

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended 31 March 2002

OR

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

For the transition period from _____ to _____

Commission file number 1-4534

AIR PRODUCTS AND CHEMICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

23-1274455

(State of Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

7201 Hamilton Boulevard, Allentown, Pennsylvania 18195-1501

(Address of Principal Executive Offices) (Zip Code)

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

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

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

Class	Outstanding at 1 May 2002
-----	-----
Common Stock, \$1 par value	227,203,388

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries
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REMARKS:

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

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

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

(Millions of dollars, except per share)

	31 March 2002 (Unaudited)	30 September 2001
ASSETS		
CURRENT ASSETS		
Cash and cash items	\$ 97.8	\$ 66.2
Trade receivables, less allowances for doubtful accounts	867.2	913.4
Inventories	364.4	410.5
Contracts in progress, less progress billings	95.3	67.9
Other current assets	206.6	226.8
TOTAL CURRENT ASSETS	1,631.3	1,684.8
INVESTMENTS IN NET ASSETS OF AND ADVANCES TO EQUITY AFFILIATES		
PLANT AND EQUIPMENT, at cost	10,157.1	10,226.5
Less - Accumulated depreciation	5,160.2	5,108.0
PLANT AND EQUIPMENT, net	4,996.9	5,118.5
GOODWILL	343.1	384.7
OTHER NONCURRENT ASSETS	368.9	396.6
TOTAL ASSETS	\$7,870.8	\$8,084.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables, trade and other	\$ 460.3	\$ 512.2
Accrued liabilities	323.0	341.6
Accrued income taxes	77.5	48.4
Short-term borrowings	46.6	255.7
Current portion of long-term debt	66.9	194.5
TOTAL CURRENT LIABILITIES	974.3	1,352.4
LONG-TERM DEBT	1,968.9	2,027.5
DEFERRED INCOME & OTHER NONCURRENT LIABILITIES	718.9	702.0
DEFERRED INCOME TAXES	791.1	778.4
TOTAL LIABILITIES	4,453.2	4,860.3
MINORITY INTEREST IN SUBSIDIARY COMPANIES	120.9	118.0
SHAREHOLDERS' EQUITY		
Common stock (par value \$1 per share, issued 2002 and 2001-249,455,584 shares)	249.4	249.4
Capital in excess of par value	417.2	384.9
Retained earnings	4,118.9	3,965.9
Accumulated other comprehensive income (loss)	(498.1)	(452.5)
Treasury Stock, at cost (2002- 22,252,196 shares; 2001-22,269,244 shares)	(768.3)	(768.8)
Shares in trust (2002- 9,489,217 shares; 2001-11,723,720 shares)	(222.4)	(273.1)
TOTAL SHAREHOLDERS' EQUITY	3,296.7	3,105.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$7,870.8	\$8,084.1

The accompanying notes are an integral part of these statements.

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

(Millions of dollars, except per share)

	Three Months Ended 31 March		Six Months Ended 31 March	
	2002	2001	2002	2001
SALES	\$1,312.7	\$1,534.5	\$2,629.2	\$3,010.3
COSTS AND EXPENSES				
Cost of sales	942.3	1,141.0	1,879.4	2,200.6
Selling and administrative	189.1	189.5	358.4	363.0
Research and development	28.1	30.8	58.5	59.3
Other (income) expense, net	(1.6)	9.0	(6.1)	(4.3)
OPERATING INCOME	154.8	164.2	339.0	391.7
Income from equity affiliates, net of related expenses	20.3	16.9	38.7	37.8
Gain on sale of packaged gas business	55.7	--	55.7	--
Interest expense	31.0	50.3	66.1	98.7
INCOME BEFORE TAXES AND MINORITY INTEREST	199.8	130.8	367.3	330.8
Income taxes	69.6	36.6	118.4	98.3
Minority interest (a)	4.1	(.4)	9.1	2.3
NET INCOME	\$126.1	\$94.6	\$239.8	\$230.2
BASIC EARNINGS PER COMMON SHARE	\$.58	\$.44	\$1.11	\$1.07
DILUTED EARNINGS PER COMMON SHARE	\$.57	\$.43	\$1.08	\$1.05
WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in millions)	216.6	214.5	216.2	214.4
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES (in millions) (b)	222.9	218.9	221.7	218.4
DIVIDENDS DECLARED PER COMMON SHARE - Cash	\$.20	\$.19	\$.40	\$.38

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

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

The accompanying notes are an integral part of these statements.

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

(Millions of dollars)

	Three Months Ended 31 March		Six Months Ended 31 March	
	2002	2001	2002	2001
NET INCOME	\$126.1	\$94.6	\$239.8	\$230.2
OTHER COMPREHENSIVE INCOME (LOSS), net of tax				
Unrealized gains (losses) on investments:				
Unrealized holding gains (losses) arising during the period	(3.3)	.5	(2.5)	(.3)
Less: reclassification adjustment for gains included in net income	(1.7)	--	(1.7)	--
Net unrealized holding gains (losses) on investments	(5.0)	.5	(4.2)	(.3)
Net gain (loss) on derivatives	(1.2)	(.1)	.4	1.3
Translation adjustments	(15.5)	(59.7)	(41.8)	(77.3)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), net of tax	(21.7)	(59.3)	(45.6)	(76.3)
COMPREHENSIVE INCOME	\$104.4	\$35.3	\$194.2	\$153.9

The accompanying notes are an integral part of these statements.

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

(Millions of dollars)

	Six Months Ended 31 March	
	2002	2001
OPERATING ACTIVITIES		
Net Income	\$239.8	\$230.2
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation	275.7	291.7
Deferred income taxes	7.4	7.1
Undistributed earnings of unconsolidated affiliates	(30.9)	(19.9)
Gain on sale of assets and investments	(58.6)	(.6)
Other	66.1	(8.2)
Working capital changes that provided (used) cash, excluding effects of acquisitions and divestitures:		
Trade receivables	10.1	(82.2)
Inventories and contracts in progress	(5.8)	(37.9)
Payables, trade and other	(43.0)	1.6
Other	16.3	(1.9)
CASH PROVIDED BY OPERATING ACTIVITIES	477.1	379.9
INVESTING ACTIVITIES		
Additions to plant and equipment (a)	(321.3)	(302.3)
Investment in and advances to unconsolidated affiliates	(34.7)	(26.5)
Acquisitions, less cash acquired	(1.1)	--
Proceeds from sale of assets and investments	267.8	32.2
Other	10.5	23.0
CASH USED FOR INVESTING ACTIVITIES	(78.8)	(273.6)
FINANCING ACTIVITIES		
Long-term debt proceeds	20.8	54.4
Payments on long-term debt	(164.8)	(21.4)
Net decrease in commercial paper and other short-term borrowings	(205.2)	(25.7)
Purchase of treasury stock	--	(50.0)
Dividends paid to shareholders	(86.2)	(81.5)
Issuance of stock for options and award plans	75.5	27.0
CASH USED FOR FINANCING ACTIVITIES	(359.9)	(97.2)
Effect of Exchange Rate Changes on Cash	(6.8)	(2.6)
Increase in Cash and Cash Items	31.6	6.5
Cash and Cash Items - Beginning of Year	66.2	94.1
Cash and Cash Items - End of Period	\$97.8	\$100.6

(a) Excludes capital lease additions of \$1.8 and \$.5 in 2002 and 2001, respectively.

The accompanying notes are an integral part of these statements.

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

Business segment information is shown below:

(Millions of dollars)

	Three Months Ended 31 March		Six Months Ended 31 March	
	2002	2001	2002	2001
Revenues from external customers				
Gases	\$ 886.8	\$1,079.4	\$1,790.9	\$2,106.1
Chemicals	358.1	390.3	707.1	783.6
Equipment	67.8	64.8	131.2	120.6
Segment Totals	1,312.7	1,534.5	2,629.2	3,010.3
Consolidated Totals	\$1,312.7	\$1,534.5	\$2,629.2	\$3,010.3
Operating income				
Gases	\$122.5	\$156.8	\$274.5	\$348.2
Chemicals	42.0	18.5	82.5	55.5
Equipment	5.1	3.5	6.0	4.6
Segment Totals	169.6	178.8	363.0	408.3
Corporate research and development and other income/(expense)	(14.8)	(14.6)	(24.0)	(16.6)
Consolidated Totals	\$154.8	\$164.2	\$339.0	\$391.7
Operating income (excluding special items)				
Gases	\$148.7(a)	\$183.1(c)	\$300.7(a)	\$374.5(c)
Chemicals	46.6(b)	23.1(d)	87.1(b)	60.1(d)
Equipment	5.1	3.5	6.0	4.6
Segment Totals	200.4	209.7	393.8	439.2
Corporate research and development and other income/(expense)	(14.8)	(8.6)(e)	(24.0)	(10.6)(e)
Consolidated Totals	\$185.6	\$201.1	\$369.8	\$428.6
Equity affiliates' income				
Gases	\$16.3	\$16.6	\$32.1	\$35.3
Chemicals	2.8	--	5.1	1.5
Equipment	1.2	.2	1.5	.9
Segment Totals	20.3	16.8	38.7	37.7
Other	--	.1	--	.1
Consolidated Totals	\$20.3	\$16.9	\$38.7	\$37.8

(Millions of dollars)

	31 March	
	2002	2001
Identifiable assets (f)		
Gases	\$5,503.2	\$5,930.7
Chemicals	1,384.4	1,457.9
Equipment	214.1	229.9
Segment Totals	7,101.7	7,618.5
Corporate assets	238.5	172.2
Consolidated Totals	\$7,340.2	\$7,790.7

	Twelve Months Ended 31 March	
	2002	2001
ORONA (f)		
Gases	11.2%	12.9%
Chemicals	12.0%	9.6%
Equipment	6.5%	6.3%
Segment Totals	11.2%	12.0%
Consolidated Totals	10.6%	11.3%

- (a) The results for the three and six months ended 31 March 2002 excluded a cost reduction charge of \$26.2.
- (b) The results for the three and six months ended 31 March 2002 excluded a cost reduction charge of \$4.6.
- (c) The results for the three and six months ended 31 March 2001 excluded a cost reduction charge of \$26.3.
- (d) The results for the three and six months ended 31 March 2001 excluded a cost reduction charge of \$4.6.
- (e) The results for the three and six months ended 31 March 2001 excluded a litigation settlement charge of \$6.0.
- (f) Operating return on net assets (ORONA) is calculated as the rolling four quarter sum of operating income divided by the rolling five quarter average of total assets less investments in equity affiliates (identifiable assets). The ORONA calculation excluded all special items impacting operating income.

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

(Millions of dollars)

	Three Months Ended 31 March		Six Months Ended 31 March	
	2002	2001	2002	2001
Revenues from external customers				
United States	\$819.9	\$1,030.9	\$1,657.8	\$2,012.1
Canada	27.1	29.8	52.1	59.3
Total North America	847.0	1,060.7	1,709.9	2,071.4
United Kingdom	108.0	125.7	218.9	238.1
Spain	80.5	82.8	161.7	157.1
Other Europe	180.5	159.9	332.4	307.5
Total Europe	369.0	368.4	713.0	702.7
Asia	69.1	77.1	152.0	169.7
Latin America	27.6	28.3	54.2	66.4
All Other	--	--	.1	.1
Total	\$1,312.7	\$1,534.5	\$2,629.2	\$3,010.3

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

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

(Millions of dollars, except per share)

The company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" on 1 October 2001. As required by SFAS 142, the company performed an impairment test on goodwill as of 1 October 2001, which indicated no impairment of goodwill. As of 1 October 2001, the company is no longer amortizing goodwill, including goodwill associated with investments in equity affiliates. Goodwill amortization in 2001 was \$14.8 on an after-tax basis, or \$.07 per share. Goodwill amortization for the three and six months ended 31 March 2001 was \$3.6 and \$7.4, on an after-tax basis, or \$.02 and \$.04 per share, respectively.

