's Beneficiary as soon as practical thereafter. In the event of a Participant's death after a Distribution Event, the remaining amount due to the Participant shall be determined as of the last day of the Plan Year during which such Participant's death occurs and distributed to the Participant's Beneficiary as soon as practicable thereafter.

(c) TAX WITHHOLDING. All distributions from the Plan shall be subject to Federal income and other tax withholding as required by applicable law.

SECTION 5.3 FORM OF PAYMENT AND COMMENCEMENT OF DISTRIBUTION TO PARTICIPANTS.

(a) FORM AND MANNER OF PAYMENT TO A PARTICIPANT. Amounts credited to a Participant's Cash Savings Account shall be distributed in cash. Amounts credited to Participant's Company Stock Account shall be distributed in whole shares of Common Stock equal to the number of company stock units credited thereto. Distribution of a Participant's Supplementary Savings Account to the Participant shall be in such of the following forms of payment as the Participant shall elect:

(1) LUMP SUM. A single lump sum payment.

(2) INSTALLMENTS. Substantially equal annual installments not to exceed ten (10), commencing in such year following the occurrence of a Distribution Event with respect to a Participant as is elected by the Participant; provided, however, that no payment shall be made more than ten (10) calendar years after such Distribution Event. Installment distributions shall be comprised of amounts from a Participant's Cash Savings Account and Company Stock Account in the proportion that the value of each such Account bears to the total value of the Participant's Supplementary Savings Account at the time of the distribution, rounded to eliminate fractional shares.

(b) DISTRIBUTION TO A PARTICIPANT. Distribution to a Participant will be made or begin in the January following the occurrence of a Distribution Event with respect to the Participant, or in January of any subsequent year, in accordance with the Participant's election as to form and time of payout pursuant to subsection (c) below, which is

effective as of the date of the Distribution Event or which becomes effective prior to the first scheduled payment under the election in effect at the time of Distribution Event. In the event no effective or potentially effective election exists as of the January following the occurrence of a Distribution Event, the Participant's entire Supplementary Savings Account shall be distributed in a single distribution. A Participant's Supplementary Savings Account will continue to be adjusted as provided in Article 4 until it is completely distributed. Except as otherwise provided herein, the amount of any distribution shall be determined based on the value of the Participant's Supplementary Savings Account as of the end of the month which precedes the month in which a distribution is to be made hereunder.

(c) ELECTING AND CHANGING THE FORM OR TIME OF COMMENCEMENT. A Participant shall make an election with respect to form and time of payout of his or her Supplementary Savings Account as described in subsection(a) at the time of his or her initial Deferral Election which shall be immediately effective. While he or she is actively employed by the Company or one of its subsidiaries, a Participant may change his or her election in regard to the form and time of commencement of distributions from his or her Supplementary Savings Account, provided that such election is made in a form and manner satisfactory to the Committee. Such a change in election will be effective on the one-year anniversary of the date it is received by the Plan Administrator; provided that, in the event a Distribution Event with respect to such Participant occurs prior to the date an election becomes effective, the election shall not become effective if the first scheduled payment under the election in effect at the time of the Distribution Event is due prior to such one-year anniversary. Notwithstanding the preceding sentence, the initial change in election made by a Participant during fiscal year 1998 and on or after April 1, 1998, if any, shall be effective immediately. A change in election, when effective, shall supersede all prior elections and shall apply to the

Participant's entire Supplementary Savings Account, including all prior and future amounts credited thereto, until a later election becomes effective.

- (d) CASH OUT OF SMALL ACCOUNTS. Notwithstanding the above, if the value of a Participant's Supplementary Savings Account is \$5000 or less as of the last day of the calendar year in which a Distribution Event occurs with respect to such Participant, his or her Supplementary Savings Account shall be distributed in its entirety in the January following the occurrence of such Distribution Event.

SECTION 5.4 CHANGE IN CONTROL. Notwithstanding the above provisions of this Article 5, upon a Change in Control, and for a three-year period commencing on the date of the Change in Control, a Participant shall be entitled to elect an immediate lump sum payment of the total value of his or her Supplementary Savings Plan Account on the date of the Change in Control or, if greater, the date of the election. If an Employee elects an immediate distribution pursuant to this Section 5.4, it shall not affect his or her continued eligibility under the Plan; however, his or her Supplementary Savings Plan Account shall be reduced by the amount paid out.

