UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One) [X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED 30 SEPTEMBER 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-4534
AIR PRODUCTS AND CHEMICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	23-1274455
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7201 Hamilton Boulevard, Allentown, Pennsylvania	18195-1501
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES[X] NO[ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant on 31 March 2003 was $9.3 billion. For purposes of the foregoing calculations (i) all directors and/or executive officers have been deemed to be affiliates, but the registrant disclaims that any such director and/or executive officer is an affiliate and (ii) registrant's grantor trust, described under Item 12 of this Report, is deemed a non-affiliate.

The number of shares of Common Stock outstanding as of 4 December 2003 was 227,265,870.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Shareholders for the fiscal year ended 30 September 2003. With the exception of those portions that are incorporated by reference into Parts I, II, and IV of this Form 10-K, the Annual Report is not deemed to be filed.

Proxy Statement for Annual Meeting of Shareholders to be held 22 January 2004 . . . Part III.

FORWARD-LOOKING STATEMENTS

The forward-looking statements contained in this document are based on current expectations at the time the document was originally prepared regarding important risk factors. Management does not anticipate publicly updating any of its expectations except as part of the quarterly earnings announcement process.

Actual results may differ materially from those forward-looking statements expressed. In addition to important risk factors and uncertainties referred to in the Management's Discussion and Analysis, which is included under Item 7 herein, 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 anticipates, as well as, among other things, overall economic and business conditions different than those currently anticipated and demand for the Company's goods and services during that time; competitive factors in the industries in which it competes; interruption in ordinary sources of supply; the ability to recover increased energy and raw material costs from customers; spikes in the pricing of natural gas; changes in government regulations; consequences of acts of war or terrorism impacting the United States and other markets; the success of implementing cost reduction programs; the timing, impact, and other uncertainties of future acquisitions or divestitures; significant fluctuations in interest rates and foreign currencies; the impact of tax and other legislation and regulations in jurisdictions in which the Company and its affiliates operate; and the timing and rate at which tax credits can be utilized.

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PART I

ITEM 1. BUSINESS.

Through internal development and by acquisitions, Air Products and Chemicals, Inc. has established an internationally recognized industrial gas and related industrial process equipment business and developed strong positions as a producer of certain chemicals.

The gases business segment recovers and distributes industrial gases such as oxygen, nitrogen, argon, and hydrogen, and a variety of medical and specialty gases. The chemicals business segment produces and markets performance materials and chemical intermediates. The equipment business segment supplies cryogenic and other process equipment and related engineering services.

Financial information concerning the Company's business segments appears in Note 20 to the Consolidated Financial Statements included under Item 8 herein, which information is incorporated herein by reference, as are all other specific references herein to information appearing in such 2003 Financial Review Section of the Annual Report.

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

GASES

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

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

"On-site/pipeline" supply -- For large volume or "tonnage" users of industrial gases, a plant is built adjacent to, on, or near the customer's facility -- hence the term "on-site". Alternatively, the gases are delivered through a pipeline from nearby locations. Supply is generally made under long-term contracts, typically five to twenty years in duration. In numerous areas -- the Houston (Texas) Ship Channel including the Port Arthur, Texas, area; "Silicon Valley," California; Los Angeles, California; Phoenix, Arizona; Decatur, Alabama; Central Louisiana; Rotterdam, the Netherlands; Korea; Singapore; Taiwan; Malaysia; and Brazil -- Air Products' hydrogen, oxygen, carbon monoxide, or nitrogen gas pipelines serve multiple customers from one or more centrally located plants. Industrial gas companies in which the Company has less than controlling interests have pipelines in Thailand, Singapore, and South Africa.

Liquid bulk supply -- Smaller volumes of industrial gas products are delivered to thousands of customers in liquid or gaseous form by tanker trucks or tube trailers. These liquid bulk customers use equipment designed and installed by Air Products to store the product near the point of use, normally in liquid state, and vaporize the product into gaseous state for their use as needed. Some customers are also supplied by small on-site generators using noncryogenic technology based on adsorption and membrane technology which, in certain circumstances, the Company sells to its customers. Liquid bulk customers' contract terms normally are from three to five years.

Packaged gases supply -- Industrial and various specialty and medical gases are also delivered in cylinders, dewars, and lecture bottle sizes. During fiscal year 2002, the Company divested its U.S. packaged gas business except for electronics gases and helium used in magnetic resonance imaging. During fiscal year 2003, the Company divested similar businesses in Canada and Puerto Rico. The Company continues to operate packaged gas businesses in Europe, Asia, and Brazil.

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

Sales of atmospheric gases -- oxygen, nitrogen, and argon -- constituted approximately 25 percent of Air Products' consolidated sales in fiscal year 2003, 26 percent in fiscal year 2002, and 24 percent in fiscal year 2001. Sales of industrial gases -- principally oxygen, nitrogen, and hydrogen -- to the chemical process industry and the electronics industry, the largest consuming industries, were approximately 22 percent and 13 percent, respectively, of Air Products' consolidated sales in fiscal year 2003.

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

The global healthcare business of Air Products is directed at two main markets: institutional and homecare. The institutional market uses medical gases in hospitals, clinics, and nursing homes, as well as helium for use in magnetic resonance imaging. The homecare business involves the delivery of respiratory therapy services, infusion services, and home medical equipment to patients in their homes in Europe, South America, and principally in the eastern United States.

Specialty gases include fluorine products, rare gases such as xenon, krypton, and neon, and more common gases of high purity or gases that are precisely blended as mixtures. Specialty chemicals for use by the electronics industry include silane, arsine, silicon tetrafluoride, nitrogen trifluoride, carbon tetrafluoride, hexafluoromethane, and tungsten hexafluoride. These gases and chemicals are used in numerous industries and in electronic and laboratory applications. In certain circumstances the Company sells equipment related to the use, handling, and storage of such specialty gases and specialty chemicals.

Sales of industrial gases and sales of specialty products to the electronics industry and others are made principally through regional offices in the United States, Europe, South America, Africa, and Asia.

During the year Air Products expanded its role in the electronics chemicals business through the acquisition of the Electronic Materials and Services Business of Ashland, Inc. Electronic materials are used in the semiconductor manufacturing and the photolithography process.

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

Air Products operates and has 50 percent interests in a 49-megawatt fluidized-bed coal-fired power generation facility in Stockton, California and in a 24-megawatt gas-fired combined cycle power generation facility near Rotterdam, the Netherlands. A 112-megawatt gas-fueled power generation facility, in which the Company has a 48.8 percent interest, operates in Thailand and supplies electricity to a state-owned electricity generating authority and steam and electricity to an Air Products industrial gases affiliate. Additional information with respect to the Company's power generation and flue gas treatment businesses is included in Notes 5, 8, and 18 to the Consolidated Financial Statements included under Item 8 herein.

CHEMICALS

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

Chemical sales are supported from various locations in the United States, Europe, Asia, and Africa, and through sales representatives or distributors in most industrialized countries. Dry products are delivered in railcars, trucks, drums, bags, and cartons. Liquid products are delivered by barge, rail tank cars, tank trailers, drums and pails, and, at one location, by pipeline.

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

PERFORMANCE MATERIALS

The principal businesses of performance materials are Performance Polymers, Performance Solutions, and Performance Products. Total sales from the performance materials business constituted approximately 15 percent of Air Products' consolidated sales in fiscal year 2003, 17 percent in fiscal year 2002, and 15 percent in fiscal year 2001. Air Products' performance materials are differentiated from the competition based on their functionality when used in the customer's products and applications, and by the technical service the Company provides.

Performance Polymers -- Air Products' polymers are water-based and water-soluble emulsion products derived primarily from vinyl acetate monomer. The Company's major emulsions products are vinyl acetate homopolymer emulsions and AIRFLEX(R) vinyl acetate-ethylene copolymer emulsions. The Company also produces emulsions that incorporate vinyl chloride and various acrylates in the polymer. These products are used in adhesives, nonwoven fabric binders, paper coatings, paints, inks, and carpet backing binder formulations.

Air Products owns 65 percent of a worldwide joint venture with Wacker-Chemie GmbH that produces polymer emulsions and pressure-sensitive adhesives. The Company also owns 20 percent of a worldwide joint venture with Wacker-Chemie GmbH that produces redispersible powders made from polymer emulsions.

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

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

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

CHEMICAL INTERMEDIATES

The chemical intermediates businesses use the Company's proprietary technology and scale of production to differentiate themselves from the competition. The principal intermediates sold by the Company include amines and polyurethane intermediates. The Company also produces nitric acid as a raw material for its differentiated products. Total third-party sales from the chemical intermediates businesses constituted 10 percent of Air Products' consolidated sales in fiscal year 2003, 10 percent in fiscal year 2002, and 10 percent in fiscal year 2001.

Amines -- The Company produces a broad range of amines using ammonia, methanol, and other alcohol feedstocks purchased from various suppliers. Substantial quantities of these products are sold under long-term contracts to a small number of customers. These products are used by the Company's customers as raw materials in the manufacture of herbicides, pesticides, water treatment chemicals, animal nutrients, polyurethane coatings, rubber chemicals, and pharmaceuticals. Additional ammonia is purchased and converted to ammonium nitrate prills and solutions that are primarily sold to customers as fertilizers or for other chemical applications. In 2004 the Company will shut down its methanol and ammonia production facilities and begin purchasing all of its methanol and ammonia requirements. During the third fiscal quarter, the Company announced its plan to sell the European methylamines and derivatives business.

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

EQUIPMENT

The Company designs and manufactures equipment for cryogenic air separation, gas processing, natural gas liquefaction, and hydrogen purification. Air Products also designs and builds systems for recovering hydrogen, nitrogen, carbon monoxide, carbon dioxide, and low dew point gases using membrane technology. This segment further designs and builds cryogenic transportation containers for liquid helium and hydrogen. Customers include companies involved in chemical and petrochemical manufacturing, oil and gas recovery and processing, power generation, and steel and primary

metal production. Additionally, a broad range of plant design, engineering, procurement, and construction management services is provided for the above areas. Equipment is manufactured for use by the gases segment and for sale in industrial markets that include the Company's international industrial gas joint ventures.

The backlog of orders (including letters of intent) believed to be firm from other companies and equity affiliates for equipment was approximately $259 million on 30 September 2003, approximately 66 percent of which relates to cryogenic air separation, as compared with a total backlog of approximately $114 million on 30 September 2002. It is expected that approximately $200 million of the backlog on 30 September 2003 will be completed during fiscal year 2004.

GENERAL

FOREIGN OPERATIONS

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

The Company's industrial gas segment, through investments ranging from wholly owned subsidiaries to minority ownership interests, does business in approximately 35 countries outside the United States. Majority and wholly owned industrial gas subsidiaries operate in Argentina, Brazil, Canada, and Mexico, and throughout Europe and Asia in 15 and ten countries, respectively. There are 50 percent industrial gas joint ventures in Canada and Trinidad and Tobago, seven countries in Europe, four in Asia, and two in Africa, and less than controlling interests in Africa, Canada, and Mexico, four countries in Europe, and five in Asia. The Company has a 50 percent joint venture in the U.K. that is developing products relating to silicon wafer polishing, chemical mechanical planarization processes, and hard disk polishing. The Company also has a 50 percent interest in a power generation facility in the Netherlands and a 48.8 percent interest in one in Thailand.

The principal geographic markets for the Company's chemical products are in 12 countries, with operations in North America, Europe, Asia, Brazil, and Mexico. Majority and wholly owned subsidiaries operate in Germany, Italy, the Netherlands, the United Kingdom, Australia, Japan, Korea, China, Taiwan, and Mexico. The polymer emulsions and pressure-sensitive adhesives joint venture with Wacker-Chemie GmbH has headquarters in the United States and production facilities in the United States, Germany, Mexico, and Korea, along with a technical service center in Shanghai, China. Headquarters for the 20 percent investment in the redispersible powder venture with Wacker-Chemie GmbH are in Germany with manufacturing facilities in Germany and the United States. The Company also has controlling interests in Korea and Taiwan and less than controlling interests in Japan and Ireland that sell chemicals to the electronics industry.

Financial information about Air Products' foreign operations and investments is included in Notes 8, 16, and 20 to the Consolidated Financial Statements included under Item 8 herein. Information about foreign currency translation is included in Note 1 to the Consolidated Financial Statements included under Item 8 herein, under "Foreign Currency," and information on Company exposure to currency fluctuations is included in Note 6 to the Consolidated Financial Statements included under Item 8 herein. Export sales from operations in the United States to unconsolidated customers amounted to $497 million, $533 million, and $602 million in fiscal years 2003, 2002, and 2001, respectively. Total export sales in fiscal year 2003 included $181 million in export sales to affiliated customers. The sales to affiliated customers were primarily equipment sales and electronic specialty materials sales.

TECHNOLOGY DEVELOPMENT

Air Products conducts research and development principally in its laboratories located in Trexlertown, Pennsylvania, as well as in Carlsbad, California; Dublin, Ohio; and Easton, Pennsylvania in the U.S.; Basingstoke, London, and Crewe in the U.K.; Burghausen, Germany; Utrecht, the Netherlands; San Juan del Rio, Mexico; and Barcelona, Spain. The Company also funds and works closely on research and development programs with a number of major universities and conducts research work funded by others, principally the United States Government.

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

The amount expended by the Company on research and development during fiscal year 2003 was $121 million, $120 million in fiscal year 2002, and $122 million in fiscal year 2001. The amount expended by the Company on customer-sponsored research activities during fiscal year 2003 was $15 million, $18 million in fiscal year 2002, and $19 million in fiscal year 2001.

In the gases and equipment segments, technology development is directed primarily to developing new and improved processes and equipment for the production and delivery of industrial gases and cryogenic fluids, developing new products, and developing new and improved applications for industrial gases. It is through such applications and improvements that the Company has become a major supplier to the electronics and chemical process industries, including gases from air separation, specialty gases, and hydrogen. Additionally, technology development for the equipment business is directed primarily to reducing the capital and operating costs of its facilities and to commercializing new technologies in gas production, liquefaction, and separation.

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

A corporate research group supports the research efforts of the Company's various businesses. This group includes the Company's Corporate Science and Technology Center, which conducts research in areas important to the long-term growth of the Company with focus on performance materials.

As of 1 November 2003, Air Products owned 1,041 United States patents and 1,889 foreign patents. The Company is also licensed under certain patents owned by others. While the patents and licenses are considered important, Air Products does not consider its business as a whole to be materially dependent upon any particular patent or patent license, or group of patents or licenses.

RAW MATERIALS AND ENERGY

The Company manufactures hydrogen, carbon monoxide, synthesis gas, and carbon dioxide, principally from natural gas. Such products accounted for approximately 13 percent of the Company's consolidated sales in fiscal year 2003. The Company's principal raw material purchases are chemical intermediates produced by others from basic petrochemical feedstocks such as olefins and aromatic hydrocarbons. These feedstocks are generally derived from various crude oil fractions or from liquids extracted from natural gas. The Company purchases its chemical intermediates from many sources and generally is not dependent on one supplier. However, with respect to vinyl acetate monomer that supports the polymer business, the Company is heavily dependent on a single supplier under a long-term contract that produces vinyl acetate monomer from several facilities. The Company characterizes the availability of these chemical intermediates as generally being readily available. The Company uses such raw materials in the production of emulsions, amines, polyurethane intermediates, specialty additives, polyurethane additives, and epoxy additives. Such products accounted for approximately 26 percent of the Company's consolidated sales in fiscal year 2003. Natural gas is an energy source at a number of the Company's facilities. The Company also purchases ammonia under long-term contracts as a feedstock for several of its chemicals facilities.

A long-term supplier of sulfuric acid, used in the production of dinitrotoluene (DNT), emerged from Chapter 11 bankruptcy protection in June 2003. To facilitate the supplier's ability to emerge from bankruptcy and to continue supplying product to the Company, the Company agreed to participate in the supplier's financing and has continued to supply additional financing. Total loans to the supplier at 30 November 2003 were $45.1 million. If the supplier does not continue to operate, the sales and profitability of the chemicals segment could be materially impacted on an annual basis because of the Company's inability to supply all of its customers' base requirements. The Company does not expect a material loss related to this supplier.

