SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995

OR

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

COMMISSION FILE NUMBER 1-4534

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

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

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on November 1, 1995 was $6.4 billion. For purposes of the foregoing calculation (i) all directors and/or executive officers have been deemed to be affiliates, but the Registrant disclaims that any such director and/or executive officer is an affiliate and (ii) Registrant's Flexible Employee Benefit Trust, described under Item 12 of this Report, is deemed a non-affiliate.

The number of shares of Common Stock outstanding as of November 30, 1995 was 121,802,283.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Shareholders for the fiscal year ended September 30, 1995. With the exception of those portions which are incorporated by reference into Parts I, II and IV of this Form 10-K, the Annual Report is not deemed to be filed.

Proxy Statement for Annual Meeting of Shareholders to be held January 25, 1996 . . . Part III.

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PART I

ITEM 1. BUSINESS.

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

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

Financial information concerning the Company's business segments appears in Note 20 to the Consolidated Financial Statements included under Item 8 herein, which information is incorporated herein by reference, as are all other specific references herein to information appearing in such 1995 Financial Review Section of the Annual Report.

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

INDUSTRIAL GASES

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

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

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

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

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

Tonnage and merchant sales of atmospheric gases--oxygen, nitrogen and argon--constituted approximately 29% of Air Products' consolidated sales in fiscal 1995 and were approximately 31% in fiscal years 1994 and 1993, respectively. Tonnage and merchant sales of industrial gases--principally oxygen, nitrogen and hydrogen--to the chemical process industry, the electronics industry and the basic steel industry, the largest consuming industries, were approximately 11%, 10% and 6%, respectively, of Air Products' consolidated sales in fiscal 1995.

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

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

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

Sales of industrial gases to merchant customers and sales of specialty products to the electronics industry are made principally through field sales forces from 104 offices in 37 states in the United States and Puerto Rico, and from 119 offices in 17 foreign countries. In addition, industrial gas companies in which the Company has investments operate in 27 foreign countries. See "Foreign Operations" on pages 4 and 5 of this report.

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

CHEMICALS

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

SPECIALTY CHEMICALS

Air Products' specialty chemicals are differentiated from the competition based on their performance when used in the customer's products and the technical service which the Company provides. The principal products of these businesses are polymer emulsions, polyvinyl alcohol, pressure sensitive adhesives, specialty additives, polyurethane additives and epoxy additives. Total sales from these businesses constituted approximately 22% of Air Products' consolidated sales in fiscal year 1995 and 20% in fiscal years 1994 and 1993, respectively.

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

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

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

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

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

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

CHEMICAL INTERMEDIATES

The chemical intermediates businesses use the Company's proprietary technology and scale of production to differentiate themselves from the competition. The principal chemical intermediates sold by the Company include amines and polyurethane intermediates. The Company also produces certain industrial chemicals (acetic acid, ammonia, methanol and nitric acid) as raw materials for or coproducts of its differentiated products. Total third-party sales from these businesses constituted 13% of Air Products' consolidated sales in fiscal year 1995, 14% in fiscal year 1994 and 13% in fiscal year 1993.

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

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

Industrial Chemicals -- The Company produces acetic acid as a coproduct with polyvinyl alcohol. Air Products sells acetic acid as a merchant product to a variety of markets including textiles, pharmaceuticals and electronics. The Company produces ammonia as a feedstock for its alkylamines and the excess over this requirement is marketed as ammonium nitrate prills and solutions, which are primarily used by customers as fertilizers, or in other agricultural applications. Methanol is principally used by Air Products as a feedstock in methylamine production.

* * *

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

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

ENVIRONMENTAL AND ENERGY

The Company's environmental and energy business includes the Company's interest in American Ref-Fuel Company's waste-to-energy business, fluidized-bed coal and coal waste burning and natural gas fired power generation facilities and the Pure Air(TM) flue gas treatment facilities. Construction, management and operating services, and equipment sales by Air Products to the power generation and Pure Air project companies are included in the Environmental and Energy segment. The Company's landfill gas business, which is also included in the segment, recovers and processes methane gas generated by landfills. The recovered gas is sold as a fuel or used to generate electric power that is then sold to utilities.

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

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

Pure Air -- Pure Air markets, develops, designs and builds flue gas treatment systems. Air Products operates and owns a 50% interest in a facility utilizing Mitsubishi Heavy Industries, Ltd. flue gas desulfurization (FGD) technology systems for removing sulfur dioxide from the flue gas of a coal-fired power generation plant in Indiana. Pure Air is developing a similar facility utilizing this FGD technology and other air pollution control technologies for treating the flue gas of a power generation plant in Florida to be powered by Orimulsion(R) fuel.

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

EQUIPMENT AND SERVICES

The equipment business of Air Products designs, manufactures and supplies cryogenic and other process equipment. Specifically, equipment is manufactured for cryogenic air separation, gas processing, natural gas liquefaction, hydrogen purification, and nitrogen rejection. Air Products also designs and builds systems for recovering hydrogen, nitrogen, carbon monoxide, carbon dioxide and low dew point gases using membrane technology. Additionally, a broad range of plant design, engineering, procurement, and construction management services is provided for the above areas. Equipment is manufactured for use by the industrial gases segment and for sale in industrial markets which include the Company's international industrial gas investments.

The backlog of orders (including letters of intent) believed to be firm from other companies and equity affiliates for equipment was approximately $198 million on September 30, 1995, approximately 14% of which relates to natural gas liquefaction, as compared with a total backlog of approximately $183 million on September 30, 1994. It is expected that approximately $160 million of the backlog on September 30, 1995, will be completed during fiscal 1996.

GENERAL

FOREIGN OPERATIONS

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

Wholly owned subsidiaries operate in Australia, Austria, Belgium, Brazil, Canada, the Czech Republic, Dubai of the United Arab Emirates, France, Germany, Ireland, Italy, Japan, Korea, Mexico, the Netherlands, Norway, Poland, Singapore, Spain and the United Kingdom. The Company also has less than controlling interests in industrial gas companies in China, Germany, Hong Kong, Indonesia, Italy, Japan, Malaysia, Mexico, Portugal, the Republic of Korea, Spain, Taiwan, Thailand and the United Kingdom. Air Products also has a 70% owned subsidiary engaged in the specialty gas and helium business as well as a 62.5% owned subsidiary engaged in the gas membrane business in China, a 58% owned subsidiary engaged principally in cryogenic equipment manufacturing in the Czech Republic, a 51% owned subsidiary engaged in the manufacture and sale of polymer emulsions in Mexico and 50% owned companies in France and South Africa (industrial gases). The Company and a French industrial gas company each have a 25% interest in an Algerian company that owns and operates a helium purification and liquefaction plant which provides helium to Air Products and the French industrial gas company.

In October 1994, the Company announced a plan to acquire over two years through a series of tender offers up to 100% of the outstanding shares of the Sociedad Espanola de Carburos Metalicos, S.A., a major industrial gas company in Spain in which 25.8% was owned. As of November 1, 1995 the Company owned 47.6% of the outstanding shares and anticipates completing the acquisition of substantially all the remaining shares in fiscal 1997 and 1998. See Note 17 to the Consolidated Financial Statements included under Item 8 herein.

Financial information about Air Products' foreign operations and investments is included in Notes 9, 11 and 20 to the Consolidated Financial Statements included under Item 8 herein. Information about foreign currency translation is included in Note 1 to the Consolidated Financial Statements included under Item 8 herein, under "Foreign Currency" and information on Company exposure to currency fluctuations is included in Note 6 to the Consolidated Financial Statements included under Item 8 herein, under "Foreign Exchange Contracts". Export sales from operations in the United States to unconsolidated customers amounted to $375 million, $336 million and $342 million in 1995, 1994 and 1993, respectively. Less than 10% of the total export sales are to affiliated customers.

TECHNOLOGY DEVELOPMENT

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

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

The amount expended by the Company on research and development during fiscal 1995 was $103 million compared with $97 million and $92 million during fiscal 1994 and 1993, respectively. In addition, the Company estimates approximately $9 million was spent in each of fiscal year 1995, 1994 and 1993, respectively, on customer-sponsored research activities relating to the development or improvement of products, services or techniques.

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

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

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

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

As of November 1, 1995, Air Products owned 1,102 United States patents and 1,849 foreign patents. The Company is also licensed to practice under patents owned by others. While the patents and licenses are considered important, Air Products does not consider its business as a whole to be materially dependent upon any particular patent or patent license, or group of patents or licenses.

RAW MATERIALS AND ENERGY

The Company manufactures anhydrous ammonia, hydrogen, carbon monoxide, carbon dioxide and methanol principally from natural gas. Such products accounted for approximately 6% of the Company's consolidated sales in fiscal 1995. The Company's principal raw material purchases are chemical intermediates produced by others from basic petrochemical feedstocks such as olefins and aromatic hydrocarbons. These feedstocks are generally derived from various crude oil fractions or from liquids extracted from natural gas. The Company purchases its chemical intermediates from many sources and generally is not dependent on one supplier. However, with respect to vinyl acetate monomer, which supports the polymer business, the Company is heavily dependent on a single supplier under a long-term contract, which produces vinyl acetate monomer from several facilities. The Company characterizes the availability of these chemical intermediates as generally being readily available. The Company uses such raw materials in the production of emulsions, polyvinyl alcohol, amines, polyurethane intermediates, specialty additives, polyurethane additives and epoxy additives.

Such products accounted for approximately 35% of the Company's consolidated sales in fiscal 1995. Natural gas is an energy source at a number of the Company's facilities.

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

In addition, the Company purchases finished and semifinished materials and chemical intermediates from many suppliers. During fiscal 1995 no significant difficulties were encountered in obtaining adequate supplies of energy or raw materials.

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

ENVIRONMENTAL CONTROLS

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

The amounts charged to earnings on an after-tax basis related to environmental protection totaled $27 million, $28 million, and $32 million for 1995, 1994, and 1993, respectively. These amounts represent expenses for compliance with environmental laws, as well as remedial activities, and costs incurred to meet internal Company standards. Such costs are estimated to be approximately $32 million in both 1996 and 1997.

Although precise amounts are difficult to define, the Company estimates that in fiscal 1995 it spent approximately $13 million on capital projects to control pollution (including expenditures associated with new plants) versus $21 million in 1994. Capital expenditures to control pollution in future years are estimated at $29 million in 1996 and $28 million in 1997. In addition, the Company's joint ventures in the environmental and energy businesses include in the capital costs of their projects the costs of equipment and systems to control pollution. For example, it is estimated that in fiscal 1995 the ventures of the Company in Ref-Fuel and power generation projects spent approximately $14 million on equipment and systems within their facilities to control pollution, and it is estimated that approximately $23 million and $3 million will be expended in fiscal 1996 and 1997, respectively. With respect to certain of the Company's ventures, such as Pure Air, legal requirements for environmental controls are viewed as a business opportunity. For example, the Company estimates that in fiscal 1995 it spent approximately $5 million on a capital project relating to a Pure Air venture in Florida and capital expenditures for future years are estimated at $56 million in 1996 and $96 million in 1997. Additional information with respect to these ventures is included on pages 3 and 4 of this report.

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

It is the Company's policy to accrue environmental investigatory and noncapital remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from $18 million to a reasonably possible upper exposure of $56 million. The balance sheet at 30 September 1995 includes an accrual of $35 million and a receivable balance of $1 million relating to third-party recoveries. At 30 September 1994, the balance sheet accrual was $30 million.

In addition to the environmental exposures discussed in the preceding paragraph, there will be spending at a Company-owned manufacturing site where the Company is undertaking RCRA corrective action remediation. The Company estimates capital costs to implement the anticipated remedial program will range from $23-$33 million, with capital spending to commence during fiscal 1996. Operating and maintenance expenses associated with continuing the remedial program are estimated to be $1 million per year begining fiscal 1998 and continuing for an estimated period of up to 30 years. A former owner and operator at the site has agreed to reimburse the Company approximately 20% of the costs incurred in the remediation. The cost estimates have not been reduced by the value of such reimbursement, which the Company believes is probable of realization.

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

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

COMPETITION

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

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

The number of the Company's principal competitors in the chemicals business varies from product to product, and it is not practical to identify such competitors because of the broad range of the Company's chemical products and the markets served, although the Company believes it has a leading or strong market position in most of its chemical products. For amines the competition is principally from other large chemical companies that also have the ability to provide competitive pricing, reliability of supply, technical service assistance and quality products and services. The possibility of back integration by large customers is the major competitive factor for the sale of polyurethane intermediates. In its other chemical products, the Company competes with a large number of chemical companies, some of which are larger, possess greater financial resources, and are more vertically integrated than the Company. Competition in these products is principally on the basis of price, quality, product performance, reliability of product supply and technical service assistance.

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

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

INSURANCE

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

EMPLOYEES

On September 30, 1995, the Company (including majority-owned subsidiaries) had approximately 14,800 full-time employees of whom approximately 4,600 were located outside the United States. The Company has collective bargaining agreements with unions at numerous locations, which expire on various dates over the next three years. The Company considers relations with its employees to be satisfactory. The Company does not believe that any expiring collective bargaining agreements will result in a material adverse impact on the Company.

EXECUTIVE OFFICERS OF THE COMPANY

The Company's executive officers, their respective positions and their respective ages on December 1, 1995 follow. Except where indicated, each of the executive officers listed below has been employed by the Company in the position indicated during the past five fiscal years. Information with respect to offices held is stated in fiscal years.

NAME	AGE	OFFICE
James H. Agger (D)	59	Vice President, General Counsel and Secretary
Robert E. Gadomski (D)	48	Group Vice President--Chemicals Group (became Group Vice President--Chemicals Group in 1992; Group Vice President--Process Systems Group 1990-1992)
Joseph J. Kaminski (D)	56	Executive Vice President--Gases and Equipment (became Executive Vice President--Gases and Equipment in 1993; President Air Products Europe, Inc. 1991-1993; Vice President--Corporate Planning 1988-1991)
Arnold H. Kaplan (D)	56	Vice President--Finance (became Vice President--Finance in 1995); Vice President--Energy and Materials 1988-1995
J. Robert Lovett (D)	64	Executive Vice President--Strategic Planning and Technology (became Executive Vice President--Strategic Planning and Technology in 1993; Executive Vice President--Gases and Equipment 1992-1993; Group Vice President-Chemicals Group 1988-1992)
Harold A. Wagner (A)(B)(C)(D)	60	Chairman of the Board, President and Chief Executive Officer (became Chairman of the Board and Chief Executive Officer in 1992; President in 1991; Executive Vice President-Gases and Equipment 1990)

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

ITEM 2. PROPERTIES.

The principal executive offices of Air Products are located at its headquarters in Trexlertown, near Allentown, Pennsylvania. Additional administrative offices are located in owned facilities in Hersham, Surrey, England, near London, and Brampton, near Toronto, Canada, and in leased facilities in the Allentown area, Pennsylvania, Tokyo, Japan, Hong Kong and Sao Paulo, Brazil. The management considers the Company's facilities, described in more detail below, to be adequate to support the business efficiently. The following information with respect to properties is as of September 30, 1995.

INDUSTRIAL GASES

The industrial gases segment has approximately 155 plant facilities in 37 states, the majority of which recover nitrogen, oxygen and argon. The Company has six facilities which produce specialty gases and 24 facilities which recover hydrogen throughout the United States. Helium is recovered at two plants in Kansas and Texas, and acetylene is manufactured at six plants in six states in the United States. There are 111 sales offices and/or cylinder distribution centers located in 39 states.

The land on which the above plants are located is owned by Air Products at approximately one-fourth of the locations, and leased by Air Products at the remaining locations. However, in all cases, the plant itself is owned and operated by Air Products. Air Products owns approximately half of its sales offices and cylinder distribution centers, including related real estate, and leases the other half.

Air Products' European plant facilities total 39, and include six plants which recover hydrogen, three plants which manufacture dissolved acetylene, and one which recovers carbon monoxide. The majority of European plants recover nitrogen, oxygen and argon. In addition, there are three specialty gas centers. There is a combined total of 86 sales offices and/or cylinder distribution centers in Europe, and several additional facilities located in Brazil, Canada, Japan, Puerto Rico, Singapore and the Middle East.

CHEMICALS

The chemicals segment manufactures amines, nitric acid, methanol, anhydrous ammonia and ammonia products at its Pace, Florida, facility; alkylamines at its St. Gabriel, Louisiana, facility; polyvinyl acetate emulsions at its South Brunswick, New Jersey, facility; styrene emulsions, styrene acrylics, polyvinyl acetate acrylics, and polyvinyl acetate emulsions at its San Juan del Rio facility in Mexico; nitric acid, dinitrotoluene, toluene diamine, polyvinyl alcohol and acetic acid at its Pasadena, Texas, facility; and polyvinyl acetate emulsions, polyvinyl alcohol, acetic acid and acetylenic chemicals at its Calvert City, Kentucky, facility; specialty amines at its Wichita, Kansas, facility; polyurethane additives release agents at its Hamburg, Germany, facility; and epoxy additives at its facilities in Manchester, England; Los Angeles, California and Cumberland, Rhode Island. The chemicals segment manufactures polyurethane additives at its Paulsboro, New Jersey, facility which is leased in part and owned in part. The chemicals segment also manufactures polyvinyl acetate emulsions at five smaller locations.

The chemicals segment has 16 plant facilities and six sales offices and one laboratory in the United States and operates two plants, seven sales/representative offices and three laboratories in Europe, one laboratory in Brazil, one plant in Mexico and sales offices in Australia, Brazil, Mexico, Japan, Singapore and South Africa and sales/representative offices in Hong Kong. Substantially all of the chemicals segment's plants and real estate thereunder are owned. Approximately 75% of the offices are leased by the Company and 25% are owned.

ENVIRONMENTAL AND ENERGY

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

EQUIPMENT AND SERVICES

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

ITEM 3. LEGAL PROCEEDINGS.