ARTICLE 6

ADMINISTRATION

SECTION 6.1 PLAN ADMINISTRATION AND INTERPRETATION. The Plan shall be administered by the Company's Employee Benefit Plan Committee or such other committee as is designated by the Board to administer the Savings Plan (referred to as the "Committee"). The Committee shall have full power and authority to administer the Plan and interpret the provisions of the Plan in a manner consistent with the interpretations of similar provisions in the Savings Plan as the context reasonably permits. The Committee's powers shall include, by way of illustration and not limitation, the discretionary authority and power to construe and interpret the Plan provisions, decide all questions of eligibility for benefits, and determine the amount, time, and manner of payments of any benefits and to authorize the payment of benefits hereunder, to the extent such powers have not been given to the Plan Administrator pursuant to Section 6.2 below or otherwise. The Committee may delegate, or appoint one or more individuals or committees to assist it in carrying out, its duties and responsibilities under the Plan and may adopt rules and regulations for the administration of the Plan and alter, amend, or revoke any rules or regulations so adopted. The decisions of the Committee or its delegates shall be final and binding on the Company, the Employers, the Employees, Participants, and Beneficiaries.

SECTION 6.2 CLAIM AND APPEAL PROCEDURE.

(a) CLAIM PROCEDURE. In the event of a claim by a Participant or a Participant's Beneficiary for or in respect of any benefit under the Plan or the method of payment thereof, such Participant or Beneficiary shall present the reason for his claim

in writing to the Plan Administrator. The Plan Administrator shall, within ninety (90) days after the receipt of such written claim, send written notification to the Participant or Beneficiary as to its disposition, unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial ninety (90) day period. In no event, however, shall such extension exceed a period of ninety (90) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the final decision.

In the event the claim is wholly or partially denied, the Plan Administrator's written notification shall state the specific reason or reasons for the denial, include specific references to pertinent Plan provisions on which the denial is based, provide an explanation of any additional material or information necessary for the Participant or Beneficiary to perfect the claim and a statement of why such material or information is necessary, and set forth the procedure by which the Participant or Beneficiary may appeal the denial of the claim. If the claim has not been granted and notice is not furnished within the time period specified in the preceding paragraph, the claim shall be deemed denied for the purpose of proceeding to appeal in accordance with subsection (b) below.

(b) APPEAL PROCEDURE. In the event a Participant or Beneficiary wishes to appeal the denial of his claim, he may request a review of such denial by making written application to the Committee within sixty (60) days after receipt of the written notice of denial (or the date on which such claim is deemed denied if written notice is not received within the applicable time period specified in subsection (a) above). Such Participant or Beneficiary (or his duly authorized representative) may, upon written

request to the Committee, review documents which are pertinent to such claim, and submit in writing issues and comments in support of his position. Within sixty (60) days after receipt of the written appeal (unless an extension of time is necessary due to special circumstances or is agreed to by the parties, but in no event more than one hundred and twenty (120) days after such receipt), the Committee shall notify the Participant or Beneficiary of its final decision. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The final decision shall be in writing and shall include: (i) specific reasons for the decision, written in a manner calculated to be understood by the claimant, and (ii) specific references to the pertinent Plan provisions on which the decision is based.

(c) CHANGE IN CONTROL. Notwithstanding the above, upon a Change in Control, for the three-year period commencing on the date of the Change in Control, the Plan Administrator shall notify the Participant of the disposition of a claim under subsection (a) above, and the Committee shall notify the Participant of the decision on an appeal under subsection (b) above, within ten (10) days of receipt of the claim or appeal, respectively.