Changes to the carrying amount of consolidated goodwill by segment for the six months ended 31 March 2002, are as follows:

	Gases	Chemicals	Equipment	Total
Balance as of 30 September 2001	\$289.2	\$87.1	\$8.4	\$384.7
Acquisitions and adjustments	4.5	(.1)	--	4.4
Currency translation and other	(8.2)	(1.5)	--	(9.7)
Goodwill related to the sale of U.S. packaged gas business	(36.3)	--	--	(36.3)
Balance as of 31 March 2002	\$249.2	\$85.5	\$8.4	\$343.1

There were no significant acquisitions during the six months ended 31 March 2002. Goodwill associated with the divested U.S. packaged gas business was included in the carrying amount of the business in determining the gain on disposal. The amount of goodwill included in the carrying amount of the divested business was based on the relative fair value of the divested business to the total reporting unit. The fair values were determined using the expected present value of future cash flows.

On 28 February 2002, the company completed the sale of the majority of its U.S. packaged gas business, excluding the electronic gases and magnetic resonance imaging related helium operations, to Airgas, Inc. (Airgas). This sale included approximately 100 facilities in 30 states associated with the filling and distribution of cylinders, liquid dewars, tube trailers, and other containers of industrial gases and non-electronic specialty gases, and the retail selling of welding hardgoods, including customer service centers, warehouses, and other related assets. The company also sold its packaged gas operations in the Carolinas and in Southern Virginia to National Welders Supply Company, Inc., a joint venture between Airgas and the Turner family of Charlotte, N.C. The assets sold generated approximately \$240 in revenues in 2001 with a modest contribution to operating income. For the five months ended 28 February 2002, the revenues were approximately \$100 also with a modest contribution to operating income. These facilities employed 1,200 people. The proceeds from these transactions were \$254.5. The results for the three and six months ended 31 March 2002 included a gain of \$55.7 (\$25.7 after-tax, or \$.12 per share).

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

	Three Months Ended 31 March		Six Months Ended 31 March	
	2002	2001	2002	2001
Numerator for basic EPS and diluted EPS-net income	\$126.1	\$94.6	\$239.8	\$230.2
Denominator for basic EPS -weighted average shares	216.6	214.5	216.2	214.4
Effect of diluted securities:				
Employee stock options	5.5	3.4	4.9	3.1
Other award plans	.8	1.0	.6	.9
	6.3	4.4	5.5	4.0
Denominator for diluted EPS -weighted average shares and assumed conversions	222.9	218.9	221.7	218.4
Basic EPS	\$.58	\$.44	\$1.11	\$1.07
Diluted EPS	\$.57	\$.43	\$1.08	\$1.05

Options of 5.6 million shares of common stock were not included in computing diluted EPS for the second quarter of 2001 because their effects were antidilutive.

Income from equity affiliates contributed \$.09 and \$.07 to diluted earnings per share for the three months ended 31 March 2002 and 2001, respectively. Income from equity affiliates contributed \$.16 to diluted earnings per share for both the six months ended 31 March 2002 and 2001.

The results for the three and six months ended 31 March 2002 included a charge of \$30.8 (\$18.9 after-tax, or \$.09 per share) for a global cost reduction plan (2002 Plan) including packaged gas divestiture related reductions. This charge included \$27.1 for severance and pension related benefits and \$3.7 for asset impairments related to the planned sale or closure of two small chemical facilities. The company will eliminate 333 positions in areas of manufacturing, engineering, distribution, and overheads. The restructuring charges included in cost of sales, selling and administrative, research and development, and other expense were \$13.4, \$14.1, \$.4, and \$2.9, respectively.

The results for the three and six months ended 31 March 2001 included a charge of \$30.9 (\$20.0 after-tax, or \$.09 per share) for a global cost reduction plan. The plan included 311 position eliminations, resulting in a charge of \$22.4 for severance and termination benefits. A charge of \$8.5 was recognized for asset impairments and other related restructuring costs. The restructuring charges included in cost of sales, selling and administrative, and other expense were \$14.4, \$9.4, and \$7.1, respectively. The results for the three and six months ended 31 March 2001 also included a charge of \$6.0 (\$3.7 after-tax, or \$.02 per share) related to a litigation settlement.

ACCRUAL FOR COST REDUCTION PLANS

	Severance	Pension	Other (1)	Total
Balance at 30 September 2001	\$49.1	\$ --	\$1.5	\$50.6
Provision	16.4	10.7	3.7	30.8
Noncash charges	--	(10.7)	(3.7)	(14.4)
Cash expenditures	(18.6)	--	--	(18.6)
Adjustments 2001 Plan	(2.4)	--	(.6)	(3.0)
Balance at 31 March 2002	\$44.5	\$ --	\$.9	\$45.4

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

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

SECOND QUARTER 2002 VS. SECOND QUARTER 2001

(Millions of dollars, except per share)

RESULTS OF OPERATIONS

Consolidated - Sales in the second quarter of 2002 of \$1,312.7 declined 14%, or \$221.8, compared with the same quarter in the prior year. Operating income was \$154.8, down \$9.4, or 6%. Income from equity affiliates was up \$3.4 to \$20.3. Net income was \$126.1, or \$.57 diluted earnings per share, compared to net income of \$94.6, or \$.43 diluted earnings per share. The results for the quarter ended 31 March 2002 were impacted by two special items: an after-tax gain of \$25.7, or \$.12 per share, on the sale of the U.S. packaged gas business; and an after-tax charge of \$18.9, or \$.09 per share, for a global cost reduction plan. The results for the quarter ended 31 March 2001 were impacted by an after-tax charge of \$20.0, or \$.09 per share, for a global cost reduction plan as well as an after-tax charge of \$3.7, or \$.02 per share, for costs related to a litigation settlement. Excluding special items, net income for the quarters ended 31 March 2002 and 2001 were \$119.3 and \$118.3, respectively. Excluding special items, diluted earnings per share for both quarters ended 31 March 2002 and 2001 was \$.54.

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

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

Gases - Sales declined \$192.6, or 18%, to \$886.8 in the second quarter of 2002. Excluding natural gas cost pass-through, acquisitions and divestitures, and currency effects, sales declined 4%. This decline of 4% was principally due to lower shipments, especially to the electronics industry. Volume growth in chemicals and processing industries (CPI) and higher merchant prices partially offset this decline in sales.

Operating income of \$148.7 declined \$34.4, or 19%. This decline was principally due to the depressed conditions in the global electronics market as current low levels are being compared to record high levels of prior year. North American operating results included a write-off of \$7.3 million in receivables associated with three bankrupt steel customers. Higher merchant gases pricing and lower operating costs partially offset the operating income decline. Currency and exchange related effects had a minimal impact on the operating income comparison. Operating margin of 16.8% was down .2% compared to 17.0%.

While experiencing modest sequential improvement, results for electronics continued to be affected by a sharp reduction in customers' global silicon wafer processing due to soft demand. Total worldwide CPI tonnage volume increased overall 7% with hydrogen and carbon monoxide (HYCO) experiencing double-digit growth. While remaining stable sequentially, liquid bulk volume declined 8% in North America, reflecting continued softening demand across a number of end markets. Improved pricing, lower operating costs, and lower overheads in liquid bulk were able to more than offset the continued general slowdown in volumes. Average liquid oxygen and nitrogen (LOX/LIN) prices increased 5% as a direct result of pricing and surcharge initiatives.

A 4% increase in the European LOX/LIN price index and lower operating costs were more than offset by a 5% decline in European liquid bulk volumes. The Asian liquid bulk volume decreased 5% primarily due to lower demand by northern Chinese steel makers.

Gases equity affiliates' income was \$16.3 down \$.3 from \$16.6. The absence of income from two cogeneration facilities that were divested in the fourth quarter of 2001 and lower results from electronics affiliates more than offset a \$5.0 gain recognized from a one-time tax benefit related to an asset revaluation of an Italian affiliate.

Chemicals - Sales in the second quarter of 2002 of \$358.1 declined \$32.2, or 8%. Excluding the effects of natural gas cost pass-through and currency impacts, sales were down 4%. This decline was principally due to unfavorable price/mix variance. The overall volume index for chemicals was up 1%. In the performance chemicals division, overall volumes were up 4%. Worldwide emulsion volumes increased nearly 7%, while epoxy additives and surfactants volumes were down. Chemical intermediates volumes declined 4% as higher shipments of methylamines and polyurethane intermediates were more than offset by weaker demand for specialty and higher amines.

Operating income of \$46.6 increased \$23.5, or 102%, due to margin improvement in most product lines resulting from lower natural gas and feedstock costs, lower costs due to continuous improvement efforts, and the increase in volume performance. The operating margin of 13.0% was significantly improved.

Equity affiliates' income was up \$2.8 due to the improved profitability of the global Polymers joint venture.

A long-term supplier of sulfuric acid, which is used in the production of dinitrotoluene (DNT), has been operating under Chapter 11 bankruptcy protection since 8 May 2001. The company's DNT operation and supply to its customers have not been materially impacted. The company expects this supplier to be successful in their reorganization. In the unlikely event of unsuccessful reorganization, the profitability of the chemicals segment could be materially impacted on an annual basis. The company extended an \$8.0 line of credit to this supplier, of which \$4.5 was drawn at 31 March 2002. The company also entered into a product pre-payment agreement with this supplier. At 31 March 2002 the unamortized balance was \$5.8. The company expects to fully recover these advances.

Equipment - Sales of \$67.8 were up \$3.0, or 5%, due to increased activity across several product lines. Operating income increased \$1.6, to \$5.1, primarily due to higher shipments of helium containers and membrane units. The sales backlog for the equipment segment at 31 March 2002 was \$193.8 compared to \$103.9 at 31 March 2001 and \$227.2 at 30 September 2001.

INTEREST

Interest expense of \$31.0 decreased \$19.3, or 38%. This decline resulted from a lower average debt outstanding coupled with lower interest rates.

INCOME TAXES

The effective tax rate for the second quarter of 2002 was 35.6%, after minority interest of \$4.1. The effective rate excluding the impact of special items was 30.0%. The comparable rate in the prior year was 29.6%. The .4% increase was due principally to lower tax credits in the current year.

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

SIX MONTHS FISCAL 2002 VS. SIX MONTHS FISCAL 2001

RESULTS OF OPERATIONS

Consolidated - Sales for the six months ended 31 March 2002 of \$2,629.2 were 13% lower than the \$3,010.3 reported in the prior year. Operating income of \$339.0 declined \$52.7, or 14%. Income from equity affiliates was \$38.7 compared with \$37.8. Net income was \$239.8, or \$1.08 diluted earnings per share, compared to net income of \$230.2, or \$1.05 diluted earnings per share. The results for the six months ended 31 March 2002 were impacted by two special items: an after-tax gain of \$25.7, or \$.12 per share, on the sale of the U.S. packaged gas business; and an after-tax charge of \$18.9, or \$.09 per share, for a global cost reduction plan. The results for the six months ended 31 March 2001 included an after-tax charge of \$20.0 million, or \$.09 per share, for a cost reduction program and an after-tax charge of \$3.7 million, or \$.02 per share, related to a litigation settlement. Excluding these special items, net income for the six months ended 31 March 2002 of \$233.0 declined \$20.9, or 8% from the prior year. Excluding special items, diluted earnings per share of \$1.05 declined 9% from prior year.

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

Gases - Sales in the first six months of 2002 were \$1,790.9 compared to \$2,106.1, down \$315.2 or 15%. Excluding natural gas cost pass-through, acquisitions and divestitures, and currency effects, sales declined 5%. The balance of the sales decline was due principally to lower shipments to the electronics industry. The decline in sales was partially offset by higher prices for merchant gases and volume growth in CPI.

Operating income of \$300.7 declined \$73.8, or 20%, due principally to the depressed conditions in the global electronics market. North American operating results included a write-off of \$7.3 million in receivables associated with three bankrupt steel customers. Higher merchant gases pricing and lower operating costs partially offset the operating income decline. Unfavorable currency and exchange related effects reduced operating income by 1%. Operating margin of 16.8% was down 1.0% compared to 17.8%.