In the normal course of business Air Products and its subsidiaries are involved in legal proceedings including proceedings involving governmental authorities. Included in these claims and actions are proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (the federal Superfund law), the Resource Conservation and Recovery Act (RCRA) and similar state environmental laws relating to the designation of certain sites for investigation or remediation. There are presently approximately 60 sites on which a final settlement has not been reached where the Company, along with others, has been designated a Potentially Responsible Party by the Environmental Protection Agency or is otherwise engaged in investigation or remediation. On July 14, 1995, the Kentucky Department for Environmental Protection delivered a Notice of Violation relating to the Company's Calvert City, Kentucky facility alleging miscellaneous violations of Kentucky's air pollution control regulations, including new source review and other permitting, record-keeping and leak detection requirements. While monetary sanctions have not yet been determined, they may exceed $100,000. The Company does not expect that any sums it may have to pay in connection with these matters would have a materially adverse effect on its consolidated financial position nor is there any material additional exposure expected in any one year in excess of the amounts the Company currently has accrued. Additional information on the Company's environmental exposure is included under Environmental Controls on pages 6 and 7 of this report.

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

Not applicable.

PART II

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

Market and dividend information for the Company's Common Stock appears under "Eleven-Year Summary of Selected Financial Data" on pages 32 and 33 of the 1995 Financial Review Section of the Annual Report to Shareholders which is incorporated herein by reference. In addition, the Company has authority to issue 25,000,000 shares of preferred stock in series. The Board of Directors is authorized to designate the series and to fix the relative voting, dividend, conversion, liquidation, redemption and other rights, preferences and limitations as between series. When preferred stock is issued, holders of Common Stock are subject to the dividend and liquidation preferences and other prior rights of the preferred stock. There currently is no preferred stock outstanding.

As of November 30, 1995, there were 11,603 record holders of the Company's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA.

The tabular information appearing under "Eleven-Year Summary of Selected Financial Data" on pages 32 and 33 of the 1995 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

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

The textual information appearing under "Management's Discussion and Analysis" on pages 2 through 8 of the 1995 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS.

The consolidated financial statements and the related notes thereto together with the report thereon of Arthur Andersen LLP dated 2 November 1995, appearing on pages 9 through 31 of the 1995 Financial Review Section of the Annual Report to Shareholders, are incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY.

The biographical information relating to the Company's directors contained on pages 2 through 5 of the Proxy Statement relating to the Company's 1996 Annual Meeting of Shareholders is incorporated herein by reference. Biographical information relating to the Company's executive officers is set forth in Item 1 of Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION.

The information under "Other Relationships and Transactions" appearing on page 7; "Remuneration of Directors" appearing on page 7; "Report of the Management Development and Compensation Committee", "Compensation and Option Tables", "Stock Performance Information", "Pension Plans", and "Certain Agreements with Executive Officers" appearing on pages 15 through 25 of the Proxy Statement relating to the Company's 1996 Annual Meeting of Shareholders is incorporated herein by reference.

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

The information required for this Item is set forth in the section headed "Security Ownership of Certain Beneficial Owners and Management" contained on pages 25 through 27 of the Proxy Statement relating to the Company's 1996 Annual Meeting of Shareholders and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information under "Other Relationships and Transactions" appearing on page 7 of the Proxy Statement relating to the Company's 1996 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

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

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

1. The 1995 Financial Review Section of the Company's 1995 Annual Report to Shareholders. Information contained therein is not deemed filed except as it is incorporated by reference into this Report. The following financial information is incorporated herein by reference:

(PAGE REFERENCES TO 1995 FINANCIAL REVIEW SECTION OF THE ANNUAL REPORT)

2. The following additional information should be read in conjunction with the financial statements in the Company's 1995 Financial Review Section of the Annual Report to Shareholders:

(PAGE REFERENCES TO THIS REPORT)

Consolidated Schedules for the years ended 30 September 1995, 1994 and 1993 as follows:

SCHEDULE NUMBER		
VIII	Valuation and Qualifying Accounts	18

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

3. Exhibits.

(3) Articles of Incorporation and By-Laws.

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

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

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

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

(10) Material Contracts.

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

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

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

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

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

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

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

(b) Amendment to Supplementary Pension Plan of the Company, effective October 1, 1993 through September 30, 1995. (Filed as Exhibit 10.4(b) to the Company's Form 10-K Report for the fiscal year ended September 30, 1994.)*

(c) Amendment to Supplementary Pension Plan of the Company, effective October 1, 1995 through September 30, 1996.

(d) Amendment to Supplementary Pension Plan of the Company, adopted September 20, 1995.

(e) Amendment to Supplementary Pension Plan of the Company, adopted September 20, 1995.

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

(g) Amendment No. 3 to the Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. dated May 1, 1995.

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

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

(b) Amendment No. 3 to the Trust Agreement by and between the Company and PNC Bank, N.A. dated May 1, 1995.

10.6(a) Amended and Restated Deferred Compensation Plan for Directors of the Company, effective October 19, 1995.

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

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

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

10.7 Agreements with executives.

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

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

(c) Annuity Agreement dated November 6, 1995, between the Company and an executive officer of the Company.

10.8 Employee Severance Plans.

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

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

(11) Earnings per share.

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

(13) 1995 Financial Review Section of the Annual Report to Shareholders for the fiscal year ended September 30, 1995, which is furnished to the Commission for information only, and not filed except as expressly incorporated by reference in this Report.

(21) Subsidiaries of the registrant.

(24) Power of Attorney.

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

(b) Reports on Form 8-K filed during the quarter ended September 30, 1995.

Current Reports on Form 8-K dated July 26, 1995, and August 14, 1995, were filed in which Item 5 of such Form was reported.

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

SIGNATURES

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

Dated: December 12, 1995

AIR PRODUCTS AND CHEMICALS, INC.
(Registrant)

By: /s/ Arnold H. Kaplan

Arnold H. Kaplan, Vice President--Finance
Principal Financial Officer

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

SIGNATURE	TITLE	DATE
/s/ Harold A. Wagner (Harold A. Wagner)	Director, Chairman of the Board And President (Principal Executive Officer)	December 12, 1995
/s/ Paul E. Huck (Paul E. Huck)	Vice President and Corporate Controller (Principal Accounting Officer)	December 12, 1995
* (Dexter F. Baker)	Director	December 12, 1995
* (Tom H. Barrett)	Director	December 12, 1995
* (L. Paul Bremer)	Director	December 12, 1995
* (Will M. Caldwell)	Director	December 12, 1995
* (Robert Cizik)	Director	December 12, 1995

SIGNATURE	TITLE	DATE
* (Ruth M. Davis)	Director	December 12, 1995
* (Terry R. Lautenbach)	Director	December 12, 1995
* (Rudolphus F. M. Lubbers)	Director	December 12, 1995
* (Judith Rodin)	Director	December 12, 1995
* (Takeo Shiina)	Director	December 12, 1995
* (Lawrason D. Thomas)	Director	December 12, 1995

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

/s/ James H. Agger

James H. Agger
Attorney-in-Fact

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To: Air Products and Chemicals, Inc.

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in Air Products and Chemicals, Inc.'s Annual Report to Shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated 2 November 1995. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule referred to in Item 14(a) (2) in this Form 10-K is the responsibility of the Company's management and is presented for the purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
2 November 1995

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To: Air Products and Chemicals, Inc.

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 and Form S-3 (File Nos. 33-57357, 33-2068, 33-45354, 33-49981, 33-57017 and 33-57023).

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
8 December 1995

SCHEDULE VIII
CONSOLIDATED

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES

SCHEDULE VIII--VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED 30 SEPTEMBER 1995, 1994 AND 1993

COLUMN A	COLUMN B	COLUMN C		COLUMN D		COLUMN E
			ADDITIONS	OTHER CHANGES INCREASE (DECREASE)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO EXPENSE	CHARGED TO OTHER ACCOUNTS(1)	CUMULATIVE TRANSLATION ADJUSTMENTS	OTHER(2)	BALANCE AT END OF PERIOD
	(IN MILLIONS OF DOLLARS)					
Amounts deducted in the consolidated balance sheet from the asset to which it applies:						
YEAR ENDED 30 SEPTEMBER 1995						
Allowance for doubtful accounts	$ 13	$ 8	$ (1)	$ --	$ (6)	$ 14
YEAR ENDED 30 SEPTEMBER 1994						
Allowance for doubtful accounts	$ 12	$ 7	$ --	$ --	$ (6)	$ 13
YEAR ENDED 30 SEPTEMBER 1993						
Allowance for doubtful accounts	$ 12	$ 5	$ 1	$ (1)	$ (5)	$ 12

NOTES:

(1) Includes collections on accounts previously written off and additions applicable to businesses acquired.

(2) Primarily includes write-offs of uncollectible accounts.

INDEX TO EXHIBITS

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

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

(11) Earnings per share.

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

(13) 1995 Financial Review Section of the Annual Report to Shareholders for the fiscal year ended September 30, 1995, which is furnished to the Commission for information only, and not filed except as expressly incorporated by reference in this Report.

(21) Subsidiaries of the registrant.

(24) Power of Attorney.

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

(b) Reports on Form 8-K filed during the quarter ended September 30, 1995.

Current Reports on Form 8-K dated July 26, 1995, and August 14, 1995, were filed in which Item 5 of such Form was reported.

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

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EXHIBIT 10.4(c)

ATTACHMENT C

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

WHEREAS, by resolution dated 14 July 1993 the Management Development and Compensation Committee has delegated authority to the Employee Benefit Plans Committee to from time to time amend each Plan to waive certain of the conditions required to be eligible for the Plan's early retirement subsidy, such authority to be exercised by this Committee by its approval of amendments to the Plans to be effective (a) as of such dates, (b) for such time periods, (c) as to such groups of Participants, and (d) under such circumstances, including without limitation a Participant's having achieved such age and/or service as of his or her separation from service, and/or having separated from service as a result of or in connection with any work force reduction or re-engineering or other reorganization of any portion of the company or its business (or of an affiliated company which is a Participating Employer under the Plans or of its business), as this Committee shall in its discretion determine to be appropriate and consistent with the business needs of the company and the purposes of the respective Plans and, upon advice of counsel to the company, to be in compliance with applicable law and as required by the Internal Revenue Service for the continuing qualification of the Qualified Plan and the trust fund established therefor;

NOW, THEREFORE, BE IT RESOLVED, that each of the Plans be amended so as to waive the condition to eligibility for the early retirement subsidy under such Plan that a Participant must separate from service after attaining age 55, as to all Participants who Separate from Service, (as defined in the Qualified Plan), during the company's 1996 fiscal year as a result of an involuntary termination and position elimination in connection with a reengineering initiative and who, as of their date of Separation from Service, are at least age 50, and have achieved at least 20 years of Credited Service as defined in the Qualified Plan, and who have signed a release of claims against the company.

RESOLVED FURTHER, that the company's Vice President - Human Resources be, and he hereby is, authorized, directed and empowered to amend and revise the Plan texts as required, upon advice of counsel to the company, to effect the foregoing amendments to each Plan; and to further amend the applicable Plan texts to provide, in the case of participants who are highly compensated employees as defined in Section 414(q) of the Internal Revenue Code, that any increased benefits resulting from the foregoing amendments shall be paid under the Supplementary Pension Plan rather than from the Qualified Plan; and

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

APCI EMPLOYEE BENEFIT
PLANS COMMITTEE
15 August 1995

EXHIBIT 10.4(d)

RESOLUTION APPROVING AMENDMENT TO THE AIR PRODUCTS AND CHEMICALS, INC. PENSION PLAN FOR SALARIED EMPLOYEES AND THE PENSION PLAN FOR HOURLY RATED EMPLOYEES OF AIR PRODUCTS AND CHEMICALS, INC. (THE "PLANS")

WHEREAS, the Plans prescribe mortality tables to be used for converting Plan benefits to actuarial equivalence, and

WHEREAS it has been recommended to this Committee that the mortality table prescribed in the Plans' definition of Actuarial Equivalent be updated,

NOW THEREFORE, BE IT RESOLVED, that Article 1 of each of the Plans shall be amended to provide that the life expectancy assumptions for determining Actuarial Equivalent defined therein shall be based on the most recent commissioners' standard tables prescribed by the National Association of Insurance Commissioners for computing reserves for group annuity contracts; and

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

APCI MANAGEMENT DEVELOPMENT
AND COMPENSATION COMMITTEE

20 September 1995

EXHIBIT 10.4(e)

RESOLUTIONS APPROVING AMENDMENTS TO THE SUPPLEMENTARY PENSION PLAN OF AIR PRODUCTS AND CHEMICALS, INC. (THE "PLAN")

WHEREAS, the Plan provides that Plan pension benefits for eligible Employees can be paid in one of several optional forms of benefit elected by the Employee; and

WHEREAS, it has been recommended to the Committee by the Employee Benefit Plans Committee that the availability of certain of such optional forms of benefit be modified or eliminated to better effect the overall purposes of the Plan;

NOW, THEREFORE, BE IT RESOLVED, that effective 20 September 1995 Section 3.6 of the Plan shall be amended to eliminate the requirement that an Employee electing a lump sum form of benefit furnish a satisfactory statement of good health signed by his physician; and

RESOLVED FURTHER, that effective 20 September 1995 Section 3.5 of the Plan be amended to provide that Employees who Separate From Service prior to Retirement shall not be permitted to commence receiving their Plan pension benefits in an annuity until they attain age 55; and

RESOLVED FURTHER, that the proper officers of the company be, and they each hereby are, authorized and empowered, in the name and on behalf of the company, to make, execute and deliver such instruments, documents and certificates and to do and perform such other acts and things as may be necessary or appropriate to accomplish the amendments of the Plan, as aforesaid, and to carry out the intent and accomplish the purpose of these resolutions, including, without limitation, making such amendments and other revisions in the respective Plan and the text thereof as may be required, in their discretion and upon advice of counsel to the company, to effect the foregoing amendments.

APCI MANAGEMENT DEVELOPMENT
AND COMPENSATION COMMITTEE

20 September 1995

EXHIBIT 10.4(g)

AIR PRODUCTS AND CHEMICALS, INC.

SUPPLEMENTARY PENSION PLAN
AND PRIVATE ANNUITY AGREEMENTS

AMENDMENT NO. 3
to the
AMENDED AND RESTATED TRUST AGREEMENT

This Amendment No. 3 is made and entered into as of the 1st day of May, 1995, by and between Air Products and Chemicals, Inc. (the "Company") and PNC Bank, N.A. (previously Provident National Bank) (the "Trustee"). Capitalized terms not defined herein are defined in Article V of the Trust Agreement, as such term is defined below.

WHEREAS, the Company and the Trustee entered into a Trust Agreement dated December 1, 1987, which agreement was amended as of June 14, 1989; and

WHEREAS, the Company and the Trustee, with the consent of the Participant Representatives, entered into (a) an Amended and Restated Trust Agreement as of October 31, 1989 which reflected among other things, the delivery to the Trustee of a replacement Letter of Credit upon the expiration of the initial Letter of Credit, (b) Amendment Nos. 1 and 2 to the Amended and Restated Trust Agreement as of April 25, 1991 and April 30, 1993, respectively, (such Amended and Restated Trust Agreement as so amended being referred to herein as the "Trust Agreement"), which Amendments No. 1 and 2 reflected, among other things, the delivery to the Trustee of amendments to the Letter of Credit extending the term and changing the amount of the Letter of Credit; and

WHEREAS, in view of the fact that the Letter of Credit will expire on May 18, 1995, the Company and the Trustee have determined to amend again, with the consent of the Participant Representatives, Subsection 1.01(a) of the Trust Agreement to reflect the delivery to the Trustee of an amendment to the Letter of Credit currently held by the Trustee;

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the parties hereto, intending to be legally bound, agree as follows:

The first paragraph of Section 1.01(a) of the Trust Agreement shall be amended to read in its entirety as follows:

> Initial Establishment of the Trust and Funding of Trust Amount. The Company has established with the Trustee a trust (the "Trust") consisting of such sums of money and/or assets as from time to time shall be paid or delivered to the Trustee (less such amounts distributed from the Trust pursuant to Sections 2.02, 2.03, 2.05 and 4.02 hereof or otherwise pursuant to the terms of this Trust Agreement), in whatever form held or invested as provided herein (the "Trust Fund"). The Company, concurrently with the establishment of the Trust, delivered to the Trustee to be held in the Trust $100.00 in cash and a "Letter of Credit", as defined in Article V hereof, in the amount of twenty-nine million dollars ($29,000,000.00). As of October 31, 1989, the Company delivered to the Trustee a replacement Letter of Credit in the amount of thirty-five million dollars ($35,000,000.00). The Company subsequently delivered to the Trustee amendments dated April 18, 1991 and April 25, 1991 to the Letter of Credit, which respectively extended the term of the Letter of Credit and decreased the amount of the Letter of Credit to thirty million dollars ($30,000,000.00). The Company subsequently delivered to the Trustee an amendment to the Letter of Credit dated April 30, 1993, which among other things, extended the term of the Letter of Credit and increased the amount of the Letter of Credit to thirty-four million dollars ($34,000,000.00). The Company has delivered to the Trustee an amendment to the Letter of Credit dated May 1, 1995 which, among other things, extends the term of the Letter of Credit and increases the amount of the Letter of Credit to forty million dollars ($40,000,000.00) during the extended term thereof (the "Trust Amount"). It is further contemplated that the Company may deliver another amendment to the Letter of Credit which would increase the amount of the Letter of Credit to forty-four million dollars ($44,000,000.00) during the second year of the extended term thereof (the "Trust Amount" if and when so increased).

IN WITNESS WHEREOF, the parties have executed this AMENDMENT NO. 3 TO THE TRUST AGREEMENT as of the date set forth above.

AIR PRODUCTS AND CHEMICALS, INC.

Attest:

By: /s/ J. P. McAndrew

J. P. McAndrew
Vice President - Human Resources

/s/ L. G. Long
- --------------------------
Assistant Secretary

PNC BANK, N.A.

Attest:

By: /s/ Peter M. Van Dine

Peter M. Van Dine
Vice President

/s/ D. M. Ohman
- --------------------------

IN WITNESS WHEREOF, the undersigned Participant Representatives, effective as of the 1st day of May, 1995, have executed this Amendment No. 3 to the Trust Agreement in evidence of their consent to the amendments made thereto which are set forth above.

