

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) 23 July 1999  
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Air Products and Chemicals, Inc.

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(Exact name of registrant as specified in charter)

Delaware

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(State of other jurisdiction of incorporation)

1-4534

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(Commission file number)

23-1274455

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(IRS Identification number)

7201 Hamilton Boulevard, Allentown, Pennsylvania

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(Address of principal executive offices)

18195-1501

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(Zip Code)

Registrant's telephone number, including area code (610) 481-4911  
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Item 5. Other Events.  
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The registrant reported net income from operations of \$104 million, or diluted earnings per share of 48 cents, for the third quarter ended June 30, 1999. This excludes a charge of \$9 million, or 4 cents per share, related to ongoing cost reduction programs. This compares to net income from operations of \$123 million, or 56 cents per share, in last year's third quarter. Sales of \$1.2 billion were up 1 percent versus last year.

Despite softer global markets and a stronger dollar, Industrial Gas sales were flat compared to last year's third quarter. Productivity and cost reduction initiatives and improved Asian operations resulted in a 3 percent increase in operating profit. Driven by ongoing cost reduction efforts, the worldwide gases operating margin of 19.3% increased from the prior year.

Sales in the Chemicals segment were up 6 percent, mainly due to acquisitions related to the globalization of the emulsions business. Operating profit declined as several businesses experienced margin pressure. The polyurethane intermediates and amines businesses, where substantial new investment is now on line, were impacted by customer operating problems and outages.

As expected, Equipment and Services reported lower sales and operating income because of reduced business activity.

Commenting on the outlook for the coming quarter, Harold A. Wagner, Chairman and Chief Executive Officer, said, "We fully expect next quarter's results to improve sequentially. This year we weathered an expected decline in our equipment business from record performance last year. We have endured difficult times in key markets and operating problems and outages from some large customers. Throughout this period, we remained focused on being ready to serve our customers as their markets recovered and on reducing our cost of doing business. As we enter the fourth quarter, we are encouraged by signs of recovery and we will continue to focus on improving our cost structure."

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

Financial tables follow.

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

(Millions of dollars, except per share)

	Three Months Ended		Nine Months Ended	
	30 June		30 June	
	1999	1998	1999	1998
Sales	\$1,237.8	\$1,225.3	\$3,765.7	\$3,668.7
Net Income	\$ 94.6(a)	\$ 138.1(c)	\$ 327.9(b)	\$ 419.1(d)
Basic Earnings Per Share	\$ .45(a)	\$ .64(c)	\$ 1.55(b)	\$ 1.94(d)
Diluted Earnings Per Share	\$ .44(a)	\$ .63(c)	\$ 1.52(b)	\$ 1.89(d)
Operating Return on Net Assets(e)			11.0%	11.9%
Capital Expenditures(f)			\$ 868.8(g)	\$ 725.1
Depreciation	\$ 128.2	\$ 120.8	\$ 386.8	\$ 359.0

(a) Includes an after-tax charge of \$9.0 million, or \$.04 per share for a global cost reduction program. Excluding the impact of this special item, net income was \$103.6 million, basic earnings per share was \$.49 and diluted earnings per share was \$.48.

(b) Includes an after-tax gain of \$21.3 million, or \$.10 per share related to the formation of Air Products Polymers, an after-tax charge of \$21.9 million, or \$.10 per share related to the global cost reduction programs, and an after-tax charge of \$6.4 million, or \$.03 per share primarily related to Chemicals facility closure costs. Excluding the impact of these special items, net income was \$334.9 million, basic earnings per share was \$1.58 and diluted earnings per share was \$1.55.

(c) Includes an after-tax gain of \$15.4 million, or \$.07 per share from the settlement of a power contract restructuring. Excluding the impact of this special item, net income was \$122.7 million, basic earnings per share was \$.57 and diluted earnings per share was \$.56.

(d) Includes an after-tax gain of \$35.1 million, or \$.16 per share from the sale of the company's 50% interest in American Ref-Fuel Company, an after-tax gain of \$7.6 million, or \$.03 per share from a cogeneration project contract settlement, and an after-tax gain of \$15.4 million, or .07 per share from the settlement of a power contract restructuring. Excluding the impact of these special items, net income was \$361.0 million, basic earnings per share was \$1.67 and diluted earnings per share was \$1.63.