Electronics volume decline resulted from continued depressed conditions in the global electronics market as current low levels are being compared to record high levels of prior year. While experiencing modest sequential improvement, electronics continued to be affected by a sharp reduction in customers' global silicon wafer processing due to soft demand. Overall CPI tonnage volume grew 4% as increased HYCO demand was largely offset by weakness in gaseous oxygen and nitrogen (GOX/GAN).

While remaining stable sequentially, liquid bulk volume declined 8% in North America, reflecting continued softening demand across a number of end markets. Improved pricing, lower operating costs, and lower overheads in liquid bulk were able to more than offset the continued general slowdown in volumes. Average LOX/LIN prices increased 5% as a direct result of pricing and surcharge initiatives.

A 4% increase in the European LOX/LIN price was tempered by a 5% decline in European liquid bulk volumes. The Asian liquid bulk volume decreased 2% due to lower demand by northern Chinese steel makers partially offset by growth in Southern China and Thailand.

Gases equity affiliates' income was down \$3.2 or 9%, mainly due to the absence of income from two cogeneration facilities that were divested in the fourth quarter of 2001 which more than offset a \$5.0 gain recognized from a one-time tax benefit related to an asset revaluation in an Italian affiliate.

Chemicals - Sales in the first six months of 2002 were \$707.1 compared to \$783.6, down 10%. Excluding the effects of natural gas cost pass-through and some prior year polyvinyl alcohol (PVOH) post-sale export revenues, sales declined 5%. Unfavorable currency impacts had minimal effect on revenues. The overall volume index decline was 6%, excluding the impact of PVOH. The volume decline resulted from soft demand related to the weak economy.

Performance chemicals experienced generally flat volumes year on year. Chemical intermediates volume declined 7%, resulting from market softness for polyurethane intermediates as well as weaker demand in specialty and higher amines.

Operating income of \$87.1 increased 45%, or \$27.0. Improved margins resulting from lower natural gas and feedstock costs, and reduced overhead costs drove the significant increase in operating income. Unfavorable currency and exchange related effects reduced operating income about 1%. The operating margin of 12.3% was significantly improved.

Equity affiliates' income increased \$3.6 primarily due to the improved profitability of the global Polymers joint venture.

Equipment - Sales of \$131.2 grew \$10.6 while operating income of \$6.0 was up \$1.4. The improved results reflected increased activity across several product lines.

INTEREST

Interest expense of \$66.1 decreased \$32.6, or 33%. The decrease primarily resulted from a combination of lower average debt outstanding and lower interest rates.

INCOME TAXES

The effective tax rate for the first six months of 2002 was 33.1%, after minority interest of \$9.1. The effective rate excluding the impact of special items was 30.0%. The comparable rate in the prior year was 30.5%. The .5% decrease was due principally to higher tax credits in the current year.

LIQUIDITY, CAPITAL RESOURCES, AND OTHER FINANCIAL DATA

Capital expenditures during the first six months of 2002 totaled \$358.9 compared to \$329.3. Additions to plant and equipment were \$321.3 during the first six months of 2002 compared to \$302.3. Investments in and advances to unconsolidated affiliates were \$34.7 during the current period versus \$26.5. Capital expenditures for new plant and equipment are expected to be approximately \$700 in 2002. In addition, the company intends to continue to pursue acquisition opportunities and investments in affiliated entities. It is anticipated these expenditures will be funded with cash from operations and proceeds from asset sales.

Total debt at 31 March 2002 and 30 September 2001, expressed as a percentage of the sum of total debt, shareholders' equity, and minority interest, was 38% and 43%, respectively. Total debt decreased from \$2,477.7 at 30 September 2001 to \$2,082.4 at 31 March 2002.

There was no commercial paper outstanding at 31 March 2002. The company's total revolving credit commitments amounted to \$600.0 at 31 March 2002. No borrowings were outstanding under these commitments.

Additional commitments totaling \$71.7 are maintained by the company's foreign subsidiaries, of which \$22.2 was utilized at 31 March 2002.

The estimated fair value of the company's long-term debt, including current portion, as of 31 March 2002 is \$2,061.2 compared to a book value of \$2,035.8. There have been no material changes to the company's commitments for future payments of long-term debt, leases, and unconditional purchase obligations.

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

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

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

The company's principal related parties are equity affiliates operating in industrial gas and chemicals businesses. During 2001 and the six months ended 31 March 2002, the company did not engage in any material transactions involving related parties that included terms or other aspects that differ from those which would be negotiated with clearly independent parties.

FINANCIAL INSTRUMENTS

The net financial instrument position of the company was reduced from \$2,300.5 at 30 September 2001 to \$2,021.6 at 31 March 2002 primarily due to scheduled repayments of outstanding long-term debt. All financial instruments are entered into for other than trading purposes and there was no material change to market risk sensitivity since 30 September 2001.

CRITICAL ACCOUNTING POLICIES

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

The significant accounting policies of the company are described in the notes to the consolidated financial statements included in the annual report on Form 10-K. Judgments and estimates of uncertainties are required in applying the company's accounting policies in many areas. Following are some of the areas requiring significant judgments and estimates: useful lives of plant and equipment; cash flow and valuation assumptions in performing asset impairment tests of long-lived assets and goodwill; assessment of the fair value of investments

in equity affiliates; and estimated costs to be incurred for environmental matters, contract disputes and settlement of litigation.

FORWARD-LOOKING STATEMENTS

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

PART II. OTHER INFORMATION

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

- a. The Annual Meeting of Shareholders of the Registrant was held on 24 January 2002.
- b. The following directors were elected at the meeting: Michael J. Donahue, Ursula F. Fairbairn and John P. Jones III. Directors whose term of office continued after the meeting include: Mario L. Baeza, L. Paul Bremer III, Edward E. Hagenlocker, Terry R. Lautenbach, James F. Hardymon, Charles H. Noski, Paul G. Rosput and Lawrason D. Thomas.
- c. The following matters were voted on at the Annual Meeting:
 - 1. Election of Directors

NAME OF DIRECTOR	NUMBER OF VOTES CAST			
	FOR	AGAINST OR WITHHELD	ABSTENTIONS	BROKER NON- VOTES
Michael J. Donahue	204,562,003	2,493,716	0	0
Ursula F. Fairbairn	204,462,495	2,593,224	0	0
John P. Jones III	203,841,169	3,214,542	0	0

2. Ratification of the appointment of Arthur Andersen LLP of Philadelphia, Pennsylvania, as independent certified public accountants for the Registrant for the fiscal year ending 30 September 2002.

NUMBER OF VOTES CAST			
FOR	AGAINST OR WITHHELD	ABSTENTIONS	BROKER NON-VOTES
198,430,332	7,251,232	1,374,155	0

Item 6. Exhibits and Reports on Form 8-K.

- (a)(10.1) Amended and Restated Long Term Incentive Plan of the Company, effective 1 October 2001
- (a)(10.2) Amended and Restated Annual Incentive Plan of the Company, effective 1 October 2001
- (a)(10.3) Resolutions approving an Amendment to the Compensation Program for Directors of the Company, effective 1 January 2002
- (a)(10.4) Amended and Restated Deferred Compensation Plan for Directors of the Company, effective 20 September 2001
- (a)(12) Computation of Ratios of Earnings to Fixed Charges.
- (b) Current Reports on Form 8-K dated 23 January 2002 and 23 April 2002, in which Item 5 of such Forms was reported, and 22 January 2002 and 23 April 2002, in which Item 5 and Item 9 of such Forms were reported, were filed by the Registrant during the quarter ended 31 March 2002.

SIGNATURES

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

Air Products and Chemicals, Inc.

(Registrant)

Date: 3 May 2002

By: /s/L. J. Daley

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

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

EXHIBITS

To

FORM 10-Q

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

For the quarter ended 31 March 2002

Commission File No. 1-4534

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

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INDEX TO EXHIBITS

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

As Amended and Restated
Effective October 1, 2001

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1. Purposes of the Plan

The purposes of this Plan are: (i) to provide long-term incentives and rewards to those executives or other key employees who are in a position to contribute to the long-term success and growth of Air Products and Chemicals, Inc. (the "Company") and Participating Subsidiaries, (ii) to assist the Company and Participating Subsidiaries in attracting and retaining executives and other key employees with experience and ability and (iii) to associate more closely the interests of such executives and other key employees with those of the Company's shareholders.

2. Administration of the Plan

The Plan shall be administered by the Management Development and Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board") or such other committee thereof consisting of such members (not less than three) of the Board as are appointed from time to time by the Board and who, during the one year period prior to serving as a member of the Committee and during such service, have not been and are not granted equity securities of the Company under the Plan or under any other Company plan or program (other than one which will not jeopardize the "disinterested" status of such person within the meaning of Rule 16b-3(c)(2)(i) under the Act or any predecessor or successor rule relating to exemption from Section 16(b) of the Act) and who further constitute "outside directors" for purposes of Section 162(m) of the Internal Revenue Code.

The Committee shall have all necessary powers to administer and interpret the Plan, such powers to include exclusive authority (within the limitations described and except as otherwise provided in the Plan) to select the employees or determine classes of employees to be granted awards under the Plan, to determine the aggregate amount, type, size, and terms of the awards to be made, to determine the time when awards will be granted and to establish and determine whether performance objectives required for earning the right to payment in respect of performance units have been attained. The Committee may take into consideration recommendations from the appropriate officers of the Company and of each Participating Subsidiary with respect to making the foregoing determinations as to Plan awards, administration, and interpretation.

The Committee shall have full power and authority to adopt such rules, regulations, agreements and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan and all action taken and determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all parties concerned, including the Company, its shareholders and any employee of the Company or any Subsidiary. Notwithstanding any other provision of the Plan to the contrary, the Committee may delegate to appropriate Company officers its authority to take all final action with respect to granting and administering Plan awards granted to executives and key employees who are at the time of such action not members of the Board or "officers" within the meaning of Rule 16a-1(f) of the Act, including without limitation selecting the executives and key employees to whom such awards will be granted and

determining the amount of any such awards to be made to such executives and key employees, determining the terms and conditions of such awards and administering, interpreting, and taking all action on behalf of the Company with respect to administering, vesting, and paying such awards; provided, however, that (i) all such awards shall be granted within the limitations and subject to the terms and conditions required by the Plan and by the Committee's determinations and interpretations thereof and thereunder; (ii) the aggregate of such awards granted under the Plan for or with respect to a given Fiscal Year shall not, when added to the awards approved by the Committee for granting to individuals who are members of the Board of Directors or are "officers" within the meaning of Rule 16a-1(f) of the Act for or with respect to the same Fiscal Year, exceed the total amount of awards approved by the Committee for or with respect to such Fiscal Year; and (iii) excepting any action with respect to such awards taken because of or in connection with a Change in Control of the Company or as contemplated by Section 11. With respect to matters so delegated, the term "Committee" as used herein shall mean the delegate.

3. Eligibility for Participation

Participation in the Plan shall be limited to executives or other key employees (including officers and directors who are also employees) of the Company and its Participating Subsidiaries who are determined by the Committee to have a substantial opportunity to influence the long-term growth of the Company or Participating Subsidiaries. Employees who participate in other incentive or benefit plans of the Company or any Participating Subsidiary may also participate in this Plan. As used herein, the term "employee" shall mean any person employed full time or part time by the Company or a Participating Subsidiary on a salaried basis, and the term "employment" shall mean full-time or part-time salaried employment by the Company or a Subsidiary.

4. Shares of Stock Subject to the Plan

The shares that may be delivered upon exercise, in payment or in respect of stock options, stock appreciation rights, performance units, and deferred stock units granted under the Plan for, during, or in respect of Fiscal Year 2002 and later years, shall not exceed in the aggregate 11,000,000 shares of common stock of the Company ("Common Stock"), subject to adjustment as provided in Section 11. Any share subject to a Plan award which for any reason expires, is forfeited, or terminates unexercised may again be subject to an award subsequently granted under the Plan, but shares subject to an award which are not issued or delivered as a result of the exercise or payment of a related award shall not again be available for issuance under the Plan regardless of the form in which such award was paid.