The Company's industrial gas facilities use substantial amounts of electrical power. Electricity is the largest cost input for the production of atmospheric gases. Any shortage of electrical power or interruption of its supply or increase in its price that cannot be passed through to customers for competitive reasons will adversely affect the liquid bulk gas business of the Company.

In addition, the Company purchases finished and semi-finished materials and chemical intermediates from many suppliers. During fiscal year 2003, no significant difficulties were encountered in obtaining adequate supplies of energy or raw materials.

ENVIRONMENTAL CONTROLS

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

The amounts charged to earnings on an after-tax basis related to environmental matters totaled $30 million in 2003, $24 million in 2002, and $22 million in 2001. These amounts represent an estimate of expenses for compliance with environmental laws, as well as remedial activities, and costs incurred to meet internal Company standards. Such costs are estimated to be $30 million in 2004 and $31 million in 2005.

Although precise amounts are difficult to define, the Company estimates that in fiscal year 2003 it spent approximately $16 million on capital projects to control pollution versus $14 million in 2002. Capital expenditures to control pollution in future years are estimated at approximately $17 million in 2004 and $14 million in 2005.

To the extent long-term contracts have been entered into for supply of product, such as for the industrial gas on-site business and for certain chemical products, the cost of any environmental compliance generally is contractually passed through to the customer.

It is the Company's policy to accrue environmental investigatory and noncapital remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from $9 million to a reasonably possible upper exposure of $21 million. The accrual on the balance sheet for both 30 September 2003 and 30 September 2002 was $15 million. Actual costs to be incurred in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, the Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a materially adverse effect on its financial condition or results of operations in any one year.

COMPETITION

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

Air Products' industrial gas business competes in the United States with three major sellers and with several regional sellers. Competition in industrial gas markets is based primarily on price, reliability of supply, and furnishing or developing applications for use of such gases by customers, and in some cases the provisions of other services or products such as power and steam generation. Similar competitive situations exist in European and Asian industrial gas markets in which the Company competes against one or more larger entrenched competitors in most countries.

The division of the Company's gas business that serves the electronics industry offers electronic specialty gases, chemicals, services, and equipment. These products face competition from competitors who vary from product to product, ranging from niche suppliers having only a single product, to larger and more vertically integrated chemical companies with greater financial resources than the Company. Competition in these products is principally on the basis of price, quality, product performance, and reliability of product supply.

Competition in the institutional market of the global healthcare business is principally from other large, established industrial gas companies using business models (long-term product supply agreements) that are similar to those the companies utilize for other industrial gas supply relationships. Competition in this market is principally based on price, quality, service, and reliability of supply. Homecare is served by national and local providers, and in the U.S. there are over 2,000 regional and local providers. The homecare market is highly competitive. In the United States reimbursement levels are established by fee schedules regulated by Medicare and

Medicaid, or by the levels determined by insurance companies. Accordingly, in the United States, homecare companies compete primarily on the basis of service. Maintaining competitiveness requires efficient logistics, reimbursement, and accounts receivable systems. Although the Company intends to acquire additional homecare companies, there is no guarantee that suitable candidates can be acquired or that the necessary managed care contracts will be on favorable terms.

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

The Company's equipment business competes in all aspects with a great number of firms, some of which have greater financial resources than Air Products. Competition is based primarily on technological performance, service, technical know-how, price, and performance guarantees.

INSURANCE

The Company's policy is to obtain public liability and property insurance coverage that is currently available at what management determines to be a fair and reasonable price. The Company maintains public liability and property insurance coverage at amounts that management believes are sufficient to meet the Company's anticipated needs in light of historical experience to cover future litigation and claims. There is no assurance, however, that the Company will not incur losses beyond the limits of, or outside the coverage of, its insurance.

EMPLOYEES

On 30 September 2003, the Company (including majority-owned subsidiaries) had approximately 18,500 full-time employees, of whom approximately 8,700 were located outside the United States. The Company has collective bargaining agreements with unions at various locations that expire on assorted dates over the next three to four years. In late November 2003, the contract at the Wilkes-Barre manufacturing facility where hourly employees are represented by the International Association of Machinists and Aerospace Workers (I.A.M.A.W.) expired and the workforce went on strike. Contract negotiations had been conducted with the union's negotiating team, but the union membership rejected the agreement its leadership had unanimously recommended. The Wilkes-Barre facility principally manufactures heat exchangers for natural gas liquefaction and equipment for cryogenic air separation. The Company is negotiating two new contracts with the Teamsters in Easton, Pennsylvania and with the PACE Union in Dallas, Texas, as a result of the recent Ashland acquisition. Although there are no firm dates associated with these later two contracts, the Company hopes to resolve them sometime in the second fiscal quarter. The Company considers relations with its employees to be satisfactory, with the exception of the current strike. The Company does not believe that the impact of any expiring or expired collective bargaining agreements will result in a material adverse impact on the Company.

AVAILABLE INFORMATION

All periodic and current reports, registration statements, and other filings that the Company is required to file with the Securities and Exchange Commission ("SEC"), including the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act (the "1934 Act Reports"), are available free of charge through the Company's Internet website at www.airproducts.com. Such documents are available as soon as reasonably practicable after electronic filing of the material with the SEC. All 1934 Act Reports filed during the period covered by this Report were available on the Company's website on the same day as filing.

The public may also read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC; the address of that site is www.sec.gov.

EXECUTIVE OFFICERS OF THE COMPANY

The Company's executive officers and their respective positions and ages on 15 December 2003 follow. Except where indicated, each of the executive officers listed below has been employed by the Company in the position indicated during the past five fiscal years. Information with respect to offices held is stated in fiscal years.

NAME	AGE	OFFICE
Leonard V. Broese van Groenou (D)	56	Vice President - Human Resources (became Vice President - Human Resources in 2001; Vice President - Human Resources and Procurement of Air Products Europe prior thereto)
W. Douglas Brown (D)	57	Vice President, General Counsel, and Secretary (became Vice President, General Counsel, and Secretary in 1999; Vice President - Administration, Gases and Equipment prior thereto)
Mark L. Bye (D)	47	Group Vice President, Gases and Equipment (became Group Vice President, Gases and Equipment in 2003; President, Air Products Asia in 2001; and Vice President, Performance Chemicals Division in 1998)
Robert E. Gadomski (D)	56	Executive Vice President - Gases and Equipment (will retire 1 February 2004) (became Executive Vice President - Gases and Equipment in 1999; Executive Vice President - Chemicals, Asia, and Latin America in 1998)
Paul E. Huck	53	Vice President and Corporate Controller (became Vice President and Corporate Controller in 2002; Vice President - Project Management Office in 2000; Vice President and Corporate Controller prior thereto)
John P. Jones III (A)(B)(C)(D)	53	Chairman, President, and Chief Executive Officer (became Chairman and Chief Executive Officer in 2000; President and Chief Operating Officer in 1998)
Arthur T. Katsaros (D)	56	Group Vice President - Engineered Systems and Development (became Group Vice President - Engineered Systems and Development in 2001; Group Vice President, Engineered Systems and Operations Group prior thereto)
John F. McGlade (D)	49	Group Vice President, Chemicals (became Group Vice President, Chemicals in 2003; Vice President, Chemicals Group Business Divisions in 2003; Vice President and General Manager, Performance Chemicals Division in 2001; and Vice President and General Manager, Chemical and Process Industries and Energy Systems prior thereto)
John R. Owings (D)	54	Vice President and Chief Financial Officer (became Vice President and Chief Financial Officer in 2002; Senior Vice President of Finance, Personal Communications Segment ($10.5 billion in net sales), in 2000 for Motorola, Inc., which provides integrated communications solutions and embedded electronic solutions; Senior Vice President, Director of Finance, Global Telecom Solutions Segment ($6.5 billion in net sales), in 1998 for Motorola, Inc.)

(A) Member, Board of Directors

(B) Member, Executive Committee of the Board of Directors

(C) Member, Finance Committee of the Board of Directors

(D) Member, Corporate Executive Committee

ITEM 2. PROPERTIES.

The principal executive offices of Air Products are located at its headquarters in Trexlertown, near Allentown, Pennsylvania. Additional administrative offices are located in owned facilities in Hersham, near London, England; Brampton, near Toronto, Canada; and Hattingen, Germany. Administrative offices are also located in leased facilities in the Allentown and Philadelphia areas in Pennsylvania; Dublin, Ohio; Tokyo, Japan; Hong Kong, the People's Republic of China; Singapore; Brussels, Belgium; Paris, France; Barcelona, Spain; and Sao Paulo, Brazil. The management considers the Company's manufacturing facilities, described in more detail below, to be adequate to support the business efficiently. The following information with respect to properties is as of 30 September 2003.

GASES

In the United States, the gases segment has approximately 200 plant facilities in 45 states, the majority of which recover nitrogen, oxygen, and argon. The Company has three facilities that produce specialty gases, three facilities that clean electronic parts, three facilities that produce electronic chemicals, and 29 facilities that produce and/or recover hydrogen throughout the United States. Helium is recovered at two plants in Kansas and Texas. There are 19 sales offices located in 10 states. The property on which these plants are located is owned by Air Products at approximately one-fourth of the locations, and leased by Air Products at the remaining locations. However, in virtually all cases, the plant itself is owned and operated by Air Products. Air Products owns approximately half of its industrial gas sales offices and cylinder distribution centers, including related real estate, and leases the other half.

Air Products' European plant facilities total 74 and include nine facilities that recover hydrogen, four facilities that manufacture dissolved acetylene, two facilities that recover carbon monoxide, and two facilities that produce electronic chemicals. The majority of European plants recover nitrogen, oxygen, and argon. In addition, there are five specialty gas centers. There are 114 sales offices and/or cylinder distribution centers in Europe, and several additional facilities located in Brazil, Canada, Puerto Rico, and the Middle East.

In Asia the gases segment has approximately 79 plant facilities in eight countries, including two equipment manufacturing facilities, an electronic chemicals facility, and seven facilities that produce and/or recover hydrogen. The property on which these plants are located is owned by Air Products at approximately one-fifth of the locations, and leased by Air Products at the remaining locations. There are approximately 40 sales offices and distribution centers located throughout the region, half of which are owned sites and the remainder leased. Representative offices are located in Taiwan and in Hong Kong, Beijing, and Shanghai in the People's Republic of China.

Global healthcare has 152 facilities in the United States, Argentina, Brazil, Mexico, South Africa, and seven countries in Europe. The majority of the facilities for global healthcare are leased.

CHEMICALS

The chemicals segment manufactures amines, nitric acid, and ammonia products at its Pace, Florida facility; alkylamines at its St. Gabriel, Louisiana facility and its Camacari, Bahia, Brazil facility; polyvinyl acetate emulsions at its South Brunswick, New Jersey facility; styrene emulsions, styrene acrylics, polyvinyl acetate acrylics, and polyvinyl acetate emulsions at its San Juan del Rio facility in Mexico; polyvinyl acetate emulsions at its Cologne, Germany facility; nitric acid, dinitrotoluene, and toluene diamine at its Pasadena, Texas facility; polyvinyl acetate emulsions and acetylenic chemicals at its Calvert City, Kentucky facility; specialty amines at its Wichita, Kansas facility; methylamines, dimethyl formamide, choline chloride, and dimethyl amino ethanol at its Teesside, England facility; and epoxy additives at its facilities in Manchester, England, and Los Angeles, California. The chemicals segment manufactures polyurethane additives and polyurethane specialty products (AIRTHANE(R)/VERSATHANE(R)) at its Paulsboro, New Jersey facility that is leased in part and owned in part. The chemicals segment also manufactures polyvinyl acetate emulsions at four smaller locations.

The chemicals segment has 12 plant facilities, one sales office, and one laboratory in the United States, and operates four plants, three sales/representative offices, and two laboratories in Europe, two laboratories in Brazil and Japan,

one laboratory in Korea, one plant in each of Mexico and Brazil, two plants in Korea, and sales offices in Australia, Brazil, Mexico, the People's Republic of China, Japan, Korea, and Singapore, and representative offices in Beijing, Shanghai, and Hong Kong in the People's Republic of China. Substantially all of the chemicals segment's plants and real estate are owned. The Company leases approximately 75 percent of the offices and 25 percent are owned.

EQUIPMENT

The principal facilities utilized by the equipment segment include six plants and two sales offices in the United States, two plants and one office in Europe, one office in Japan, and one sales office in the People's Republic of China. Air Products owns approximately 50 percent of the facilities and real estate in this segment and leases the remaining 50 percent.

ITEM 3. LEGAL PROCEEDINGS.

In the normal course of business Air Products and its subsidiaries are involved in legal proceedings including proceedings involving governmental authorities under the Comprehensive Environmental Response, Compensation, and Liability Act (the federal Superfund law); the Resource Conservation and Recovery Act (RCRA); and similar state environmental laws relating to the designation of certain sites for investigation or remediation. Presently there are approximately 40 sites on which a final settlement has not been reached where the Company, along with others, has been designated a Potentially Responsible Party by the Environmental Protection Agency or is otherwise engaged in investigation or remediation. As previously reported, the Company received several notices between June 2001 and September 2002 of civil administrative penalties from the New Jersey Department of Environmental Protection (NJDEP) alleging various exceedances and discrepancies relating to the air emissions from the thermal oxidizer at the Company's Paulsboro, New Jersey chemical production facility. In October 2003, the Company executed a Settlement Agreement with NJDEP and paid a penalty amount of $111,200 for these notices and subsequent exceedances.

The Company does not expect that any sums it may have to pay in connection with these matters would have a materially adverse effect on its consolidated financial position, nor is there any material additional exposure expected in any one year in excess of the amounts the Company currently has accrued. Additional information on the Company's environmental exposure is included under "Environmental Controls."

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock, ticker symbol "APD," is listed on the New York and Pacific Stock Exchanges. Quarterly stock prices, as reported on the New York Stock Exchange composite tape of transactions, and dividend information for the last two fiscal years appear below. Cash dividends on Air Products' common stock are paid quarterly. The Company's objective is to pay dividends consistent with the reinvestment of earnings necessary for long-term growth. It is the Company's expectation that comparable cash dividends will continue to be paid in the future.

Quarterly Stock Information

2003	High	Low	Close	Dividend
First	$46.50	$40.34	$42.75	$.21
Second	44.20	36.97	41.43	.21
Third	44.25	40.72	41.60	.23
Fourth	48.78	40.50	45.10	.23
				$.88

2002	High	Low	Close	Dividend
First	$48.09	$36.15	$46.91	$.20
Second	53.52	43.30	51.65	.20
Third	52.58	45.59	50.47	.21
Fourth	51.66	40.00	42.01	.21
				$.82

The Company has authority to issue 25,000,000 shares of preferred stock in series. The Board of Directors is authorized to designate the series and to fix the relative voting, dividend, conversion, liquidation, redemption and other rights, preferences, and limitations as between series. When preferred stock is issued, holders of Common Stock are subject to the dividend and liquidation preferences and other prior rights of the preferred stock. There currently is no preferred stock outstanding. The Company's Transfer Agent and Registrar is American Stock Transfer and Trust Company, 59 Maiden Lane, New York, New York, 10038, telephone (800) 937-5449, Internet website www.amstock.com, and e-mail address info@amstock.com.

As of 28 November 2003, there were 11,038 record holders of the Company's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA.