/s/ J. H. Agger

J. H. Agger
Participant Representative

/s/ A. H. Kaplan

A. H. Kaplan
Participant Representative

/s/ J. P. McAndrew

J. P. McAndrew
Participant Representative

/s/ G. A. White

G. A. White
Participant Representative

EXHIBIT 10.5(b)

AIR PRODUCTS AND CHEMICALS, INC.

SUPPLEMENTARY SAVINGS PLAN

AMENDMENT NO. 3
to the
TRUST AGREEMENT

This Amendment No. 3 is made and entered into as of the 1st day of May, 1995, by and between Air Products and Chemicals, Inc. (the "Company") and PNC Bank, N.A. (previously Provident National Bank) (the "Trustee"). Capitalized terms not defined herein are defined in Article V of the Trust Agreement as such term is defined below.

WHEREAS, the Company and the Trustee entered into a Trust Agreement dated October 31, 1989 and, with the consent of the Participant Representatives, entered into (a) Amendment Nos. 1 and 2 to the Trust Agreement as of April 25, 1991 and April 30, 1993 (such Trust Agreement as so amended being referred to herein as the "Trust Agreement"), which Amendment Nos. 1 and 2 reflected, among other things, the delivery to the Trustee of amendments to the Letter of Credit extending the term and changing the amount of the Letter of Credit;

WHEREAS, in view of the fact that the Letter of Credit will expire on May 18, 1995, the Company and the Trustee have determined to amend again, with the consent of the Participant Representatives, Subsection 1.01(a) of the Trust Agreement to reflect the delivery to the Trustee of an amendment to the Letter of Credit currently held by the Trustee;

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the parties hereto, intending to be legally bound, agree as follows:

The first paragraph of Section 1.01(a) of the Trust Agreement shall be amended to read in its entirety as follows:

Initial Establishment of the Trust and Funding of Trust Amount. The Company has established with the Trustee a trust (the "Trust") consisting of such sums of money and/or assets as from time to time shall be paid or delivered to the Trustee (less such amounts distributed from the Trust pursuant to Sections 2.02, 2.03, 2.05 and 4.02 hereof or otherwise pursuant to the terms of this Trust Agreement), in whatever form held or invested as provided herein (the "Trust Fund"). The Company, concurrently with the establishment of the Trust, delivered to the Trustee to be held in the Trust $100.00 in cash and a "Letter of Credit", as defined in Article V hereof, in the amount of four million dollars ($4,000,000.00). The Company delivered to the Trustee amendments dated April 18, 1991 and April 25, 1991 to the Letter of Credit, which respectively extended the term of the Letter of Credit and increased the amount of the Letter of Credit to four million five hundred thousand dollars ($4,500,000.00). The Company subsequently delivered to the Trustee an amendment to the Letter of Credit dated April 30, 1993 which, among other things, extended the term of the Letter of Credit and increased the amount of the Letter of Credit to six million dollars ($6,000,000.00). The Company has delivered to the Trustee an amendment to the Letter of Credit dated May 1, 1995 which among other things, extends the term of the Letter of Credit and changes the amount of the Letter of Credit to five million seven hundred and fifty thousand dollars ($5,750,000.00) during the extended term thereof (the "Trust Amount"). It is further contemplated that the Company may deliver another amendment to the Letter of Credit which would increase the amount of the Letter of Credit to six million five hundred thousand dollars ($6,500,000.00) during the second year of the extended term thereof (the "Trust Amount" if and when so increased).

IN WITNESS WHEREOF, the parties have executed this AMENDMENT NO. 3 TO THE TRUST AGREEMENT as of the date set forth above.

AIR PRODUCTS AND CHEMICALS, INC.

Attest:

By: /s/ J. P. McAndrew

J. P. McAndrew
Vice President - Human Resources

/s/ L. G. Long
- ---------------------------
Assistant Secretary

PNC BANK, N.A.

Attest:

By: /s/ Peter M. Van Dine

Peter M. Van Dine
Vice President

/s/ D. M. Ohman
- ---------------------------

IN WITNESS WHEREOF, the undersigned Participant Representatives, effective as of the 1st day of May, 1995, have executed this Amendment No. 3 to the Trust Agreement in evidence of their consent to the amendments made thereto which are set forth above.

/s/ J. H. Agger

J. H. Agger
Participant Representative

/s/ A. H. Kaplan

A. H. Kaplan
Participant Representative

/s/ J. P. McAndrew

J. P. McAndrew
Participant Representative

/s/ G. A. White

G. A. White
Participant Representative

EXHIBIT 10.6(a)

AMENDED AND RESTATED DEFERRED COMPENSATION PLAN FOR DIRECTORS EFFECTIVE 19 OCTOBER 1995

1. Name and Purpose

The name of this plan is the Air Products and Chemicals, Inc. Deferred Compensation Plan for Directors (the "Plan"), the purpose of which is to provide certain Directors of Air Products and Chemicals, Inc. (the "Company") with an opportunity to defer compensation earned as a Director or otherwise in connection with his or her services in connection with the business of the Company and its subsidiaries.

2. Term

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

3. Participants

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

4. Deferred Compensation Account and Investment Directions

There shall be established for each participant who so elects a deferred compensation account (a "Plan account"). The amount of the compensation deferred will be credited on the business day the compensation would have been paid absent the deferral election, to one or both of the following hypothetical investment accounts as directed by the participant:

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

(b) for persons who expect to continue to serve as a Director immediately following the Annual Meeting of Shareholders in January of 1995, an account (the "Air Products Stock Account") deemed to be invested in Air

Products and Chemicals, Inc. common stock, par value $1.00 ("common stock"). The Company shall credit the Air Products Stock Account with that number of units (including fractions) obtained by dividing the amount of such deferred compensation by the Fair Market Value of a share of common stock on the date credited to the Air Products Stock Account (with the units thus calculated hereinafter referred to as "deferred stock units"). For purposes of the Plan, Fair Market Value of a share of common stock on any date (the "valuation date") shall be equal to the mean of the high and low sale prices on the New York Stock Exchange, as reported on the composite transaction tape, for such date, or, if no sales were quoted on such date, on the most recent preceding date on which sales were quoted.

5. Amount of Deferral

A participant may elect to defer receipt of all or a specified portion of the compensation (exclusive of expense reimbursements) otherwise payable to him or her for serving on the Board of Directors of the Company, attending meetings or committee meetings thereof or performing other services in connection with the business of the Company and its subsidiaries. Such compensation will be credited to the participant's Plan account on the date the compensation is otherwise payable.

6. Earnings on Plan Accounts

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

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

(b) Earnings on Air Products Stock Account. Earnings shall be credited quarterly in an amount equal to the dividends payable during the quarter just ended with respect to that number of shares of Air Products Stock equal to the number of deferred stock units credited to the Air Products Stock Account during such quarter. The amount so credited shall then be converted into deferred stock units in the manner described under

Section 4(b) above using the quarterly crediting date as the valuation date for determining Fair Market Value.

7. Time of Election of Deferral

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

8. Manner of Electing Deferral

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

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

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

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

All payments of Deferred Compensation Amounts must be completed by the tenth year after the year in which service as a Director terminates. Any modification or revocation of a prior election shall relate only to future compensation, and shall not apply to any amounts previously credited to the participant's Plan account. Notwithstanding the foregoing, any participant in the Plan as of 19 October 1995 who will continue to serve as a director following the Annual Meeting of Shareholders in 1996, may elect to have a percentage of his or her Plan account as of the date of the election credited to the Air Products Stock Account by giving written notice to the Company on or before 29 December 1995, on an Investment Redirection Form provided by the Company. The amount so credited shall be converted into deferred stock units in the manner described under Section 4(b) above using the date of the Company's receipt of the Investment Redirection Form as the valuation date for determining Fair Market Value of a share of common stock.

9. Payment of Deferred Compensation

No payment may be made from the participant's Plan account except as provided below.

(a) Payment following Termination of Service as a Director. The value of each Deferred Compensation Amount credited to the Interest Account of a participant's Plan account is payable in cash, and the value of each Deferred Compensation Amount credited to the Air Products Stock Account is payable by delivery of a share of common stock for each deferred stock unit credited to the participant's Plan account, in either case in a lump sum or in annual installments, in accordance with the participant's election. All payments will be made in January of the applicable year or as soon thereafter as reasonably possible. If annual installments are elected, the amount of the first payment shall be a fraction of the value of the participant's Plan account attributable to the particular Deferred Compensation Amount as of the December 31 preceding payment, the numerator of which is one and the denominator of which is the total number of such installments elected. The amount of each subsequent payment shall be a fraction of the value as of the December 31 preceding each subsequent payment, the numerator of which is one and the denominator of which is the total number of installments elected minus the number of installments previously paid as to such Deferred Compensation Amount. The number of shares of common stock to be delivered in payment from the Air Products Stock Account shall be equal to the number of deferred stock units represented by the payment owed, calculated as aforesaid, rounded up to the next whole share of common stock.

(b) Accelerated Payment. Notwithstanding the deferral period and form of payment determined in accordance with Section 9(a) above, the participant's Plan account shall be paid on an accelerated basis as follows under the circumstances described below.

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

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

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

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

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

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

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

(c) Miscellaneous Provisions.

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

(ii) Rights as to Common Stock. No participant with deferred compensation credited to the Air Products Stock Account shall have rights as a Company shareholder with respect thereto unless, and until the date as of which, certificates for shares of common stock are issued upon payment of such deferred compensation. No shares of common stock shall be issued and delivered hereunder unless and until all legal requirements applicable to the issuance, delivery or transfer of such shares have been complied with including, without limitation, compliance with the provisions of the Act and of the Securities Act of 1993, as amended, and the applicable requirements of the exchanges on which the Company's common stock may, at the time, be listed. Distributions of shares of common stock in payment under this Plan may be made either from shares of authorized but unissued common stock reserved for such purpose by the Board of Directors or from shares of authorized and issued common stock reacquired by the Company and held in its treasury, as from time to time determined by, or pursuant to delegations from, the Board of Directors.

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

10. Participant's Rights Unsecured

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

11. Non-assignability

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

12. Statement of Account

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

13. Administration

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

14. Business Days

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

15. Amendment and Termination

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

16. Notices

All notices to the Company under this Plan shall be in writing and shall be given as follows:

Corporate Secretary
Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501

17. Governing Law

This Plan shall be governed by the laws of the Commonwealth of Pennsylvania and shall be construed for all purposes in accordance with the laws of said state.

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

To: Corporate Secretary
Air Products and Chemicals, Inc.

In accordance with the provisions of the Deferred Compensation Plan for Directors of Air Products and Chemicals, Inc. (the "Company"), I hereby (check one):

/ / Elect (or modify my prior election) to defer receipt of Director's fees otherwise payable to me for services as a Director of the Company in the manner described below; or

/ / revoke my election to defer.

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

I. DEFERRED COMPENSATION AMOUNT (fill in one):

$ _____________________ (amount per quarter)
or

_____________________ (percentage per quarter)

II. TIMING OF PAYMENT

COMPLETE A OR B, BUT NOT BOTH

A. Lump Sum Election

The Deferred Compensation Amount is to be paid to me in a lump sum (check one):

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

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

B. Installment Election

The Deferred Compensation Amount is to be paid to me in _________ (up to 10) consecutive annual installments, the first of which is to be paid in (check one):

/ / The calendar year in which my service ends.

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

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

(continued)

III. INVESTMENT ACCOUNT AND FORM OF PAYMENT

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

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

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

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

(2) Under current federal securities law, it is necessary to promptly report to the Securities and Exchange Commission the number of units credited to the Air Products Stock Account at the end of each calendar quarter in accordance with your direction to invest your Deferred Compensation Amount in the Air Products Stock Account. In order to assure meeting the deadline for reporting by the 10th day of the next calendar month, the necessary Form 4 reports will be filed on your behalf under power of attorney, a copy of which filing will be provided to you by the Corporate Secretary's Office.

IV. BENEFICIARY DESIGNATION

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

==

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

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

By _______________________________ (Assistant) Corporate Secretary

Date: _________________________

EXHIBIT 10.7(c)

EXHIBIT A

SUMMARY OF ENHANCEMENTS

Air Products is willing to provide you the following individual arrangement pursuant to and in consideration of your signing the Agreement.

Additional Credited Service. Air Products is willing to increase the credited service on which your pension benefit is based by an additional two years. Assuming separation from employment as of 30 November 1995, this will increase your straight life pension benefit by approximately $11,000 per year. This amount will be reduced if payments are made in the form of a joint and survivor benefit instead of the straight life form of payment. This additional benefit will be paid from Company general assets (subject to the rights of the Company's general creditors) and will be available only in the form of benefit payment you elect under the unfunded, non-tax-qualified Supplementary Pension Plan.

Air Products estimates the present value of the additional pension credited service to be $124,000 as of 30 November 1995, based on your age and upon general life expectancy and interest rate assumptions used for the lump sum form of payment under the Supplementary Pension Plan. Of course, the actual value of this increased pension amount to you and your family will depend on your own longevity and that of your designated beneficiary, if you elect a survivor form of benefit.

The pension amounts referenced above are before-tax amounts which have not been reduced for applicable federal, state and local income taxes which will be due in the years you receive payment. FICA taxes will be due on execution of the Agreement on the present value of the increased benefit attributable to the additional credited service.

In order to qualify for this increased benefit, you must sign and return the Agreement of which this Summary of Enhancements is a part, as described in the letter provided to you accompanying the Agreement.

AGREEMENT AND GENERAL RELEASE

Air Products and Chemicals, Inc. ("Air Products"), and the undersigned, Gerald A. White ("Mr. White"), in exchange for their mutual promises herein set forth, hereby agree as follows:

I. Air Products agrees that Mr. White's employment with Air Products will continue until and through 30 November 1995, on which date Mr. White will resign his employment with Air Products, and his position as an officer of Air Products and all affiliated companies. Air Products is willing to make available to Mr. White the Enhancements described in Exhibit A to this Agreement, in consideration of Mr. White's execution of this Agreement, and his agreement to continue to cooperate with Air Products in the SEC investigation and in all other matters related to Air Products' derivatives transactions in 1993 and 1994. Air Products further agrees to defend and indemnify Mr. White with respect to all matters arising out of his performance of his duties as Chief Financial Officer of Air Products, all as more specifically set out in Air Products' Articles of Incorporation and By-Laws.

II. Mr. White unconditionally generally releases, remises, settles, compromises and forever discharges any and all manner of suits, actions, causes of action, damages and claims, known and unknown (including, but not limited to, claims for attorneys' fees, expenses and/or costs) that he has or may have against

(a) Air Products, its past or present affiliates or subsidiaries,

(b) any pension or benefit plans of Air Products, its past or present affiliates or subsidiaries (other than a claim for benefits that are vested or that are subject to this Agreement),

(c) the past or present officers, directors, agents and employees of Air Products, its past or present affiliates or subsidiaries, and/or

(d) the past or present trustees, administrators, agents or employees of the pension or benefit plans of Air Products, its past or present affiliates or subsidiaries,

for any actions up to and including the date hereof and the continuing effects thereof, except for the performance of the provisions of this Agreement, it being the intention of Mr. White to effect a general release of all such claims. Mr. White does not, by executing this Agreement, waive any rights or claims that may arise after the date this Agreement is executed.

III. Notwithstanding Mr. White's announcement that he intends to resign from Air Products effective the close of business on 30 November 1995, this Agreement includes, but is not limited to, claims arising under federal, state and local laws, including those prohibiting employment discrimination or claims growing out of any legal restrictions on Air Products' rights to terminate its employees, including but not limited to the Pennsylvania Human Relations Act, 43 PA. C.S.A. Section 951 et seq. as amended, the Rehabilitation Act of 1973, 29 USC Section 701 et seq. as amended, Title VII of the Civil Rights Act of 1964, 42 USC Section 2000e et seq., as amended, the Civil Rights Act of 1991, 2 USC Section 60l et seq., the Age Discrimination in Employment Act of 1967, 29 USC Section 621 et seq., as amended ("ADEA"), the Americans With Disabilities Act, 29 USC Section 706 et seq., and the Employee Retirement Income Security Act of 1974, 29 USC Section 301 et seq., as amended.

IV. Mr. White acknowledges that he has been given the opportunity to consider this Agreement for at least 30 days, and that he has been advised to consult with an attorney in relation thereto prior to executing this Agreement.

V. For a period of seven days following execution of this Agreement, Mr. White may revoke this Agreement. This Agreement shall not become effective or enforceable until that seven day revocation period has expired. Revocation of this Agreement by Mr. White will also automatically revoke Mr. White's acceptance of the Enhancements which otherwise would have been provided to him in accordance with this Agreement had it become irrevocable. After expiration of the seven day period, this Agreement shall become irrevocable.

VI. Mr. White agrees, covenants and promises that he will not communicate or disclose the terms of this Agreement to any person other than a member of his immediate family, his attorney or his tax and financial advisors. Mr. White further agrees that, after his separation from employment from Air Products, he will not conduct himself in a manner adversely affecting Air Products.

VII. In the event of any violation of Section VI hereof, (and for purposes of this Agreement, Mr. White agrees that the phrase "conduct himself in a manner adversely affecting Air Products" shall be subject to the reasonable judgment of the Chairman of the Board of Directors of Air Products), Mr. White recognizes and agrees that Air Products will be entitled to seek any and all appropriate relief, including but not limited to the return of any monetary sums paid hereunder or the revocation of the Enhancements, if not yet paid out, and Air Products' attorneys' fees, and Mr. White hereby assents to the assertion of personal jurisdiction over him by Air Products by any court in any action instituted by Air Products pursuant to this Agreement. Mr. White recognizes and agrees that his promises and covenants set forth in Section VI hereof constitute a material and significant part of the consideration received by Air Products in exchange for the promises of Air Products hereunder, and that any violation of Section VI will constitute a material violation of this Agreement.

VIII. There are no understandings between the parties regarding this Agreement and/or the Enhancements other than as specifically set forth or referred to in this Agreement.