5. Awards

Awards under the Plan may be of the following types: (i) stock options, (ii) stock appreciation rights, (iii) performance units, and/or (iv) deferred stock units. Stock options ("Stock Options" or "Options") may be either nonstatutory stock options ("Nonstatutory Stock Options") or incentive stock options ("Incentive Stock Options"), both as described below. The

Committee shall designate each Stock Option grant as being either a Nonstatutory Stock Option or an Incentive Stock Option. If the same individual receives both Nonstatutory Stock Options and Incentive Stock Options, each type shall be clearly identified and separately granted.

Stock Options, whether Nonstatutory Stock Options or Incentive Stock Options, are rights to purchase Common Stock from the Company. Stock appreciation rights ("Stock Appreciation Rights") are rights to receive cash and/or Common Stock equivalent in value to the "spread" between (a) the aggregate fair market value of the number of shares with respect to which the Participant has elected to exercise Stock Appreciation Rights and (b) the aggregate purchase price of such shares based on the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Rights were granted. Performance units ("Performance Units") are awards having a unit dollar value determined by the Committee and constitute rights to receive cash and/or Common Stock equivalent in value to the value of the Performance Units, provided specified performance objectives are met. Deferred stock units ("Deferred Stock Units") are rights to receive at the end of a deferral period cash and/or Common Stock equivalent in value to one share of Common Stock for each unit.

Nonstatutory Stock Options, Stock Appreciation Rights, Performance Units, and Deferred Stock Units may be granted to the same person as separate awards at or for the same period of time under terms whereby the issuance of shares or payment under one award has no effect on any other award. Stock Appreciation Rights and Performance Units may be granted to a Participant in relation to (i.e., in "tandem" with) a previously or concurrently granted Nonstatutory Stock Option under terms whereby the issuance of shares or payment under one award reduces directly the number of shares, units, and/or rights remaining available under the related award(s). Performance Units cannot be granted in conjunction with, or in any way related to, Incentive Stock Options.

6. Stock Options

(a) Nonstatutory Stock Options. A Stock Option designated by the Committee as a Nonstatutory Stock Option is one which is not eligible for preferential tax treatment under Section 421(a) of the Internal Revenue Code. The Committee may grant Nonstatutory Stock Options either alone or in conjunction with and related to Stock Appreciation Rights and/or Performance Units. All Nonstatutory Stock Options granted under the Plan shall be on the following terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

(i) Price. The purchase price per share of Common Stock covered by each Nonstatutory Stock Option shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of such Option.

(ii) Number of Shares. The Committee will determine, absolutely or by formula related to the Fair Market Value of a share of Common Stock, the number of shares of Common Stock to be subject to each Nonstatutory Stock Option. The number of shares

subject to an outstanding Nonstatutory Stock Option will be reduced on a one-for-one basis to the extent that (A) shares under such Nonstatutory Stock Option are used to calculate the cash and/or shares received upon exercise of related Stock Appreciation Rights and (B) any related Performance Units are paid. In no event shall the number of shares subject to Nonstatutory Stock Options granted to any Participant in any Fiscal Year exceed 1,000,000 (such number to be reduced by the number of shares which are subject to Stock Appreciation Rights awarded to such Participant in the same Fiscal Year which are separate from and not granted in relation to or in tandem with such Nonstatutory Stock Options).

(iii) Term and Exercise Dates. The Committee shall fix the term during which each Nonstatutory Stock Option may be exercised, but no Nonstatutory Stock Option shall be exercisable after the first day following the tenth anniversary of its date of grant. No Nonstatutory Stock Option shall be exercisable prior to one year from its date of grant, except as otherwise provided in Section 10. Unless otherwise determined by the Committee and except as otherwise provided in Section 10, each Nonstatutory Stock Option shall become exercisable in installments as follows:

1. One-third of the shares subject to such Nonstatutory Stock Option may be purchased commencing one year after the date of grant; and
2. An additional one-third of such shares subject to such Nonstatutory Stock Option may be purchased commencing on each of the second and third yearly anniversaries of the date of grant.

In the event a Participant ceases to be an employee of the Company or a Subsidiary by reason of Retirement, Disability or death after the first anniversary of the date of grant to such person of a Nonstatutory Stock Option but before the Option has become exercisable in full, a pro rata portion of the shares that would have become exercisable on the next anniversary of the date of grant had the Participant remained employed shall become exercisable commencing on such next anniversary, based upon the proportion which the number of full calendar months in such Fiscal Year prior to such termination of employment bears to the 12 calendar months in the Fiscal Year. Notwithstanding the foregoing or any other provision of the Plan, the Committee may determine, in its discretion, that any unexercisable Nonstatutory Stock Option or portion thereof shall not terminate or have terminated on the date of the Participant's Retirement, Disability or death, but shall continue or have continued on such terms and subject to such conditions as the Committee shall specify.

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

prior to one year from the date of grant of such Nonstatutory Stock Option, except as otherwise provided in Section 10.

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

(b) Incentive Stock Options. A Stock Option designated by the Committee as an Incentive Stock Option is one which is intended to comply with the requirements in Subsection (b) of Section 422 of the Internal Revenue Code so as to be eligible for preferential income tax treatment and shall satisfy the following terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

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

(ii) Number of Shares. The Committee will determine, absolutely or by formula related to the Fair Market Value of a share of Common Stock, the number of shares of Common Stock to be subject to each Incentive Stock Option. The number of shares subject to an outstanding Incentive Stock Option will be reduced on a one-for-one basis to the extent that shares under such Incentive Stock Option are used to calculate the cash and/or shares received upon exercise of a related Stock Appreciation Right.

(iii) Term and Exercise Dates. No Incentive Stock Option shall be granted under this Plan more than 10 years after the date this Plan is adopted or approved by the shareholders of the Company, whichever is earlier. The Committee shall fix the term during which each Incentive Stock Option may be exercised, but no Incentive Stock Option shall be exercisable after ten years from its date of grant. No Incentive Stock Option shall be exercisable prior to one year from its date of grant, except as otherwise provided in Section 10. Unless otherwise determined by the Committee and except as

otherwise provided in Section 10, each Incentive Stock Option shall be exercisable in full one year after its date of grant.

In the event a Participant ceases to be an employee of the Company or a Subsidiary by reason of Retirement, Disability or death after the first anniversary of the date of grant to such person of an Incentive Stock Option but before the Option has become exercisable in full, a pro rata portion of the shares shall become exercisable commencing on the next anniversary of the date of grant of such award, based upon the proportion which the number of full calendar months in such Fiscal Year prior to such termination of employment bears to the 12 calendar months in the Fiscal Year. Notwithstanding the foregoing or any other provision of the Plan, the Committee may determine, in its discretion, that any unexercisable Incentive Stock Option or portion thereof shall not terminate or have terminated on the date of the Participant's Retirement, Disability or death, but shall continue or have continued on such terms and subject to such conditions as the Committee shall specify.

Notwithstanding any other provision of the Plan, the Committee may determine that the date on which any outstanding Incentive Stock Option or any portion thereof is exercisable shall be or shall have been advanced to an earlier date or dates designated by the Committee in accordance with such terms and subject to such conditions, if any, as the Committee shall specify, provided, however, that any such earlier date shall not be prior to one year from the date of grant of such Incentive Stock Option, except as otherwise provided in Section 10.

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

(v) Annual Limit. The aggregate Fair Market Value, determined on the date of grant, of stock with respect to which Incentive Stock Options are exercisable for the first time by such Participant during any calendar year (under this Plan and all such other plans of the Company and any predecessor, parent, subsidiary or affiliate) shall not exceed \$100,000.

(c) Payment. The purchase price of shares purchased upon exercise of any Option shall be paid in full in cash at the time of exercise of the Option, except that the Committee, in its sole discretion, and on such terms and conditions as it may specify, may approve payment by the exchange of shares of Common Stock having a Fair Market Value on the Exercise Date equal to the purchase price of such shares or by a combination of cash and Common Stock having a Fair

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

(d) Termination of Employment or Death.

(i) In the event that a Participant ceases to be an employee of the Company or a Subsidiary by reason of Retirement, Disability or death, any portion of his or her Stock Option that is not, or will not by its terms following such Retirement, Disability or death become, exercisable shall terminate on the date of such Retirement, Disability or death. The date of any such Disability shall be determined by the Committee. The Participant whose employment is terminated by Retirement or Disability, and, in the case of the Participant's death before or after Retirement or Disability, the Participant's Designated Beneficiary or, if none, his or her legal representative, shall continue to have the same rights to exercise any unexercised portion of the Participant's Stock Option which is exercisable at the time of, or will by its terms become exercisable after such termination or death, as the Participant would have had if he or she had continued to be an active or retired employee of the Company or a Subsidiary, as the case may be.

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

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

7. Stock Appreciation Rights

The Committee may grant Stock Appreciation Rights either alone or in conjunction with and related to previously or concurrently granted Stock Options and/or Performance Units. All Stock Appreciation Rights shall be granted on the following terms and conditions (and such other

terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

(a) Number of Rights. The Committee shall determine, absolutely or by formula related to the Fair Market Value of a share of Common Stock, the number of Stock Appreciation Rights which shall be granted. As to any Stock Appreciation Rights granted in tandem with another Plan award, such number shall not be greater than the number of shares which are then subject to any Stock Options related to such Stock Appreciation Rights, and the number of such Stock Appreciation Rights will be reduced on a one-for-one basis to the extent that (A) shares under any related Stock Option are purchased and (B) any Performance Units related to any such Nonstatutory Stock Options are paid. In no event shall the number of Stock Appreciation Rights granted to any Participant in any Fiscal Year exceed 1,000,000 (such number to be reduced by the number of shares which are subject to Nonstatutory Stock Options awarded to such Participant in the same Fiscal Year which are separate from and not granted in relation to or in tandem with such Stock Appreciation Rights).

(b) Exercise. Stock Appreciation Rights shall entitle the Participant, to the extent he or she so elects from time to time, to receive, without any payment to the Company, an amount of cash and/or a number of shares determined and payable as provided in Section 7(c). Stock Appreciation Rights shall generally be exercisable to the extent and upon the same conditions that Stock Options are exercisable under clause (iii) of Sections 6(a) or 6(b), as the case may be; provided, however, that, unless otherwise determined by the Committee, Stock Appreciation Rights (i) may not be exercised when the Fair Market Value of a share of Common Stock is more than three times the Fair Market Value of a share of Common Stock on the date of grant of the Stock Appreciation Rights (except as otherwise provided in Section 10), (ii) may not be exercised prior to six months following the date of their grant, and (iii) if related to a Stock Option, shall automatically terminate six months after the optionee ceases for any reason to be employed by the Company or a Subsidiary and has ceased to be a member of the Company's Board.

A Participant wishing to exercise Stock Appreciation Rights shall give written notice of such exercise to the Company. The date of receipt of such notice shall be the "Exercise Date" for such Stock Appreciation Rights. Promptly after the Exercise Date or the end of the Exercise Period described below, if later, the Company shall pay and/or deliver to the Participant the cash and/or shares to which he or she is entitled. Unless otherwise determined by the Committee and except as otherwise provided in Section 10, the Exercise Date shall be limited to that period beginning on the third business day following the date of release for publication of the Company's quarterly and annual summary statements of sales and earnings and ending on the twelfth business day following such date of release (the "Exercise Period").

(c) Amount of Cash and/or Number of Shares. Except as otherwise provided in Section 10, the amount of the payment to be made upon exercise of Stock Appreciation Rights shall be determined by multiplying (i) that portion, as elected by the Participant, of the total number of shares as to which the Participant is entitled to exercise the Stock Appreciation Rights

award as of the Stock Appreciation Right Exercise Date, by (ii) 100% of the amount by which the average of the Fair Market Values of a share of Common Stock on each trading day during the Exercise Period exceeds the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Rights were granted. The Committee may make payment in cash or partly in cash and partly in Common Stock, all as determined by the Committee in its sole discretion. To the extent that payment is made in Common Stock, the number of shares shall be determined by dividing the amount of such payment by the foregoing average of the Fair Market Values of a share of Common Stock on each trading day during the Exercise Period. No fractional shares shall be issued, but instead the Participant shall be entitled to receive a cash adjustment equal to the same fraction of the foregoing average of Fair Market Values.