- (e) Operating return on net assets (ORONA) is calculated as the rolling four quarter sum of operating income divided by the rolling five quarter average of total assets less investments in equity affiliates. The ORONA calculation excludes \$34.2 million in charges related to the global cost reduction programs and \$10.3 million in charges primarily related to Chemicals facility closure costs.
- (f) Capital expenditures include additions to plant and equipment, investments in and advances to unconsolidated affiliates, acquisitions, and capital lease additions.
- (g) Excludes the company's contribution of \$121.7 million of assets to the Air Products Polymers venture.

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

(Millions of dollars, except per share)

	Three Months Ended 30 June		Nine Months Ended 30 June	
	1999	1998	1999	1998
<b>SALES AND OTHER INCOME</b>				
Sales	\$1,237.8	\$1,225.3	\$3,765.7	\$3,668.7
Other income	2.9	11.0(a)	12.3	10.1(a)
	1,240.7	1,236.3	3,778.0	3,678.8
<b>COSTS AND EXPENSES</b>				
Cost of sales	871.0	824.2(b)	2,624.1	2,471.3(b)
Selling and administrative	172.6	171.9(b)	524.1	494.6(b)
Research and development	29.4	28.7	90.4	82.0
<b>OPERATING INCOME</b>				
Income from equity affiliates, net of related expenses	167.7	211.5	539.4	630.9
Gain on American Ref-Fuel sale and contract settlements	15.2	11.0	39.1	24.6
Net gain on formation of polymer venture	--	28.3	--	103.5
Interest expense	--	--	31.1	--
	39.3	42.0	120.1	121.2
<b>INCOME BEFORE TAXES AND MINORITY INTEREST</b>				
Income taxes	143.6	208.8	489.5	637.8
Minority interest(c)	44.4	70.5	149.4	217.8
	4.6	.2(a)	12.2	.9(a)
<b>NET INCOME</b>				
	\$ 94.6	\$ 138.1	\$ 327.9	\$ 419.1
<b>BASIC EARNINGS PER COMMON SHARE</b>				
	\$ .45	\$ .64	\$ 1.55	\$ 1.94
<b>DILUTED EARNINGS PER COMMON SHARE</b>				
	\$ .44	\$ .63	\$ 1.52	\$ 1.89
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in millions)</b>				
	212.5	214.9	211.9	216.4
<b>WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES (in millions) (d)</b>				
	217.0	219.9	215.9	221.3
<b>DIVIDENDS DECLARED PER COMMON SHARE - Cash</b>				
	\$ .18	\$ .17	\$ .52	\$ .47

(a) The results for the three and nine months ended 30 June 1998 have been restated to reflect the current year presentation of minority interest in a separate line item between income taxes and net income.

(b) The results for the three and nine months ended 30 June 1998 have been restated to reflect the current year presentation of distribution expense in cost of sales.

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

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

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

(Millions of dollars, except per share)

ASSETS	30 June 1999	30 June 1998
<b>CURRENT ASSETS</b>		
Cash and cash items	\$ 80.3	\$110.8
Trade receivables, less allowances for doubtful accounts	922.3	852.2
Inventories	428.8	424.4
Contracts in progress, less progress billings	93.0	97.3
Other current assets	184.3	197.8
<b>TOTAL CURRENT ASSETS</b>	<b>1,708.7</b>	<b>1,682.5</b>
<b>INVESTMENTS IN NET ASSETS OF AND ADVANCES TO UNCONSOLIDATED AFFILIATES</b>		
OTHER INVESTMENTS AND ADVANCES	479.3	339.4
PLANT AND EQUIPMENT, at cost	32.5	21.9
Less - Accumulated depreciation	9,975.2	9,189.1
	4,901.6	4,569.5
<b>PLANT AND EQUIPMENT, net</b>	<b>5,073.6</b>	<b>4,619.6</b>
<b>GOODWILL</b>	<b>346.4</b>	<b>299.4</b>
<b>OTHER NONCURRENT ASSETS</b>	<b>371.6</b>	<b>385.5</b>
<b>TOTAL ASSETS</b>	<b>\$8,012.1</b>	<b>\$7,348.3</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Payables, trade and other	\$ 561.4	\$ 530.3
Accrued liabilities	284.1	280.3
Accrued income taxes	18.8	74.5
Short-term borrowings	326.3	186.7
Current portion of long-term debt	258.7	130.8
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,449.3</b>	<b>1,202.6</b>
<b>LONG-TERM DEBT</b>		
DEFERRED INCOME & OTHER NONCURRENT LIABILITIES	2,249.7	2,305.0
DEFERRED INCOME TAXES	603.1	512.2
	741.5	688.7
<b>TOTAL LIABILITIES</b>	<b>5,043.6</b>	<b>4,708.5</b>
<b>MINORITY INTERESTS IN SUBSIDIARY COMPANIES</b>		
	136.2	12.7
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, par value \$1 per share	249.5	249.5
Capital in excess of par value	340.7	329.4
Retained earnings	3,617.6	3,308.3
Accumulated other comprehensive income	(316.3)	(257.4)
Treasury stock, at cost	(681.6)	(577.0)
Shares in trust	(377.6)	(425.7)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,832.3</b>	<b>2,627.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$8,012.1</b>	<b>\$7,348.3</b>