IX. The undersigned intend to be legally bound by this Agreement and have read, signed, and delivered it without coercion and with knowledge of the nature and consequences thereof.

GERALD A. WHITE	AIR PRODUCTS AND CHEMICALS, INC.
/s/ G. A. White	/s/ J. P. McAndrew
Dated: 6 November 1995	J. P. McAndrew Vice President Human Resources

Exhibit 11

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

<>

	Year Ended 30 September		
	1995	1994	1993
Earnings			
Income before cumulative effect of accounting changes	$ 368	$ 234	$ 201
Cumulative effect of accounting changes	--	14	--
Net income	$ 368	$ 248	$ 201
Primary shares			
Average common shares outstanding during the year	112	114	114
Common stock equivalents from stock option and award plans	2	2	2
Adjusted average common shares outstanding	114	116	116
Primary earnings per share			
Income before cumulative effect of accounting changes	$3.23	$2.02	$1.73
Cumulative effect of accounting changes	--	0.12	--
Net income	$3.23	$2.14	$1.73
Fully diluted shares			
Average common shares outstanding during the year	112	114	114
Shares issuable from stock option and award plans	2	2	2
Adjusted average common shares outstanding	114	116	116
Fully diluted earnings per share			
Income before cumulative effect of accounting changes	$3.23	$2.02	$1.73
Cumulative effect of accounting changes	--	0.12	--
Net income	$3.23	$2.14	$1.73

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

Exhibit (a)(12)

AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(Unaudited)

	Year Ended 30 September				
	1991	1992	1993	1994	1995
EARNINGS:	(Millions of dollars)				
Income before extraordinary item and the cumulative effect of accounting changes:	$249	$277	$201	$234	$368
Add (deduct):					
Provision for income taxes	114	131	103	95	186
Fixed charges, excluding capitalized interest	122	133	127	127	148
Capitalized interest amortized during the period	7	8	8	8	9
Undistributed earnings of less-than-fifty-percent-owned affiliates	(9)	(13)	(8)	(3)	(25)
Earnings, as adjusted	$483	$536	$431	$461	$686
FIXED CHARGES:					
Interest on indebtedness, including capital lease obligations	$113	$125	$118	$118	$139
Capitalized interest	29	4	6	10	18
Amortization of debt discount premium and expense	2	1	1	1	0
Portion of rents under operating leases representative of the interest factor	7	7	8	8	9
Fixed charges	$151	$137	$133	$137	$166
RATIO OF EARNINGS TO FIXED CHARGES:	3.2	3.9	3.2	3.4	4.1

1995 FINANCIAL REVIEW

MAJOR FACTORS AFFECTING EARNINGS*

Major factors affecting comparison of earnings per share before cumulative effect of accounting changes between 1995 and 1994 were:

- Sold record volumes of industrial gases and chemicals
- Improved earnings of international gas equity affiliates
- Higher selling prices for chemical products
- Less profitable equipment sales mix
- Favorable foreign currency effects
- Prior-year loss of 66 cents per share for derivative contract settlements
- Higher interest expense
- Lower average shares outstanding

CHANGES IN EARNINGS PER SHARE*

	1995	1994	Increase (Decrease)
Earnings per share	$3.29	$2.18	$1.11
Less: Special items	.06	(.53)	.59
	$3.23	$2.71	$ .52

OPERATIONS	
Industrial Gases and Chemicals (excluding industrial chemicals)	
Volume	$ 1.37
Selling price and mix	.41
Costs excluding depreciation	(1.25)
Depreciation	(.13)
Currency effects	.10
Industrial Chemicals	(.01)
Environmental and Energy	(.06)
Equipment and Services	(.07)
Corporate and Other	.09
Subtotal	.45
OTHER	
Equity affiliates' income	.18
Interest expense	(.12)
Tax items	(.04)
Lower average shares outstanding	.05
Total	$ .52

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

CONSOLIDATED

(Millions of dollars, except per share)	1995	1994	1993
Sales	$3,865	$3,485	$3,328
Operating income	602	486	369
Equity affiliates' income	51	28	13
Income before cumulative effect of accounting changes	368	234	201
Net income	368	248	201
Earnings per share:			
Income before cumulative effect of accounting changes	3.29	2.06	1.76
Net income	3.29	2.18	1.76

The results of 1995, 1994, and 1993 included the effects of special items, including the impact of accounting changes. These items should be considered in the comparison of the annual results.

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

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

Special items in 1993 totaled to a net after-tax charge of $63 million, or $.56 per share. The components of special items on a before- and after-tax basis were as follows: a charge of $58 million ($37 million after tax, or $.32 per share) for costs associated with reducing the workforce by 7-10%; a charge of $62 million ($39 million after tax, or $.35 per share) for selected asset write-downs; a gain of $13 million ($9 million after tax, or $.07 per share) from the sale of stock options and partial sale of a stock investment in an insurance company; a gain of $4 million ($2 million after tax, or $.02 per share) from the sale of a business venture; and a gain of $4 million ($2 million after tax, or $.02 per share) from an insurance settlement related to a chemicals facility.

The table below presents the results for 1995, 1994, and 1993 exclusive of special items. The discussion of the consolidated and segments results is based on income excluding special items. A description of the products and services and markets for each of the four business segments is included in Note 20 to the consolidated financial statements.

EXCLUSIVE OF SPECIAL ITEMS

(Millions of dollars, except per share)	1995	1994	1993
Sales	$3,865	$3,485	$3,328
Operating income	591	511	468
Equity affiliates' income	51	28	13
Net income	362	308	264
Earnings per share	3.23	2.71	2.32

The company's results expanded to record levels in 1995. Sales grew 11% while operating income was up 16%, or $80 million. Equity affiliates' income rose $23 million to $51 million in 1995. Net income increased $54 million, or $.52 per share, to $362 million, or $3.23 per share.

The attainment of the 1995 record results was due principally to the improved performances of the industrial gases and chemicals segments and significantly higher results from the international gas equity affiliates. The improved performances of the industrial gases and chemicals segments were attributable to broad-based volume gains as worldwide economies strengthened. These businesses continue to demonstrate strong, profitable growth, reflecting our solid market and product positions. Additionally, the 1995 results benefited from favorable foreign currency effects due to stronger European currencies. These gains were slightly offset by lower results of both the environmental and energy business and equipment and services segment.

Sales in 1994 increased 5% while operating income was up 9%, or $43 million. Equity affiliates' income rose $15 million to $28 million in 1994. Net income increased $44 million, or $.39 per share, to $308 million, or $2.71 per share.

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

In 1993, the company announced a program to reduce the worldwide workforce by 7-10% and the write-down of selected assets to net realizable value. These actions reduced 1995 and 1994 cost levels by approximately $16 million ($10 million after tax, or $.09 per share) and $43 million ($26 million after tax, or $.23 per share), respectively, from the preceding year. Since the program to reduce the workforce was substantially complete by the end of fiscal 1995, further reductions in the annual cost levels are not expected to be significant.

SEGMENT ANALYSIS

INDUSTRIAL GASES

(Millions of dollars)	1995	1994	1993
Sales	$2,177	$1,968	$1,814
Operating income excluding special items	434	391	362
Operating income, as reported	445	380	309
Equity affiliates' income	22	4	--

Sales in 1995 were up 11% over the prior year due to higher worldwide shipments of merchant and on-site gases. Favorable European currency effects contributed 3% to the 11% sales increase. Worldwide volumes of merchant gases increased 6%, as shipments in most major product lines reached record levels. Selling prices of merchant gases increased in the United States but declined in Europe. The variance in selling prices and mix for merchant gases did not significantly affect sales in 1995. Worldwide on-site gas sales, excluding currency effects, were up 10%, reflecting higher shipments.

Operating income in 1995 increased 11%, or $43 million. The improved profitability reflects record profits in the on-site gas business, higher merchant gas volumes, and stronger European currencies. Favorable European currency effects contributed 3% to the 11% increase in operating income. The on-site gas business achieved record results due principally to higher shipments, particularly to the metals and refining industries. The segment results also benefited from cost reductions related to reduced staffing levels resulting from the 1993 workforce reduction program. The profitability of the segment was tempered by higher distribution costs due to tight supply/demand conditions in some areas of the United States and costs related to major work process changes. These work process changes are expected to result in higher sales volume, improved customer focus, and lower costs.

Special items consisted of income of $11 million from the sale of an industrial gas plant in 1995 and an $11 million charge for the outsourcing of the merchant gas distribution function in the United Kingdom in 1994. The outsourcing of the U.K. distribution function will not have a material effect on future operating results.

Equity affiliates' income in 1995 increased $18 million. The key factors contributing to the higher profitability were the significantly improved results of the Spanish and Asian affiliates and the income contribution of an affiliate in South Africa. The results were somewhat tempered by additional costs incurred which supported the growth of the Asian ventures. The results of the Mexican affiliate were up slightly over the prior year despite the devaluation of the peso.

In October 1995, the company acquired an additional 21.5% of the outstanding shares in Carburos Metalicos S.A. (Carburos), their Spanish equity affiliate. With this acquisition, the company owns 47.6% of the outstanding shares of Carburos. In September 1996, the company will make a tender offer, subject to the approval of Spanish authorities, to acquire the remaining shares of Carburos. For the year ended 30 September 1995, Carburos had unaudited sales of $287 million and net income of $44 million. See Note 17 to the consolidated financial statements for additional details.

Sales in 1994 were up 9% from 1993 due to higher worldwide shipments of merchant and on-site gases. European currency effects did not significantly affect the 1994 results as compared to 1993. Worldwide volumes of merchant gases increased 6%. These worldwide gains were tempered by the impact of slightly lower average selling prices for merchant gases. Pressure on selling prices of merchant gases continued worldwide, especially in Europe. Worldwide on-site gas sales were up 10% over 1993, principally due to volume growth. Additionally, sales of gas-related equipment and services associated with the electronics industry increased during 1994.

Operating income in 1994 increased 8%, or $29 million. Key factors for this improved profitability were higher worldwide shipments and reduced costs resulting from the 1993 workforce reduction program. These gains were partially offset by lower average selling prices for merchant gases. In the United States, the results were comparable to the prior year. Results of Europe and the Brazilian subsidiary improved significantly from the depressed levels in 1993.

Special items in 1993 consisted of a $53 million charge for the workforce reduction program and selected asset write-downs.

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

CHEMICALS

(Millions of dollars)	1995	1994	1993
Sales	$1,359	$1,182	$1,092
Operating income excluding special items	193	148	127
Operating income, as reported	193	148	96
Equity affiliates' income	1	--	1

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

Operating income set a new record, up 30%, or $45 million, from 1994. This increase was generated by a combination of strong volume growth, higher margins, and favorable currency effects. The improvement in margins reflects higher selling prices for most products and stabilizing raw material costs. The results benefited from higher ammonia and methanol prices on a year-to-year basis, though the company is no longer in the commodity ammonia business and methanol prices have declined during the second half of fiscal 1995. The 1994 results were adversely affected by planned shutdowns at the company's polyvinyl alcohol facilities due to market conditions. Favorable currency effects contributed 6% to the 30% increase in operating income.

A portion of the ammonia capacity, which contributed $12 million to operating income during the first half of fiscal 1995, was shut down in February and converted to hydrogen production. This conversion took the company out of the commodity ammonia business and provided needed capacity for the strategic hydrogen product line. Ammonia that was produced at this facility was both sold to third-party customers and used as a feedstock for certain chemical products. Third-party sales of ammonia were $25 million in fiscal 1995. This portion of ammonia capacity contributed $36 million to trade sales and $18 million to operating income in fiscal 1994.

Sales in 1994 increased 8% from 1993. Higher shipments were achieved in most major product lines, as volume of shipments rose 7%. Volumes in polyurethane intermediates were significantly higher in comparison to 1993, which was impacted by a longer-than-scheduled outage at a customer facility. Average selling prices were up slightly from 1993.

Operating income in 1994 increased 16%, or $21 million. The improved profitability was due to higher shipments, substantially improved ammonia and methanol margins, and reduced costs resulting from the 1993 workforce reduction program and selected asset write-downs. The improvement in ammonia and methanol margins resulted from higher selling prices combined with lower natural gas costs. These gains were partially offset by significantly lower polyvinyl alcohol margins resulting from excess world capacity, intense competition, and plant shutdowns to control inventory levels.

Special items in 1993 consisted of a charge of $35 million for the workforce reduction program and selected asset write-downs and a gain of $4 million from an insurance settlement.

ENVIRONMENTAL AND ENERGY

(Millions of dollars)	1995	1994	1993
Sales	$ 58	$67	$ 83
Operating income excluding special items	(5)	6	(2)
Operating income, as reported	(5)	6	(25)
Equity affiliates' income	28	24	12

Sales in 1995 decreased $9 million from the prior year while operating income was a loss of $5 million compared to income of $6 million last year. The prior-year results benefited from the completion of the final portion of an equipment sale associated with the construction of a cogeneration facility for an unconsolidated affiliate and the receipt of a performance bonus associated with this sale. Current period sales associated with the operation of a cogeneration facility in California compared unfavorably to the prior year due to weather-related power curtailments and a planned major maintenance outage at the facility. Additionally, the results of the landfill gas business were down due to lower selling prices combined with higher costs. Nonconventional fuel tax credits in 1995 of $6 million, applicable to the landfill gas business, benefited net income but are not included in operating income.

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

Sales declined in 1994 from 1993 principally due to an equipment sale associated with the construction of a cogeneration facility in Orlando, Florida for an unconsolidated affiliate in 1993. This decline was partially offset by higher sales associated with the operating contracts for the Orlando and Stockton cogeneration facilities. The Orlando facility began commercial operations in late fiscal 1993 while the Stockton facility experienced lower customer curtailment in 1994. The higher sales associated with these operating contracts and lower depreciation charges for the landfill gas business were the principal factors for the improvement in income in 1994. Nonconventional fuel tax credits were $5 million in both 1994 and 1993.

In 1993, a $23 million charge for the workforce reduction program and the write-down of landfill gas assets were categorized as a special item.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

EQUIPMENT AND SERVICES

(Millions of dollars)	1995	1994	1993
Sales	$271	$268	$339
Operating income excluding special items	(2)	11	29
Operating income, as reported	(2)	11	26

Sales in 1995 were comparable to the prior year while operating income declined $13 million. The current year's results reflect a less profitable project mix and higher project costs. Also included in the 1994 results was a gain from a contract settlement payment. Sales backlog for the equipment product lines was $198 million at 30 September 1995 compared to $183 million at the end of fiscal 1994.

Sales and operating income in 1994 were down from the exceptionally high level of the prior year. The 1994 results reflect decreased levels of manufacturing activity in the cryogenic air separation and liquefied natural gas equipment businesses and increased costs to complete certain projects. The 1994 results included a gain from a contract settlement payment.

Special items in 1993 consisted of a charge of $7 million for the workforce reduction program and a gain of $4 million from the sale of a business venture.

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

(Millions of dollars)	1995	1994	1993
Operating income excluding special items	$(29)	$(45)	$(48)
Operating income, as reported	(29)	(59)	(37)

The 1995 net expense declined $16 million from the prior year due primarily to a favorable variance of $11 million in foreign exchange and lower costs related to reengineering studies. The 1994 net expense declined $3 million as the impact of lower foreign exchange losses was partially offset by costs related to reengineering studies and lower interest and dividend income.

The 1994 special items included a charge of $12 million from the termination of two contracts which hedged currency risk and an expense of $2 million from the charitable contribution of the remaining shares of a stock investment in an insurance company. Special items in 1993 consisted of a gain of $13 million from the sale of stock options and the partial sale of a stock investment in an insurance company and a charge of $2 million for the workforce reduction program.

LOSS ON LEVERAGED INTEREST RATE SWAPS

The company entered into five highly leveraged interest rate swap contracts with a notional value of $203 million during the first quarter of 1994. By 30 June 1994, the company terminated three of these contracts and closed the other two. These contracts were accounted for on a mark-to-market basis. In 1994, the company recognized a loss of $107 million on these derivative contracts. This loss reflects the cost to terminate or close these contracts. The termination and closure of these derivative contracts eliminated any further earnings impact from these contracts due to changes in interest rates. The closure of the two highly leveraged interest rate swap contracts has resulted in a liability, the balance of which was $60 million at 30 September 1995. For further information, see Note 5 to the consolidated financial statements.

INTEREST EXPENSE

(Millions of dollars)	1995	1994	1993
Interest incurred	$118	$90	$87
Less: Interest capitalized	18	10	5
Brazilian currency adjustments	--	1	1
Add: Termination of derivatives	--	2	--
Interest expense	$100	$81	$81

Interest expense in 1995 was $19 million higher than in 1994. Interest incurred in 1995 increased $28 million due to a higher level of average debt outstanding combined with higher rates. Interest expense in 1994, which included a charge of $2 million from the termination of certain small interest rate hedge agreements, was comparable to the prior year. Interest incurred in 1994 increased $3 million as the impact of a higher level of average debt outstanding was partially offset by lower interest rates.

INCOME TAXES

	1995	1994	1993
Effective tax rate	33.4%	28.2%	33.2%

The 1994 effective tax rate reflects lower state taxes due principally to changes in state income tax regulations. The cumulative impact of these changes resulted in a net tax benefit of $6 million. The 1994 effective tax rate also reflects the favorable tax treatment of the charitable contribution, before-tax expense of $2 million, of the remaining shares of a stock investment in an insurance company. The tax benefit associated with this contribution, based on fair value of the investment, was $4 million. The effective tax rate for 1994, excluding these items and the derivative losses, was 33.0%. This rate is comparable to the effective tax rates of 1995 and 1993.

ENVIRONMENTAL MATTERS

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

The amounts charged to earnings on an after-tax basis related to environmental protection totaled $27 million, $28 million, and $32 million for 1995, 1994, and 1993, respectively. These amounts represent expenses for compliance with environmental laws, as well as remedial activities, and costs incurred to meet internal company standards. Such costs are estimated to be approximately $32 million in both 1996 and 1997.