(d) Termination of Employment or Death. In the event that a recipient of Stock Appreciation Rights ceases to be employed by the Company or a Subsidiary by reason of Retirement, Disability or death after the first anniversary of the date of the grant to such person of such Stock Appreciation Rights, his or her Stock Appreciation Rights shall continue to be exercisable following such termination of employment and termination of directorship, if any, to the extent and upon the same conditions that a Stock Option is or becomes exercisable under clause (iii) of Section 6(a) or 6(b), as the case may be, (but subject to the conditions set forth in clauses (i) and (ii) of Section 7(b)). Any such Stock Appreciation Rights related to Stock Options shall automatically terminate six months after such termination of employment and termination of directorship, if any. In the event a recipient of Stock Appreciation Rights ceases to be employed by the Company or a Subsidiary for a reason other than Retirement, Disability or death, his or her Stock Appreciation Rights shall automatically terminate unless and to the extent the Committee, in its sole discretion, shall determine otherwise.

(e) Stock Appreciation Rights Granted in Relation to Incentive Stock Options. In order to assure that any Incentive Stock Option with respect to which a Stock Appreciation Right is granted shall continue to comply with the requirements in Subsection (b) of Section 422 of the Internal Revenue Code so as to be eligible for preferential tax treatment, notwithstanding any other provision of the Plan, any such Stock Appreciation Right granted under the Plan shall entitle the Participant to payment of no more than 100% of the difference between the purchase price of a share of Common Stock under the related Incentive Stock Option and the Fair Market Value of such a share on the Stock Appreciation Right Exercise Date and may be exercisable only when the Fair Market Value of a share of Common Stock on the Stock Appreciation Right Exercise Date exceeds the purchase price of a share of such Common Stock under the terms of the related Incentive Stock Option. In addition, Stock Appreciation Rights will expire no later than the expiration of any related Incentive Stock Option, will be transferable only when, and under the same conditions, as the related Incentive Stock Option is transferable and may be exercisable only when the related Incentive Stock Option is exercisable. The Committee may, in its discretion, from time to time impose such additional or different restrictions on Stock Appreciation Rights relating to Incentive Stock Options as may be necessary to maintain the eligibility of such Options for preferential tax treatment.

8. Performance Units

All Performance Units awarded under the Plan shall be granted on the following terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

(a) Number and Value of Units. The Committee shall determine the number of Performance Units to be granted to each employee selected for an award and the maximum dollar value of each Performance Unit so granted. In the case of any Performance Units granted in relation to a Nonstatutory Stock Option, the initial number of Performance Units shall be no greater than the number of shares which are then subject to the related Nonstatutory Stock Option. In no event shall the maximum dollar value of Performance Units granted to any Participant in any Fiscal Year exceed \$4,000,000.

In the case of any Performance Units granted in relation to a Nonstatutory Stock Option, the number of such Performance Units shall be cancelled on a one-for-one basis to the extent that (i) either before or after such Performance Units have been earned and credited to Participants, shares are purchased upon exercise under the related Nonstatutory Stock Option or shares under such Nonstatutory Stock Option are used to calculate the cash and/or shares received pursuant to related Stock Appreciation Rights, or (ii) before such Performance Units have been earned and credited to Participants, the related Nonstatutory Stock Option terminates in whole or in part as provided in clauses (i) or (ii) of Section 6(d).

(b) Performance Objectives. Except as otherwise determined by the Committee and as permitted by Section 10, the award period (the "Award Period") in respect of any Performance Units shall be a four-year period commencing as of the beginning of the Fiscal Year in or for which such Performance Units are granted. At the time each grant of Performance Units is made, the Committee shall establish and communicate to recipients of Performance Unit awards performance objectives ("Performance Objectives") to be attained within the Award Period as a condition to any right to receive payment in respect of such Performance Units. The Committee may, in its discretion, establish different Performance Objectives and/or Award Periods for Participants employed by or responsible for matters relating to different Participating Subsidiaries or different divisions, groups, departments or other subdivisions of the Company or Participating Subsidiaries and make, in its discretion, any equitable adjustments in Performance Objectives for Performance Units granted later than similar Performance Units awarded for the same Award Period. The Performance Objectives shall be determined by the Committee using such measure or measures of the performance of the Company and/or its Subsidiaries over the Award Period as the Committee shall select other than the market value of Common Stock of the Company.

(c) Crediting and Payment. At the end of each Award Period, the Committee shall determine the extent to which the Performance Objectives for the Award Period have been attained and the dollar value of each Performance Unit granted for such Award Period. Thereupon, each Participant will be credited with an earned Performance Unit valued at such

dollar value for each Performance Unit granted to him or her for such Award Period which remains outstanding as of the date of the Committee's determination. Interest will accrue on the dollar value of each earned Performance Unit from the date of credit at such rate as the Committee may from time to time determine to be reasonable. Any interest earned on or in respect of an earned Performance Unit that is subsequently cancelled other than by payment in respect thereof shall be forfeited by the Participant.

A Participant whose earned Performance Units were granted in relation to a Nonstatutory Stock Option may elect to receive payment of the dollar value, including accrued interest thereon, of all or part of such earned Performance Units at any time prior to the cancellation of those Performance Units in accordance with Section 8(a), and shall be paid in respect of any such earned Performance Units which remain outstanding promptly following the expiration or termination unexercised of such Nonstatutory Stock Option (other than by reason of the exercise of related Stock Appreciation Rights). Payment in respect of earned Performance Units granted alone and not in relation to a Nonstatutory Stock Option shall be made by the Company promptly following the crediting of those Performance Units.

Payment in respect of Performance Units shall be made in cash, shares of Common Stock or partly in cash and partly in shares of Common Stock, all as determined by the Committee in its sole discretion. To the extent that payment is made in Common Stock, the number of shares shall be determined by dividing the amount of the payment to be made by the Fair Market Value of a share of Common Stock on the date of (i) receipt of written notice of the Participant's election to receive payment or expiration or termination of the related Nonstatutory Stock Option or (ii) crediting of Performance Units granted alone and not in relation to any Nonstatutory Stock Option. Upon payment in respect of an earned Performance Unit, such Unit shall be cancelled.

(d) Termination of Employment or Death. In the event that a recipient of a grant of Performance Units ceases to be an employee of the Company or a Subsidiary prior to the end of the Award Period applicable to such Units by reason of Retirement, Disability or death, any of his or her outstanding Performance Units granted in relation to Nonstatutory Stock Options (after reduction on a one-for-one basis to the extent that related Nonstatutory Stock Options terminate as provided in clause (iii) of Section 6(a) and clause (i) of Section 6(d)) and which are eventually earned in accordance with Section 8(c), shall be credited to such Participant or, in the case of such Participant's death, his or her Designated Beneficiary or, if none, his or her legal representative, and shall be payable at such times and in the manner provided in Section 8(c). Any of his or her Performance Units not granted in relation to Nonstatutory Stock Options and eventually earned in accordance with Section 8(c) shall become payable as provided in Section 8(c), but in proportion to the service of the Participant during the Award Period excluding any such service following the last full calendar month of the Award Period preceding his or her Retirement, Disability or death, unless the Committee determines, in its discretion, that such Participant or his or her Designated Beneficiary or legal representative should be eligible for eventual payment in full in respect of such Performance Units as if the Participant had continued in service through the end of the Award Period.

9. Deferred Stock Units

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

(a) Number, Value, and Manner of Payment of Deferred Stock Units. Each Deferred Stock Unit shall be equivalent in value to one share of Common Stock and shall entitle the Participant to receive from the Company at the end of the deferral period (the "Deferral Period") applicable to such Unit, without payment of cash or other consideration to the Company but in consideration of services performed for or for the benefit of the Company or a Participating Subsidiary by such Participant, the value at such time of each Unit. Payment of the value of such awards may be made in shares of Common Stock, cash or both as determined by the Committee during, or as soon as practicable after the end of the Deferral Period. If paid in Common Stock, the Participant shall receive a number of shares of Common Stock equal to the number of matured or earned Deferred Stock Units, and if paid in cash, the Participant shall receive for each matured Deferred Stock Unit an amount equal to the Fair Market Value of a share of Common Stock on the last day of the applicable Deferral Period (except as otherwise provided in Section 10). Upon payment in respect of a Deferred Stock Unit, such Unit shall be canceled. In no event shall the number of Deferred Stock Units granted to any Participant in any Fiscal Year exceed 100,000.

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

(c) Termination of Employment or Death.

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

(ii) Unless otherwise specified by the Committee in the applicable Deferred Stock Units agreement, a Participant whose employment with the Company or a Subsidiary terminates during a Deferral Period due to Retirement or Disability or, in the case of his or her death before or after Retirement or Disability, such Participant's Designated Beneficiary or, if none, his or her legal representative, shall receive payment in respect of such Participant's Deferred Stock Units which would have matured or been earned at the end of such Deferral Period, at such time and in such manner as if the Participant were

still employed (and living) at the end of the Deferral Period or, notwithstanding any other provision of the Plan, on such accelerated basis as the Committee may determine.

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

10. Change in Control

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

(a) Acceleration and Exercisability of Stock Options and Stock Appreciation Rights; Amount of Cash and/or Number of Shares for Stock Appreciation Rights. All Stock Options and Stock Appreciation Rights shall become immediately exercisable in full for the period of their remaining terms automatically and without any action by the Committee, provided, however, that the acceleration of the exercisability of any Stock Option or Stock Appreciation Right that has not been outstanding for a period of at least six months from its respective date of grant shall occur on the first day next following the end of such six-month period. In addition to the normal Exercise Period for Stock Appreciation Rights provided for in Section 7(b), Stock Appreciation Rights shall be exercisable during the thirty-day period immediately following the later of (i) the Change in Control or (ii) the date of acceleration of their exercisability, that is, upon the first date more than six months from their date of grant following the Change in Control. The amount of the payment to be made upon the exercise of a Stock Appreciation Right following a Change in Control shall be determined, without regard to the limitation contained in clause (i) of Section 7(b), by multiplying (i) that portion, as elected by the Participant, of the total number of shares as to which the Participant is entitled to exercise the Stock Appreciation Rights as of the Exercise Date for the Stock Appreciation Rights, by (ii) 100% of the amount by which

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

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

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

(b) Cash Surrender of Stock Options. All or certain outstanding Stock Options may, at the discretion of the Committee, be required to be surrendered by the holder thereof for cancellation in exchange for a cash payment for each such Stock Option. In the absence of Committee action requiring the surrender of Stock Options, each holder of Stock Options may elect to surrender all or certain of his or her outstanding Options which are then exercisable for cancellation in exchange for a cash payment for each such Stock Option. In any case, the cash payment received for each share subject to the Stock Option shall be 100% of the amount by which the amount described in paragraph (A) of Section 10(a) exceeds the Fair Market Value of a share of Common Stock on the date of grant of the Option. Such payments shall be due and payable immediately upon surrender to the Committee for cancellation of appropriate award agreements or other evidence in writing of the Participant's relinquishment of his or her rights to such award or at such earlier date as the Committee shall determine (but in no event earlier than the occurrence of a Change in Control) and shall be valued as if the Exercise Date were the date of receipt of said materials or such earlier date as the Committee shall determine.

(c) Accelerated Payment of Pro Rata Performance Units. The Committee may in its sole discretion determine to credit Participants with a prorated number of and/or dollar value as to any or all outstanding Performance Units to the extent of the elapsed time of the Award Period, but only to the extent Performance Objectives, equitably adjusted (pursuant to Section 11(a)) and otherwise adjusted to reflect the shorter award period, have been achieved, as determined by the Committee, as of the date of such determination. Participants shall have the right to elect to receive payment of amounts in respect of such earned Performance Units beginning no later than thirty days following the Committee's determination to credit said Units under this Section 10(c) or at such earlier date as the Committee shall determine, but in no event earlier than the occurrence of a Change in Control.