The tabular information appearing under "Five-Year Summary of Selected Financial Data" on page 74 of the 2003 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

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

The textual information appearing under "Management's Discussion and Analysis" on pages 25 through 42 of the 2003 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The textual information appearing under "Market Risks and Sensitivity Analysis" on pages 38 and 39 of the 2003 Financial Review Section of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements and the related notes thereto, together with the report thereon of KPMG LLP dated 24 October 2003, and the previously issued Arthur Andersen LLP report dated 26 October 2001, appearing on pages 44 through 74 of the 2003 Financial Review Section of the Annual Report to Shareholders, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

On 10 May 2002, the Company terminated its engagement of Arthur Andersen LLP of Philadelphia, Pennsylvania ("Andersen") as independent auditors and appointed KPMG LLP as its new independent auditors for the fiscal year ending 30 September 2002. This determination followed the Company's decision to seek proposals from independent public accounting firms to audit the Company's financial statements and was approved by the Board of Directors upon the recommendation of the Audit Committee.

Andersen's report on the Company's audited financial statements for each of the years ended 30 September 2000 and 30 September 2001 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the years ended 30 September 2000 and 30 September 2001, and the interim period between 30 September 2001 and 10 May 2002, there were no disagreements between the Company and Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's

satisfaction, would have caused it to make reference to the subject matter in connection with its report on the Company's financial statements for those years. Also, during those two years and interim period, there were no reportable events as listed in Item 304(a)(1)(v) of Regulation S-K.

Air Products provided Andersen with a copy of the foregoing disclosure. Andersen's letter dated 10 May 2002, stating its agreement with such statements, was filed as Exhibit 16 to the Company's Form 8-K filed 10 May 2002, which is incorporated herein by reference.

During the years ended 30 September 2000 and 30 September 2001, and the interim period between 30 September 2001 and 10 May 2002, the Company did not consult with KPMG regarding application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matter or reportable event listed in Items 304(a)(2)(i) and (ii) of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES.

Under the supervision of the Chief Executive Officer and Chief Financial Officer, the Company's management conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of 30 September 2003. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of its disclosure controls and procedures have been effective. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of such evaluation.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The biographical information relating to the Company's directors, appearing on pages 6 through 8 of the Proxy Statement relating to the Company's 2004 Annual Meeting of Shareholders, is incorporated herein by reference. Biographical information relating to the Company's executive officers is set forth in Item 1 of Part I of this Report.

Information on Section 16(a) Beneficial Ownership Reporting Compliance, appearing on page 26 of the Proxy Statement relating to the Company's 2004 Annual Meeting of Shareholders, is incorporated herein by reference.

The Company's existing Code of Conduct, which has applied to all employees, was recently updated to comply with the requirements of Sarbanes-Oxley and the New York Stock Exchange, including by clarifying its application to its principal executive officer, principal financial officer, principal accounting officer, and directors. The text of the Code of Conduct is attached as Exhibit 14 to this Annual Report on Form 10-K. The Code of Conduct can also be found at the Company's Internet website at www.airproducts.com/responsibility/governance/codeofconduct.htm.

ITEM 11. EXECUTIVE COMPENSATION.

The information under "Director Compensation," "Report of the Management Development and Compensation Committee," "Executive Compensation Tables," "Severance and Employment Arrangements," "Change in Control Arrangements," and "Stock Performance Graph," appearing on pages 13 through 23 of the Proxy Statement relating to the Company's 2004 Annual Meeting of Shareholders, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of 30 September 2003, about Company Stock that may be issued upon the exercise of options, warrants, and rights granted to employees or members of the Board of Directors under the Company's

existing equity compensation plans, including plans approved by shareholders and plans that have not been approved by shareholders in reliance on the New York Stock Exchange's traditional treasury stock or other applicable exception to the Exchange's listing requirements.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	21,623,096(1)	$35.75	10,022,747(2)
Equity compensation plans not approved by security holders	6,829,945(3)	$35.07	1,500,000(4)
Total	28,453,041	$35.58	11,522,747

(1) Represents Long-Term Incentive Plan outstanding options and deferred stock units ("DSUs") that have been granted. DSUs entitle the recipient to one share of Company common stock upon earn out, which is conditioned on continued employment during the deferral period and may also be conditioned on meeting certain performance targets. The deferral period generally ends upon death, disability, or retirement.

(2) Represents authorized shares that were available for future grants as of 30 September 2003. These shares may be used for options, DSUs, restricted stock, and other stock based awards to officers, directors, and key employees.

(3) Represents outstanding options under Global Employee Stock Awards (3,494,371), the Stock Incentive Plan (2,326,200), the Stock Option Plan for Directors (112,000), and the U.K. Savings-Related Share Option Schemes (705,903). This number also includes DSUs under the Deferred Compensation Plan for Directors (118,865), the Annual Incentive Plan (36,516), and the Supplementary Savings Plan (36,090). DSUs issued under these plans are purchased for the fair market value of the underlying shares of stock with eligible deferred compensation, except for that portion of directors fees that is paid in DSUs as described above.

(4) The number also includes a reserve of (1,000,000) shares available for stock option awards under the U.K. Savings-Related Share Option Schemes, a (250,000) reserve for the Annual Incentive Plan and Supplementary Savings Plan and (250,000) reserve for the Deferred Compensation Plan for Directors.

Global Employee Stock Option Awards and Stock Incentive Program - All stock options under these plans were granted at fair market value on the date of grant, first become exercisable three years after grant, and terminate ten years after the date of grant or upon the earlier termination of employment for reasons other than retirement, disability, death, or involuntary termination due to Company action necessitated by business conditions. No further awards will be made under these plans.

Stock Option Plan for Directors - All stock options under this plan were granted at fair market value on the date of grant. The options become exercisable in six months after grant and remain exercisable for nine and one-half years unless the director resigns from our Board after serving for less than six years (other than because of disability or death). No further awards will be made under this plan.

The Air Products PLC U.K. Savings-Related Share Option Scheme and the Air Products Group Limited U.K. Savings-Related Share Option Scheme (together, the "U.K. Plan") are employee benefit plans for employees of Air Products PLC (and certain of its U.K. subsidiaries) and Air Products Group Limited (and certain of its U.K. subsidiaries), respectively

(together, the "U.K. Companies"). Employees participate in the U.K. Plan by electing to do so during a brief invitation period. An employee who elects to participate elects a five- or seven-year option period and has amounts of salary automatically withheld and contributed to a savings account at a bank not affiliated with the Company. At the end of the five-year savings period, a tax-free bonus is added to the employee's account. An employee who elects a seven-year option and retains his savings account for seven years receives a further bonus at the end of the seventh year. At the end of the option period, the participant may use his savings to purchase shares of Company Stock at the fixed option price or receive in cash the amount of his savings and bonus(es). His election must be made within six months of the close of the option period. The option price is an amount determined by the directors of the U.K. Company on the date the option is granted, which may not be less than 90 percent of Market Value (as defined in the U.K. Plan) on the date of grant.

Deferred Compensation Plan for Directors - Our compensation plan for non-employee directors mandates that one-half of each director's quarterly retainer is paid in DSUs. Directors have the opportunity to purchase more DSUs with up to all of the rest of their retainers and meeting fees. Retainer and meeting fee dollars (plus dividend equivalents earned on the director's existing DSU account during the quarter) are converted to DSUs based on the market value of a share of Company Stock on the second business day preceding the date the dollars would have been paid to the director. (Retainers and meeting fees are paid quarterly in arrears.) New directors and directors continuing in office after our annual meetings were awarded 1,000 DSUs. Each DSU also accrues dividend equivalents which are equal to the dividends that would have been paid on a share of stock during the period the DSUs are outstanding. Accumulated dividend equivalents are converted to DSUs on a quarterly basis. DSUs provide our directors with the financial equivalent of owning Company Stock participating in quarterly dividend reinvestment, which they cannot sell until after they leave our Board, except that DSUs have no voting rights. Directors may transfer DSUs by gift to family members.

The Annual Incentive Plan is the annual cash bonus plan for executives and key salaried employees of the Company and its subsidiaries. Terms applicable to the Plan were approved by shareholders in order to permit the continued exclusion of compensation payable under it from the deduction limitations imposed by Section 162(m) of the Internal Revenue Code. The Plan is administered by the Management Development and Compensation Committee of the Board of Directors (the "Compensation Committee"). All or a portion of bonuses granted to a participant may be deferred at the election of the participant or at the discretion of the Compensation Committee ("Deferred Awards").

The dollar amount of Deferred Awards granted to a participant is initially credited to an unfunded account that earns interest credits. Participants with Deferred Awards are periodically permitted while employed by the Company to irrevocably convert all or a portion of their accounts to an account deemed to be invested in Company Stock. Upon conversion, the Company Stock account is credited with deferred stock units ("DSUs") based on the fair market value of a share of Company Stock on the date of crediting. Dividend equivalents corresponding to the number of DSUs are credited quarterly to the interest-bearing account. DSUs are paid after, but no later than ten years after, termination of employment in shares of Company Stock, unless the Compensation Committee determines otherwise. Upon a change in control of the Company, DSUs become payable immediately in cash.

The Company's Supplementary Savings Plan is an unfunded employee retirement benefit plan available to certain of the Company's U.S.-based management and other highly compensated employees (and those of its subsidiaries) whose participation in the Company's Retirement Savings and Stock Ownership Plan (the "RSSOP") is limited by federal tax laws. Participants may defer a portion of base salary which cannot be contributed to the RSSOP because of tax limitations ("Elective Deferrals") and earn matching contributions from the Company they would have received if their Elective Deferrals had been contributed to the RSSOP ("Matching Credits"). The dollar amount of Elective Deferrals and Matching Credits is initially credited to an unfunded account, which earns interest credits. Participants are periodically permitted while employed by the Company to irrevocably convert all or a portion of their interest bearing account to DSUs in a Company Stock account. Conversion and crediting of earnings to, and payments from, the Company Stock account is the same as described above as to Deferred Awards granted under the Annual Incentive Plan.

The information set forth in the sections headed "Persons Owning More than 5% of Air Products Stock as of September 30, 2003," and "Air Products Stock Beneficially Owned by Officers and Directors as of November 1, 2003," appearing on pages 24 through 25 of the Proxy Statement relating to the Company's 2004 Annual Meeting of Shareholders, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Not applicable.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information presented on page 11 of the Proxy Statement relating to the Company's 2004 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) The following documents are filed as a part of this Report to the extent below noted:

1. The 2003 Financial Review Section of the Company's 2003 Annual Report to Shareholders. Information contained therein is not deemed filed except as it is incorporated by reference into this Report. The following financial information is incorporated herein by reference:

(PAGE REFERENCES TO 2003 FINANCIAL REVIEW SECTION OF THE ANNUAL REPORT)

Management's Discussion and Analysis	25
Reports of Independent Auditors	44
Consolidated Income Statements for the three years ended 30 September 2003	46
Consolidated Balance Sheets at 30 September 2003 and 2002	47
Consolidated Statements of Cash Flows for the three years ended 30 September 2003	48
Consolidated Statements of Shareholders' Equity for the three years ended 30 September 2003	49
Notes to the Financial Statements	50
Business Segment and Geographic Information	71
Five-Year Summary of Selected Financial Data	74

2. The following additional information should be read in conjunction with the consolidated financial statements in the Company's 2003 Financial Review Section of the Annual Report to Shareholders:

(PAGE REFERENCES TO THIS REPORT)

Report of Independent Auditors on Schedule (KPMG LLP)	18
Report of Independent Public Accountants on Schedule (Arthur Andersen LLP)	19

Consolidated Schedule for the years ended 30 September 2003, 2002, and 2001 as follows:

SCHEDULE NUMBER		
II	Valuation and Qualifying Accounts	20

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

3. Exhibits.

Exhibits filed as a part of this Annual Report on Form 10-K are listed in the Index to Exhibits located on page 21 of this Report.

(b) Reports on Form 8-K filed during the quarter ended 30 September 2003:

Current Reports on Form 8-K dated 1 July 2003 (Item 5) and 28 July 2003 (Items 9 and 12) were filed.

SIGNATURES

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

Dated: 12 December 2003

AIR PRODUCTS AND CHEMICALS, INC.
(Registrant)

By: /s/ John R. Owings
John R. Owings
Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: 12 December 2003

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

SIGNATURE AND TITLE	DATE
/s/ John P. Jones III (John P. Jones III) Director, Chairman, President, and Chief Executive Officer (Principal Executive Officer)	12 December 2003
/s/ Paul E. Huck (Paul E. Huck) Vice President and Corporate Controller (Principal Accounting Officer)	12 December 2003
* (Mario L. Baeza) Director	12 December 2003
* (Michael J. Donahue) Director	12 December 2003
* (Ursula F. Fairbairn) Director	12 December 2003

Signature	Date
* W. Douglas Ford Director	12 December 2003
* (Edward E. Hagenlocker) Director	12 December 2003
* (James F. Hardymon) Director	12 December 2003
* (Terrence Murray) Director	12 December 2003
* (Charles H. Noski) Director	12 December 2003
* (Paula G. Rosput) Director	12 December 2003
* (Lawrason D. Thomas) Director	12 December 2003

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

/s/ W. Douglas Brown
W. Douglas Brown
Attorney-in-Fact

Date: 12 December 2003

REPORT OF INDEPENDENT AUDITORS ON SCHEDULE

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

Under date of 24 October 2003, we reported on the consolidated balance sheets of Air Products and Chemicals, Inc. and subsidiaries as of 30 September 2003 and 2002, and the related consolidated statements of income, cash flows, and shareholders' equity for the years then ended as contained in the Annual Report to Shareholders. These consolidated financial statements and our report thereon are incorporated by reference in this Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule referred to in Item 15(a)(2) in this Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Our report contains an explanatory paragraph relating to the fact that the financial statements of Air Products and Chemicals, Inc. and subsidiaries for the year ended 30 September 2001 were audited by other auditors who have ceased operations. As described in Note 1 to the financial statements, those financial statements have been revised. We audited the adjustments described in Note 1 that were applied to revise the 2001 financial statements. In addition, as described in Note 10, the financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which was adopted as of 1 October 2001. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of Air Products and Chemicals, Inc. and subsidiaries other than with respect to such adjustments and disclosures, and, accordingly, we do not express any opinion or any other form of assurance on the 2001 financial statements taken as a whole.

KPMG LLP
Philadelphia, Pennsylvania
24 October 2003

The following report is a copy of a previously issued Arthur Andersen LLP ("Andersen") report, and the report has not been reissued by Andersen. The report of Andersen is included in this annual report on Form 10-K pursuant to Rule 2-02(e) of Regulation S-X. After reasonable efforts the Company has not been able to obtain a reissued report from Andersen. Andersen has not consented to the inclusion of its report in this annual report on Form 10-K. Because Andersen has not consented to the inclusion of its report in the annual report, it may be difficult for shareholders to seek remedies against Andersen and shareholders' ability to seek relief against Andersen may be impaired. See Exhibit 23.1 for further discussion.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To: Air Products and Chemicals, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Air Products and Chemicals, Inc.'s Annual Report to Shareholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated 26 October 2001. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule referred to in Item 14(a)(2) in this Form 10-K is the responsibility of the Company's management and is presented for the purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
26 October 2001

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended 30 September 2003, 2002, and 2001

Description		Additions		Other Changes Increase(Decrease)		
	Balance at Beginning of period	Charged to Expense	Charged to other Accounts(1)	Cumulative Translation Adjustment	Other(2)	Balance at End of Period(3)
	(in millions of dollars)					
Year Ended 30 September 2003						
Allowance for doubtful accounts	$ 12	$ 12	$ 4	$ 1	$ (7)	$ 22
Year Ended 30 September 2002						
Allowance for doubtful accounts	$ 10	$ 14	$ 1	$ 0	$ (13)	$ 12
Year Ended 30 September 2001						
Allowance for doubtful accounts	$ 13	$ 10	$ 0	$ 0	$ (13)	$ 10

Notes:

[1] Includes primarily collections on accounts previously written off.

[2] Primarily includes write-offs of uncollectible accounts.

[3] Increase in account balance at 30 September 2003 primarily attributed to the acquisition of American Homecare Supply, LLC.