Although precise amounts are difficult to define, the company estimates that in fiscal 1995 it spent approximately $13 million on capital projects to control pollution versus $21 million in 1994. Capital expenditures to control pollution in future years are estimated at $29 million in 1996 and $28 million in 1997.

It is the company's policy to accrue environmental investigatory and noncapital remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from $18 million to a reasonably possible upper exposure of $56 million. The balance sheet at 30 September 1995 includes an accrual of $35 million and a receivable balance of $1 million related to third-party recoveries. At 30 September 1994, the balance sheet accrual was $30 million.

In addition to the environmental exposures discussed in the preceding paragraph, there will be spending at a company-owned manufacturing site where the company is undertaking RCRA corrective action remediation. During 1995, the company signed consent orders for corrective action with state and federal regulatory agencies. The company estimates capital costs to implement the anticipated remedial program will range from $23-$33 million, with spending to commence during fiscal 1996. Operating and maintenance expenses associated with continuing the remedial program are estimated to be $1 million per year beginning fiscal 1998 and continuing for an estimated period of up to 30 years. A former owner and operator at the site has agreed to reimburse the company 20% of the costs incurred in the remediation. The cost estimates have not been reduced by such reimbursement, which the company believes is probable of realization.

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

LIQUIDITY, CAPITAL RESOURCES, AND OTHER FINANCIAL DATA

Air Products maintained its solid financial condition in 1995. Strong cash flow provided by operating activities, supplemented with additional debt, supported a significant increase in capital spending. The company's senior debt and commercial paper continued to be rated A+/A1 and A1/P1, respectively.

CAPITAL EXPENDITURES Capital expenditures of $969 million in 1995 were 48% above the 1994 level, with additions to plant and equipment, largely in support of the worldwide expansion of industrial gases, increasing by 42%. Acquisitions in 1995 included an industrial cylinder gas business in the U.S. and a line of epoxy curing agents from Akzo Nobel NV. Investments in and advances to unconsolidated affiliates are primarily equity investments in international affiliates and environmental and energy systems projects. Included in 1993 was a significant equity investment in the largest Mexican industrial gas company.

(Millions of dollars)	1995	1994	1993
Additions to plant and equipment	$870	$611	$491
Investment in and advances to unconsolidated affiliates	29	41	171
Acquisitions	65	--	--
Capital leases	5	3	4
Total	$969	$655	$666

Capital expenditures for new plant and equipment and investment in unconsolidated affiliates, including a significant equity investment in

Carburos, are expected to be approximately $1.2 billion in 1996. In addition, the company intends to continue to pursue acquisition opportunities closely aligned with existing businesses and key business strategies. It is anticipated that these expenditures will be funded with cash from operations supplemented with proceeds from financing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In November 1994, the company published a tender offer to acquire 74.2% of the outstanding shares of Carburos, representing all of the shares not owned by the company. The company made a second tender offer in September 1995 and, subject to the approval of the Spanish authorities, will make a third tender offer in September 1996 to acquire the remaining shares. The company acquired less than 1% of the outstanding shares with the first tender offer while the second tender resulted in the acquisition of an additional 21.5% of the outstanding shares at a cost of $120 million in October 1995. After the second tender offer, the company owns 47.6% of the outstanding shares of Carburos. In October 1995, the company issued $125 million of 6.6% medium-term notes due in fiscal 2008 to finance the acquisition of shares in the second tender offer. Additionally, the company entered into an interest rate and currency swap agreement to effectively convert $120 million of the medium-term notes into a Spanish peseta liability with an average interest rate of 10.66% and maturities ranging from three to ten years. It is anticipated that the total cost of acquiring the 74.2% of Carburos shares will be approximately $460 million with no adverse impact on the company's overall liquidity. It is expected that the subsequent acquisitions will be funded with proceeds from borrowings. See Note 17 to the consolidated financial statements for additional details.

FINANCING AND CAPITAL STRUCTURE Capital needs in 1995 were satisfied with cash from operations supplemented with additional debt. Total debt increased $437 million to $1,681 million at 30 September 1995. At year end, total debt as a percentage of total debt plus equity was 41% as compared to 36% at the end of 1994.

Financing activities during 1995, principally in the United States, included the public issuance of $100 million of 8.35% coupon notes due 2002, $150 million of 7 3/8% notes due 2005, and $111 million of medium-term notes with maturities ranging from three to twelve years and coupons from 6.6% to 8.22%. Debt retirements during the year included $100 million of 11 1/2% notes due 1995.

At year end, $328 million of commercial paper was outstanding compared to $148 million at the end of 1994. Of the $328 million, $210 million funded foreign currency lending to subsidiaries.

Substantial credit facilities are maintained to provide backup funding for commercial paper and to ensure availability of adequate resources for corporate liquidity. At 30 September 1995, the company's revolving credit commitments amounted to $400 million in the United States. No borrowings were outstanding under these commitments at the end of fiscal 1995. Additional commitments totaling $100 million were maintained by the company's foreign subsidiaries, of which $2 million was utilized at year end.

At 30 October 1995, the company had unutilized shelf registration for $245 million of medium-term notes.

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

During fiscal 1995 and 1994, 2.7 million and 1.8 million treasury shares were purchased at a cost of $124 million and $85 million, respectively.

FINANCIAL INSTRUMENTS The company enters into contractual agreements in the ordinary course of business to hedge its exposure to interest rate and foreign currency risks. Counterparties to these agreements are major financial institutions. Management believes the risk of incurring losses related to credit risk is remote and any losses would be immaterial.

Interest rate swap agreements are used to reduce interest rate risks and costs inherent in the company's debt portfolio. The company enters into these agreements to change the fixed/variable interest rate mix of the debt portfolio to reduce the company's aggregate risk to movements in interest rates. Accordingly, the company enters into agreements to effectively convert variable-rate debt to fixed-rate debt to reduce the company's risk of incurring higher interest costs due to rising interest rates. The company will also enter into agreements to effectively convert its fixed-rate debt into variable-rate debt which is principally indexed to LIBOR rates to reduce interest costs in periods of falling interest rates. The company has entered into interest rate swap contracts to effectively convert the stated variable rates on certain medium-term notes to interest rates based on LIBOR. The company is also party to interest rate and currency swap contracts. These contracts entail both the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement and the exchange of one currency for another at inception and a specified future date. These contracts effectively convert the currency denomination of a debt instrument into another currency in which the company has a net equity position while changing the interest rate characteristics of the instrument. The contracts are used to hedge intercompany lending activities and the value of investments in certain foreign subsidiaries and affiliates.

The company, in management of its exposure to fluctuations in foreign currency exchange rates, has entered into a variety of foreign exchange contracts, including forward, option combination, and purchased option contracts. These agreements generally involve the exchange of one currency for a second currency at some future date. The company enters into forward exchange and option combination contracts to reduce the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities, as well as certain firm commitments and highly anticipated cash flows. The company is also party to purchased option contracts which, if exercised, involve the sale or purchase of foreign currency at a fixed exchange rate for a specified period of time. These contracts are used to hedge firm commitments and certain highly anticipated cash flows, including export sales transactions.

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

WORKING CAPITAL Working capital (excluding cash and cash items, short-term borrowings, and current portion of long-term debt) was $421 million at the end of 1995 versus $322 million last year. Inventories and trade receivables increased due to higher sales activity. Months-on-hand of inventories was comparable to the prior year. Other current assets at the end of fiscal 1995 included a $20 million receivable, which was collected in October 1995, from the termination of an EES project.

Working capital (excluding cash and cash items, short-term borrowings, and current portion of long-term debt) was $322 million at the end of 1994 compared to $318 million at the end of 1993. At 30 September 1994, months-on-hand of chemicals inventories declined modestly from the prior year. Accounts receivable increased due to higher sales activity.

DIVIDENDS In May 1995, the Board of Directors increased the quarterly cash dividend to 26 cents per share, an increase of 6%.

STOCK-BASED COMPENSATION In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation." The company is required to adopt this standard no later than fiscal 1997. Presently, the company does not recognize expense relative to stock options. This statement permits the continuation of this approach but encourages companies to recognize expense for stock options at an estimated fair value based on an option pricing model. If expense is not recognized for stock options, pro forma footnote disclosure is required of what net income and earnings per share would have been under the statement's approach of valuing stock options. Certain other new disclosures also will be required. The company has not yet decided when it will adopt the new standard, but it has decided that it will not recognize the expense related to stock options in the financial statements. The impact of this new statement has not yet been completely evaluated.

PENSION PLAN FUNDING The funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefits payable. In fiscal 1996, the company expects to contribute approximately $45 million to these plans.

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

COMPANY RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

/s/ Harold A. Wagner	/s/ Gerald A. White
Harold A. Wagner Chairman, President, and Chief Executive Officer	Gerald A. White Senior Vice President-Finance and Chief Financial Officer

2 November 1995

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Air Products and Chemicals, Inc. (a Delaware corporation) and subsidiaries as of 30 September 1995 and 1994, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the three years in the period ended 30 September 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Air Products and Chemicals, Inc. and subsidiaries as of 30 September 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended 30 September 1995, in conformity with generally accepted accounting principles.

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

/s/ Arthur Andersen LLP

Arthur Andersen LLP
Philadelphia, Pennsylvania

2 November 1995

CONSOLIDATED INCOME

Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars, except per share) YEAR ENDED 30 SEPTEMBER	1995	1994	1993
SALES AND OTHER INCOME			
Sales (Note 1)	$3,865	$3,485	$3,328
Other income (expense), net (Note 19)	26	(1)	27
	3,891	3,484	3,355
COSTS AND EXPENSES			
Cost of sales	2,317	2,112	2,030
Selling, distribution, and administrative	869	789	744
Research and development	103	97	92
Workforce reduction and asset write-downs (Note 18)	--	--	120
OPERATING INCOME	602	486	369
Income from equity affiliates net of related expenses (Note 9)	51	28	12
Gain on sale of investment in equity affiliates	--	--	1
Loss on leveraged interest rate swaps (Note 5)	--	107	--
Interest expense (Note 1)	100	81	81
INCOME BEFORE TAXES	553	326	301
Income taxes (Notes 1 and 11)	185	92	100
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	368	234	201
Cumulative Effect of Accounting Changes (Note 2)	--	14	--
NET INCOME	$ 368	$ 248	$ 201
MONTHLY AVERAGE OF COMMON SHARES OUTSTANDING (in millions)	112	114	114
EARNINGS PER COMMON SHARE			
Income before Cumulative Effect of Accounting Changes	$ 3.29	$ 2.06	$ 1.76
Cumulative Effect of Accounting Changes (Note 2)	--	.12	--
NET INCOME	$ 3.29	$ 2.18	$ 1.76

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars, except per share) 30 SEPTEMBER	1995	1994
ASSETS		
CURRENT ASSETS		
Cash and cash items (Note 1)	$ 87	$ 100
Trade receivables, less allowances for doubtful accounts of $14 in 1995 and $13 in 1994	625	559
Inventories (Notes 1 and 8)	335	292
Contracts in progress, less progress billings	123	103
Other current assets	162	123
TOTAL CURRENT ASSETS	1,332	1,177
INVESTMENTS (Notes 1, 3, and 9)		
Investment in net assets of and advances to equity affiliates	581	608
Other investments and advances	76	14
TOTAL INVESTMENTS	657	622
PLANT AND EQUIPMENT, at cost (Notes 1, 4, 7, and 15)	7,350	6,520
Less -- Accumulated depreciation	3,848	3,527
PLANT AND EQUIPMENT, net	3,502	2,993
GOODWILL (Note 1)	81	67
OTHER NONCURRENT ASSETS	244	177
TOTAL ASSETS	$ 5,816	$ 5,036
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables, trade and other (Note 19)	$ 519	$ 488
Accrued liabilities (Note 19)	249	229
Accrued income taxes	56	38
Short-term borrowings (Note 19)	314	175
Current portion of long-term debt (Note 4)	173	146
TOTAL CURRENT LIABILITIES	1,311	1,076
LONG-TERM DEBT (Notes 4 and 15)	1,194	923
DEFERRED INCOME AND OTHER NONCURRENT LIABILITIES	435	407
DEFERRED INCOME TAXES (Notes 1 and 11)	478	424
TOTAL LIABILITIES	3,418	2,830
SHAREHOLDERS' EQUITY (Notes 1, 10, and 12)		
Common Stock (par value $1 per share; issued 1995 and 1994 - 124,727,792 shares)	125	125
Capital in excess of par value	465	477
Retained earnings	2,388	2,135
Unrealized gain on investments (Note 2)	41	--
Cumulative translation adjustments	(24)	(16)
Treasury Stock, at cost (1995 -- 3,044,469 shares; 1994 -- 1,318,963 shares)	(139)	(57)
Shares in trust (1995 and 1994 -- 10,000,000 shares)	(458)	(458)
TOTAL SHAREHOLDERS' EQUITY	2,398	2,206
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 5,816	$ 5,036

The accompanying notes are an integral part of these statements.

CONSOLIDATED CASH FLOWS

Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars)

YEAR ENDED 30 SEPTEMBER	1995	1994	1993
OPERATING ACTIVITIES			
Net income	$ 368	$ 248	$ 201
Adjustments to reconcile income to cash provided by operating activities:			
Depreciation (Notes 1 and 7)	382	353	346
Loss on leveraged interest rate swaps (Note 5)	--	107	--
Deferred income taxes (Note 11)	66	9	--
Workforce reduction and asset write-downs (Note 18)	--	--	119
Cumulative effect of accounting changes (Note 2)	--	(14)	--
Other	(3)	47	24
Working capital changes that provided (used) cash, net of effects of acquisitions:			
Trade receivables	(64)	(41)	(44)
Inventories and contracts in progress	(58)	(35)	(69)
Payables, trade and other	20	62	39
Accrued liabilities	13	4	(11)
Other	10	8	(18)
Other	(16)	3	(3)
CASH PROVIDED BY OPERATING ACTIVITIES	718	751	584
INVESTING ACTIVITIES			
Additions to plant and equipment(a)	(870)	(611)	(491)
Acquisitions(b)	(47)	--	--
Investment in and advances to unconsolidated affiliates	(29)	(41)	(171)
Termination/closure of leveraged interest rate swaps (Note 5)	(6)	(42)	--
Proceeds from sale of assets and investments	34	18	47
Other	2	1	7
CASH USED FOR INVESTING ACTIVITIES	(916)	(675)	(608)
FINANCING ACTIVITIES			
Long-term debt proceeds(a)	361	128	276
Payments on long-term debt	(152)	(124)	(122)
Net increase in commercial paper	180	13	19
Net increase (decrease) in other short-term borrowings	15	(44)	54
Dividends paid to shareholders	(115)	(108)	(102)
Purchase of Treasury Stock (Note 10)	(124)	(85)	--
Other	17	4	31
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	182	(216)	156
Effect of Exchange Rate Changes on Cash	3	2	(11)
Increase (Decrease) in Cash and Cash Items	(13)	(138)	121
Cash and Cash Items -- Beginning of Year	100	238	117
Cash and Cash Items -- End of Year (Note 1)	$ 87	$ 100	$ 238

The accompanying notes are an integral part of these statements.

(a) Excludes capital leases of $5 million, $3 million, and $4 million in 1995, 1994, and 1993, respectively.
(b) Excludes debt of $18 million to former shareholders of company acquired in 1995.

CONSOLIDATED SHAREHOLDERS' EQUITY

Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars, except per share) YEAR ENDED 30 SEPTEMBER	1995	1994	1993
COMMON STOCK			
Balance, Beginning and End of Year	$ 125	$ 125	$ 125
CAPITAL IN EXCESS OF PAR VALUE			
Balance, Beginning of Year	477	199	188
Issuance of Treasury Shares for benefit and stock option and award plans, 961,794 shares in 1995, 1,100,286 shares in 1994, and 785,867 shares in 1993	(22)	(2)	2
Issuance of 10,000,000 Treasury Shares to trust	--	271	--
Tax benefit of stock option and award plans	10	9	9
Balance, End of Year	465	477	199
RETAINED EARNINGS			
Balance, Beginning of Year	2,135	1,995	1,896
Net income	368	248	201
Cash dividends -- Common Stock, $1.01 per share in 1995, $.95 per share in 1994, and $.89 per share in 1993	(115)	(108)	(102)
Balance, End of Year	2,388	2,135	1,995
UNREALIZED GAIN ON INVESTMENTS (Note 2)			
Balance, Beginning of Year	--	--	--
Adjustment to 1995 beginning balance for change in accounting method, net of income taxes of $23	42	--	--
Change in unrealized gain, net of income taxes	(1)	--	--
Balance, End of Year	41	--	--
CUMULATIVE TRANSLATION ADJUSTMENTS			
Balance, Beginning of Year	(16)	(33)	85
Translation adjustments, net of income taxes of $28 benefit in 1995, $1 benefit in 1994, and $3 in 1993	(8)	17	(118)
Balance, End of Year	(24)	(16)	(33)
TREASURY STOCK			
Balance, Beginning of Year	(57)	(184)	(196)
Issuance of Treasury Shares for benefit and stock option and award plans, 961,794 shares in 1995, 1,100,286 shares in 1994, and 785,867 shares in 1993	42	26	12
Issuance of 10,000,000 Treasury Shares to trust	--	186	--
Purchase of Treasury Shares, 2,687,300 in 1995 and 1,843,300 in 1994 (Note 10)	(124)	(85)	--
Balance, End of Year	(139)	(57)	(184)
SHARES IN TRUST (Note 1)			
Balance, Beginning of Year	(458)	--	--
Contribution of 10,000,000 Treasury Shares	--	(458)	--
Balance, End of Year	(458)	(458)	--
TOTAL SHAREHOLDERS' EQUITY	$ 2,398	$ 2,206	$ 2,102

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Air Products and Chemicals, Inc. and Subsidiaries

1 MAJOR ACCOUNTING POLICIES

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

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

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

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

CAPITALIZED INTEREST As the company builds new plant and equipment or invests in unconsolidated affiliates in the development stage, it includes in the cost of these assets a portion of the interest payments it makes during the year. In 1995, the amount of capitalized interest was $18 million. In 1994, it was $10 million, and in 1993, $5 million.