(d) Reduction in Accordance with Plan. The number of shares covered by Stock Options and Stock Appreciation Rights and the number of Performance Units granted in relation to Nonstatutory Stock Options will be reduced on a one-for-one basis to the extent related Stock Options or Stock Appreciation Rights are exercised, or surrendered for cancellation in exchange for a cash payment, or related Performance Units are paid, as the case may be, under this Section 10.

(e) Accelerated Payment of Deferred Stock Units. The Committee may, in its sole discretion, determine to pay in full any or all outstanding Deferred Stock Units together with any Dividend Equivalents for the period for which such Units have been outstanding, notwithstanding that the Deferral Periods as to such Deferred Stock Units have not been completed. Such payment may be in cash or in Common Stock, or a combination thereof, as determined by the Committee, and shall be due and payable to Participants no later than thirty days following the Committee's determination to pay said Deferred Stock Units under this Section 10(e) or at such earlier date as the Committee shall determine, but in no event earlier than the occurrence of a Change in Control. If paid in cash, each Participant shall receive payment of an amount in respect of each Deferred Stock Unit equal to the greater of (i) the highest tender or exchange offer price paid or to be paid for Common Stock pursuant to the offer associated with the Change in Control (such price to be determined by the Committee from such source or sources of information as the Committee shall determine including, without limitation, the Schedule 13D or an amendment thereto filed by the offeror pursuant to Rule 13d-1 under the Act) or the price paid or to be paid for Common Stock under an agreement associated with the Change in Control, as the case may be, and (ii) the highest Fair Market Value of a share of Common Stock on any day during the sixty-day period immediately preceding the Change in Control. For purposes of determining the price paid or to be paid for Common Stock under clause (i) of the preceding sentence, consideration other than cash forming part or all of the consideration for Common Stock paid or to be paid pursuant to the exchange offer or agreement associated with the Change in Control shall be valued at the higher of the valuation placed thereon by the Board of Directors or by the person making the offer or entering into the agreement with the Company.

11. Dilution and Other Adjustments

(a) Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, a rights offering to purchase Common Stock at a price substantially below fair market value, or other similar corporate change, including without limitation in connection with a Change in Control, an equitable adjustment shall be made, as determined by the Committee, so as to preserve, without increasing or decreasing, the value of Plan awards and authorizations (but subject to the last paragraph of Section 13), in (i) the maximum number or kind of shares issuable or awards which may be granted under the Plan, (ii) the amount payable upon exercise of Stock Appreciation Rights, (iii) the maximum value payable in respect of Performance Units, (iv) the number or kind of shares or purchase price per share subject to outstanding Stock Options, (v) the number or value, or kind of shares which may be issued in payment of outstanding Stock Appreciation Rights, (vi) the number or value of, or the Performance Objectives or length of the Award Period for, outstanding Performance Units, (vii) the value and attributes of Deferred Stock Units, (viii) the maximum number, kind or value of any Plan awards which may be awarded or paid in general or to any one employee, (ix) any other aspect or aspects of the Plan or outstanding awards made thereunder as specified by the Committee, or (x) any combination of the foregoing. Such

adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

(b) The Committee may, from time to time during an Award Period, in its sole discretion (but subject to the last paragraph of Section 13), determine to equitably adjust the Performance Objectives previously established by the Committee for that Award Period as a condition of earning the right to receive payment in respect of Performance Units or to equitably adjust Company performance for all or any portion of the Award Period where such action is warranted by any occurrence, condition, action, change or development by or affecting the performance of the Company or any of its Subsidiaries, such as an acquisition, disposition or divestiture of a business or assets; a change in accounting principles or practices or the method of their application; the occurrence of an extraordinary item for purposes of generally accepted accounting principles; a change in the value or valuation of property or assets; a change in any tax or other law or regulation; or a change in business or corporate strategy, structure or organization. The Committee may also, in its discretion, eliminate the effect of foreign currency conversion gains or losses or translation adjustments from the reported consolidated earnings per share of the Company if used in determining the attainment of any Performance Objectives previously established.

(c) Without shareholder approval, no outstanding Stock Option (or Stock Appreciation Right) will have its exercise price reduced or will be cancelled and replaced with a new Option (or Stock Appreciation Right) with a lower exercise price where the economic effect would be the same as reducing the exercise price of the cancelled Option (or Stock Appreciation Right); and no more than a total of 20% of the shares of Common Stock subject to Plan Awards for Fiscal Year 2002 and later years may be for Deferred Stock Units or Performance Units.

12. Miscellaneous Provisions

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

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

(c) All Stock Options, Stock Appreciation Rights, Performance Units, and Deferred Stock Units granted under the Plan shall be evidenced by agreements in such form and

containing such terms and conditions (not inconsistent with the Plan and applicable domestic and foreign law) in addition to those provided for herein as the Committee shall approve. Notwithstanding any other provision of the Plan to the contrary, the Committee shall be empowered to grant Performance Units in respect of which the recipient will have no immediate right to receive payment upon the Committee's determination that the applicable Performance Objectives have been achieved, to any Participant who does not or will not reside or be domiciled in the United States if, as a result of any law applicable to such Participant or such award or the potential effect of foreign currency conversions or translations on such award, such award will, in the sole discretion of the Committee, best serve the purposes of the Company to be promoted by this Plan.

(d) No shares of Common Stock shall be issued or transferred upon exercise of any Stock Options or Stock Appreciation Rights or in payment of any Performance Units or Deferred Stock Units granted hereunder unless and until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Committee and the Company. The Committee and the Company shall have the right to condition any issuance of shares of Common Stock made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares as the Committee and/or the Company shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may be legended to reflect any such restrictions.

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

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

(g) Distributions of shares of Common Stock upon exercise, in payment or in respect of awards made under this Plan may be made either from shares of authorized but unissued

Common Stock reserved for such purpose by the Board of Directors or from shares of authorized and issued Common Stock reacquired by the Company and held in its treasury or held under the Company's Flexible Employee Benefits Trust, as from time to time determined by the Committee, the Board, or pursuant to delegations of authority from either.

(h) The costs and expenses of administering this Plan shall be borne by the Company and not charged to any award nor to any employee or Participant receiving an award. However, the Company may charge the cost of any awards made to employees of Participating Subsidiaries, including administrative costs and expenses related thereto, to the respective Participating Subsidiaries by which such persons are employed.

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

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

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

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

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

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

directors at the beginning of the period. Such a Change in Control shall be deemed to have occurred on the date upon which the requisite majority of directors fails to be elected by the shareholders of the Company.

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

"Designated Beneficiary" shall mean the person or persons last designated as such by the Participant on a form filed by him or her with the Company in accordance with such procedures as the Committee shall approve, provided, however, that in the absence of the filing of such a form with the Company the Designated Beneficiary shall be the person or persons who are the Participant's beneficiary or beneficiaries of the Company's basic life insurance.

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

"Fair Market Value" of a share of Common Stock of the Company on any date set forth herein (or, if such date is not expressly set forth herein, on such date or dates as may be determined by the Committee, but not earlier than five trading days prior to the transaction for which the determination is being made), shall mean an amount equal to the mean of the high and low sale prices on the New York Stock Exchange, as reported on the composite transaction tape, or on such other exchange as the Committee may determine.

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

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986 as amended from time to time.

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

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

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

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

13. Amendments and Termination

The Committee may at any time terminate or from time to time amend or suspend the Plan in whole or in part in such respects as the Committee may deem advisable in order that awards granted thereunder shall conform to any change in the law, or in any other respect which the Committee may deem to be in the best interests of the Company; provided, however, that no amendment of the Plan shall be made without shareholder approval if (a) shareholder approval of the amendment is at the time required for awards under the Plan to qualify for the exemption from Section 16(b) of the Act provided by Rule 16b-3 thereunder, or by the rules of the New York Stock Exchange or any stock exchange on which Common Stock may be listed, or (b) the amendment would make changes in the class of employees eligible to receive Incentive Stock Options under the Plan or would increase the number of shares with respect to which Incentive Stock Options may be granted under the Plan. With the consent of the Participant affected, the Committee may amend outstanding agreements evidencing Stock Options, Stock Appreciation Rights, Performance Units, or Deferred Stock Units in a manner not inconsistent with the terms of the Plan.

The Committee shall have the power to amend the Plan in any manner contemplated by Section 11 or deemed necessary or advisable for awards granted under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the Act) or to qualify as "performance-based" compensation under Section 162(m) of the Internal Revenue Code, and any such amendment shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding awards theretofore granted under the Plan notwithstanding any contrary provisions contained in any award agreement. In the event of any such amendment to the Plan, the holder of any award outstanding under the Plan shall, upon request of the Committee and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Committee to any award agreement relating thereto within such reasonable time as the Committee shall specify in such request.

Notwithstanding anything contained in this Section 13 or in any other provision of the Plan, unless required by law, no action contemplated or permitted by this Section 13 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any award theretofore made under the Plan without the consent of the affected Participant.

14. Effective Date, Amendment and Restatement, and Term of the Plan

This Plan, previously denominated the "Air Products and Chemicals, Inc. 1990 Long-Term Incentive Plan," became effective for the Fiscal Year commencing October 1, 1989 for awards to be made for the Fiscal Year commencing October 1, 1989 and for Fiscal Years thereafter and was continued in effect indefinitely until terminated, amended, or suspended as permitted by its terms, following approval by a majority of those present at the January 26, 1989 annual meeting of shareholders of the Company and entitled to vote thereon. Following approval by the holders of a majority of the shares of Common Stock of the Company present at the January 25, 1996 annual meeting of shareholders of the Company and entitled to vote thereon, the Plan was amended, restated denominated the "Air Products and Chemicals, Inc. 1997 Long-Term Incentive Plan" continued in effect indefinitely for awards made for the Fiscal Year commencing October 1, 1996 and for Fiscal Years thereafter, until terminated, amended, or suspended as permitted under Section 13. The Plan as amended and restated herein, was continued in effect indefinitely for awards made for the Fiscal Year commencing October 1, 2001 and for Fiscal Years thereafter, until terminated, amended, or suspended as permitted under Section 13 following approval by a majority of those present at the January 25, 2001 annual meeting of shareholders of the Company and entitled to vote thereon.

AIR PRODUCTS AND CHEMICALS, INC.
Annual Incentive Plan
As Amended and Restated Effective 1 October 2001

1. PURPOSES OF THE PLAN

The purposes of this Plan are to attract, motivate and retain high caliber people and to provide meaningful individual and group incentives within Air Products and Chemicals, Inc. (the "Company") and Participating Subsidiaries.

2. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Management Development and Compensation Committee (the "Committee") of the Company's Board of Directors or such other committee thereof consisting of such members (not less than three) of the Board of Directors as are appointed from time to time by the Board and who are not eligible and have not been eligible within a period of one year prior to the date of such appointment to receive any award under this Plan.

The Committee shall have all necessary powers to administer and interpret the Plan, such powers to include exclusive authority (within the limitations described in the Plan) to select the employees to whom awards will be granted under the Plan and determine the amount of any award to be made to any employee. In order to assist it in selecting employees and determining the amount of any award to be given to each employee selected, as aforesaid, the Committee may take into consideration recommendations from the appropriate officers of the Company and of each Participating Subsidiary with respect to awards to be given to eligible employees of the Company and of each such Participating Subsidiary, respectively.

The Committee shall have full power and authority to adopt such rules, regulations and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan, and all action taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including the Company, its shareholders and any employee of the Company or any Subsidiary.

3. ELIGIBILITY FOR PARTICIPATION

Participants in the Plan shall be selected by the Committee from among key employees of the Company and Participating Subsidiaries. The term "employee" shall mean any person employed by the Company or a Participating Subsidiary on a salaried basis and the term "employment" shall mean salaried employment by the Company or a Subsidiary. Employees who participate in other incentive or benefit plans of the Company or of any Participating Subsidiary may also participate in this Plan.