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

(Millions of dollars)

	Three Months Ended 30 June		Nine Months Ended 30 June	
	1999	1998	1999	1998
NET INCOME	\$ 94.6	\$ 138.1	\$ 327.9	\$ 419.1
OTHER COMPREHENSIVE INCOME, net of tax				
Foreign currency translation adjustments	(37.6)	2.1	(93.9)	(78.7)
Unrealized gains on investments:				
Unrealized holding gains arising during the period	5.0	(1.3)	9.1	.5
Less: reclassification adjustment for gains included in net income	--	--	--	--
Net unrealized gains on investments	5.0	(1.3)	9.1	.5
TOTAL OTHER COMPREHENSIVE INCOME	(32.6)	.8	(84.8)	(78.2)
COMPREHENSIVE INCOME	\$ 62.0	\$ 138.9	\$ 243.1	\$ 340.9



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

(Millions of dollars)

	Nine Months Ended 30 June	
	1999	1998
<b>OPERATING ACTIVITIES</b>		
Net Income	\$327.9	\$419.1
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation	386.8	359.0
Deferred income taxes	39.8	48.4
Ref-Fuel divestiture deferred income taxes	--	(80.4)
Gain on formation of polymer venture	(31.1)	--
Undistributed (earnings) of unconsolidated affiliates	(25.2)	6.9
Loss (gain) on sale of assets and investments	1.4	(85.4)
Other	88.1	103.1
Working capital changes that provided (used) cash, net of effects of acquisitions:		
Trade receivables	(66.2)	22.7
Other receivables	25.1	30.9
Inventories and contracts in progress	13.4	(5.9)
Payables, trade and other	90.9	(86.6)
Accrued liabilities	(54.4)	(47.0)
Accrued income taxes	(5.7)	82.0
Other	(1.8)	(23.9)
Cash (used for) discontinued operations	1.7	(3.8)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>790.7</b>	<b>739.1</b>
<b>INVESTING ACTIVITIES</b>		
Additions to plant and equipment	(671.8)	(507.2)
Acquisitions, less cash acquired	(75.5)	(185.7)
Investment in and advances to unconsolidated affiliates	(101.5)	(18.5)
Proceeds from sale of assets and investments	50.4	283.8
Other	14.2	(26.2)
<b>CASH (USED FOR) INVESTING ACTIVITIES</b>	<b>(784.2)</b>	<b>(453.8)</b>
<b>FINANCING ACTIVITIES</b>		
Long-term debt proceeds	78.1	102.0
Payments on long-term debt	(31.8)	(49.7)
Net increase in commercial paper	62.8	110.2
Net increase (decrease) in other short-term borrowings	(4.7)	(16.7)
Dividends paid to shareholders	(107.9)	(97.7)
Purchase of Treasury Stock	(24.6)	(285.0)
Other	44.2	11.9
<b>CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	<b>16.1</b>	<b>(225.0)</b>
Effect of Exchange Rate Changes on Cash	(3.8)	(2.0)
Increase in Cash and Cash Items	18.8	58.3
Cash and Cash Items - Beginning of Year	61.5	52.5
<b>Cash and Cash Items - End of Period</b>	<b>\$80.3</b>	<b>\$110.8</b>

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

The results for the three and nine months ended 30 June 1999 include a charge of \$13.9 million (\$9.0 million after-tax, or \$.04 per share) for a global cost reduction program. This program results in a staffing reduction of 142 employees. Of the total amount charged to expense in the third fiscal quarter, \$1.3 million has been incurred, and the balance is included in accrued liabilities. This program will be completed by 30 June 2000. The charges to cost of sales and selling and administrative were \$5.4 million and \$8.5 million, respectively.