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
(3)	Articles of Incorporation and By-Laws.
3.1	By-Laws of the Company. (Filed as Exhibit 3.1 to the Company's Form 8-K Report dated 18 September 1997.)*
3.2	Restated Certificate of Incorporation of the Company. (Filed as Exhibit 3.2 to the Company's Form 10-K Report for the fiscal year ended 30 September 1987.)*
3.3	Amendment to the Restated Certificate of Incorporation of the Company dated 25 January 1996. (Filed as Exhibit 3.3 to the Company's Form 10-K Report for the fiscal year ended 30 September 1996.)*
(4)	Instruments defining the rights of security holders, including indentures. Upon request of the Securities and Exchange Commission, the Company hereby undertakes to furnish copies of the instruments with respect to its long-term debt.
4.1	Rights Agreement, dated as of 19 March 1998, between the Company and First Chicago Trust Company of New York. (Filed as Exhibit 1 to the Company's Form 8-A Registration Statement dated 19 March 1998, as amended by Form 8-A/A dated 16 July 1998.)*
4.2	Amended and Restated Credit Agreement dated as of 16 September 1999 among the Company, Additional Borrowers parties thereto, Lenders parties thereto, and The Chase Manhattan Bank (as amended). (Filed as Exhibit 4.2 to the Company's Form 10-K Report for the fiscal year ended 30 September 1999.)*
(10)	Material Contracts.
10.1	1990 Deferred Stock Plan of the Company, as amended and restated effective 1 October 1989. (Filed as Exhibit 10.1 to the Company's Form 10-K Report for the fiscal year ended 30 September 1989.)*
10.2	The Rules of the United Kingdom Savings-Related Share Option Scheme of the Company as adopted on 24 October 1997, as amended on 1 October 1999 and 5 November 1999. (Filed as Exhibit 10.2 to the Company's Form 10-K Report for the fiscal year ended 30 September 2002.)*
10.3	Amended and Restated Supplementary Savings Plan of the Company effective 1 April 1998, reflecting amendments through 30 September 2002. (Filed as Exhibit 10.3 to the Company's 10-Q Report for the quarter ending 31 March 2003.)*
10.4	Amended and Restated Supplementary Pension Plan of the Company effective 1 May 2003. (Filed as Exhibit 10.2 to the Company's 10-Q Report for the quarter ending 31 March 2003.)*
10.5	Stock Option Plan for Directors of the Company, effective 27 January 1994, as amended 21 October 1999. (Filed as Exhibit 10.7 to the Company's Form 10-K Report for the fiscal year ended 30 September 1999.)*
10.6	Letter dated 7 July 1997 concerning pension for an executive officer. (Filed as Exhibit 10.7(c) to the Company's Form 10-K Report for the fiscal year ended 30 September 1998.)*
10.7	Air Products and Chemicals, Inc. Severance Plan effective 15 March 1990. (Filed as Exhibit 10.8(a) to the Company's Form 10-K Report for the fiscal year ended 30 September 1992.)*
10.8	Air Products and Chemicals, Inc. Change of Control Severance Plan effective 15 March 1990. (Filed as Exhibit 10.8(b) to the Company's Form 10-K Report for the fiscal year ended 30 September 1992.)*

10.9	Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Defined Benefit Pension Plans dated as of 1 August 1999. (Filed as Exhibit 10.13 to the Company's Form 10-K Report for the fiscal year ended 30 September 1999.)*
10.9(a)	Amendment No. 1 to the Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Defined Benefit Pension Plan, adopted 1 January 2000. (Filed as Exhibit 10.13(a) to the Company's Form 10-K Report for the fiscal year ended 30 September 2000.)*
10.10	Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Supplementary Savings Plan dated as of 1 August 1999. (Filed as Exhibit 10.14 to the Company's Form 10-K Report for the fiscal year ended 30 September 1999.)*
10.10(a)	Amendment No. 1 to the Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Supplementary Savings Plan, adopted 1 January 2000. (Filed as Exhibit 10.14(a) to the Company's Form 10-K Report for the fiscal year ended 30 September 2000.)*
10.11	Form of Severance Agreements that the Company has with each of its U.S. Executive Officers. (Filed as Exhibit 10.16 to the Company's Form 10-K Report for the fiscal year ended 30 September 1999.)*
10.12	Form of Severance Agreement that the Company has with one European Executive Officer dated 16 September 1999. (Filed as Exhibit 10.1 to the Company's Form 10-Q Report for the quarter ending 31 March 2001.)*
10.13	Amendment to form of Severance Agreement with one European Executive Officer dated 26 February 2001. (Filed as Exhibit 10.2 to the Company's Form 10-Q Report for the quarter ending 31 March 2001.)*
10.14	Letter dated 19 April 2000, covering pension for a European Executive Officer. (Filed as Exhibit 10.3 to the Company's Form 10-Q Report for the quarter ending 31 March 2001.)*
10.15	Amended and Restated Long Term Incentive Plan of the Company, effective 23 January 2003. (Filed as Exhibit 10.2 to the Company's Form 10-Q Report for the quarter ending 31 March 2003.)*
10.16	Amended and Restated Annual Incentive Plan of the Company, effective 1 October 2001. (Filed as Exhibit 10.2 to the Company's Form 10-Q Report for the quarter ending 31 March 2002.)*
10.17	Resolutions approving an amendment to the Compensation Program for Directors of the Company, effective 1 October 2002. (Filed as Exhibit 10.2 to the Company's Form 10-Q Report for the quarter ending 31 December 2002.)*
10.18	Amended and Restated Deferred Compensation Plan for Directors of the Company, effective 20 September 2001. (Filed as Exhibit 10.4 to the Company's Form 10-Q Report for the quarter ending 31 March 2002.)*
10.18(a)	Resolutions approving an amendment to the Deferred Compensation Plan for Directors of the Company, effective 30 September 2002. (Filed as Exhibit 10.1 to the Company's Form 10-Q Report for the quarter ending 31 December 2002.)*
10.19	Employment Agreement. (Filed as Exhibit 10.2 to the Company's Form 10-Q Report for the quarter ending 30 June 2002.)*
10.20	Stock Incentive Program of the Company effective 1 October 1996. (Filed as Exhibit 10.21 to the Company's Form 10-K Report for the fiscal year ended 30 September 2002.)*
10.21	Terms and Conditions of the Global Employee Stock Option Awards of the Company effective 1 October 1995, 1997, and 1999. (Filed as Exhibit 10.22 to the Company's Form 10-K Report for the fiscal year ended 30 September 2002.)*
10.22	Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program, effective July 17, 2003.

10.23	Letter dated 16 September 2003, concerning separation benefits of a retired executive officer under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program.
10.24	Letter dated 16 September 2003, concerning separation benefits of a retiring executive officer under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program.
10.25	Form of Severance Agreement that the Company has with one U.S. Executive Officer, effective 20 November 2003.
12	Computation of Ratios of Earnings to Fixed Charges.
13	2003 Financial Review Section of the Annual Report to Shareholders for the fiscal year ended 30 September 2003, which is furnished to the Commission for information only and not filed except as portions are expressly incorporated by reference in this Report.
14	Code of Ethics.
18	Letter re Change in Accounting Principles.
21	Subsidiaries of the registrant.
(23)	Consents of Experts and Counsel.
23.1	Notice Regarding Consent of Arthur Andersen LLP.
23.2	Independent Auditors' Consent.
24	Power of Attorney.
(31)	Rule 13a-14(a)/15d-14(a) Certifications.
31.1	Certification by the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification by the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

Exhibit 10.22

AIR PRODUCTS AND CHEMICALS, INC.
CORPORATE EXECUTIVE COMMITTEE
RETENTION/SEPARATION PROGRAM

ARTICLE I

PURPOSE AND TERM OF PLAN

Section 1.01 Purpose. Air Products and Chemicals, Inc. hereby establishes the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program (the "Plan") for the purpose of assisting Air Products in retaining and, where appropriate, facilitating the planned separations of Covered Executives (as defined below) and, in certain cases, providing severance benefits to a Covered Executive.

Section 1.02 Term of the Plan. The Plan, as set forth herein, shall be effective July 17, 2003. The Plan will continue until such time as the Committee (as defined below) acting in its sole discretion, elects to modify, supercede or terminate the Plan in accordance with, and subject to, the provisions of Article V.

ARTICLE II

DEFINITIONS

Section 2.01 "Administrator" shall mean the CEO, who shall administer the Plan in accordance with its terms.

Section 2.02 "Air Products" shall mean Air Products and Chemicals, Inc.

Section 2.03 "Benefit" or "Benefits" shall mean any or all of the benefits that a Covered Executive is entitled to receive pursuant to Article III of the Plan.

Section 2.04 "Bonus" shall mean 100% of the midpoint target bonus for a Covered Executive's salary grade, determined as of the Covered Executive's Employment Termination Date under the grant guidelines for the Air Products Annual Incentive Plan or similar successor or substitute annual incentive plan or program. For purposes of Section 3.01(b), such Bonus shall be prorated by multiplying the amount of the Bonus by a fraction, the numerator of which is the number of days in the current Plan Year through the Covered Executive's Employment Termination Date, and the denominator of which is 365.

Section 2.05 "CEO" shall mean the Chief Executive Officer of Air Products.

Section 2.06 "Change in Control" shall be as defined under the Company's standard change in control agreement for senior executives or, if applicable, the change in control agreement that is in effect for a Covered Executive at the time of the Change in Control.

Section 2.07 "Committee" shall mean the Management Development and Compensation Committee of the Air Products Board of Directors, that may act on behalf of the Company with respect to the Plan as provided in the Plan.

Section 2.08 "Company" shall mean Air Products and any Subsidiaries which have adopted the Plan with the approval of the Committee. The term "Company" shall include

any Subsidiary which had adopted the Plan or any successor to Air Products such as a corporation succeeding to the business of Air Products or any Subsidiary, by merger, consolidation or liquidation, or purchase of assets or stock or similar transaction.

Section 2.09 "Covered Executive" shall mean each individual who has been appointed by the CEO to serve as a member of the Corporate Executive Committee or any similar, successor group of Company-wide policy-making "executive officers" as such term is defined under the Securities Exchange Act of 1934, other than an individual who is a party to an individual employment agreement (or other individual agreement providing for severance benefits excluding an agreement that applies solely in the event of a Change in Control) with the Company approved by the Air Products Board of Directors or the Committee.

Section 2.10 "Disability" shall be as defined under the Company's long-term disability plan.

Section 2.11 "Employment Termination Date" shall mean the date specified or agreed to by the CEO in writing on which the active employment relationship between the Covered Executive and the Company is to be and in fact is terminated.

Section 2.12 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

Section 2.13 "Long-Term Incentive Plan" shall mean the Air Products Long-Term Incentive Plan approved by Air Products' shareholders most recently on 23 January 2003, together with all predecessor and similar successor or substitute intermediate and/or long-term incentive compensation plan or program.

Section 2.14 "Plan" shall mean the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Severance Program, as set forth herein, and as the same may from time to time be amended.

Section 2.15 "Plan Year" shall mean each period commencing on October 1 during which the Plan is in effect and ending on the subsequent September 30.

Section 2.16 "Salary" shall mean an amount equal to the annual rate of a Covered Executive's base salary payable to the Covered Executive in all capacities with the Company and its Subsidiaries or affiliates for the Plan Year in which a Covered Executive's Employment Termination Date occurs.

Section 2.17 "Subsidiary" shall mean any corporation in which Air Products owns, directly or indirectly, more than 50% of the voting securities.

ARTICLE III

ENTITLEMENT TO AND DESCRIPTION OF BENEFITS

Section 3.01 Cash Benefits. Upon a Covered Executive's Employment Termination Date and his satisfaction of the conditions specified in Section 3.03 of the Plan, the Covered Executive shall be entitled to receive the following Benefits as well as those referred to under Section 3.02: (a) a cash severance Benefit equal to the aggregate of the Covered Executive's Salary plus Bonus, (b) an amount equivalent to and in lieu of the Covered Executive's Bonus for the year in which the Employment Termination Date occurs, (c) any accrued but unpaid vacation pay, any similar unpaid items that have accrued and to which the Covered Executive has become entitled as of his Employment Termination Date, including declared but unpaid bonuses and unreimbursed employee business expenses, and (d) a stipend to cover miscellaneous transition expenses including outplacement assistance and legal fees, such stipend to be an amount determined by the Administrator, in his discretion, acting on behalf of the Company.

Section 3.02 Long-Term Incentive Plan Benefits. In addition to the Benefits payable under Section 3.01, a Covered Executive's outstanding Long-Term Incentive Plan awards shall be treated as follows:

(a) All stock options and stock appreciation rights which have been outstanding for at least one year prior to the Covered Executive's Employment Termination Date shall continue to vest in accordance with their normal vesting schedule (if not fully vested as of the Employment Termination Date) and shall remain in effect for the remainder of their stated term, as set forth in the agreements governing such awards, in each case as if the Covered Executive had continued in employment following the Employment Termination Date.

(b) All unearned performance shares or other awards with performance-based earnout or vesting shall earn out or vest consistent with the decision made by or on behalf of the Company for other senior executives for the relevant cycle and shall be paid out within 30 days of earn out or vesting.

(c) All awards, including career shares and earned-out deferred performance shares, which are subject to time-based vesting or other non-performance-based conditions, shall be paid out within 30 days of the Covered Executive's Employment Termination Date (or, if later, the end of the revocation period of the release described in Section 3.03).

Section 3.03 Conditions to Entitlement to Benefit. To be eligible to receive any Benefits under the Plan after the Covered Executive's Employment Termination Date has been set, a Covered Executive must (a) continue in his then current office and perform such duties for the Company as are typically related to the Covered Executive's position (or such other position as the CEO reasonably requests) including identifying, recruiting and/or transitioning the Covered Executive's successor, in all events performing all assigned duties in the manner reasonably directed by the CEO in his sole discretion, and cease his employment on the Employment Termination Date; (b) execute a release and discharge of the Company, in

substantially the form attached hereto as Appendix A, from any and all claims, demands or causes of action (other than as provided in said Appendix A); and (c) execute a noncompetition, nonsolicitation, and nondisparagement agreement that extends for the two-year period following the Covered Executive's Employment Termination Date in substantially the form attached hereto as Appendix B, with such changes therein as the Administrator shall determine, in his discretion, acting on behalf of the Company. No Benefits due hereunder shall be paid to a Covered Executive who has not complied in all respects with the requirements of this Section 3.03.

Section 3.04 Method of Payment. The cash Benefits to which a Covered Executive is entitled, as determined pursuant to Section 3.01 hereof, shall be paid in a lump sum, subject to all employment and withholding taxes applicable to the type of payments made. In general, payments shall be made within 30 days after the Covered Executive's Employment Termination Date or, if later, after the expiration of any revocation period for the release signed by the Covered Executive pursuant to Section 3.03. Long-Term Incentive Plan awards, referred to in Section 3.02, will be paid in the form, and subject to applicable withholding, as provided in the respective award agreements.

Section 3.05 Death or Disability. If a Covered Executive incurs Disability or dies before the Employment Termination Date has been set, no Plan payments or other benefits will be due and owing to the Executive or, in the case of his death, to his estate or beneficiary.

If a Covered Executive incurs Disability or dies after his Employment Termination Date has been set but not attained, the Administrator shall cause any Benefits due under the Plan to be paid to the Covered Executive or, in the case of his death, to the Covered Executive's designated beneficiary or to his estate; provided, however, that if the Covered Executive dies after he has retired prior to attaining the Employment Termination Date, no Benefits shall be due and owing under the Plan to the Covered Executive's designated beneficiary, his estate, or any other person. For this purpose, "retire" means to have separated from employment and begun to receive an immediate pension benefit under a Company-sponsored defined benefit pension plan.

A Covered Executive's beneficiary designation shall be made in the manner, and at the time, prescribed by the Administrator in his sole discretion. In the absence of an effective beneficiary designation hereunder, the Covered Executive's estate shall be deemed to be the designated beneficiary.