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Awards under the Plan are for services rendered during a Fiscal Year, based on the performance of the Company during that Fiscal Year. No employee shall be eligible to receive an award under the Plan for a particular Fiscal Year unless the employee is in the employment of the Company or a Participating Subsidiary on the last day of that Fiscal Year, provided, however, that an employee whose employment with the Company or a Participating Subsidiary terminates during but before the end of a Fiscal Year on account of (i) Retirement, Disability or death, (ii) in connection with a divestiture of facilities, assets or businesses, elimination of positions, or a reorganization or reduction in the work force of the Company or a Participating Subsidiary, (iii) because of the leave of absence from the Company or a Subsidiary, or (iv) on or following a Change in Control, and who at the time of such termination of employment was eligible to participate in the Plan, shall be eligible to receive an award under the Plan for such Fiscal Year.

4. AWARDS

(a) Prior to the end of each Fiscal Year, the Committee shall determine whether awards shall be made under the Plan for that Fiscal Year and, if so, fix the classes of employees eligible to receive awards based upon job grade and salary levels, the proportions of the awards to be paid in cash and in common stock of the Company ("Common Stock"). The Committee shall establish a basis or schedule for determining the total amount of awards and for determining a minimum aggregate dollar amount of awards for employees of the Company and of each domestic Participating Subsidiary designated by the Committee who have elected not to defer such awards that might be granted to them and such other procedures for the making of the awards as the Committee may deem desirable.

(b) The basis (schedule) established under subparagraph (a) for determining the amount of awards may be based on variable factors established by the Committee from time to time, provided that the variables used to determine an amount for a particular Fiscal Year must be capable of being fixed and ascertainable as of the last day of such Fiscal Year. The minimum amount established under subparagraph (a) shall become an accrued liability of the Company on the last day of the Fiscal Year. The amounts of awards to be granted

to particular employees of the Company and of the designated domestic Participating Subsidiaries within the eligible classes may be determined after the close of the Fiscal Year under procedures established by the Committee.

(c) The Committee shall, in approving the grant of awards to particular employees for any Fiscal Year, take into consideration (i) the performance of the Company and of each Participating Subsidiary for the Fiscal Year based upon such measure or measures of performance as the Committee shall select and (ii) as between Participants, the contribution of the Participant during the Calendar Year to the success of the Company or the Participating Subsidiary by which such person is employed, including his or her position and level of responsibility, the achievements of his or her division, group, department or other subdivision, and the recommendations of his or her superiors. No award or awards may be granted to any Participant for the same Fiscal Year having an aggregate value in excess of \$4,000,000.

(d) The Committee shall have complete discretion with respect to the determination of the employees to whom awards shall be made.

(e) Upon final approval by the Committee of awards to particular Participants, awards shall be payable in cash or Common Stock or both and in such amounts and proportions with respect to any Participant as the Committee shall, in its discretion, determine. Except as provided herein for deferred payment awards, the number of shares of Common Stock to be delivered in payment of awards or portions of awards determined to be payable in such form shall be determined by dividing the amount of the award to be so paid by the value of a share of Common Stock determined as provided in paragraph 8(f) as of the date the Committee approves the grant of the award to the Participant

(f) Notwithstanding any other provisions of this Plan to the contrary, following or in connection with a Change in Control the Committee may, in its sole discretion, determine to pay awards for the portion of the current Fiscal Year preceding the Change in Control; provided, however, that no such award shall have an aggregate value which exceeds \$4,000,000. The Committee shall determine in that connection the classes of employees eligible to receive awards based upon job grade and salary levels, the amounts of awards to be made with respect to particular employees within the eligible classes for said partial Fiscal Year, and the proportions of the awards to be paid in cash and in Common Stock and shall undertake such other procedures for the making of the awards as the Committee may deem desirable. Such awards shall be due and payable to Participants within thirty days following the Committee's determination to pay said awards under this paragraph 4(f) or at such earlier date as the Committee shall determine, but in no event earlier than the occurrence of a Change in Control.

5. FORM AND PAYMENT OF AWARDS

(a) Subject to the provisions of this paragraph 5 relating to deferred payment awards, awards for a particular Fiscal Year shall be distributed as soon as feasible in cash or shares of Common Stock or both and, once announced by or for the Committee to the Participant, shall not be subject to forfeiture for any reason, whether or not payable immediately or as a deferred payment award; provided, however, that any award for a Fiscal Year will be paid to the Participant only if the Participant is employed by the Company or a Participating Subsidiary on the last day of the Fiscal Year, except as otherwise permitted by paragraph 3.

(b) At the discretion of the Committee, or the election of the Participant as permitted by paragraph 5(c), payment of all or a portion of an award to any Participant may be deferred until termination of the Participant's employment with the Company or a Subsidiary, under such restrictions and terms as the Committee may establish, including those set forth below in this paragraph 5. The deferred payment award will be payable in cash; provided that, at the discretion of the Committee, or at the election of the Participant in accordance with paragraph 5(d), a deferred award may be payable in Common Stock. Deferred awards payable in Common Stock shall be credited on the books of the Company as provided in paragraph 5(d) and entitled to Dividend Equivalents as provided in paragraph 6. Deferred awards payable in cash shall be

credited to an account which shall accumulate interest at such rate and under such conditions as the Committee shall determine ("Deferred Cash Account").

(c) Any U.S. employee eligible to participate in the Plan may elect prior to the end of the second quarter of any Fiscal Year as to which an award may be granted to such employee, that all or a part of an amount to be awarded to him or her for such Fiscal Year shall be in the form of a deferred payment award. Once an employee elects a deferred payment award for the Fiscal Year, this election will be binding on both the employee and the Company with respect to any award the employee is granted for the Fiscal Year, except that if the amount that can be deferred as designated by the Committee under paragraph 4(a) is not sufficient to fund all of the deferrals elected, a pro rata reduction shall be made in each electing Participant's deferred award and any excess shall be paid out currently.

(d) While he or she is employed by the Company, a U.S. Participant may elect, at the times and in the manner determined by the appropriate officers of the Company, to have all or a portion of his or her deferred payment awards credited to an account deemed to be invested in Common Stock (the "Deferred Company Stock Account"). The Company shall credit the Deferred Company Stock Account with that number of whole units obtained by dividing the amount of such deferred payment awards to be credited to the Account by the Fair Market Value of a share of Common Stock on the date credited to the Deferred Company Stock Account (with the units thus calculated herein referred to as "deferred company stock units"). Any excess shall be credited to the Participant's Deferred Cash Account. 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. Amounts credited to the Deferred Company Stock Account may not be converted back to a Deferred Cash Account. Dividend Equivalents accumulated on a Participant's Deferred Company Stock Account shall be credited to his or her Deferred Cash Account as provided in Section 6 and shall accumulate interest therein as provided in paragraph 5(b) above.

(e) Distribution of a Participant's deferred payment award and earnings thereon to the Participant shall, at the election of the Participant, be paid in a single distribution or in substantially equal annual installments commencing in such year following the Participant's termination of employment as is elected by the Participant; provided, however, that no payment shall be made more than ten (10) calendar years after such termination of employment. Amounts credited to a Participant's Deferred Cash Account shall be distributed in cash. Amounts credited to a Participant's Deferred Company Stock Account shall be distributed in whole shares of Common Stock equal to the number of deferred company stock units to be distributed. Installment distributions shall be comprised of amounts from a Participant's Deferred Cash Account and Deferred Company Stock Account in the proportion that the value of each such Account bears to the total value of the Participant's deferred payment awards at the time of the distribution, rounded to eliminate fractional shares. Distribution will be made or begin as soon as practicable following the end of the calendar year during which the Participant's termination of employment occurs or in January of any subsequent year, in accordance with the Participant's

election as to form and time of payout which is effective as of the date of termination or which becomes effective under paragraph 5(f) below prior to the first scheduled payment under the election effective at the time of termination. Deferred payment awards will continue to accumulate Dividend Equivalents or interest, as appropriate, until completely distributed.

(f) A Participant shall make an election with respect to form and time of payout of all of his or her deferred payment awards at the time of his or her initial election to defer payment as described in paragraph 5(c) above which shall be effective immediately. While he or she is employed by the Company or a Subsidiary, a Participant may change his or her election in regard to the form and time of commencement of distributions of his or her deferred payment awards, provided that such election is made in a form and manner satisfactory to the appropriate officers of the Company. Such a change in election will become effective on the one-year anniversary of the date it is received by the Company, provided that, in the event of termination prior to the date an election becomes effective, the election shall not become effective if the first scheduled payment under the election in effect at the time of termination is due prior to such one-year anniversary. A change in election, when effective, shall supersede all prior elections and shall apply to all of the Participant's deferred payment awards, including all prior and future awards until a later election becomes effective.

(g) Deferred payment awards shall be subject to the following further conditions and restrictions:

(i) If a Participant dies prior to receiving his or her entire award, the undelivered portion of any such award shall be paid to his or her Designated Beneficiary or, if none, to his or her legal representative at such times and in such manner as if such Participant were still living (or on such accelerated basis as the Committee may determine).

(ii) The Committee may authorize an acceleration of the delivery date of a portion or all of an undelivered award, related Dividend Equivalents and interest, in the case of a hardship arising from causes beyond the Participant's control; provided that the accelerated payment in such a case must be limited to an amount necessary to meet such hardship. Upon a Change in Control, the delivery date of all deferred payment awards shall be automatically accelerated and said deferred payment awards and related Dividend Equivalents and interest shall be due and payable to Participants immediately.

6. DIVIDENDS

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

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

(c) No cash dividends shall be paid on awards payable immediately after the Fiscal Year for which granted ("Current Awards") which are payable in shares of Common Stock. However, when such shares of Common Stock are delivered to the Participant, the Company shall pay to the Participant an amount in cash which shall be equal to the cash dividends, if any, ("Dividend Equivalents") which would have been paid if the shares of Common Stock had been issued and outstanding since the grant of the award. No interest shall be paid on any such Dividend Equivalent or any part thereof.

(d) In the event of a declaration of a dividend payable in Common Stock, the record date for which occurs after the date of the grant of a Current Award payable in Common Stock but prior to the date of delivery of shares of Common Stock to the Participant, such Current Award shall be increased by such additional number of shares which would have been delivered if the shares of Common Stock had been issued and outstanding since the grant of the award.

7. DILUTION AND OTHER ADJUSTMENTS

Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock of the Company by reason of any stock dividend, split, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change including without limitation in connection with a Change in Control, an equitable adjustment shall be made, as determined by the Committee (but subject to the provisions of the first subparagraph of paragraph 9), in (a) the kind of shares subject to the Plan or the maximum number of shares which may be awarded to any one employee, (b) any other aspect or aspects of the Plan or outstanding awards granted thereunder as specified by the Committee or (c) any combination of the foregoing. Such adjustment shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

8. MISCELLANEOUS PROVISIONS

(a) No recipient of an award shall have any rights as a Company shareholder with respect thereto unless and until the date as of which certificates for shares of Common Stock are issued in payment of such award.

(b) A Participant's rights and interests under the Plan may not be assigned or transferred except, in the case of the Participant's death, to his or her Designated Beneficiary or, in the absence of such designation, by will or the laws of descent and distribution.

(c) No shares of Common Stock shall be issued or distributed under the Plan unless and until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Committee and the Company.

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

(e) No employee of the Company or a Subsidiary or other person shall have any claim or right to be granted an award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any such employee any right to be retained in the employ of the Company or a Subsidiary, it being understood that all Company and Subsidiary employees who have or may receive awards under this Plan are employed at the will of the Company or such Subsidiary and in accord with all statutory provisions.

(f) Distribution of shares of Common Stock in payment of awards under this Plan may be made either from shares of authorized but unissued Common Stock reserved for such purpose by the Board of Directors or from shares of authorized and issued Common Stock reacquired by the Company and held in its treasury or held under the Company's Flexible Employee Benefits Trust, as from time to time determined by the Committee, the Board or pursuant to delegations of authority from either. Such shares shall be valued on any date set forth herein (or, if such date is not expressly set forth herein, on such date or dates as may be determined by the Committee, but not earlier than five trading days prior to the date for which the determination is being made) at the closing sales price on the New York Stock Exchange, as reported on the composite transaction tape, or on such other exchange as the Committee may determine.

(g) The costs and expenses of administering this Plan shall be borne by the Company and not charged to any award nor to any employee or Participant receiving an award. However, the Company may charge the cost of any awards made to employees of Participating Subsidiaries, including administrative costs and expenses related thereto, to the respective Participating Subsidiaries by which such persons are employed.