The fiscal year 1999 global cost reduction programs began in the first fiscal quarter. The first quarter program included a staff reduction plan of 206 employees and resulted in a charge to expense of \$20.3 million (\$12.9 million after-tax, or \$.06 per share). The results for the nine months ended 30 June 1999 include a charge of \$34.2 million (\$21.9 million after-tax, or \$.10 per share) for the global cost reduction programs. The charges to cost of sales, selling and administrative, and research and development were \$15.3 million, \$17.8 million, and \$1.1 million, respectively, for the nine months ended 30 June 1999.

The results for the nine months ended 30 June 1999 include a net gain of \$31.1 million (\$21.3 million after-tax, or \$.10 per share) related to the formation of Air Products Polymers (a 65% majority owned venture with Wacker-Chemie GmbH). The gain was partially offset by costs related to an emulsions facility shutdown not included in the joint venture and for costs related to indemnities provided by Air Products to the venture.

The results for the nine months ended 30 June 1999 also include a charge of \$10.3 million (\$6.4 million after-tax, or \$.03 per share) primarily related to Chemicals facility closure costs.

In December 1997, the Company sold its 50% interest in American Ref-Fuel Company, its former waste-to-energy joint venture with Browning-Ferris Industries, Inc. (BFI), to Duke Energy Power Services and United American Energy Corporation. This transaction provided for the sale of Air Products' interest in American Ref-Fuel's five waste-to-energy facilities for \$237 million, and the assumption of various parental support agreements by Duke Energy Capital Corporation, the parent company of Duke Energy Power Services. The income statement for the nine months ended 30 June 1998 includes a gain of \$62.6 million from this sale (\$35.1 million after-tax, or \$.16 per share).

When the 50% interest in the American Ref-Fuel Company was sold, Air Products retained a limited partnership interest in a project that was undergoing a power contract restructuring. The restructuring was completed in June 1998. The three and nine months ended 30 June 1998 include a gain, net of transaction costs, of \$28.3 million (\$15.4 million after-tax, or \$.07 per share).

The results for the nine months ended 30 June 1998 also include a gain of \$12.6 million from a cogeneration project contract settlement (\$7.6 million after-tax, or \$.03 per share).

#### SUBSEQUENT EVENT

On 13 July 1999, the Company announced that its board and the boards of L'Air Liquide S.A. ("Air Liquide") of France and The BOC Group plc ("BOC") have agreed to the terms of a recommended offer under which it and Air Liquide will acquire BOC, the leading British industrial gases company, for UK(pound)14.60 per share in cash, or a total of approximately \$11.2 billion. Air Products has a UK(pound)3,950,000,000 credit agreement to provide funding for its 50% share of the offer price. The offer will formally commence in the United Kingdom upon receipt of the necessary regulatory clearances, which are expected within six months. Air Products has filed a Form 8-K with the United States Securities and Exchange Commission which provides additional details of this transaction.

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

(Millions of dollars)

	Three Months Ended		Nine Months Ended	
	30 June		30 June	
	1999	1998	1999	1998
<b>Sales:</b>				
Industrial Gases	\$ 725.8	\$ 725.9	\$2,193.6	\$2,168.2
Chemicals	415.8	393.6	1,234.5	1,152.9
Equipment/Services	96.2	105.8	337.6	347.6
Corporate/Other	--	--	--	--
<b>CONSOLIDATED</b>	<b>\$1,237.8</b>	<b>\$1,225.3</b>	<b>\$3,765.7</b>	<b>\$3,668.7</b>
<b>Operating Income:</b>				
Industrial Gases	\$ 129.1(a)	\$ 135.7	\$ 393.9(b)	\$427.6
Chemicals	47.4(a)	65.4	144.2(b)(c)	191.4
Equipment/Services	2.3(a)	20.4	39.3(b)	50.4
Corporate/Other	(11.1)	(10.0)(d)	(38.0)(b)	(38.5)(d)
<b>CONSOLIDATED</b>	<b>\$ 167.7</b>	<b>\$ 211.5</b>	<b>\$ 539.4</b>	<b>\$ 630.9</b>
<b>Equity Affiliates' Income:</b>				
Industrial Gases	\$ 7.4	\$ 5.1	\$ 20.7	\$ 8.3
Chemicals	3.4	.1	8.9	.5
Equipment/Services	4.3	4.9	9.0	13.2
Corporate/Other	.1	.9	.5	2.6
<b>CONSOLIDATED</b>	<b>\$ 15.2</b>	<b>\$ 11.0</b>	<b>\$ 39.1</b>	<b>\$ 24.6</b>
<b>Operating Return on Net Assets:(e)</b>				
Industrial Gases			11.0%	11.6%
Chemicals			13.8	17.7
Equipment/Services			24.5	18.6
Corporate/Other			N/A	N/A
<b>CONSOLIDATED</b>			<b>11.0%</b>	<b>11.9%</b>