Section 3.06 Change in Control. In the event of a Change in Control of the Company, the change in control agreement applicable to the Covered Executive shall continue in full force and effect and the Plan shall be null and void; and, if the Change in Control occurs after the Employment Termination Date has been set but before the Employment Termination Date, the change in control agreement applicable to the Covered Executive shall continue in full force and effect and the Employment Termination Date under the Plan shall be treated under the change in control agreement as the Covered Executive's "Termination Date" for other than death, "Disability" or "Cause", as such terms appearing in quotations are defined in the change in control agreement, and the Plan shall be null and void.

ARTICLE IV

ADMINISTRATION

Section 4.01 Authority and Duties. It shall be the duty of the Administrator, on the basis of information supplied to him by the Company, to determine the entitlement of each Covered Executive to Benefits under the Plan, to calculate the amount of the cash Benefits payable to each such Covered Executive, and to determine the manner and time of payment of the Benefits consistent with the provisions hereof. The Company shall make such payments as the Administrator determines to be due to Covered Executives. The Administrator shall have the full power and authority to construe, interpret and administer the Plan, to correct deficiencies therein, and to supply omissions. All decisions, actions, and interpretations of the Administrator shall be final, binding, and conclusive upon the parties.

Section 4.02 Expenses of the Administrator. All reasonable expenses of the Administrator shall be paid or reimbursed by the Company upon proper documentation. The Company shall indemnify and defend the Administrator against personal liability for actions taken in good faith in the discharge of his duties.

Section 4.03 Actions of the Administrator. Whenever a determination is required of the Administrator under the Plan, such determination shall be made solely at the discretion of the Administrator. In addition, the exercise of discretion by the Administrator need not be uniformly applied to similarly situated Covered Executives and shall be final and binding on each Covered Executive or beneficiary(ies) to whom the determination is directed.

ARTICLE V

AMENDMENT AND TERMINATION

The Company, acting through the Committee, retains the right, at any time and from time to time, to amend, suspend, or terminate the Plan in whole or in part, for any reason, and, except as provided below, without either the consent of or the prior notification to any Covered Executive. Notwithstanding the foregoing, no such amendment, suspension or termination shall (a) give the Company the right to recover any amount paid to a Covered Executive prior to the date of such action, (b) cause the cessation and discontinuance of payments of Benefits to any person or persons under the Plan already receiving Benefits, or (c) be effective to terminate or reduce the Benefits or prospective Benefits of any Covered Executive whose Employment Termination Date has been set as of the date of such amendment, suspension or termination (unless the express written consent of the Covered Executive has been obtained with respect thereto).

ARTICLE VI

DUTIES OF THE COMPANY

Section 6.01 Records. The Company shall supply to the Administrator all records and information necessary to the performance of the Administrator's duties.

Section 6.02 Discretion. Any decisions, actions or interpretations to be made under the Plan by the Board, the Committee, the Company, or the Administrator, acting on behalf of the Company, shall be made in its or their respective sole discretion, not in any fiduciary capacity and need not be uniformly applied to similarly situated individuals and shall be final, binding and conclusive upon all parties.

ARTICLE VII

CLAIMS PROCEDURES

Section 7.01 Application for Benefits. A person who believes that he is being denied a Benefit to which he is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request with the Administrator setting forth the claim. A notice denying or granting the claim shall be provided to the Claimant within ninety (90) days after the Administrator's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, notice of the extension shall be furnished by the Administrator to the Claimant within the initial 90-day period and in no event shall such extension exceed a period of ninety (90) days from the end of the initial 90-day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Administrator expects to render a decision on the claim.

If the claim is denied in whole or part, the Claimant shall be provided a written or electronic notice, using language calculated to be understood by the Claimant, setting forth (a) the specific reason or reasons for such denial and the specific reference to relevant provisions of the Plan upon which such denial is based, (b) a description of any additional material or information necessary for the Claimant to perfect his claim and an explanation why such material or such information is necessary, (c) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review and the time limits for requesting a review, and (d) the Claimant's right to bring an action for benefits under ERISA Section 502 following an adverse benefit determination on review.

Section 7.02 Appeals of Denied Claims for Benefits. Within sixty (60) days after receipt by the Claimant of the notice described above, the Claimant may request in writing that the Administrator review the determination. The Claimant or his duly authorized representative may review, upon request and without charge, copies of all documents, records, and other information relevant to his claim and submit documents, records, or written comments for consideration by the Administrator. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred and stopped from challenging the determination.

The decision on review normally shall be made within sixty (60) days of the Administrator's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified by the Administrator prior to the termination of the initial 60-day period, and in no event shall such extension exceed a period of sixty (60) days from the end of the initial 60-day period. The extension notice shall indicate the special circumstances requiring extension of time and the date by which the Administrator expects to render a decision on the claim. The decision on review shall be given to the Claimant within the applicable time limit discussed above. All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant (a) the specific reasons for the decision and shall include references to the relevant Plan provisions upon which the decision is based, (b) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his benefits, and (c) the Claimant's right to bring a civil action under ERISA Section 502(a).

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Nonalienation of Benefits. None of the payments, Benefits or rights of any Covered Executive shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, Benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Covered Executive. No Covered Executive shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the Benefits or payments which he may expect to receive, contingently or otherwise, under the Plan.

Section 8.02 No Contract of Employment. Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any Benefits shall be construed as giving any Covered Executive, or any person whosoever, the right to be retained in the service of the Company, and all Covered Executives shall remain subject to discharge to the same extent as if the Plan had never been adopted.

Section 8.03 Entire Agreement. Except as may be provided in an executive change in control severance agreement (or, if applicable, the change in control agreement that is in effect for a Covered Executive at the time of a Change in Control) between the Company and a Covered Executive, this Plan document, as it may be amended by the Committee, and the documents specifically referenced herein, or in such amendment, shall constitute the entire agreement between the Company and the Covered Executive with respect to the Benefits promised hereunder and no other agreements, representations, oral or otherwise, express or implied, with respect to such benefits shall be binding on the Company.

Section 8.04 Severability of Provisions. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

Section 8.05 Successors, Heirs, Assigns, and Personal Representatives. The Plan shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Covered Executive, present and future.

Section 8.06 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

Section 8.07 Gender and Number. Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice-versa.

Section 8.08 Unfunded Plan. The Plan shall not be funded. The Company may, but shall not be required to, set aside or earmark an amount necessary to provide the Benefits specified herein (including the establishment of trusts). In any event, no Covered Executive shall have any right to, or interest in, any assets of the Company.

Section 8.09 Payments to Incompetent Persons, Etc. Any Benefit payable to or for the Benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Company, the Administrator and all other parties with respect thereto.

Section 8.10 Lost Payees. A Benefit shall be deemed forfeited if the Administrator is unable to locate a Covered Executive to whom a Benefit is due. Such Benefit shall be reinstated if application is made by the Covered Executive for the forfeited Benefit while the Plan is in operation.

Section 8.11 Controlling Law and Nature of Plan. The Plan shall be construed and enforced according to the laws of the Commonwealth of Pennsylvania to the extent not preempted by Federal law. The Plan is not intended to be included in the definitions of "employee pension benefit plan" and "pension plan" set forth under Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Rather, the Plan is intended to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations, Section 2510.3-2(b). Accordingly, the Benefits paid by the Plan are not deferred compensation.

APPENDIX A

GENERAL RELEASE

1. I, ____________________ (the "Executive"), for and in consideration of (a) certain severance benefits to be paid and provided to me by Air Products and Chemicals, Inc. (the "Company") under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program (the "Plan") and (b) the Company's execution of a release in favor of the Executive, on the date this General Release becomes irrevocable, substantially in the form attached hereto as Annex 1, and conditioned upon such payments and provisions, do hereby REMISE, RELEASE, AND FOREVER DISCHARGE Air Products and Chemicals, Inc. (the "Company") and each of its past or present subsidiaries and affiliates, its and their past or present officers, directors, shareholders, employees and agents, their respective successors and assigns, heirs, executors and administrators, the pension and employee benefit plans of the Company, or of its past or present subsidiaries or affiliates, and the past or present trustees, administrators, agents, or employees of the pension and employee benefit plans (hereinafter collectively included within the term the "Company"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which I ever had, now have, or hereafter may have, or which my heirs, executors or administrators hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of my employment with the Company to the date of these presents and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to my employment relationship and the termination of my employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, including any claims under the Pennsylvania Human Relations Act, 43 PA. C.S.A. Sections 951 et seq., as amended, the Rehabilitation Act of 1973, 29 USC Sections 701 et seq., as amended, Title VII of the Civil Rights Act of 1964, 42 USC Sections 2000e et seq., as amended, the Civil Rights Act of 1991, 2 USC Sections 60/ et seq., as applicable, the Age Discrimination in Employment Act of 1967, 29 USC Sections 621 et seq., as amended ("ADEA"), the Americans with Disabilities Act, 29 USC Sections 706 et seq., and the Employee Retirement Income Security Act of 1974, 29 USC Sections 301 et seq., as amended, any contracts between the Company and me and any common law claims now or hereafter recognized and all claims for counsel fees and costs; provided, however, that this Release shall not apply to any entitlements under the terms of the Plan or under any other plans or programs of the Company in which I participated and under which I have accrued and become entitled to a benefit other than under any Company separation or severance plan or programs. Notwithstanding the foregoing, I understand that I shall be indemnified by the Company as to any liability, cost or expense for which I would have been indemnified during employment, in accordance with the Company's certificate of incorporation or insurance coverages in force for employees of the Company serving in executive capacities for actions taken on behalf of the Company within the scope of my employment by the Company.

2. Subject to the limitations of paragraph 1 above, I expressly waive all rights afforded by any statute which expressly limits the effect of a release with respect to

unknown claims. I understand the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. I hereby agree and recognize that my employment by the Company was/will be permanently and irrevocably severed on ___________________, 20__ and the Company has no obligation, contractual or otherwise to me to hire, rehire or reemploy me in the future. I acknowledge that the terms of the Plan provide me with payments and benefits which are in addition to any amounts to which I otherwise would have been entitled.

4. I hereby agree and acknowledge that the payments and benefits provided by the Company are to bring about an amicable resolution of my employment arrangements and are not to be construed as an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by the Company and that the Plan was, and this Release is, executed voluntarily to provide an amicable resolution of my employment relationship with the Company.

5. I hereby acknowledge that nothing in this Release shall prohibit or restrict me from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

6. I hereby certify that I have read the terms of this Release, that I have been advised by the Company to discuss it with my attorney, that I have received the advice of counsel and that I understand its terms and effects. I acknowledge, further, that I am executing this Release of my own volition with a full understanding of its terms and effects and with the intention of releasing all claims recited herein in exchange for the consideration described in the Agreement, which I acknowledge is adequate and satisfactory to me. None of the above named persons, nor their agents, representatives, or attorneys have made any representations to me concerning the terms or effects of this Release other than those contained herein.

7. I hereby acknowledge that I have been informed that I have the right to consider this Release for a period of 21 days prior to execution. I also understand that I have the right to revoke this Release for a period of seven days following execution by giving written notice to the Company at 7201 Hamilton Boulevard, Allentown Pennsylvania 18195-1501, Attention: General Counsel.

8. I hereby further acknowledge that the terms of Appendix B of the Plan continue to apply for the balance of the time periods provided therein and that I will abide by and fully perform such obligations.

Intending to be legally bound hereby, I execute the foregoing Release this ___ day of _____________, 20 ___.

____________________________	________________________
Witness	Executive

ANNEX 1

GENERAL RELEASE

1. Air Products and Chemicals, Inc. (the "Company") on its behalf and on behalf of its subsidiaries and affiliates, their officers, directors, partners, employees and agents, their respective successors and assigns, heirs, executors and administrators (hereinafter collectively included within the term "Company"), for and in consideration of ____________________ (the "Executive") executing the general release of claims against the Company dated _______________ (the "Executive's Release of the Company"), and other good and valuable consideration, does hereby REMISE, RELEASE, AND FOREVER DISCHARGE the Executive, his assigns, heirs, executors and administrators (hereinafter collectively included within the term "Executive"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which it ever had, now have, or hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of the Executive's employment with the Company to the date of this Release arising from or relating in any way to the Executive's employment relationship and the termination of his employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, any contracts between the Company and the Executive, other than the Executive's Release of the Company, the Executive's Noncompetition, Nonsolicitation, and Nondisparagement Agreement with the Company, and the Employee Patent and Confidential Information Agreement entered into by the Executive on _______________, and any common law claims now or hereafter recognized and all claims for counsel fees and costs, but in no event shall this release apply to any action attributable to a criminal act or to an action outside the scope of the Executive's employment.

2. Subject to the limitations of paragraph 1 above, the Company expressly waives all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. The Company understands the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. The Company hereby certifies that it has been advised by counsel in the preparation and review of this Release.

Intending to be legally bound hereby, Air Products and Chemicals, Inc. executes the foregoing Release this ____ day of ____________, 20__.

_______________________________ By:________________________
Witness

APPENDIX B

NONCOMPETITION, NONSOLICITATION, AND NONDISPARAGEMENT AGREEMENT

I, ____________________ (the "Executive"), for and in consideration of (a) certain severance benefits to be paid and provided to me by Air Products and Chemicals, Inc. (the "Company") under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program (the "Plan"), and (b) the Company's execution of a release in favor of the Executive, I, the Executive, hereby covenant and agree as follows:

1. The Executive acknowledges that the Company is generally engaged in business throughout the world. During the Executive's employment by the Company and for two years after the Executive's Employment Termination Date (as defined in the Plan), the Executive agrees that he will not, unless acting with the prior written consent of the Company, directly or indirectly, own, manage, control, or participate in the ownership, management or control of, or be employed or engaged by, or otherwise affiliated or associated with, as an officer, director, employee, consultant, independent contractor or otherwise, any other corporation, partnership, proprietorship, firm, association, or other business entity, or otherwise engage in any business which is engaged in any manner anywhere in any business which, as of the Employment Termination Date, is engaged in by the Company, has been reviewed with the Board for development to be owned or managed by the Company, and/or has been divested by the Company but as to which the Company has an obligation to refrain from involvement, but only for so long as such restriction applies to the Company; provided, however, that the ownership of not more than 5% of the equity of a publicly traded entity shall not be deemed to be a violation of this paragraph.

2. The Executive also agrees that he will not, directly or indirectly, during the period described in paragraph (1), induce any person who is an employee, officer, director, or agent of the Company, to terminate such relationship, or employ, assist in employing or otherwise be associated in business with any present or former employee or officer of the Company, including without limitation those who commence such positions with the Company after the Employment Termination Date.

3. For the purposes of this Agreement, the term "Company" shall be deemed to include Air Products and the subsidiaries and affiliates of Air Products.

4. The Executive acknowledges and agrees that the restrictions contained in this Agreement are reasonable and necessary to protect and preserve the legitimate interests, properties, goodwill and business of the Company, that the Company would not have entered into this Agreement in the absence of such restrictions and that irreparable injury will be suffered by the Company should the Executive breach the provisions of this Section. The Executive represents and acknowledges that (i) the Executive has been advised by the Company to consult the Executive's own legal counsel in respect of this Agreement, (ii) the Executive has consulted with and been advised by his own counsel in respect of this Agreement, and (iii) the Executive

has had full opportunity, prior to execution of this Agreement, to review thoroughly this Agreement with the Executive's counsel.

5. The Executive further acknowledges and agrees that a breach of the restrictions in this Agreement will not be adequately compensated by monetary damages. The Executive agrees that the Company shall be entitled to (i) preliminary and permanent injunctive relief, without the necessity of proving actual damages, or posting of a bond, (ii) an equitable accounting of all earnings, profits and other benefits arising from any violation of this Agreement, and (iii) enforce the terms, including requiring forfeitures, under other plans, programs and agreements under which the Executive has been granted a benefit contingent on a covenant similar to those contained in this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled. In the event that the provisions of this Agreement should ever be adjudicated to exceed the limitations permitted by applicable law in any jurisdiction, it is the intention of the parties that the provision shall be amended to the extent of the maximum limitations permitted by applicable law, that such amendment shall apply only within the jurisdiction of the court that made such adjudication and that the provision otherwise be enforced to the maximum extent permitted by law.