INTEREST RATE SWAP AGREEMENTS The company enters into interest rate swap agreements to modify the interest rate characteristics of its outstanding debt. These agreements involve the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement without the exchange of the underlying principal amounts. The differential to be paid or received is accrued as interest rates change and recognized over the life of the agreements as an adjustment to interest expense. The fair value of these swap agreements is not recognized in the financial statements.

The company is also party to interest rate and currency swap contracts. These contracts entail both the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement and the exchange of one currency for another currency at inception and a specified future date. The contracts are used to hedge intercompany lending transactions and the value of investments in certain foreign subsidiaries and affiliates. Gains and losses on the currency component of these contracts, which hedge intercompany lending transactions, are recognized in income and offset the foreign exchange gains and losses of the related transaction. Gains and losses on the currency component of these contracts which hedged investments in certain foreign subsidiaries are not included in the income statement but are shown in the cumulative translation adjustments account. The interest component of these contracts is accounted for similarly to other interest rate swap agreements.

Gains and losses on terminated interest rate swap agreements are amortized into income over the remaining life of the underlying debt obligation or the remaining life of original swap, if shorter.

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

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

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

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

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

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

The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. While the current law potentially imposes joint and several liability upon each party at any Superfund site, the company's contribution to clean up these sites is expected to be limited, given the number of other companies which have also been named as potentially responsible parties and the volumes of waste involved. A reasonable basis for apportionment of costs among responsible parties is determined and the likelihood of contribution by other parties is established. If it is considered probable that the company will only have to pay its expected share of the total site cleanup, the liability reflects the company's expected share. In determining the probability of contribution, the company considers the solvency of the parties, whether responsibility is being disputed, the terms of any existing agreements, and experience to date regarding similar matters. These liabilities do not take into account any claims for recoveries from insurance or third parties and are not discounted. As assessments and remediation progress at individual sites, these liabilities are reviewed periodically and adjusted to reflect additional technical and legal information which becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. The accruals for environmental liabilities are reflected in the balance sheet primarily as part of other noncurrent liabilities.

INCOME TAXES Effective 1 October 1993, the company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which requires the accounting for income taxes under the liability method. Under this method, deferred tax liabilities and assets are recognized for the tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates. A principal temporary difference results from the excess of tax depreciation over book depreciation because accelerated methods of depreciation and shorter useful lives are used for income tax purposes. The new standard will not have a significant impact on income tax expense, except when there are significant changes in statutory rates or regulations. The cumulative impact of a change in tax rates or regulations is included in income tax expense in the period that includes the enactment date. In fiscal 1994, as a result of changes in a state tax rate and regulation, income tax expense was reduced by a net benefit of $6 million.

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

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

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

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

GOODWILL When a company is acquired, the difference between the fair value of its net assets and the purchase price is goodwill. Goodwill is recorded as an asset on the balance sheet and is amortized into income over periods not exceeding 40 years. The company assesses the impairment of goodwill related to consolidated subsidiaries in accordance with SFAS No. 121. (See Note 2.) The measurement of an impairment loss of goodwill related to equity affiliates is based on expected undiscounted future cash flows, as the investment in equity affiliates is excluded from the scope of SFAS No. 121.

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

ESTIMATES AND ASSUMPTIONS The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2 ACCOUNTING CHANGES

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

In fiscal 1995, the company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The statement requires the recognition of an impairment loss for an asset held for use when the estimate of undiscounted future cash flows expected to be generated by the asset is less than its carrying amount. Measurement of the impairment loss is based on fair value of the asset. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows. It was the company's past policy to measure an impairment loss for assets held for use based on expected undiscounted future cash flows. Adoption of this statement will result in recognition of a larger loss, based on discounted future cash flows, in the year of impairment and lower depreciation charges over the remaining life of the asset. Since adoption, no impairment losses have been recognized. The recognition and measurement of impairment losses for long-lived assets to be disposed of under SFAS No. 121 is consistent with the company's past practice.

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

(Millions of dollars, except per share)	Income (Loss)	Earnings (Loss) per Common Share
Postretirement benefits other than pensions, net of an income tax benefit of $19 (Note 14)	$(31)	$(.28)
Income taxes (Notes 1 and 11)	55	.49
Postemployment benefits, net of an income tax benefit of $6 (Note 14)	(10)	(.09)
	$ 14	$ .12

3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Summarized below are the carrying values and fair values of the company's financial instruments as of 30 September 1995 and 1994.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Millions of dollars) 30 SEPTEMBER	1995 CARRYING VALUE	1995 FAIR VALUE	1994 CARRYING VALUE	1994 FAIR VALUE
ASSETS				
Other investments	$ 76	$ 76	$ 14	$ 79
Currency option contracts (Note 6)	11	3	10	3
LIABILITIES				
Long-term debt, including current portion (Note 4)	$1,367	$1,454	$1,069	$1,067
Interest rate swap agreements (Note 5)	11	10	13	40
Forward exchange contracts (Note 6)	7	12	(2)	(4)

4 LONG-TERM DEBT

The following table shows the company's outstanding debt at the end of fiscal 1995 and 1994, excluding any portion of the debt required to be repaid within a year:

(Millions of dollars) 30 SEPTEMBER	1995	1994
Payable in U.S. dollars:		
8-7/8% Notes, due 2001	$ 100	$100
8.35% Notes, due 2002	100	--
6-1/4% Notes, due 2003	100	100
Medium-term Notes, Series B, due through 2003, weighted average interest rate 6.3%	51	78
Medium-term Notes, Series C, due through 2003, weighted average interest rate 6.0%	166	145
7-3/8% Notes, due 2005, effective interest rate 7.5%	150	--
8-1/2% Debentures, due 2006, effective interest rate 8.6%	100	100
Medium-term Note, Series D, due 2007, interest rate 6.7%	30	--
8-3/4% Debentures, due 2021, effective interest rate 9.0%	100	100
Commercial paper, weighted average interest rate 5.9%	56	--
Other, due 2002 to 2012, weighted average interest rate 5.8%	34	25
Payable in foreign currency:		
14.75% Italian Lira Notes	--	32
11.75% Canadian Dollar Notes	--	22
9-1/2% British Pound Notes, due 1997	72	72
5.9% British Pound loan, due 1999	35	35
10.8% French Franc loan, due through 2002	4	6
9.2% Deutsche Mark loan, due through 2002	9	14
Belgian Franc loans, due through 2006, weighted average interest rate 6.2%	47	49
Other, due through 2004, weighted average interest rate 5.2%	14	17
Less: Unamortized discount	(4)	(3)
	1,164	892
Capital lease obligations:		
United States, due through 2002, weighted average interest rate 5.9%	6	6
Foreign, due through 2004, weighted average interest rate 10.1%	24	25
	30	31
	$1,194	$923

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

The company has obtained the commitment of several commercial banks to lend money at market rates whenever needed by the company. For Air Products and Chemicals, Inc. and its U.S. subsidiaries, the total commitment of the banks at 30 September 1995 amounted to $400 million; no borrowings were outstanding under these commitments at the end of fiscal 1995. These committed lines of credit also are used to support the issuance of commercial paper. At 30 September 1995, foreign subsidiaries also had committed credit lines of $100 million, $2 million of which was borrowed and outstanding.

Maturities of long-term debt in each of the next five years are as follows: $173 million in 1996; $118 million in 1997; $69 million in 1998; $130 million in 1999; and $105 million in 2000.

5 INTEREST RATE SWAP AGREEMENTS

Interest rate swap agreements are used to reduce interest rate risks and costs inherent in the company's debt portfolio. The company enters into these agreements to change the fixed/variable interest rate mix of the debt portfolio to reduce the company's aggregate risk to movements in interest rates. Accordingly, the company enters into agreements to effectively convert variable-rate debt to fixed-rate debt to reduce the company's risk of incurring higher interest costs due to rising interest rates. The company will also enter into agreements to effectively convert its fixed-rate debt to variable-rate debt which is principally indexed to LIBOR rates to reduce interest costs in periods of falling interest rates. The company has entered into interest rate swap contracts to effectively convert the stated variable interest rates on $70 million of the medium-term notes, series C, to an average interest rate slightly above the three-month U.S. dollar LIBOR rate. The company is also party to interest rate and currency swap contracts. These contracts effectively convert the currency denomination of a debt instrument into another currency in which the company has a net equity position while changing the interest rate characteristics of the instrument.

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

The table below illustrates the contract or notional (face) amounts outstanding, maturity dates, weighted average receive and pay rates as of the end of the fiscal year, and the net unrealized gain (loss) of interest rate swap agreements by type at 30 September 1995 and 1994. The notional amounts are used to calculate contractual payments to be exchanged and are not generally actually paid or received, except for the currency swap component of the contracts. The notional amount of these agreements is equal to or less than the designated debt instrument being hedged. The net unrealized gain (loss) on these agreements, which equals their fair value, is based on the relevant yield curve at the end of the fiscal year.

(Millions of dollars)	Notional Amount	Maturities	Weighted Average Rate Receive	Weighted Average Rate Pay	Unrealized Gross Gain	Unrealized Gross (Loss)	Net Unrealized Gain (Loss)
30 SEPTEMBER 1995							
Fixed to Variable	$313	1996-2003	8.6%	8.2%	$ 2	$ (8)	$ (6)
Variable to Fixed	105	1997-2003	6.3%	7.5%	--	(4)	(4)
Variable to Variable	70	1996-2001	3.8%	6.0%	11	--	11
Interest Rate/Currency......	86	1996	5.9%	4.7%	--	(11)	(11)
	$574				$13	$(23)	$(10)
30 SEPTEMBER 1994							
Fixed to Variable...........	$363	1995-2003	7.1%	6.2%	$ 1	$(22)	$(21)
Variable to Fixed	15	1997	5.9%	7.1%	--	--	--
Variable to Variable........	70	1996-2001	2.8%	4.8%	--	(5)	(5)
Interest Rate/Currency......	118	1995-1996	5.6%	6.6%	--	(14)	(14)
	$566				$ 1	$(41)	$(40)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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Of the net unrealized gain (loss) as of 30 September 1995 and 1994, a net gain of $1 million and net loss of $27 million, respectively, has not been recognized in the financial statements. Deferred gains/losses from terminated contracts at the end of fiscal 1995 and 1994 were not material.

After the effects of interest rate swap agreements, the company's total debt, including current portion, is composed of 66% fixed-rate debt and 34% variable-rate debt as of 30 September 1995.

In October 1995, the company terminated two fixed-to-variable interest rate swap agreements with a combined notional value of $100 million. These two contracts accounted for the majority of the net unrealized loss for fixed-to-variable agreements at the end of fiscal 1995 and 1994.

The fair value of long-term debt and interest rate swap agreements is affected by fluctuations in market interest rates. The disclosed impact of basis point changes on interest rate swap agreements and interest expense excludes the effect of the two terminated fixed-to-variable swaps. A 100 basis point increase in market interest rates would result in a $59 million decline (favorable) in the fair value of long-term debt while the fair value of interest rate swap agreements would decline $2 million (unfavorable). A 100 basis point decline in market interest rates would result in a $67 million increase (unfavorable) in the fair value of long-term debt while the fair value of interest rate swap agreements would increase $2 million (favorable). Based on the composition of the company's debt portfolio, including interest rate swap agreements, as of 30 September 1995, a 100 basis point increase in market interest rates would result in an additional $6 million in interest incurred per year. A 100 basis point decline would lower interest incurred by $6 million per year.

The company entered into five highly leveraged interest rate swap contracts with a notional value of $203 million during the first quarter of fiscal 1994. By 30 June 1994, the company terminated three of these contracts and closed the other two. These contracts had been accounted for on a mark-to-market basis. In 1994, the company recognized a loss of $107 million on these derivative contracts. This loss reflects the costs to terminate or close these contracts. The termination and closure of these derivative contracts eliminated any further earnings impact from these contracts due to changes in interest rates. The company will not enter into any future interest rate swap contracts which lever a move in interest rates on a greater than one-to-one basis. The closure of the two highly leveraged interest rate swap contracts has resulted in the recognition of a liability, the balance of which was $60 million at 30 September 1995. The contracts on the closed agreements provide for semiannual payments through the years 2000 and 2003. The effective interest rates on these agreements are 6.9% and 6.4%. Additionally, the company terminated in 1994 a number of smaller interest rate swap agreements and an interest rate and currency swap contract and recognized a loss of $14 million. This loss is recognized in the consolidated income statement as $12 million foreign exchange loss included in other income and $2 million interest expense.

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6 FOREIGN EXCHANGE CONTRACTS

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The company, in management of its exposure to fluctuations in foreign currency exchange rates, has entered into a variety of foreign exchange contracts, including forward, option combination, and purchased option contracts. These agreements generally involve the exchange of one currency for a second currency at some future date. Counterparties to these agreements are major international financial institutions. The risk of loss related to credit risk associated with these agreements and management's position regarding possible exposure is comparable to that for interest rate swap agreements as discussed in Note 5.

The company enters into forward exchange and option combination contracts to reduce the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities, as well as certain firm commitments and highly anticipated cash flows. The company is also party to purchased option contracts which, if exercised, involve the sale or purchase of foreign currency at a fixed exchange rate for a specified period of time. These contracts are used to hedge firm commitments and certain highly anticipated cash flows, including export sales transactions, through fiscal year 1999.

The table on the following page illustrates the U.S. dollar equivalent, including offsetting positions, of foreign exchange contracts at 30 September 1995 and 1994 along with maturity dates, net unrealized gain (loss), and net unrealized gain (loss) deferred. At the end of fiscal 1995, all material cash flow exposures to foreign currency fluctuations resulting from monetary assets or liabilities, firm commitments, or highly anticipated cash flows being denominated in a currency other than an entity's functional currency are hedged by forward exchange, option combination, or purchased option contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Millions of dollars)	Contract Amount ($U.S. Equivalent)	Latest Maturity Date	Unrealized Gross Gain	Unrealized Gross (Loss)	Net Unrealized Gain (Loss)	Net Unrealized Gain (Loss) Deferred
30 SEPTEMBER 1995						
Forward exchange contracts:						
Netherland DG/U.K. Pound Sterling	$128	1996	$1	$ (5)	$ (4)	$ (4)
$U.S./Netherland DG	94	1996	--	(1)	(1)	(1)
$U.S./$ Canadian	67	2004	1	(2)	(1)	--
$U.S./U.K. Pound Sterling	65	1997	1	(1)	--	--
Other	106	1996	--	(6)	(6)	--
	460		3	(15)	(12)	(5)
Option contracts:						
$U.S./German DM	122	1999	3	(9)	(6)	(6)
$U.S./Japanese Yen	32	1998	1	(2)	(1)	(1)
Other	39	1997	1	(2)	(1)	(1)
	193		5	(13)	(8)	(8)
	$653		$8	$(28)	$(20)	$(13)
30 September 1994						
Forward exchange contracts:						
$U.S./$ Canadian	$261	2004	$5	$ (1)	$ 4	$ 2
$U.S./U.K. Pound Sterling	98	1995	--	(2)	(2)	(1)
$U.S./German DM	38	1995	1	--	1	1
Other	210	1996	3	(2)	1	--
	607		9	(5)	4	2
Option contracts:						
$U.S./German DM	157	1999	--	(5)	(5)	(5)
$U.S./Japanese Yen	31	1998	--	(2)	(2)	(2)
	188		--	(7)	(7)	(7)
	$795		$9	$(12)	$(3)	$(5)

The company's net equity position in its principal foreign subsidiaries at 30 September 1995 was $824 million. These subsidiaries have operations in the United Kingdom, Germany, France, Netherlands, Belgium, Brazil, Japan, and Canada. In addition to its foreign subsidiaries, the company has an equity position in foreign equity affiliates as disclosed in Note 9. It is not the company's policy to hedge its accounting translation exposure to foreign currency fluctuations with forward exchange contracts relative to this net equity position, since these do not represent actual cash flow exposures.

7 PLANT AND EQUIPMENT

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

(Millions of dollars) 30 SEPTEMBER	1995	1994
Land	$ 83	$ 80
Buildings	485	462
Gas generating and chemical facilities, machinery and equipment	6,177	5,613
Construction in progress	605	365
	$7,350	$6,520

Depreciation expense in 1993 totaled $402 million, which includes $56 million associated with asset write-downs.

8 INVENTORIES

The components of inventories are as follows:

(Millions of dollars) 30 SEPTEMBER	1995	1994
Inventories at FIFO cost:		
Finished goods	$249	$208
Work in process	12	15
Raw materials and supplies	113	97
	374	320
Less excess of FIFO cost over LIFO	(39)	(28)
	$335	$292

Inventories valued using the LIFO method comprised 56.7% and 61.0% of consolidated inventories before LIFO adjustment at 30 September 1995 and 1994, respectively. Liquidation of prior years' LIFO inventory layers in 1995, 1994, and 1993 did not materially affect cost of sales in any of these years.

9 SUMMARIZED FINANCIAL INFORMATION OF EQUITY AFFILIATES

The following table presents summarized financial information on a combined 100% basis of the principal companies accounted for by the equity method. Amounts presented include the accounts of the following equity affiliates: American Ref-Fuel of Hempstead (50%); American Ref-Fuel of Essex County (50%); American Ref-Fuel of Niagara (50%); American Ref-Fuel of Southeastern Connecticut (50%); Cambria CoGen Company (50%); Stockton CoGen Company (50%); Orlando CoGen Limited, L.P. (50%); Carburos Metalicos S.A. (26.06%); Sapio Produzione Idrogeno Ossigeno S.r.L. (49%); INFRA Group (40%); San Fu Chemicals (45%); ProCal (50%); Korea Industrial Gases (48.90%); Air Products South Africa (50%); and principally other industrial gas producers.

(Millions of dollars)	1995	1994
Current assets	$ 650	$ 624
Noncurrent assets	2,287	2,219
Current liabilities	452	482
Noncurrent liabilities	1,468	1,399
Net sales	1,366	1,188
Sales less cost of sales	628	577
Net income	173	125

The company's share of income of all equity affiliates for 1995, 1994, and 1993 was $68 million, $48 million, and $31 million, respectively. These amounts exclude $17 million, $20 million, and $19 million of related net expenses incurred by the company. Dividends received from equity affiliates were $45 million, $45 million, and $13 million in 1995, 1994, and 1993, respectively.