ARTICLE 7

FUNDING

SECTION 7.1 BENEFITS UNFUNDED. The Plan shall be unfunded. Neither the Company, an Employer, the Board, nor the Committee shall be required by the terms of the Plan to segregate any assets in connection with the Plan. Neither the Company, an Employer, the Board, nor the Committee shall be deemed to be a trustee of any amounts to be paid under the Plan. Any liability to any person with respect to benefits payable under the Plan shall be only a claim against the general assets of the Company or the Employer, whichever maintains the Participant's Supplementary Savings Account. No such liability shall be deemed to be secured by any pledge or any other encumbrance on any specific property of the Company or an Employer.

SECTION 7.2 NON-QUALIFIED PLAN. The Plan will not be qualified under the Code, and the Company and the Employers shall not be required to qualify the Plan.

SECTION 7.3 ERISA. The Plan is intended to constitute an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Company and the other Employers which qualifies for the exclusions from Title I of ERISA provided for in Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. In the event that any regulatory or other body or court should determine that the Plan does not qualify for any such exclusion, then the Company may retroactively revise the eligibility criteria under the Plan so that it may qualify for the exclusion or take such other action it deems appropriate, and the Company and the Employers shall have no liability to those individuals who had been eligible for benefits under the Plan prior to such revision or

action in excess of any amount credited to the individual's Supplementary Savings Account as of the effective date of any such action.

ARTICLE 8

AMENDMENT AND TERMINATION

SECTION 8.1 AMENDMENT AND TERMINATION. While the Company intends to maintain the Plan, the Company specifically reserves the right in the sole and unfettered discretion of the Board (or the Committee consistent with the Committee's authority therefor under the Savings Plan or delegations from the Board), at any time, to amend in whole or part any or all of the provisions of the Plan and to suspend and/or terminate the Plan for whatever reason it may deem appropriate; provided, however, that no such amendment, suspension, or termination shall reduce the benefits payable to or accrued by a Participant as of the date of such amendment, suspension, or termination, or eliminate the requirement to credit interest or Dividend Equivalents on the Participant's Cash Savings Account or Company Stock Account, respectively, except as provided in Section 7.3. If the Plan is terminated, all Deferral Elections shall terminate automatically and all benefits previously accrued shall be payable at such times as otherwise provided herein.

ARTICLE 9

GENERAL PROVISIONS

SECTION 9.1 NON-ALIENATION OF BENEFITS. Except as may be required by law, no benefit payable under the Plan is subject in any manner to anticipation, alienation, sale, transfer, assignment, garnishment, pledge, encumbrance, or charge whether voluntary or involuntary, including in respect of liability of a Participant or Beneficiary for alimony or other payments for the support of a spouse, former spouse, child, or other dependent, prior to actually being received by the Participant or Beneficiary under the Plan, and any attempt to anticipate, alienate, sell, transfer, assign, garnish, pledge, encumber, or charge the same shall be void. No such benefits will in any manner be liable for or subject to the debts, contracts, liabilities, engagements, or torts of any Participant or Beneficiary. If any Participant or Beneficiary is adjudicated bankrupt or attempts or purports to anticipate, alienate, sell, transfer, assign, garnish, pledge, encumber, or charge any benefit or payment under the Plan voluntarily or involuntarily, the Committee, in its sole discretion, shall have the authority to cause the same or any part thereof then payable to be held or applied to or for the benefit of such Participant, Beneficiary, spouse, children, or other dependents, or any of them, in such manner and in such proportion as the Committee shall determine.

SECTION 9.2 CONTRACTUAL OBLIGATIONS. Notwithstanding Section 7.1 hereof, the Company and each Employer hereby makes a contractual commitment to pay the benefits theretofore accrued in respect of each Participant who is an Employee or former Employee of the Company or such Employer, respectively, under the Plan at such times as such benefits are payable under the terms of the Plan. However, neither the Company nor any Employer nor the Plan gives the Participant or any Beneficiary

any beneficial ownership interest in any assets of the Company or any Employer. A Participant's rights under the Plan are limited to the right to receive a distribution of the value of his Supplementary Savings Account in accordance with Article 5, which right is that of an unsecured general creditor of the Company or the Employer, as applicable.