6. If the Executive breaches his obligations under this Agreement, he agrees that suit may be brought, and that he consents to personal jurisdiction, in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Allentown, Pennsylvania; consents to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding; and waives any objection which he may have to the laying of venue of any such suit, action or proceeding in any such court. The Executive also irrevocably and unconditionally consents to the service of any process, pleadings, notices or other papers.

7. Executive further agrees, covenants, and promises that he will not in any way communicate the terms of this Agreement to any person other than his immediate family and his attorney and financial consultant or when necessary to advise a third party of his obligations under this Agreement. Notwithstanding the foregoing, the Company and Executive also agree that for a period of two years following the Employment Termination Date, Executive will provide and that at all times after the date hereof the Company may similarly provide, with prior written notice to Executive, a copy of this Agreement to any business or enterprise (i) which Executive may directly or indirectly own, manage, operate, finance, join, control or of which he may participate in the ownership, management, operation, financing, or control, or (ii) with which Executive may be connected as an officer, director, employee, partner, principal, agent, representative, consultant, or otherwise, or in connection with which Executive may use or permit to be used Executive's name. Executive agrees not to disparage the name, business reputation, or business practices of the Company or its subsidiaries or affiliates, or its or their officers, employees, or directors, and the Company agrees not to disparage the name or business reputation of Executive.

8. The Executive hereby expressly acknowledges and agrees that (i) the provisions of the Employee Patent and Confidential Information Agreement entered into by him on _______________, shall continue to apply in accordance with its terms, and (ii) the

provisions of the Executive's outstanding incentive award agreements granted under the Company's Long-Term Incentive Plan, as defined in the Plan, shall continue to apply in accordance with their terms except as otherwise provided in Section 3.02 of the Plan and except that, for purposes of interpreting the provisions of the first indented clause of Section 2 of the "Conditions"(as defined in, and as set forth in Exhibit A to, each of the Executive's award agreements under the Long-Term Incentive Plan), "in Competition with the Company" shall be construed as provided in this Agreement.

9. No failure or delay on the part of the Company in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any further or other exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of this Agreement or consent to any departure by any party therefrom shall in any event be effective until the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

10. This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to its conflict of laws provisions. This Agreement shall extend to and enure to the benefit of the respective successors and assigns of the Company.

Intending to be legally bound hereby, I execute the Noncompetition, Nonsolicitation, and Nondisparagement Agreement this ___ day of _____________, 20 ___.

___________________________   _________________________
Witness   Executive

Exhibit 10.23

16 September 2003

Mr. Andrew E. Cummins
1902 Woods Hollow Lane
Allentown, PA 18103-9274

Dear Andy:

This letter is written regarding your retirement from employment with Air Products.

Air Products appreciates your loyal service over the years and your commitment to continue in your current position performing the duties of that position as expected of you by the Board of Directors (the "Board") and the Chief Executive Officer until your last day of employment on 31 October 2003 (your "employment termination date"). Air Products is willing to provide you with benefits under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program (the "Plan"), the terms of which are summarized in Exhibit A to this letter. The Management Development and Compensation Committee of the Board has determined to amend the Plan with respect to you so that your cash severance benefit under the Plan shall be $1,059,450 which is equivalent to 1.5 times (rather than the Plan's normal one times) the sum of your base salary as of your employment termination date plus 100% of the midpoint target bonus for your salary grade level in the fiscal year of your employment termination date; and, further, so that you will not receive any amount in lieu of a prorated bonus for fiscal year 2004. In addition, the Plan Administrator has determined that your foregoing cash severance benefit, a transition stipend of $40,000, and career shares and earned but deferred performance shares which are subject to time-based vesting or other conditions unrelated to Company performance, will all be paid to you in early January 2004.

Payment of Plan benefits mentioned in this letter is conditioned upon and will be made in consideration of, among other things, your signing the General Release and the Noncompetition, Nonsolicitation, and Nondisparagement Agreement (together, the "Agreements"), which are Exhibits B and C to this letter. You must sign and date both copies of the Agreements and return one copy of this entire ten-page package to me. Please take at least 21 days to read these materials carefully before deciding to execute the Agreements (after which you will have 7 days in which

to change your mind and revoke the General Release). If you have any questions regarding this letter or the Plan benefits, please contact me. If you have any questions regarding the Plan or the Agreements, Air Products will be pleased to answer them, but advises you to discuss the Agreements with your personal lawyer and rely upon her or his advice.

Very truly yours,

/s/ Leonard V. Broese van Groenou

Leonard V. Broese van Groenou
Vice President - Human Resources

Exhibit A

SUMMARY

AIR PRODUCTS AND CHEMICALS, INC. (THE "COMPANY")
CEC RETENTION/SEPARATION PROGRAM (THE "PLAN")

Executives who serve on the Company's Corporate Executive Committee ("CEC") will become entitled to Plan benefits following termination of employment with the Company if they end their employment on the date specified or agreed to by the Chief Executive Officer (the "Employment Termination Date"). Once the Employment Termination Date is set, the Company cannot terminate or adversely amend the Plan as it applies to the Executive, and the Executive must (i) continue in his current office and perform such duties for the Company as are typically related to his position (or such other position as the Chief Executive Officer reasonably requests) and to assist in the identification, recruitment, and/or transitioning of his successor, performing all assigned duties in the manner reasonably directed by the Chief Executive Officer, in his sole discretion; (ii) cease employment with the Company on the Employment Termination Date; and (iii) sign (and not revoke) a general release of all claims against the Company and a two-year noncompete agreement. In consideration of and subject to complying with the foregoing, the Executive will receive the following payments and treatment of outstanding stock awards, as well as a release of claims by the Company against him.

CASH PAYMENTS FOLLOWING THE EMPLOYMENT TERMINATION DATE, THE EFFECTIVE DATE OF THE GENERAL RELEASE, AND THE SIGNING OF THE NONCOMPETITION, NONSOLICITATION, AND NONDISPARAGEMENT AGREEMENT

- A severance Benefit equivalent to one times base Salary plus 100% Bonus at midpoint/target for the Executive's salary grade.

- An amount representing a 100% target Bonus for the Executive's salary grade at the Employment Termination Date, "prorated", i.e., multiplied by a fraction the numerator of which is the number of days in the current fiscal year through the Employment Termination Date and the denominator of which is 365.

- Accrued but unpaid cash compensation which will include but not be limited to base Salary through the Employment Termination Date, (any accrued but unpaid vacation pay, and similar unpaid items that have accrued or to which the Executive has become entitled as of the Employment Termination Date, including declared but unpaid bonuses and unreimbursed employee business expenses.

- A stipend to cover the Executive's reasonable miscellaneous transition expenses including for outplacement assistance and legal fees.

TREATMENT OF THE EXECUTIVE'S OUTSTANDING LONG-TERM INCENTIVE PLAN AWARDS

- All stock options and stock appreciation rights which have been outstanding for at least one year prior to the Employment Termination Date will continue to vest according to their normal vesting schedule and remain in effect for the stated term.

- All unearned performance shares or other awards with performance-based vesting or earnout will earn out consistent with the decision made by or on behalf of the Company for other senior executives for the respective cycle and be paid out promptly after earn out or vesting.

- All awards, including career shares and earned but deferred performance shares, which are subject to time-based vesting or other conditions unrelated to Company performance, will be paid out promptly.

DISABILITY OR DEATH

- Before the Employment Termination Date has been set: No Plan payments or other benefits will be due and owing to the Executive or, in the case of his death, to his estate or beneficiary.

- After the Employment Termination Date has been set but not yet attained: All Plan payments and other benefits will be made and provided to the Executive or, in the case of his death, to his estate or beneficiary unless the Executive retires prior to the date of his death, in which case no Plan payments or other benefits will be made or provided to his beneficiary or to his estate. For this purpose, "retire" means to have separated from employment and begun to receive an immediate pension benefit under the Company's defined-benefit Pension Plan for Salaried Employees and Supplementary Pension Plan.

CHANGE IN CONTROL ("CIC") AGREEMENT

- Upon a defined CIC, the Company's CIC severance agreement or other CIC arrangements in effect at the time, if any, will supercede and replace the Plan.

All capitalized terms included in this Plan Summary have the meanings specified in the full Plan text, a copy of which will be provided to a Covered Executive upon request to the Company's Vice President - Human Resources. The Covered Executive agrees that the Plan text (as it may be amended for the Covered Executive as stated in the letter from the Vice President - Human Resources to which this Plan Summary is attached) and all determinations made by persons referred to in the Plan text govern all rights and responsibilities related to or created by the Plan.

Exhibit B

GENERAL RELEASE

1. I, ____________________ (the "Executive"), for and in consideration of (a) certain severance benefits to be paid and provided to me by Air Products and Chemicals, Inc. (the "Company") under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program (the "Plan") and (b) the Company's execution of a release in favor of the Executive, on the date this General Release becomes irrevocable, substantially in the form attached hereto as Annex 1, and conditioned upon such payments and provisions, do hereby REMISE, RELEASE, AND FOREVER DISCHARGE Air Products and Chemicals, Inc. (the "Company") and each of its past or present subsidiaries and affiliates, its and their past or present officers, directors, shareholders, employees and agents, their respective successors and assigns, heirs, executors and administrators, the pension and employee benefit plans of the Company, or of its past or present subsidiaries or affiliates, and the past or present trustees, administrators, agents, or employees of the pension and employee benefit plans (hereinafter collectively included within the term the "Company"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which I ever had, now have, or hereafter may have, or which my heirs, executors or administrators hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of my employment with the Company to the date of these presents and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to my employment relationship and the termination of my employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, including any claims under the Pennsylvania Human Relations Act, 43 PA. C.S.A. Sections 951 et seq., as amended, the Rehabilitation Act of 1973, 29 USC Sections 701 et seq., as amended, Title VII of the Civil Rights Act of 1964, 42 USC Sections 2000e et seq., as amended, the Civil Rights Act of 1991, 2 USC Sections 60/ et seq., as applicable, the Age Discrimination in Employment Act of 1967, 29 USC Sections 621 et seq., as amended ("ADEA"), the Americans With Disabilities Act, 29 USC Sections 706 et seq., and the Employee Retirement Income Security Act of 1974, 29 USC Sections 301 et seq., as amended, any contracts between the Company and me and any common law claims now or hereafter recognized and all claims for counsel fees and costs; provided, however, that this Release shall not apply to any entitlements under the terms of the Plan or under any other plans or programs of the Company in which I participated and under which I have accrued and become entitled to a benefit other than under any Company separation or severance plan or programs. Notwithstanding the foregoing, I understand that I shall be indemnified by the Company as to any liability, cost or expense for which I would have been indemnified during employment, in accordance with the Company's certificate of

incorporation or insurance coverages for employees of the Company serving in executive capacities for actions taken on behalf of the Company within the scope of my employment by the Company.

2. Subject to the limitations of paragraph 1 above, I expressly waive all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. I understand the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. I hereby agree and recognize that my employment by the Company was/will be permanently and irrevocably severed on ___________________, 20__ and the Company has no obligation, contractual or otherwise to me to hire, rehire or reemploy me in the future. I acknowledge that the terms of the Plan provide me with payments and benefits which are in addition to any amounts to which I otherwise would have been entitled.

4. I hereby agree and acknowledge that the payments and benefits provided by the Company are to bring about an amicable resolution of my employment arrangements and are not to be construed as an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by the Company and that the Plan was, and this Release is, executed voluntarily to provide an amicable resolution of my employment relationship with the Company.

5. I hereby acknowledge that nothing in this Release shall prohibit or restrict me from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

6. I hereby certify that I have read the terms of this Release, that I have been advised by the Company to discuss it with my attorney, that I have received the advice of counsel and that I understand its terms and effects. I acknowledge, further, that I am executing this Release of my own volition with a full understanding of its terms and effects and with the intention of releasing all claims recited herein in exchange for the consideration described in the Agreement, which I acknowledge is adequate and satisfactory to me. None of the above named persons, nor their agents, representatives, or attorneys have made any representations to me concerning the terms or effects of this Release other than those contained herein.

7. I hereby acknowledge that I have been informed that I have the right to consider this Release for a period of 21 days prior to execution. I also understand that I have the right to revoke this Release for a period of seven days following execution by giving written notice to the Company at 7201 Hamilton Boulevard, Allentown Pennsylvania 18195-1501, Attention: General Counsel.

8. I hereby further acknowledge that the terms of Appendix B of the Plan continue to apply for the balance of the time periods provided therein and that I will abide by and fully perform such obligations.

Intending to be legally bound hereby, I execute the foregoing Release this ___ day of _____________, 20 ___.

___________________________	______________________
Witness	Executive

ANNEX 1

GENERAL RELEASE

1. Air Products and Chemicals, Inc. (the "Company") on its behalf and on behalf of its subsidiaries and affiliates, their officers, directors, partners, employees and agents, their respective successors and assigns, heirs, executors and administrators (hereinafter collectively included within the term "Company"), for and in consideration of ____________________ (the "Executive") executing the general release of claims against the Company dated _______________ (the "Executive's Release of the Company"), and other good and valuable consideration, does hereby REMISE, RELEASE, AND FOREVER DISCHARGE the Executive, his assigns, heirs, executors and administrators (hereinafter collectively included within the term "Executive"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which it ever had, now have, or hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of the Executive's employment with the Company to the date of this Release arising from or relating in any way to the Executive's employment relationship and the termination of his employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, any contracts between the Company and the Executive, other than the Executive's Release of the Company, the Executive's Noncompetition, Nonsolicitation, and Nondisparagement Agreement with the Company, and the Employee Patent and Confidential Information Agreement entered into by the Executive on _______________, and any common law claims now or hereafter recognized and all claims for counsel fees and costs, but in no event shall this release apply to any action attributable to a criminal act or to an action outside the scope of the Executive's employment.

2. Subject to the limitations of paragraph 1 above, the Company expressly waives all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. The Company understands the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. The Company hereby certifies that it has been advised by counsel in the preparation and review of this Release.

Intending to be legally bound hereby, Air Products and Chemicals, Inc. executes the foregoing Release this ____ day of ____________, 20__.

_______________________________ By:________________________
Witness

Exhibit C

NONCOMPETITION, NONSOLICITATION, AND NONDISPARAGEMENT AGREEMENT

I, ____________________ (the "Executive"), for and in consideration of (a) certain severance benefits to be paid and provided to me by Air Products and Chemicals, Inc. (the "Company") under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program (the "Plan"), and (b) the Company's execution of a release in favor of the Executive, I, the Executive, hereby covenant and agree as follows:

1. The Executive acknowledges that the Company is generally engaged in business throughout the world. During the Executive's employment by the Company and for two years after the Executive's Employment Termination Date (as defined in the Plan), the Executive agrees that he will not, unless acting with the prior written consent of the Company, directly or indirectly, own, manage, control, or participate in the ownership, management or control of, or be employed or engaged by, or otherwise affiliated or associated with, as an officer, director, employee, consultant, independent contractor or otherwise, any other corporation, partnership, proprietorship, firm, association, or other business entity, or otherwise engage in any business which is engaged in any manner anywhere in any business which, as of the Employment Termination Date, is engaged in by the Company, has been reviewed with the Board for development to be owned or managed by the Company, and/or has been divested by the Company but as to which the Company has an obligation to refrain from involvement, but only for so long as such restriction applies to the Company; provided, however, that the ownership of not more than 5% of the equity of a publicly traded entity shall not be deemed to be a violation of this paragraph.

2. The Executive also agrees that he will not, directly or indirectly, during the period described in paragraph (1), induce any person who is an employee, officer, director, or agent of the Company, to terminate such relationship, or employ, assist in employing or otherwise be associated in business with any present or former employee or officer of the Company, including without limitation those who commence such positions with the Company after the Employment Termination Date.

3. For the purposes of this Agreement, the term "Company" shall be deemed to include Air Products and the subsidiaries and affiliates of Air Products.