(a) The results for the three months ended 30 June 1999 include the charge for the global cost reduction program in Industrial Gases (\$10.7 million), Chemicals (\$2.4 million), and Equipment/Services (\$.8 million).

(b) The results for the nine months ended 30 June 1999 include the cost reduction charges in Industrial Gases (\$27.0 million), Chemicals (\$4.0 million), Equipment/Services (\$2.7 million), and Corporate/Other (\$.5 million).

(c) The results for the nine months ended 30 June 1999 also include a charge of \$10.3 million primarily related to Chemicals facility closure costs.

(d) The results for the three and nine months ended 30 June 1998 have been restated to reflect the current year presentation of minority interest in a separate line item between income taxes and net income.

(e) Operating return on net assets (ORONA) is calculated as the rolling four-quarter sum of operating income divided by the rolling five-quarter average of total assets less investments in equity affiliates. The ORONA calculation excludes \$34.2 million in charges related to the global cost reduction programs, and \$10.3 million in charges primarily related to Chemicals facility closure costs.

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

(Millions of dollars)

	Three Months Ended 30 June		Nine Months Ended 30 June	
	1999	1998	1999	1998
<b>Sales:</b>				
United States	\$ 793.5	\$ 832.1	\$2,403.2	\$2,544.8
Europe	369.6	331.4	1,157.5	946.5
Canada/Latin America	47.8	55.3	151.0	159.0
Other	26.9	6.5	54.0	18.4
<b>CONSOLIDATED</b>	<b>\$1,237.8</b>	<b>\$1,225.3</b>	<b>\$3,765.7</b>	<b>\$3,668.7</b>
<b>Operating Income:</b>				
United States	\$ 117.8(a)	\$ 157.7 (d)	\$ 380.5(b)(c)	\$ 485.7 (d)
Europe	41.7(a)	50.1 (d)	141.4(b)	137.0 (d)
Canada/Latin America	8.7	4.1 (d)	19.4	10.9 (d)
Other	(.5)	(0.4)	(1.9)	(2.7)
<b>CONSOLIDATED</b>	<b>\$ 167.7</b>	<b>\$ 211.5</b>	<b>\$ 539.4</b>	<b>\$ 630.9</b>
<b>Equity Affiliates' Income:</b>				
United States	\$ 5.2	\$ 5.5	\$ 12.1	\$ 15.2
Europe	3.1	2.6	9.5	7.6
Canada/Latin America	5.2	3.0	14.1	8.6
Other	1.7	(0.1)	3.4	(6.8)
<b>CONSOLIDATED</b>	<b>\$ 15.2</b>	<b>\$ 11.0</b>	<b>\$ 39.1</b>	<b>\$ 24.6</b>

(a) The results for the three months ended 30 June 1999 include the charge for the global cost reduction program in the United States (\$2.9 million) and Europe (\$11.0 million).

(b) The results for the nine months ended 30 June 1999 include the cost reduction charges in the United States (\$13.4 million) and Europe (\$20.8 million).

(c) The results for the nine months ended 30 June 1999 also include a charge of \$10.3 million in the United States primarily related to Chemicals facility closure costs.

(d) The results for the three and nine months ended 30 June 1998 have been restated to reflect the current year presentation of minority interest in a separate line item between income taxes and net income.

SIGNATURES

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

Air Products and Chemicals, Inc.

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(registrant)

Dated: 23 July 1999

By: /s/ Leo J. Daley

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