SECTION 9.3 NO EMPLOYMENT RIGHTS. Nothing contained in the Plan shall be construed as a contract of employment between the Company or an Employer and any Employee, or as a guarantee or right of any Employee to future or continued employment with the Company or an Employer, or as a limitation on the right of the Company or an Employer to discharge any of its Employees with or without cause. Specifically, designation as an Employee does not create any rights, and no rights are created under the Plan, with respect to continued or future employment or conditions of employment.

SECTION 9.4 MINOR OR INCOMPETENT. If the Committee determines that any Participant or Beneficiary entitled to payments under the Plan is a minor or incompetent by reason of physical or mental disability, it may, in its sole discretion, cause all payments thereafter becoming due to such person to be made to any other person for his benefit, without responsibility to follow application of amounts so paid. Payments made pursuant to this provision shall completely discharge the Company, the Employers, the Plan, the Board, and the Committee from all further obligation with respect to benefits under the Plan.

SECTION 9.5 UNCLAIMED AMOUNTS. If any distribution to be made hereunder remains unclaimed for a period of two (2) years, no further interest shall accrue to or for the account of a Participant or Beneficiary on the amount of such distribution.

SECTION 9.6 PAYEE UNKNOWN. If the Committee has any doubt as to the proper Beneficiary to receive payments hereunder, the Committee shall have the right to withhold such payments until the matter is finally adjudicated. However, any payment made in good faith shall fully discharge the Committee, the Company, the Employers, and the Board from all further obligations with respect to that payment.

SECTION 9.7 ILLEGAL OR INVALID PROVISION. In case any provision of the Plan shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced without regard to such illegal or invalid provision.

SECTION 9.8 GOVERNING LAW AND HEADINGS. The provisions of the Plan shall be construed, administered, and governed in accordance with the laws of the Commonwealth of Pennsylvania, including its statute of limitations provisions, to the extent such laws are not preempted by ERISA or other applicable Federal law. Titles of Articles and Sections of the Plan are for convenience of reference only and are not to be taken into account when construing and interpreting the provisions of the Plan.

SECTION 9.9 LIABILITY LIMITATION. No liability shall attach to or be incurred by any member of the Committee or any other officer or director of the Company or an Employer under or by reason of the terms, conditions, and provisions contained in the Plan, or for the acts or decisions taken or made thereunder or in connection therewith; and as a condition precedent to the receipt of benefits hereunder, such liability, if any, is expressly waived and released by the Participant and by any and all persons claiming under or through the Participant or any other person. Such waiver and release shall be conclusively evidenced by any act of participation in or the acceptance of benefits under the Plan.

SECTION 9.10 NOTICES. Any notice to the Committee, the Company, or an Employer which shall be or may be given under the Plan shall be in writing and shall be sent by registered or certified mail to the Plan Administrator. Notice to a Participant shall be sent to the address shown on the Company's or the Employer's records. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

SECTION 9.11 ENTIRE AGREEMENT. Except as may be provided in an individual severance agreement between the Company or other Employer and a Participant, this Plan document shall constitute the entire agreement between the Company or other Employer and the Participant with respect to the benefits promised hereunder and no other agreements, representations, oral or otherwise, express or implied, with respect to such benefits shall be binding on the Company or other Employer.

SECTION 9.12 BINDING EFFECT. All obligations for amounts not yet paid under the Plan shall survive any merger, consolidation, or sale of substantially all of the Company's or an Employer's assets to any entity, and be the liability of the successor to the merger or consolidation or purchaser of assets.

IN WITNESS WHEREOF, the Company, intending to be legally bound hereby,
has caused the Plan to be adopted and approved by the execution of its duly
authorized officers as of the day of , 2002.

AIR PRODUCTS AND CHEMICALS, INC.

By:
Vice President-Human Resources

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

In connection with the Quarterly Report of Air Products and Chemicals, Inc. (the "Company") on Form 10-Q for the period ending 31 March 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Jones III, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: 14 May 2003

/s/ John P. Jones III

John P. Jones III
Chief Executive Officer

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

In connection with the Quarterly Report of Air Products and Chemicals, Inc. (the "Company") on Form 10-Q for the period ending 31 March 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John R. Owings, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: 14 May 2003

/s/ John R. Owings

John R. Owings
Vice President and
Chief Financial Officer