4. The Executive acknowledges and agrees that the restrictions contained in this Agreement are reasonable and necessary to protect and preserve the legitimate interests, properties, goodwill and business of the Company, that the

Company would not have entered into this Agreement in the absence of such restrictions and that irreparable injury will be suffered by the Company should the Executive breach the provisions of this Section. The Executive represents and acknowledges that (i) the Executive has been advised by the Company to consult the Executive's own legal counsel in respect of this Agreement, (ii) the Executive has consulted with and been advised by his own counsel in respect of this Agreement, and (iii) the Executive has had full opportunity, prior to execution of this Agreement, to review thoroughly this Agreement with the Executive's counsel.

5. The Executive further acknowledges and agrees that a breach of the restrictions in this Agreement will not be adequately compensated by monetary damages. The Executive agrees that the Company shall be entitled to (i) preliminary and permanent injunctive relief, without the necessity of proving actual damages, or posting of a bond, (ii) an equitable accounting of all earnings, profits and other benefits arising from any violation of this Agreement, and (iii) enforce the terms, including requiring forfeitures, under other plans, programs and agreements under which the Executive has been granted a benefit contingent on a covenant similar to those contained in this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled. In the event that the provisions of this Agreement should ever be adjudicated to exceed the limitations permitted by applicable law in any jurisdiction, it is the intention of the parties that the provision shall be amended to the extent of the maximum limitations permitted by applicable law, that such amendment shall apply only within the jurisdiction of the court that made such adjudication and that the provision otherwise be enforced to the maximum extent permitted by law.

6. If the Executive breaches his obligations under this Agreement, he agrees that suit may be brought, and that he consents to personal jurisdiction, in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Allentown, Pennsylvania; consents to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding; and waives any objection which he may have to the laying of venue of any such suit, action or proceeding in any such court. The Executive also irrevocably and unconditionally consents to the service of any process, pleadings, notices or other papers.

7. Executive further agrees, covenants, and promises that he will not in any way communicate the terms of this Agreement to any person other than his immediate family and his attorney and financial consultant or when necessary to advise a third party of his obligations under this Agreement. Notwithstanding the foregoing, the Company and Executive also agree that for a period of two years following the Employment Termination Date, Executive will provide and that at all times after the date hereof the Company may similarly provide, with prior written notice to Executive, a copy of this Agreement to any business or enterprise (i) which Executive may directly or indirectly own, manage, operate, finance, join, control or of which he may participate in the ownership, management, operation, financing, or

control, or (ii) with which Executive may be connected as an officer, director, employee, partner, principal, agent, representative, consultant, or otherwise, or in connection with which Executive may use or permit to be used Executive's name. Executive agrees not to disparage the name, business reputation, or business practices of the Company or its subsidiaries or affiliates, or its or their officers, employees, or directors, and the Company agrees not to disparage the name or business reputation of Executive.

8. The Executive hereby expressly acknowledges and agrees that (i) the provisions of the Employee Patent and Confidential Information Agreement entered into by him on _______________, shall continue to apply in accordance with its terms, and (ii) the provisions of the Executive's outstanding incentive award agreements granted under the Company's Long-Term Incentive Plan, as defined in the Plan, shall continue to apply in accordance with their terms except as otherwise provided in Section 3.02 of the Plan and except that, for purposes of interpreting the provisions of the first indented clause of Section 2 of the "Conditions"(as defined in, and as set forth in Exhibit A to, each of the Executive's award agreements under the Long-Term Incentive Plan), "in Competition with the Company" shall be construed as provided in this Agreement.

9. No failure or delay on the part of the Company in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any further or other exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of this Agreement or consent to any departure by any party therefrom shall in any event be effective until the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

10. This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to its conflict of laws provisions. This Agreement shall extend to and enure to the benefit of the respective successors and assigns of the Company.

Intending to be legally bound hereby, I execute the Noncompetition, Nonsolicitation, and Nondisparagement Agreement this ___ day of _____________, 20 ___.

_______________________ ____________________

Witness Executive

Exhibit 10.24

16 September 2003

Mr. Robert E. Gadomski
2332 Spring Valley Road
Bethlehem, PA 18015

Dear Bob:

This letter is written regarding your retirement from employment with Air Products.

Air Products appreciates your loyal service over the years and your commitment to continue in your current position performing the duties of that position as expected of you by the Board of Directors (the "Board") and the Chief Executive Officer until your last day of employment and retirement on 4 January 2004 (your "employment termination date"). Air Products is willing to provide you with benefits under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program (the "Plan"), the terms of which are summarized in Exhibit A to this letter. The Management Development and Compensation Committee of the Board has determined to amend the Plan with respect to you so that your cash severance benefit under the Plan shall be equivalent to two times (rather than the Plan's normal one times) the sum of your base salary as of your employment termination date plus 100% of the midpoint target bonus for your salary grade level in the fiscal year of your employment termination date; and, further, so that your stock option granted for the fiscal year of your employment termination date will continue to vest and remain in effect for its stated term following such date. Your transition stipend will be $40,000.

In response to questions you have raised, this is to confirm that: (a) your cash severance Benefit of $2,262,700, amount in lieu of a prorated, 100% target Bonus for fiscal year 2004, i.e., $119,500, and $40,000 transition stipend, along with accrued but unpaid cash compensation and Long-Term Incentive Plans career shares and earned but deferred performance shares referenced in the Plan as amended by this letter (the "Amended Plan"), will be paid to you promptly, but in no event later than 30 days after, the later of your employment termination date and seven days following your execution of the Second Release (referred to later in this letter); (b) your obligation to assist the Chief Executive Officer in the identification, recruitment, and transitioning of your successor, which is a condition to receiving your severance benefits under the Amended Plan, ceases as of your employment termination date; and (c) the intent of

Section 8(ii) of your Noncompetition, Nonsolicitation, and Employment Agreement attached as Exhibit C to this letter is that such Agreement shall govern the interpretation of the noncompetition conditions applicable to your outstanding awards under the Long-Term Incentive Plan (which are set forth in the first indented clause of Section 2 of the statement of "Conditions" attached to this letter as Exhibit D).

Payment of Plan benefits mentioned in this letter is conditioned upon and will be made in consideration of, among other things, your signing the General Release and the Noncompetition, Nonsolicitation, and Nondisparagement Agreement (together, the "Agreements"), which are Exhibits B and C to this letter (as well as upon your executing, and not revoking as provided therein, another written release containing substantially the same provisions as described in Exhibit B to this letter, prior to the 22nd day following your employment termination date (the "Second Release"), in consideration of which the Company shall execute a second release in favor of you on the date the Second Release becomes irrevocable, in the form attached to Exhibit B to this letter). You must sign and date both copies of the Agreements and return one copy of this entire 12 page package to me. Please take at least 21 days to read these materials carefully before deciding to execute the Agreements (after which you will have 7 days in which to change your mind and revoke the General Release). If you have any questions regarding this letter or the Plan benefits, please contact me. If you have any questions regarding the Plan or the Agreements, Air Products will be pleased to answer them, but advises you to discuss the Agreements with your personal lawyer and rely upon her or his advice.

Very truly yours,

/s/ Leonard V. Broese van Groenou

Leonard V. Broese van Groenou
Vice President - Human Resources

SUMMARY

AIR PRODUCTS AND CHEMICALS, INC. (THE "COMPANY")
CEC RETENTION/SEPARATION PROGRAM (THE "PLAN")

Executives who serve on the Company's Corporate Executive Committee ("CEC") will become entitled to Plan benefits following termination of employment with the Company if they end their employment on the date specified or agreed to by the Chief Executive Officer (the "Employment Termination Date"). Once the Employment Termination Date is set, the Company cannot terminate or adversely amend the Plan as it applies to the Executive, and the Executive must (i) continue in his current office and perform such duties for the Company as are typically related to his position (or such other position as the Chief Executive Officer reasonably requests) and to assist in the identification, recruitment, and/or transitioning of his successor, performing all assigned duties in the manner reasonably directed by the Chief Executive Officer, in his sole discretion; (ii) cease employment with the Company on the Employment Termination Date; and (iii) sign (and not revoke) a general release of all claims against the Company and a two-year noncompete agreement. In consideration of and subject to complying with the foregoing, the Executive will receive the following payments and treatment of outstanding stock awards, as well as a release of claims by the Company against him.

CASH PAYMENTS FOLLOWING THE EMPLOYMENT TERMINATION DATE, THE EFFECTIVE DATE OF THE GENERAL RELEASE, AND THE SIGNING OF THE NONCOMPETITION, NONSOLICITATION, AND NONDISPARAGEMENT AGREEMENT

- A severance Benefit equivalent to one times base Salary plus 100% Bonus at midpoint/target for the Executive's salary grade.

- An amount representing a 100% target Bonus for the Executive's salary grade at the Employment Termination Date, "prorated", i.e., multiplied by a fraction the numerator of which is the number of days in the current fiscal year through the Employment Termination Date and the denominator of which is 365.

- Accrued but unpaid cash compensation which will include but not be limited to base Salary through the Employment Termination Date, any accrued but unpaid vacation pay, and similar unpaid items that have accrued or to which the Executive has become entitled as of the Employment Termination Date, including declared but unpaid bonuses and unreimbursed employee business expenses.

- A stipend to cover the Executive's reasonable miscellaneous transition expenses including for outplacement assistance and legal fees.

TREATMENT OF THE EXECUTIVE'S OUTSTANDING LONG-TERM INCENTIVE PLAN AWARDS

- All stock options and stock appreciation rights which have been outstanding for at least one year prior to the Employment Termination Date will continue to vest according to their normal vesting schedule and remain in effect for the stated term.

- All unearned performance shares or other awards with performance-based vesting or earnout will earn out consistent with the decision made by or on behalf of the Company for other senior executives for the respective cycle and be paid out promptly after earn out or vesting.

- All awards, including career shares and earned but deferred performance shares, which are subject to time-based vesting or other conditions unrelated to Company performance, will be paid out promptly.

DISABILITY OR DEATH

- Before the Employment Termination Date has been set: No Plan payments or other benefits will be due and owing to the Executive or, in the case of his death, to his estate or beneficiary.

- After the Employment Termination Date has been set but not yet attained: All Plan payments and other benefits will be made and provided to the Executive or, in the case of his death, to his estate or beneficiary unless the Executive retires prior to the date of his death, in which case no Plan payments or other benefits will be made or provided to his beneficiary or to his estate. For this purpose, "retire" means to have separated from employment and begun to receive an immediate pension benefit under the Company's defined-benefit Pension Plan for Salaried Employees and Supplementary Pension Plan.

CHANGE IN CONTROL ("CIC") AGREEMENT

- Upon a defined CIC, the Company's CIC severance agreement or other CIC arrangements in effect at the time, if any, will supercede and replace the Plan.

All capitalized terms included in this Plan Summary have the meanings specified in the full Plan text, a copy of which will be provided to a Covered Executive upon request to the Company's Vice President - Human Resources. The Covered Executive agrees that the Plan text (as it may be amended for the Covered Executive as stated in the letter from the Vice President - Human Resources to which this Plan Summary is attached) and all determinations made by persons referred to in the Plan text govern all rights and responsibilities related to or created by the Plan.

Exhibit B

GENERAL RELEASE

1. I, ROBERT E. GADOMSKI (the "Executive"), for and in consideration of (a) certain severance benefits to be paid and provided to me by Air Products and Chemicals, Inc. (the "Company") under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program, as amended as provided in the letter dated 16 September 2003, to which this General Release is attached (the "Plan") and (b) the Company's execution of a release in favor of the Executive, on the date this General Release becomes irrevocable, substantially in the form attached hereto as Annex 1, and conditioned upon such payments and provisions, do hereby REMISE, RELEASE, AND FOREVER DISCHARGE Air Products and Chemicals, Inc. (the "Company") and each of its past or present subsidiaries and affiliates, its and their past or present officers, directors, shareholders, employees and agents, their respective successors and assigns, heirs, executors and administrators, the pension and employee benefit plans of the Company, or of its past or present subsidiaries or affiliates, and the past or present trustees, administrators, agents, or employees of the pension and employee benefit plans (hereinafter collectively included within the term the "Company"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which I ever had, now have, or hereafter may have, or which my heirs, executors or administrators hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of my employment with the Company to the date hereof and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to my employment relationship and the termination of my employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, including any claims under the Pennsylvania Human Relations Act, 43 PA. C.S.A. Sections 951 et seq., as amended, the Rehabilitation Act of 1973, 29 USC Sections 701 et seq., as amended, Title VII of the Civil Rights Act of 1964, 42 USC Sections 2000e et seq., as amended, the Civil Rights Act of 1991, 2 USC Sections 60/ et seq., as applicable, the Age Discrimination in Employment Act of 1967, 29 USC Sections 621 et seq., as amended ("ADEA"), the Americans With Disabilities Act, 29 USC Sections 706 et seq., and the Employee Retirement Income Security Act of 1974, 29 USC Sections 301 et seq., as amended, any contracts between the Company and me and any common law claims now or hereafter recognized and all claims for counsel fees and costs; provided, however, that this Release shall not apply to any entitlements under the terms of the Plan or under any other plans or programs of the Company in which I participated and under which I have accrued and become entitled to a benefit other than under any Company separation or severance plan or programs. Notwithstanding the foregoing, I understand that I shall be indemnified by the Company as to any liability, cost or expense for which I would have been indemnified during

employment, in accordance with the Company's certificate of incorporation or insurance coverages for employees of the Company serving in executive capacities for actions taken on behalf of the Company within the scope of my employment by the Company.

2. Subject to the limitations of paragraph 1 above, I expressly waive all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. I understand the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. I hereby agree and recognize that my employment by the Company was/will be permanently and irrevocably severed on 4 January 2004 and the Company has no obligation, contractual or otherwise to me to hire, rehire or reemploy me in the future. I acknowledge that the terms of the Plan provide me with payments and benefits which are in addition to any amounts to which I otherwise would have been entitled.

4. I hereby agree and acknowledge that the payments and benefits provided by the Company are to bring about an amicable resolution of my employment arrangements and are not to be construed as an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by the Company and that the Plan was, and this Release is, executed voluntarily to provide an amicable resolution of my employment relationship with the Company.

5. I hereby acknowledge that nothing in this Release shall prohibit or restrict me from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

6. I hereby certify that I have read the terms of this Release, that I have been advised by the Company to discuss it with my attorney, that I have received the advice of counsel and that I understand its terms and effects. I acknowledge, further, that I am executing this Release of my own volition with a full understanding of its terms and effects and with the intention of releasing all claims recited herein in exchange for the consideration described in the Agreement, which I acknowledge is adequate and satisfactory to me. None of the above named persons, nor their agents, representatives, or attorneys have made any representations to me concerning the terms or effects of this Release other than those contained herein.

7. I hereby acknowledge that I have been informed that I have the right to consider this Release for a period of 21 days prior to execution. I also understand that I have the right to revoke this Release for a period of seven days following execution by giving written notice to the Company at 7201 Hamilton Boulevard, Allentown Pennsylvania 18195-1501, Attention: General Counsel.

8. I hereby further acknowledge that the terms of Appendix B of the Plan continue to apply for the balance of the time periods provided therein and that I will abide by and fully perform such obligations.

Intending to be legally bound hereby, I execute the foregoing Release this ___ day of _____________, 20 ___.