The investment in net assets of and advances to equity affiliates at 30 September 1995 and 1994 included investment in foreign affiliates of $371 million and $386 million, respectively.

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

10 CAPITAL STOCK

The authorized capital stock consists of 25 million preferred shares with a par value of $1 per share, none of which was outstanding at 30 September 1995, and 150 million shares of Common Stock with a par value of $1 per share. At 30 September 1995, the number of shares of Common Stock outstanding was 111,683,323.

During fiscal 1995 and 1994, 2.7 million and 1.8 million treasury shares were purchased at a cost of $124 million and $85 million, respectively.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 INCOME TAXES

As discussed in Notes 1 and 2, the company adopted SFAS No. 109, "Accounting for Income Taxes," on 1 October 1993.

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

(Millions of dollars)	1995	1994	1993
Federal:			
Current	$ 81	$52	$ 74
Deferred	52	19	5
	133	71	79
State:			
Current	10	6	12
Deferred	11	1	2
Impact of law/rate change	(1)	(9)	--
	20	(2)	14
Foreign:			
Current	28	25	14
Deferred	4	(2)	(7)
	32	23	7
	$185	$92	$100

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

(Millions of dollars) 30 SEPTEMBER	1995	1994
Gross deferred tax assets:		
Pension and other compensation accruals	$ 64	$ 66
Alternative minimum tax	61	56
Tax loss carryforwards	48	45
Foreign currency translation adjustment	28	1
Reserves and accruals	24	24
Postretirement benefits	23	19
Plant and equipment	10	12
Inventory	9	12
Other	25	32
Valuation allowance	(34)	(26)
Deferred tax assets	258	241
Gross deferred tax liabilities:		
Plant and equipment	475	442
Investment in partnerships	164	154
Unrealized gain on investments	23	--
Other	51	41
Deferred tax liabilities	713	637
Net deferred income tax liability	$455	$396

Net current deferred tax assets of $23 million and $28 million are included in other current assets at 30 September 1995 and 1994, respectively.

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

Foreign and state operating loss carryforwards on 30 September 1995 were $62 million and $200 million, respectively. Foreign losses of $18 million are available to offset future foreign income through 2004. The balance of these losses has an unlimited carryover period. State operating loss carryforwards are available through 2010. Foreign capital loss carryforwards were $18 million on 30 September 1995 and have an unlimited carryover period.

The valuation allowance as of 30 September 1995 primarily relates to the tax loss carryforwards referenced above. If events warrant the reversal of the $34 million valuation allowance, it would reduce intangible assets by $8 million and reduce tax expense by $26 million.

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

(Millions of dollars)	1993
Excess of tax depreciation over book depreciation	$ 52
Workforce reduction and asset write-downs	(44)
Alternative minimum tax	(6)
Noncurrent pension liability	(3)
Miscellaneous	1
	$ --

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

(Percent of income before taxes)	1995	1994	1993
United States federal statutory rate	35.0%	35.0%	34.7%(a)
State taxes, net of federal tax benefit	2.4	2.2	3.2
Equity in earnings of foreign affiliates	(2.6)	(2.1)	(2.2)
Foreign tax credits and refunds on dividends received from foreign affiliates	(.4)	(.8)	(.5)
Nonconventional fuel credits	(1.0)	(1.5)	(1.7)
Export tax benefits	(.6)	(1.3)	(1.2)
Charitable contribution of stock investment	--	(1.2)	--
Impact of state law/rate change	(.2)	(1.7)	--
Other	.8	(.4)	.9
Effective tax rate	33.4%	28.2%	33.2%

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

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

(Millions of dollars)	1995	1994	1993
Income from consolidated operations:			
United States	$398	$223	$265
Foreign	87	55	5
Income from equity affiliates	68	48	31
	$553	$326	$301

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

The company does not pay or record U.S. income taxes on the undistributed earnings of its foreign subsidiaries and its 20% to 50% owned corporate joint ventures as long as those earnings are permanently reinvested in the companies that produced them. These cumulative undistributed earnings are included in consolidated retained earnings on the balance sheet and amounted to $492 million at the end of fiscal 1995. An estimated $107 million in U.S. income and foreign withholding taxes would be due if these earnings were remitted as dividends, after payment of all deferred taxes.

12 STOCK OPTION AND AWARD PLANS

The Long-Term Incentive Plan (the Plan) provides for the granting of stock options with or without related performance units to executives and key employees. Options generally become exercisable in cumulative installments of 33 1/3% one year after the date of grant and annually thereafter, and must be exercised no later than ten years and one day from that date. Option prices are 100% of fair market value on the date of grant. Performance units have a dollar value determined by the Management Development and Compensation Committee and constitute rights to receive the value of the unit, provided performance objectives are met. Payment of a performance unit may be in cash and/or shares of Common Stock, as determined by the Committee. Performance units have been issued in tandem with stock options, so that the exercise of either of them will reduce, on a one-for-one basis, the tandem options or performance units. The company did not grant performance units in 1995 and 1994. Following a change in control of the company as defined in the Plan, options and related performance units can be cancelled upon, or surrendered for, payment of 100% of the spread on the options.

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

Certain information for 1995 and 1994 relative to stock options is summarized as follows:

(Number of shares)	1995	1994
Outstanding at beginning of year	5,194,293	5,339,148
Granted	751,670	699,930
Exercised (a)	(806,295)	(819,690)
Expired or cancelled	(13,914)	(25,095)
Outstanding at end of year (b)	5,125,754	5,194,293
Exercisable at end of year	3,691,975	3,812,126
Participants at end of year	395	397
Available for future grant at end of year	1,741,075	2,478,831

(a) Options were exercised at prices ranging from $13.14 to $39.13 per share during 1995 and $10.86 to $44.38 per share during 1994.

(b) For outstanding shares under option at 30 September 1995, option prices ranged from $13.14 to $46.25 (and averaged $31.43) per share. The expiration dates for these options range from 2 October 1996 to 2 October 2004. For outstanding shares under option at 30 September 1994, option prices ranged from $13.14 to $44.38 (and averaged $27.37) per share.

In addition to the Long-Term Incentive Plan, there is a plan granting stock options to directors. Options are exercisable six months after grant date and must be exercised no later than ten years and one day from that date. Under this plan, there were 19,000 and 10,000 options outstanding and exercisable at the end of fiscal 1995 and 1994, respectively. Option prices were $43.38 and $48.25 per share for options issued in 1995 and

1994, respectively. As of 30 September 1995, no stock options have been exercised under this plan.

At 30 September 1995, there were 1,654,144 performance units with maximum payout values ranging from $3.68 to $10.19 outstanding. In addition, deferred stock and similar awards equal to 778,335 shares of Air Products Common Stock were outstanding at 30 September 1995.

In November 1995, the company disclosed its intention to award 100 stock options to virtually all employees. Approximately 1,380,000 options will be granted at an exercise price of $52.06 per share.

13 PENSION PLANS

The company has various pension plans which cover almost all regular employees. The plan benefits are based primarily on years of service and employees' compensation near retirement. The funding policy is to accumulate plan assets that, over the long run, will approximate the present value of projected benefits payable. Plan assets consist primarily of listed stocks, corporate bonds, and government obligations. In fiscal 1996, the company expects to contribute approximately $45 million to these plans.

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

(Millions of dollars)	1995	1994	1993
Service cost--benefits earned during the period	$26	$30	$27
Interest cost on projected benefit obligation	56	51	47
Return on plan assets:			
Actual	(91)	(26)	(92)
Deferred	35	(30)	37
Recognized return	(56)	(56)	(55)
Net amortization	(2)	3	(3)
Pension cost	$24	$28	$16

In 1993, a loss of $6 million for enhanced pension benefits was included in workforce reduction costs. (See Note 18.)

The following table shows the combined funded status of the U.S. plans at 30 September 1995 and 1994, foreign plans at 30 June 1995 and 1994, and amounts recognized in the company's consolidated balance sheets at 30 September 1995 and 1994:

(Millions of dollars)	1995		1994	
	PLANS IN WHICH ASSETS EXCEED ACCUMULATED BENEFIT OBLIGATION	PLANS IN WHICH ACCUMULATED BENEFIT OBLIGATION EXCEEDS ASSETS	PLANS IN WHICH ASSETS EXCEED ACCUMULATED BENEFIT OBLIGATION	PLANS IN WHICH ACCUMULATED BENEFIT OBLIGATION EXCEEDS ASSETS
Actuarial present value of benefit obligation:				
Vested	$149	$ 454	$409	$ 59
Nonvested	--	58	30	6
Accumulated benefit obligation	149	512	439	65
Actuarial present value of projected benefit obligation	179	655	541	77
Plan assets at fair value	240	436	560	27
Projected benefit obligation (in excess of) less than plan assets	61	(219)	19	(50)
Unamortized net transition (asset) obligation	(10)	(18)	(34)	2
Unrecognized net (gain) loss	--	89	(10)	(1)
Unamortized prior service cost	12	18	9	14
Adjustment required to recognize minimum liability	--	(20)	--	(9)
Net pension (liability) asset	$ 63	$(150)	$(16)	$(44)

The projected benefit obligation was determined using the following assumptions:

	1995	1994
Weighted average discount rate	7-4/5%	8-4/5%
Weighted average long-term rate of compensation increase	5%	5%

These rates are used in the determination of pension cost in the succeeding year. The weighted average expected long-term return on plan assets used to determine pension cost was 10% in 1995, 10 3/5% in 1994, and 11% in 1993. For the fiscal 1996 pension cost determination, the company anticipates that a weighted average expected long-term return on plan assets of approximately 10% will be used.

14 OTHER POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

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

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

The fiscal 1995 and 1994 postretirement benefit cost includes the following components:

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

The cost of retiree health care and life insurance benefits which was expensed as incurred in 1993 totaled $5 million.

At 30 September 1995 and 1994, the actuarial and recorded liabilities for postretirement benefits, none of which have been funded, are as follows:

(Millions of dollars) 30 SEPTEMBER	1995	1994
Actuarial present value of benefit obligation:		
Retirees	$25	$17
Fully eligible active plan participants	13	11
Other active plan participants	19	21
Accumulated postretirement benefit obligation	57	49
Unrecognized net gain	1	5
Accrued postretirement benefit liability	$58	$54

The accumulated postretirement benefit obligation was determined using a discount rate of 7 1/2% in 1995 and 8 3/4% in 1994. The weighted average assumed health care cost trend rate is 6 1/2% for fiscal 1996 (10 1/2% and 11 1/2% were assumed in 1995 and 1994, respectively). The decrease in the assumed health care cost trend rate reflects retiree movement into cost-effective managed care programs. The weighted average health care cost trend rate is assumed to increase to 7 3/5% for fiscal 1997 and then decrease gradually to 5 1/2% by the year 2005 and remain at that level thereafter. Increasing the health care cost trend rate by one percentage point would increase both the accumulated postretirement benefit obligation at 30 September 1995 and the postretirement benefit cost for fiscal 1995 by approximately 4%.

On 1 October 1993, the company also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires that employers accrue the cost and recognize the liability for providing certain benefits to former and inactive employees after employment but before retirement. The company previously recognized these benefits as an expense as the cost was incurred. Upon adoption of this standard, the company recognized the transition obligation as the cumulative effect of an accounting change. (See Note 2.) Adoption of this standard did not materially affect 1995 and 1994 income before cumulative effect of accounting changes.

15 LEASES

Capital leases, primarily for machinery and equipment, are included with owned plant and equipment on the balance sheet in the amount of $49 million and $50 million at the end of fiscal 1995 and 1994, respectively. Related amounts of accumulated depreciation are $23 million and $25 million, respectively.

Operating leases, including month-to-month agreements, cost the company $43 million in 1995, $37 million in 1994, and $37 million in 1993.

At 30 September 1995, minimum payments due under leases are as follows:

(Millions of dollars)	Capital Leases	Operating Leases
1996	$ 7	$ 23
1997	6	17
1998	6	12
1999	5	9
2000	4	6
2001 and thereafter	20	44
	$48	$111

The present value of the above future capital lease payments is included in the liability section of the balance sheet. At the end of fiscal 1995, $4 million was classified as current and $30 million as long-term.

16 OTHER COMMITMENTS AND CONTINGENCIES

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

HEMPSTEAD: Periodic debt service on 50% of the unamortized project debt. Total unamortized debt was $222 million as of 30 September 1995. Average annual debt service on 50% of the debt over the next five years is $12 million.

ESSEX COUNTY: One-half of any partnership cash deficiency, including debt service. Total unamortized project debt was $173 million as of 30 September 1995, and $10 million of additional partnership debt of which $5 million is guaranteed by Air Products. Average annual debt service on 50% of the debt over the next five years is $10 million.

PRESTON: Periodic debt service on 50% of the unamortized debt. Total unamortized project debt was $93 million as of 30 September 1995, and $44 million of additional partnership debt of which $22 million is guaranteed by Air Products. Average annual debt service on 50% of the debt over the next five years is $5 million.

At Niagara Falls, Air Products and BFI entered into support agreements to each fund one-half of any partnership cash deficiency, including debt service. Total unamortized project debt was $125 million as of 30 September 1995. Average annual debt service on 50% of the debt over the next five years is $3 million.

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

STOCKTON: Periodic debt service on the outstanding project debt ($46 million as of 30 September 1995). Average annual debt service over the next five years is $11 million.

CAMBRIA: Under certain circumstances, if the facility fails to operate as a result of not having fuel available, the outstanding project debt ($144 million as of 30 September 1995). Otherwise, $1 million (escalates from October 1989) annually up to a cumulative total of $17 million.

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

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

In addition, the company has guaranteed repayment of borrowings of certain domestic and foreign equity affiliates. At year end, these guarantees totaled approximately $76 million.

The company has accrued for certain environmental investigatory and noncapital remediation costs consistent with the policy set forth in Note 1. The potential exposure for such costs is estimated to range from $18 million to a reasonably possible upper exposure of $56 million. The balance sheet at 30 September 1995 includes an accrual of $35 million. The company does not expect that any sums it may have to pay in connection with these environmental matters would have a materially adverse effect on its consolidated financial position, or results of operations in any one year.

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

At the end of fiscal 1995, the company had purchase commitments to spend approximately $189 million for additional plant and equipment.

17 SUBSEQUENT EVENT

In November 1994, the company published a tender offer and related preparatory contract to acquire 74.2% of the outstanding shares (9.7 million) of Carburos Metalicos S.A. (Carburos), representing all of the shares in Carburos not owned by the company. The company made a second tender offer in September 1995 and, subject to the approval of the Spanish authorities, will make a third tender offer in September 1996 to acquire the remaining shares. As part of this transaction, the company offered to all shareholders a preparatory contract whereby in exchange for 250 pesetas per share, payable in cash upon settlement of the 1994 tender offer, the shareholder would agree not to tender any shares in the initial tender offer and to limit the number of shares tendered to 50% of its holdings in each of the September 1995 and 1996 tender offers. Additionally, this preparatory contract grants a call option to the company to acquire in fiscal 1998 any shares not previously tendered. Shares representing 39.7% of the outstanding shares (5.2 million) accepted the preparatory contract offer and were excluded from the initial tender offer. The company acquired less than 1% of the outstanding shares in the initial tender offer while the second tender resulted in the acquisition of an additional 21.5% (2.8 million) of the outstanding shares at a cost of $120 million. After the second tender offer, the company owns 47.6% of the outstanding shares of Carburos. In October 1995, the company issued $125 million of 6.6% medium-term notes due in fiscal 2008 to finance the acquisition of shares in the second tender offer. Additionally, the company entered into an interest rate and currency swap agreement to effectively convert $120 million of the medium-term notes into a Spanish peseta liability with an average interest rate of 10.66% and maturities ranging from 3 to 10 years. The price for the September 1996 tender offer is 5,730 pesetas per share, subject to adjustment and payable by 31 October 1996, and the option price is 6,016 pesetas per share, also subject to adjustment. It is anticipated that the total cost of acquiring the 74.2% of Carburos shares will be approximately $460 million with no adverse impact on the company's overall liquidity. It is expected that the subsequent acquisitions will be funded with proceeds from borrowings. Carburos is the leading supplier of industrial gases in Spain. For the year ended 30 September 1995, Carburos had unaudited revenues of $287 million and net income of $44 million.

18 WORKFORCE REDUCTION AND ASSET WRITE-DOWNS

In 1993, the company recorded a charge of $120 million for reducing the workforce by 7 to 10 percent and for selected asset write-downs.

The 1993 charge of $58 million for reducing the workforce was composed principally of salaries and benefits. All business segments were affected by this charge. Approximately two-thirds of the charge was related to industrial gases. During 1995, an additional $4 million was recorded to reflect higher-than-projected employee termination costs. The accrual balance for the workforce reduction program was $9 million at 30 September 1995 and $20 million at 30 September 1994. This accrual balance declined during 1995 due primarily to cash expenditures related to severance costs. The remaining liability will be paid in 1996 and 1997. Since inception of this program, approximately 9% of the workforce has been eliminated under this program.

In 1993, certain assets included principally in plant and equipment were written down to net realizable value resulting in a charge of $62 million. The asset write-downs involved the epoxy and agricultural chemical product lines, the landfill gas business in the environmental and energy segment, and miscellaneous assets in the industrial gases segment.

19 SUPPLEMENTARY INFORMATION

PAYABLES, TRADE AND OTHER

(Millions of dollars) 30 SEPTEMBER	1995	1994
Accounts payable, trade	$454	$410
Outstanding checks payable in excess of certain cash balances	39	37
Customer advances	26	41
	$519	$488

ACCRUED LIABILITIES

(Millions of dollars) 30 SEPTEMBER	1995	1994

Accrued payroll and employee benefits	$ 77	$ 67
Accrued interest expense	32	28
Workforce reduction costs	6	20
Other accrued liabilities	134	114
	$249	$229

SHORT-TERM BORROWINGS

(Millions of dollars) 30 SEPTEMBER	1995	1994	1993
Bank obligations	$ 21	$ 10	$ 52
Commercial paper	272	148	75
Notes payable--other	21	17	18
	$314	$175	$145

The weighted average interest rate of short-term commercial paper outstanding as of 30 September 1995, 1994, and 1993 was 5.9%, 5.0%, and 3.3%, respectively.