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

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

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

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

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

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

"Designated Beneficiary" shall mean the person or persons last designated as such by the Participant on a form filed by him or her with the Committee in accordance with such procedures as the Committee shall approve, provided, however, that in the absence of the filing of such a form with the Company the Designated Beneficiary shall be the person or persons who are the Participant's beneficiary or beneficiaries of the Company's basic life insurance.

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

"Fiscal Year" shall mean the twelve-month period used as the annual accounting period by the Company.

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

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

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

"Subsidiary" shall mean any domestic or foreign corporation, partnership, association, joint stock company, trust or unincorporated organization affiliated with the Company whether or not controlling, controlled by or under common control with the Company.

9. AMENDMENTS AND TERMINATION

The Committee may at any time terminate or from time to time amend or suspend this Plan in whole or in part; provided, however, that no such amendment shall, without the consent of the Participant to whom an award has already been granted hereunder, operate to annul such award.

Unless approved by a vote of a majority of the shares present and entitled to be voted at a meeting of shareholders, no amendment shall be effective to increase the maximum amount which may be awarded to any individual for the same Fiscal Year, except as otherwise provided in paragraph 7.

10. EFFECTIVE DATE, PAST AMENDMENTS AND TERM OF THE PLAN

This Plan, previously denominated the "Air Products and Chemicals, Inc. 1979 Incentive Compensation Plan", became effective for the Fiscal Year commencing on October 1, 1978 for awards to be made for years to and including Fiscal Year 1983, following approval by a majority of those present at the January 19, 1978 annual meeting of shareholders of the Company and entitled to vote thereon. The Plan was thereafter amended as permitted by its terms effective October 1, 1982 by action of the Board of Directors.

The Plan, as amended effective October 1, 1983, was continued in effect indefinitely until terminated, amended or suspended as permitted under paragraph 9 following approval by the holders of a majority of the outstanding shares of Common Stock of the Company at the January 26, 1984 annual meeting of shareholders of the Company. The Plan was thereafter amended as permitted by its terms effective March 1, 1986, October 1, 1986, July 15, 1987 and October 1, 1989 by action of the Committee. The Plan was renamed the 1990 Annual Incentive Plan and restated effective as of October 1, 1989. The Plan was renamed the 1997 Annual Incentive Plan, amended and restated effective as of October 1, 1996. The Plan was thereafter amended as permitted by its terms effective as of April 1, 1998, and effective as of January 1, 2000, and September 20, 2000 by action of the Committee. The Plan, as set forth herein, was renamed the Annual Incentive Plan, amended and restated as of October 1, 2001.

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AIR PRODUCTS AND CHEMICALS, INC.
HANDBOOK FOR DIRECTORS
Compensation Program
for Nonemployee Directors

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RESOLVED, that the resolutions of the Board of Directors adopted at its meeting held on 16 March 2000, be, and the same hereby are, amended, effective as of 1 January 2002, to read in their entirety as follows:

a. Each director shall be paid an annual retainer of \$48,000 for serving as a member of the Board of Directors and any Board Committee(s), which retainer shall be payable in quarterly installments. Twenty-five percent of this retainer will be paid by the Company in the form of a credit to the Air Products Stock Account of the Deferred Compensation Plan for Directors (the "Plan").*/

b. Each director who serves as the Chairman of a Board Committee shall be paid an additional annual retainer of \$5,000, which retainer shall be payable in quarterly installments.*/

*/ If applicable, the quarterly installment of the annual retainer payable at the end of each calendar year shall be reduced pro - rata to reflect the number of regular meetings attended by the director compared to the number of such meetings held by the Board and Board Committees (excluding the Executive Committee) on which the director served during the preceding fiscal year (or shorter period that the director served). The reduction shall be applied to offset the amount of the retainer payable in the following forms: first, to reduce any cash payment; second, to reduce any credit of Elective Deferrals as defined in the Plan to the Plan's Interest Account; and last, to reduce any credit of Elective Deferrals to the Plan's Air Products Stock Account. For purposes of administering this provision, a director will be considered to have attended any meeting for which he or she was present in person or by secure telephone conference call for substantially all of the meeting, as determined by the Corporate Secretary.

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c. One thousand deferred stock units shall be credited under the Plan's Air Products Stock Account effective as of the date the director first serves on the Board and annually thereafter effective as of the day following the Annual Meeting of Shareholders.

d. Directors shall be reimbursed for out-of-pocket expenses incurred in attending regular and special meetings of the Board and Board Committees and any other business function of the Company at the request of the Chairman of the Board. Expenses will be reimbursed as submitted.**/

APCI BOARD OF DIRECTORS
21 March 2002

**/ Directors are reimbursed at the rate of \$.36 per mile for use of their personal cars in connection with Company business. Directors using personal aircraft or aircraft of non-carrier will be reimbursed for such expenses at a rate equivalent to first-class air fare of scheduled carriers.

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Deferred Compensation Plan
for Directors*/

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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

- (a) A vehicle for Air Products and Chemicals, Inc. (the "Company") to compensate persons serving as Directors in the form of Company equity securities to align the interests of Directors with those of the Company's shareholders ("Mandatory Deferrals"); and
- (b) The opportunity for Directors who so choose 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 ("Elective Deferrals").

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. Sections 1, 4, 5, 7, 8, and 9 were amended effective 21 November 1996. Sections 2, 7, 8, 9(a), 9(b), 17, the first paragraph of 9(c), and the Election Form (Exhibit A) were amended effective 19 May 1998. Section 11 was amended effective 20 September 2001.

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. Mandatory Deferrals

There shall be established for each Director who has never been employed by the Company (a "Nonemployee Director"), an account under the Air Products

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*/ Adopted 1 January 1980; amended 25 January 1990, 15 October 1992,
- - 19 October 1995, 21 November 1996, 19 May 1998, and 20 September 2001.

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Stock Account described under section 5(b) below to which shall be credited all compensation which is to be paid by the Company in the form of deferred stock units in accordance with the Compensation Program for Nonemployee Directors applicable for calendar year 1997 and later periods (the "Program"); and for each such Nonemployee Director who had not served as a Director for at least six years as of January 1, 1997, the actuarial present value of his or her prorated accrued pension (the "Pension Amount") under the Pension Plan for Directors (the "Pension Plan") in connection with the termination of said Pension Plan.

Dollar amounts to be so credited shall be converted into deferred stock units in the manner described under Section 5(b) below on the quarterly or other specified crediting date for such 1997 and later compensation, and on 21 November 1996, as to the Pension Amount; and using such date(s) as the valuation date(s) for determining Fair Market Value.

5. Elective Deferrals

Directors may elect to defer receipt of all or a specified portion of the compensation (exclusive of expense reimbursements) otherwise payable to him or her in cash 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 on the date the compensation is otherwise payable, to one or both of the following hypothetical investment accounts as directed by the Director:

- (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) 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 herein 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.

Nonemployee Directors who had served for six years or more within the meaning of the Pension Plan as of January 1, 1997, may elect to have the actuarial present value of his or her accrued pension benefit under the Pension Plan credited to the Air Products Stock Account on or before December 31, 1996. Such Pension Amount shall be credited and converted to deferred stock units in the manner described in Section 5(b) above, as of the business day the Company's Corporate Secretary's Office receives an Election Form therefor (by mail or fax); and using such date as the valuation date for determining Fair Market Value.

6. Earnings on Plan Accounts

Each participant's Plan account will be credited on behalf of such participant with interest on deferred compensation credited to the Interest Account, and with dividend equivalents on deferred compensation credited to the Air Products Stock Account on behalf of such participant, 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 and Manner of Making Elective Deferrals

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, whichever shall occur first.

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 "Elective Deferred Compensation Amount");
- (b) The percentage of the Elective Deferred Compensation Amount to be credited to the Interest Account and the percentage to be credited to the Air Products Stock Account; and
- (c) The timing of payment, i.e., either a lump-sum payment or a specified number of consecutive annual installment payments (not to exceed ten) of all Elective Deferred Compensation Amounts, and the year in which the lump-sum payment is to be received or the first annual installment payment is to commence.

Any modification or revocation of a prior election described in Section 7(a) or 7(b) above shall relate only to future compensation, and shall not apply to any amounts previously credited to the participant's Plan account.

8. Timing of Payment of Mandatory Deferrals

The amount of each Mandatory Deferral (the "Mandatory Deferred Compensation Amount") will be paid as a lump sum in the first year after the year in which service as a Director ends unless the Director has an Elective Deferral in effect at the time of crediting the Mandatory Deferral, in which case the Director's election as to time of payment of the Elective Deferral will also govern the time of payment of the Mandatory Deferral.

9. Payment of Deferred Compensation

No payment may be made from the participant's Plan account in respect of Elective Deferred Compensation Amounts or Mandatory Deferred Compensation Amounts (together, "Deferred Compensation Amounts") except as provided below.

- (a) Changes in Election of Timing of Payment. A participant may change

his or her election in regard to the timing of payment of his or her Deferred Compensation Amount as described in Section 7(c) above, by so specifying in an Election Form. Such a change in election of timing of payment will become effective one year from the date the Election Form is received by

the Company unless payments under a prior election commence before such effective date, in which case the new election will expire and the prior election will control the timing of payment of all Deferred Compensation Amounts. Such a change in election of timing of payment, when effective, shall supersede all prior elections and shall apply to all of the participant's prior and future Deferred Compensation Amounts, until a later election becomes effective.

(b) Payment Following Termination of Service. 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 from Plan accounts must be completed by the tenth year after the year in which service as a Director terminates. All payments will be made in January of the applicable year or as soon thereafter as reasonably possible. If annual installments are to be paid, 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.

(c) Accelerated Payment. Notwithstanding the deferral period and

timing of payment determined in accordance with Sections 9(a) and (b) above, the participant's Plan account shall be paid on an accelerated basis as follows under the circumstances described below (including, under the circumstances described in Section 9(c)(i) or (iii) below, any deferred stock units which may not yet have vested as provided by the applicable Program).

- (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.

(d) 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 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. Nonassignability

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, except by gift to the director participant's family member(s) or to trust(s) of which such family member(s) are beneficiaries and subject to the administrative procedures and conditions set forth in the "Administrative Procedures Regarding Transfers of the Right to Payment of Deferred Compensation dated 20 September 2001" attached hereto as Exhibit B; to his or her designated beneficiary; or by will or the laws of descent and distribution.

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 without giving effect to principles of conflicts of laws.

AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Unaudited)

	Year Ended 30 September					Six Months Ended 31 Mar
	1997	1998	1999	2000	2001	2002
Earnings:						
Income before extraordinary item and the cumulative effect of accounting changes:	\$429.3	\$546.8	\$450.5	\$124.2	\$512.9	\$239.8
Add (deduct):						
Provision for income taxes	203.4	280.9	209.5	(7.5)	224.8	120.6
Fixed charges, excluding capitalized interest	233.0	202.8	194.4	232.6	217.4	78.3
Capitalized interest amortized during the period	8.3	7.4	6.1	6.6	7.1	3.5
Undistributed earnings of less-than- fifty-percent-owned affiliates	(31.1)	(25.3)	(44.5)	(32.1)	(34.3)	(27.3)
Earnings, as adjusted	\$842.9	\$1,012.6	\$816.0	\$323.8	\$927.9	\$414.9
Fixed Charges:						
Interest on indebtedness, including capital lease obligations	\$217.8	\$186.7	\$175.4	\$210.3	\$201.6	\$67.1
Capitalized interest	20.9	18.4	24.7	19.7	8.8	5.2
Amortization of debt discount premium and expense	1.8	1.9	1.3	3.1	(3.6)	(0.1)
Portion of rents under operating leases representative of the interest factor	13.4	14.2	17.7	19.3	19.3	11.3
Fixed charges	\$253.9	\$221.2	\$219.1	\$252.4	\$226.1	\$83.5
Ratio of Earnings to Fixed Charges:	3.3	4.6	3.7	1.3	4.1	5.0