OTHER INCOME (EXPENSE), NET

(Millions of dollars)	1995	1994	1993
Interest income	$ 8	$ 18	$ 16
Foreign exchange	6	(17)	(18)
Gain (loss) on sale of assets and investments	11	(1)	21
Royalty and technology income	2	3	4
Amortization of intangibles	(8)	(7)	(8)
Miscellaneous	7	3	12
	$26	$ (1)	$ 27

Foreign exchange excludes foreign currency gains on Brazilian debt ($1 million in 1994 and $1 million in 1993) and gains on Brazilian tax liabilities ($3 million in 1994 and $2 million in 1993) which have been reported in interest expense and income taxes, respectively.

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

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

Fiscal 1993 results included a gain of $21 million ($13 million after tax, or $.11 per share). This gain consisted of a $4 million ($2 million after tax, or $.02 per share) insurance settlement, $4 million ($2 million after tax, or $.02 per share) from the sale of a business venture, and $13 million ($9 million after tax, or $.07 per share) from the sale of stock options and partial sale of a stock investment in an insurance company.

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

(Millions of dollars)	1995	1994	1993
Interest (net of amounts capitalized)	$99	$80	$ 82
Taxes (net of refunds)	88	67	106

Significant noncash transactions are as follows:

(Millions of dollars)	1995	1994	1993
Capital lease additions	$ 5	$ 3	$ 4
Payable associated with purchase of long-term sales contract	--	--	17
Receivable from terminated environmental and energy project	20	--	--
Debt associated with acquisition	18	--	--

SUMMARY BY QUARTER

This table summarizes the unaudited results of operations for each quarter of 1995 and 1994:

(Millions of dollars, except per share)	First	Second	Third	Fourth
1995				
Sales	$921	$983	$982	$979
Operating income	146	152	161	143
Net income	87	88	100	93
Earnings per common share	$.77	$.79	$.89	$.84
1994				
Sales	$827	$859	$868	$931
Operating income	121	122	112	131
Income before cumulative effect of accounting changes	75	14	66	79
Cumulative effect of accounting changes	14	--	--	--
Net income	89	14	66	79
Earnings per common share				
Income before cumulative effect of accounting changes	$.66	$.12	$.58	$.70
Cumulative effect of accounting changes	.12	--	--	--
Net income	$.78	$.12	$.58	$.70

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

As discussed in additional income statement information, the after-tax benefit of $2 million, or $.02 per share, from the favorable tax treatment of the charitable contribution of a stock investment was recorded in the first quarter of 1994 and the loss of $11 million ($7 million after tax, or $.06 per share) was recorded in the third quarter of 1994. The loss of $121 million ($75 million after tax, or $.66 per share) on certain derivative contract settlements was reflected in quarterly results as follows: $96 million ($60 million after tax, or $.53 per share) in the second quarter, and $25 million ($15 million after tax, or $.13 per share) in the third quarter. The third quarter of 1994 also includes a net tax benefit of $6 million, or $.05 per share, resulting from changes in certain state income tax regulations and rates.

20 BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

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

The company is a leading international supplier of industrial and specialty gas products. Principal products of the industrial gases segment are oxygen, nitrogen, argon, hydrogen, carbon monoxide, synthesis gas, and helium. The largest market segments are chemical processing, refining, metal production, electronics, food processing, and medical gases. The company has its strongest market positions in the United States and Europe.

The principal chemical businesses consist of specialty chemicals and chemicals intermediates. Specialty chemicals include emulsions, polyvinyl alcohol, pressure-sensitive adhesives, specialty additives, polyurethane additives, and epoxy additives. Principal chemical intermediates are amines, polyurethane intermediates, and specialty amines. The company also produces certain industrial chemicals. The end markets for the company's chemical products are extensive, including adhesive, textile, paper, building products, agriculture, and furniture. Principal geographic markets for the company's chemical products are North America, Europe, and Asia.

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

The equipment and services segment designs and manufactures cryogenic and gas processing equipment for air separation, gas processing, natural gas liquefaction, hydrogen purification, and nitrogen rejection. The segment also designs and builds systems for recovering gases using membrane technology. The equipment is sold along with a broad range of plant design, engineering, and operating services. Equipment is sold worldwide to companies involved in chemical and petrochemical manufacturing, oil and gas recovery and processing, power generation, and steel and primary metal production. Equipment is also manufactured for the company's industrial gas business. Another important market, particularly for air separation equipment, is the company's international industrial gas joint ventures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Business segment information is shown below:

(Millions of dollars)	Industrial Gases	Chemicals	Environ-mental and Energy	Equipment and Services	Corporate and Other	Total
1995						
Sales	$2,177	$1,359	$ 58	$271	$ --	$3,865
Operating income	445	193	(5)	(2)	(29)	602
Equity affiliates' income	22	1	28	--	--	51
Identifiable assets	3,564	1,145	79	263	184	5,235
Investment in and advances to equity affiliates	385	6	190	--	--	581
Depreciation	268	91	5	8	10	382
Additions to plant and equipment	660	151	24	25	10	870
1994						
Sales	$1,968	$1,182	$ 67	$268	$ --	$3,485
Operating income	380	148	6	11	(59)	486
Equity affiliates' income	4	--	24	--	--	28
Identifiable assets	2,979	1,032	54	202	161	4,428
Investment in and advances to equity affiliates	401	6	201	--	--	608
Depreciation	253	83	3	8	6	353
Additions to plant and equipment	473	116	6	6	10	611
1993						
Sales	$1,814	$1,092	$ 83	$339	$ --	$3,328
Operating income before workforce reduction and asset write-downs	362	131	(2)	33	(35)	489
Workforce reduction and asset write-downs	(53)	(35)	(23)	(7)	(2)	(120)
Operating income	309	96	(25)	26	(37)	369
Equity affiliates' income	--	1	12	--	--	13
Identifiable assets	2,665	981	38	146	339	4,169
Investment in and advances to equity affiliates	401	4	187	--	--	592
Depreciation	247	78	8	8	5	346
Additions to plant and equipment	354	101	9	21	6	491

Notes: Equipment and services was formerly entitled equipment and technology. The composition of this segment is unchanged from the prior year. Its name was changed to more appropriately reflect the products and activities of this segment.

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

Equity affiliates' income includes gain on sale of investment in equity affiliates of $1 million in 1993 for environmental and energy. Identifiable assets exclude the investment in and advances to equity affiliates.

Sales are to unconsolidated customers. Sales between segments, excluding transfers of products at cost, are not material. Products transferred at cost consist primarily of air separation plants and distribution equipment manufactured by the equipment and services segment for use by the industrial gases segment. These transfers amounted to $507 million, $285 million, and $221 million in 1995, 1994, and 1993, respectively.

Geographic information is presented below:

(Millions of dollars)	United States	Europe	Canada and Latin America	Other	Total
1995					
Sales					
Industrial Gases	$1,357	$691	$129	$--	$2,177
Chemicals	1,310	45	1	3	1,359
Environmental and Energy	58	--	--	--	58
Equipment and Services	170	101	--	--	271
Total	2,895	837	130	3	3,865
Operating income	457	119	26	--	602
Equity affiliates' income	27	16	4	4	51
Identifiable assets	3,325	1,563	228	119	5,235
Investment in and advances to equity affiliates	210	195	82	94	581
1994					
Sales					
Industrial Gases	$1,265	$584	$119	$--	$1,968
Chemicals	1,142	40	--	--	1,182
Environmental and Energy	67	--	--	--	67
Equipment and Services	158	110	--	--	268
Total	2,632	734	119	--	3,485
Operating income	381	88	17	--	486
Equity affiliates' income	24	5	3	(4)	28
Identifiable assets	2,830	1,334	211	53	4,428
Investment in and advances to equity affiliates	222	162	147	77	608
1993					
Sales					
Industrial Gases	$1,158	$554	$102	$--	$1,814
Chemicals	1,039	53	--	--	1,092
Environmental and Energy	83	--	--	--	83
Equipment and Services	211	128	--	--	339
Total	2,491	735	102	--	3,328
Operating income before workforce reduction and asset write-downs	395	88	6	--	489
Workforce reduction and asset write-downs	(88)	(31)	(1)	--	(120)
Operating income	307	57	5	--	369
Equity affiliates' income	12	(3)	8	(4)	13
Identifiable assets	2,695	1,251	189	34	4,169
Investment in and advances to equity affiliates	202	155	170	65	592

Notes: Included in United States sales are export sales to unconsolidated customers of $375 million in 1995, $336 million in 1994, and $342 million in 1993. These sales were principally to customers in Europe and Asia. The Europe segment operates principally in the United Kingdom, France, Germany, Netherlands, and Belgium. Equity affiliates' income and investment in and advances to equity affiliates included under Other relates to the company's equity affiliates in Asia and South Africa.

ELEVEN-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Air Products and Chemicals, Inc. and Subsidiaries

(Millions of dollars, except per share)	1995	1994	1993	1992
OPERATING RESULTS				
Sales	$ 3,865	$ 3,485	$ 3,328	$ 3,217
Cost of sales	2,317	2,112	2,030	1,937
Selling, distribution, and administrative	869	789	744	724
Research and development	103	97	92	85
Workforce reduction and asset write-downs	--	--	120	--
Operating income	602	486	369	481
Equity affiliates' income(b)	51	28	13	16
Loss on leveraged interest rate swaps	--	107	--	--
Interest expense	100	81	81	90
Income taxes	185	92	100	130
Income from continuing operations	368	234(c)	201(e)	277
Net income	368	248(d)	201(e)	271(f)
Earnings per common share:(g)				
Continuing operations	3.29	2.06(c)	1.76(e)	2.45
Net income	3.29	2.18(d)	1.76(e)	2.40(f)
YEAR-END FINANCIAL POSITION				
Plant and equipment, at cost	$ 7,350	$ 6,520	$ 5,953	$ 5,785
Total assets	5,816	5,036	4,761	4,492
Working capital	21	101	322	279
Long-term debt and other financings	1,194	923	1,016	956
Shareholders' equity	2,398	2,206	2,102	2,098
FINANCIAL RATIOS				
Return on sales(h)	9.5%	6.7%	6.0%	8.6%
Return on average shareholders' equity(h)	16.1%	10.9%	9.6%	14.0%
Total debt to sum of total debt and shareholders' equity(i)	41.2%	36.0%	37.3%	33.9%
Cash provided by operations to average total debt(i)	48.6%	59.5%	50.3%	52.7%
Interest coverage ratio	5.5	4.5	4.4	5.4
OTHER DATA				
For the year:				
Cash provided by operations	$ 718	$ 751	$ 584	$ 599
Depreciation	382	353	346(j)	340
Capital expenditures(k)	969	655	666	485
Cash dividends per common share(g)	1.01	.95	.89	.83
Market price range per common share(g)	59-43	51-38	50-37	50-31
Average common shares outstanding (millions)	112	114	114	113
At year end:				
Book value per common share(g)	21.48	19.46	18.41	18.50
Shareholders	11,800	11,900	11,800	11,100
Employees	14,800	14,100	15,300	14,500

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

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

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

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

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

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

	1991	1990	1989	1988
OPERATING RESULTS				
Sales	$ 2,931	$ 2,895	$ 2,642	$ 2,432
Cost of sales	1,755	1,775	1,601	1,452
Selling, distribution, and administrative	686	659	610	545
Research and development	80	72	71	72
Workforce reduction and asset write-downs	--	--	--	--
Operating income	435	399	382	374
Equity affiliates' income(b)	13	17	9	(8)
Loss on leveraged interest rate swaps	--	--	--	--
Interest expense	86	83	73	65
Income taxes	113	103	96	87
Income from continuing operations	249	230	222	214
Net income	249	230	222	214
Earnings per common share:(g)				
Continuing operations	2.22	2.07	2.02	1.95
Net income	2.22	2.07	2.02	1.95
YEAR-END FINANCIAL POSITION				
Plant and equipment, at cost	$ 5,332	$ 5,010	$ 4,442	$ 4,085
Total assets	4,228	3,900	3,366	3,000
Working capital	117	214	262	110
Long-term debt and other financings	945	954	854	668
Shareholders' equity	1,841	1,688	1,445	1,272
FINANCIAL RATIOS				
Return on sales(h)	8.5%	7.9%	8.4%	8.8%
Return on average shareholders' equity(h)	14.1%	14.7%	16.4%	17.6%
Total debt to sum of total debt and shareholders' equity(i)	38.1%	38.5%	38.4%	37.6%
Cash provided by operations to average total debt(i)	57.7%	52.7%	53.7%	65.4%
Interest coverage ratio	4.2	4.2	4.6	4.9
OTHER DATA				
For the year:				
Cash provided by operations	$ 619	$ 528	$ 447	$ 469
Depreciation	319	303	281	258
Capital expenditures(k)	657	621	562	556
Cash dividends per common share(g)	.75	.69	.63	.55
Market price range per common share(g)	37-21	31-22	25-18	27-14
Average common shares outstanding (millions)	112	111	110	110
At year end:				
Book value per common share(g)	16.40	15.17	13.11	11.60
Shareholders	10,900	11,100	11,400	11,900
Employees	14,600	14,000	14,100	13,300

	1987	1986	1985
OPERATING RESULTS			
Sales	$ 2,132	$ 1,941	$ 1,765
Cost of sales	1,279	1,146	1,062
Selling, distribution, and administrative	489	466	407
Research and development	57	61	51
Workforce reduction and asset write-downs	--	--	--
Operating income	327	240(a)	267
Equity affiliates' income(b)	(9)	(14)	--
Loss on leveraged interest rate swaps	--	--	--
Interest expense	77	74	55
Income taxes	81	45	71
Income from continuing operations	160	107	141
Net income	156(f)	5	143
Earnings per common share:(g)			
Continuing operations	1.42	.91	1.17
Net income	1.38(f)	.04	1.19
YEAR-END FINANCIAL POSITION			
Plant and equipment, at cost	$ 3,714	$ 3,397	$ 3,041
Total assets	2,705	2,661	2,457
Working capital	145	180	84
Long-term debt and other financings	616	707	528
Shareholders' equity	1,147	1,100	1,163
FINANCIAL RATIOS			
Return on sales(h)	7.5%	5.5%	8.0%
Return on average shareholders' equity(h)	14.2%	9.2%	12.4%
Total debt to sum of total debt and shareholders' equity(i)	36.8%	40.2%	33.8%
Cash provided by operations to average total debt(i)	64.7%	64.6%	69.8%
Interest coverage ratio	3.9	2.8	4.4
OTHER DATA			
For the year:			
Cash provided by operations	$ 471	$ 437	$ 372
Depreciation	243	219	187
Capital expenditures(k)	368	407	399
Cash dividends per common share(g)	.45	.38	.32
Market price range per common share(g)	27-16	21-13	15-10
Average common shares outstanding (millions)	113	117	121
At year end:			
Book value per common share(g)	10.33	9.60	9.89

Shareholders	12,000	11,600	11,400
Employees	12,100	12,700	12,500

(g) Data per common share are based on the average number of shares outstanding during each year retroactively restated to reflect a two-for-one stock split in 1992 and 1986, except for book value per common share, which is based on the number of shares outstanding at the end of each year retroactively restated.

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

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

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

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

Exhibit 21

SUBSIDIARIES OF AIR PRODUCTS AND CHEMICALS, INC.

The following is a list of the Company's subsidiaries, all of which are wholly owned as of 30 September 1995, except for certain subsidiaries of the Registrant which do not in the aggregate constitute a significant subsidiary as that term is defined in Rule 12b-2 under the Securities Exchange Act of 1934.

UNITED STATES

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

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

BELGIUM

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

BRAZIL

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

CANADA

Air Products Canada Ltd.

FRANCE

Prodair S.A.

GERMANY

Air Products GmbH

THE NETHERLANDS

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

SPAIN

Air Products Iberica, S.A.

UNITED KINGDOM

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

POWER OF ATTORNEY

Know All Men By These Presents, that each person whose signature appears below constitutes and appoints Harold A. Wagner or Arnold H. Kaplan or James H. Agger, acting severally, his/her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place and stead, in any and all capacities, to sign the Form 10-K Annual Report for the fiscal year ended September 30, 1995 and all amendments thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Harold A. Wagner Harold A. Wagner	Director and Chairman of the Board (Principal Executive Officer)	November 16, 1995
/s/ Dexter F. Baker Dexter F. Baker	Director	November 16, 1995
/s/ Tom H. Barrett Tom H. Barrett	Director	November 16, 1995
/s/ L. Paul Bremer, III L. Paul Bremer, III	Director	November 16, 1995
/s/ Will M. Caldwell Will M. Caldwell	Director	November 16, 1995

/s/ Robert Cizik - ---------------------------- Robert Cizik	Director	November 16, 1995
/s/ Ruth M. Davis - ---------------------------- Ruth M. Davis	Director	November 16, 1995
/s/ Terry R. Lautenbach - ---------------------------- Terry R. Lautenbach	Director	November 16, 1995
/s/ Rudolphus F. M. Lubbers - ---------------------------- Rudolphus F. M. Lubbers	Director	November 16, 1995
/s/ Judith Rodin - ---------------------------- Judith Rodin	Director	November 16, 1995
/s/ Takeo Shiina - -------------------------- Takeo Shiina	Director	November 16, 1995
/s/ Lawrason D. Thomas - -------------------------- Lawrason D. Thomas	Director	November 16, 1995

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YEAR
SEP-30-1995
OCT-01-1994
SEP-30-1995
87
0
639
14
335
1332
7350
3848
5816
1311
1194
125
0
0
2273
5816
3865
3865
2317
2317
103
8
100
553
185
368
0
0
0
368
3.29
3.29