_______________________	_______________________
Witness	Executive Robert E. Gadomski

ANNEX 1

GENERAL RELEASE

1. Air Products and Chemicals, Inc. (the "Company") on its behalf and on behalf of its subsidiaries and affiliates, their officers, directors, partners, employees and agents, their respective successors and assigns, heirs, executors and administrators (hereinafter collectively included within the term "Company"), for and in consideration of ROBERT E. GADOMSKI (the "Executive") executing the general release of claims against the Company dated _______________ (the "Executive's Release of the Company"), and other good and valuable consideration, does hereby REMISE, RELEASE, AND FOREVER DISCHARGE the Executive, his assigns, heirs, executors and administrators (hereinafter collectively included within the term "Executive"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which it ever had, now have, or hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of the Executive's employment with the Company to the date of this Release arising from or relating in any way to the Executive's employment relationship and the termination of his employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, any contracts between the Company and the Executive, other than the Executive's Release of the Company, the Executive's Noncompetition, Nonsolicitation, and Nondisparagement Agreement with the Company, and the Employee Patent and Confidential Information Agreement entered into by the Executive on 31 August 1970, and any common law claims now or hereafter recognized and all claims for counsel fees and costs, but in no event shall this release apply to any action attributable to a criminal act or to an action outside the scope of the Executive's employment.

2. Subject to the limitations of paragraph 1 above, the Company expressly waives all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. The Company understands the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. The Company hereby certifies that it has been advised by counsel in the preparation and review of this Release.

Intending to be legally bound hereby, Air Products and Chemicals, Inc. executes the foregoing Release this ____ day of ____________, 20__.

_______________________________ By:______________________________

Witness

Leonard V. Broese van Groenou
Vice President - Human Resources

NONCOMPETITION, NONSOLICITATION, AND NONDISPARAGEMENT
AGREEMENT (THE "AGREEMENT")

I, ROBERT E. GADOMSKI (the "Executive"), for and in consideration of (a) certain severance benefits to be paid and provided to me by Air Products and Chemicals, Inc. (the "Company") under the Air Products and Chemicals, Inc. Corporate Executive Committee Retention/Separation Program, as amended as provided in the letter dated 16 September 2003 to which this Agreement is attached (the "Plan"), and (b) the Company's execution of a release in favor of the Executive, I, the Executive, hereby covenant and agree as follows:

1. The Executive acknowledges that the Company is generally engaged in business throughout the world. During the Executive's employment by the Company and for two years after the Executive's Employment Termination Date (as defined in the Plan), the Executive agrees that he will not, unless acting with the prior written consent of the Company, directly or indirectly, own, manage, control, or participate in the ownership, management or control of, or be employed or engaged by, or otherwise affiliated or associated with, as an officer, director, employee, consultant, independent contractor or otherwise, (i) Bayer Corporation, BASF Corporation, Dow Chemical Co., Imperial Chemical Industries, PLC, Forbo Group, Rohm & Haas Co., Lyondell Chemical Company, National Starch and Chemical Company, Wacker Group, and Celanese AG; or (ii) any other corporation, partnership, proprietorship, firm, association, or other business entity which is (a) engaged in any manner anywhere in industrial gases activities as its primary business, including without limitation Airgas, Inc., BOC Group, Air Liquide Group, Nippon Sanson Corporation, Air Water Inc., Praxair, Inc., and Linde, or (b) which is engaged in any manner anywhere in Europe, the United States, Mexico, or Canada in the medical home healthcare business; provided, however, that the ownership of not more than 5% of the equity of a publicly traded entity shall not be deemed to be a violation of this paragraph.

2. The Executive also agrees that he will not, directly or indirectly, during the period described in paragraph (1), induce any person who is an employee, officer, director, or agent of the Company, to terminate such relationship, or employ, assist in employing or otherwise be associated in business with any present or former employee or officer of the Company, including without limitation those who commence such positions with the Company after the Employment Termination Date.

3. For the purposes of this Agreement, the term "Company" shall be deemed to include Air Products and the subsidiaries and affiliates of Air Products.

4. The Executive acknowledges and agrees that the restrictions contained in this Agreement are reasonable and necessary to protect and preserve the legitimate interests, properties, goodwill and business of the Company, that the Company would not have entered into this Agreement in the absence of such restrictions and that irreparable injury will be suffered by the Company should the Executive breach the provisions of this Section. The Executive represents and acknowledges that (i) the Executive has been advised by the Company to consult the Executive's own legal counsel in respect of this Agreement, (ii) the Executive has consulted with and been advised by his own counsel in respect of this Agreement, and (iii) the Executive has had full opportunity, prior to execution of this Agreement, to review thoroughly this Agreement with the Executive's counsel.

5. The Executive further acknowledges and agrees that a breach of the restrictions in this Agreement will not be adequately compensated by monetary damages. The Executive agrees that the Company shall be entitled to (i) preliminary and permanent injunctive relief, without the necessity of proving actual damages, or posting of a bond, (ii) an equitable accounting of all earnings, profits and other benefits arising from any violation of this Agreement, and (iii) enforce the terms, including requiring forfeitures, under other plans, programs and agreements under which the Executive has been granted a benefit contingent on a covenant similar to those contained in this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled. In the event that the provisions of this Agreement should ever be adjudicated to exceed the limitations permitted by applicable law in any jurisdiction, it is the intention of the parties that the provision shall be amended to the extent of the maximum limitations permitted by applicable law, that such amendment shall apply only within the jurisdiction of the court that made such adjudication and that the provision otherwise be enforced to the maximum extent permitted by law.

6. If the Executive breaches his obligations under this Agreement, he agrees that suit may be brought, and that he consents to personal jurisdiction, in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Allentown, Pennsylvania; consents to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding; and waives any objection which he may have to the laying of venue of any such suit, action or proceeding in any such court. The Executive also irrevocably and unconditionally consents to the service of any process, pleadings, notices or other papers.

7. Executive further agrees, covenants, and promises that he will not in any way communicate the terms of this Agreement to any person other than his immediate family and his attorney and financial consultant or when necessary to advise a third party of his obligations under this Agreement. Notwithstanding the foregoing, the Company and Executive also agree that for a period of two years following the Employment Termination Date, Executive will provide and that at all times after the date hereof the Company may similarly provide, with prior written

notice to Executive, a copy of this Agreement to any business or enterprise (i) which Executive may directly or indirectly own, manage, operate, finance, join, control or of which he may participate in the ownership, management, operation, financing, or control, or (ii) with which Executive may be connected as an officer, director, employee, partner, principal, agent, representative, consultant, or otherwise, or in connection with which Executive may use or permit to be used Executive's name. Executive agrees not to disparage the name, business reputation, or business practices of the Company or its subsidiaries or affiliates, or its or their officers, employees, or directors, and the Company agrees not to disparage the name or reputation of Executive.

8. The Executive hereby expressly acknowledges and agrees that (i) the provisions of the Employee Patent and Confidential Information Agreement entered into by him on 31 August 1970, shall continue to apply in accordance with its terms, and (ii) the provisions of the Executive's outstanding incentive award agreements granted under the Company's Long-Term Incentive Plan, as defined in the Plan, shall continue to apply in accordance with their terms except as otherwise provided in Section 3.02 of the Plan and except that, for purposes of interpreting the provisions of the first indented clause of Section 2 of the "Conditions"(as defined in, and as set forth in Exhibit A to, each of the Executive's award agreements under the Long-Term Incentive Plan), "in Competition with the Company" shall be construed as provided in this Agreement.

9. No failure or delay on the part of the Company in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any further or other exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of this Agreement or consent to any departure by any party therefrom shall in any event be effective until the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

10. This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to its conflict of laws provisions. This Agreement shall extend to and enure to the benefit of the respective successors and assigns of the Company.

Intending to be legally bound hereby, I execute the Noncompetition, Nonsolicitation, and Nondisparagement Agreement this ___ day of _____________, 20 ___.

_________________________ _________________________
Witness Executive
Robert E. Gadomski

2003 AWARDS UNDER THE PLAN ARE SUBJECT TO THE FOLLOWING CONDITIONS:

1. You continue to comply with the terms of your employee patent and trade secret agreement and with all other agreements with, and obligations and duties to, the Company and any of its subsidiaries and affiliates (together, the "Company"), and refrain from conducting yourself in a manner adversely affecting the Company;

2. Without limiting the generality of the foregoing, while employed by the Company and for two years following your separation from service with the Company for any reason, you

   Refrain from engaging in any activity in competition with the Company, whether as an officer, director, employee, consultant, advisor, agent, broker, independent contractor, partner, shareholder, or principal of any corporations, partnership, proprietorship, firm, association, person, or other entity;

   Refrain from undertaking any employment or activity wherein the fulfillment of your duties would call upon you to reveal, to make judgments on, or otherwise to use any "confidential information" of the Company;

   Refrain from directly or indirectly, either for yourself or for any other person, diverting or taking away or attempting to divert or take away (or calling on or soliciting or attempting to call on or solicit) any of the Company's customers or patrons, including but not limited to those upon whom you called or whom you solicited or with whom you became acquainted while employed by the Company;

   Refrain from directly or indirectly or by action in concert with others, inducing or influencing (or seeking to induce or influence) any person who is engaged (as an employee, agent, independent contractor, or otherwise) by the Company to terminate his or her employment or engagement.

IF, IN THE COMMITTEE'S SOLE DISCRETION, IT IS DETERMINED THAT YOU HAVE BREACHED ANY OF THE FOREGOING CONDITIONS, AFTER NOTICE BY REGISTERED MAIL DIRECTED TO YOUR LAST KNOWN ADDRESS, ALL OF YOUR OUTSTANDING AWARDS UNDER THE PLAN WILL BE COMPLETELY TERMINATED. NOTWITHSTANDING ANY OTHER PROVISIONS HEREOF, FOLLOWING OR IN CONNECTION WITH A CHANGE IN CONTROL, THE FOREGOING CONDITIONS SHALL LAPSE AND BE OF NO FURTHER FORCE OR EFFECT.

Exhibit 10.25

SEVERANCE AGREEMENT

THIS AGREEMENT by and between Air Products and Chemicals, Inc., a Delaware corporation (hereinafter "Air Products" or the "Company"), with its principal office in Allentown, Pennsylvania, and John P. Jones III (the "Executive"), an individual residing at 220 North Main Street, Allentown, Pennsylvania, 18104, dated and effective as of November 20, 2003.

WHEREAS, the Executive is the Chairman, Chief Executive Officer and President of the Company and has made and is expected to continue to make major contributions to the short and long term profitability, growth, and financial strength of the Company; and

WHEREAS, the Management Development and Compensation Committee of the Board of Directors of Air Products has determined that it is in the best interests of the Company and its shareholders to take appropriate steps to encourage the continued attention and dedication of the Executive to his assigned duties without distraction; and

WHEREAS, in consideration of the Executive's continued employment with the Company, the Company desires to provide the Executive with certain compensation and benefits set forth in this Agreement to ameliorate the financial and career impact on the Executive were the Executive's employment with the Company to be terminated under certain circumstances.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Benefit" or "Benefits" means any or all of the benefits that the Executive is entitled to receive pursuant to Section 2 of this Agreement.

(b) "Board" means the Board of Directors of Air Products.

(c) "Bonus" means 100% of the midpoint target bonus for the Executive's salary grade, determined as of the Executive's Employment Termination Date under the grant guidelines for the Air Products Annual Incentive Plan or similar successor or substitute annual incentive plan or program.

(d) "Cause" means:

(i) the willful and continued failure by the Executive to substantially perform his duties with the Company (other than any such failure resulting from his

Disability or occurring after the issuance by the Executive of a notice of Constructive Termination) over a period of not less than thirty days after a demand for substantial performance is delivered to the Executive by the Board which identifies the manner in which the Board believes that the Executive has not substantially performed his duties; or

(ii) the willful misconduct of the Executive materially and demonstrably injurious to the Company (including ,without limitation, any willful breach by the Executive of Appendix B of this Agreement as if in effect at the time the willful misconduct took place); provided that no act or failure to act on the Executive's part will be considered willful if done, or omitted to be done, by him in good faith and with reasonable belief that his action or omission was in the best interest of the Company.

(e) "Change in Control" means "change in control" as such term is defined in that certain severance agreement between the Executive and the Company dated September 16, 1999 (the "CIC Agreement").

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means the Management Development and Compensation Committee of the Board, that may act on behalf of the Company with respect to the Agreement as provided herein.

(h) "Company" means Air Products and Chemicals, Inc. The term "Company" shall include any Subsidiary or any successor to Air Products such as a corporation succeeding to the business of Air Products or any Subsidiary, by merger, consolidation or liquidation, or purchase of assets or stock or similar transaction.

(i) "Constructive Termination" means the termination of the Executive's employment with the Company by the Executive as a result of one of the following events, without the Executive's express written consent unless the event is remedied by the Company within 30 days after receipt of written notice thereof given by the Executive:

(i) A material change in or failure to hold the titles and positions of Chairman of the Board and Chief Executive Officer, other than a circumstance where the Executive continues to serve as a director but relinquishes the title and position of Chairman of the Board in order for the Company to comply with applicable law or conform to stock exchange listing standards;

(ii) A material reduction in overall compensation opportunity, taking into account combined Salary and Bonus and Long-Term Incentive Plan compensation as in effect on the date of this Agreement or thereafter, if higher; or

(iii) A termination of or a material adverse amendment to this Agreement.

In no event shall the termination of the Executive's employment with the Company on account of death, voluntary resignation other than on account of Constructive Termination, Disability or Cause be deemed to be a Constructive Termination.

A termination of employment by the Executive on account of Constructive Termination shall be effectuated by giving the Company written notice of the termination, setting forth in reasonable detail the specific conduct of the Company that constitutes Constructive Termination and the specific provision(s) of this Agreement on which the Executive relies. A termination of employment by the Executive on account of Constructive Termination shall be effective as of the first business day following the end of the Company's 30-day cure period, unless a later date is agreed upon by the Company and the Executive.

(j) "Disability" means the Executive incurs a permanent disability within the meaning of the Company's long-term disability plan.

(k) "Employment Termination Date" means the date specified or agreed to by the Executive or the Committee in writing, as applicable, on which the active employment relationship between the Executive and the Company is to be and is in fact terminated.

(l) "Fiscal Year" means each period commencing on October 1 and ending on the subsequent September 30 during which this Agreement is in effect.

(m) "Involuntary Termination" means the termination of the Executive's active employment relationship with the Company either: (i) by the Company for any reason other than Cause, death, or Disability not later than the thirtieth day following written notice of such termination by the Company to the Executive; or (ii) on account of a Constructive Termination.

(n) "Long-Term Incentive Plan" means the Air Products Long-Term Incentive Plan approved by Air Products' shareholders most recently on January 23, 2003, together with all predecessor and similar successor or substitute intermediate and/or long-term incentive compensation plan or program.

(o) "Salary" means an amount equal to the annual rate of the Executive's base salary payable to the Executive in all capacities with the Company and its Subsidiaries or affiliates for the Fiscal Year in which the Executive's Employment Termination Date occurs.

(p) "Subsidiary" means any corporation in which the Company owns, directly or indirectly, more than 50% of the voting securities

2. Involuntary Termination. In the event that the Executive's employment is terminated on account of an Involuntary Termination, upon the Executive's Employment Termination Date and his satisfaction of the conditions specified in Section 3, the

Executive shall be entitled to receive the Benefits described in (a) through (c) below in accordance with the payout provisions of Section 4:

(a) Cash Benefits.

(i) a cash severance Benefit equal to three times the aggregate of the Executive's Salary plus Bonus,

(ii) an amount in lieu of the Executive's bonus which would have been paid under the Air Products Annual Incentive Plan or similar successor or substitute annual incentive plan or program for the Fiscal Year in which the Employment Termination Date occurs, equal to the Bonus multiplied by a fraction, the numerator of which is the number of days in the current Fiscal Year through the Executive's Employment Termination Date, and the denominator of which is 365,

(iii) any accrued but unpaid vacation pay, any similar unpaid items that have accrued and to which the Executive has become entitled as of his Employment Termination Date, including declared but unpaid bonuses and unreimbursed employee business expenses,

(iv) a $40,000 stipend to cover miscellaneous transition expenses including outplacement assistance and legal fees incurred at the time of or in connection with the Involuntary Termination, and

(v) supplemental pension benefits paid by the Company equal to the excess of (i) those pension benefits calculated by adding three years of service to the Executive's actual service credited for benefit accrual purposes under the the Company's Pension Plan for Salaried Employees and Supplementary Pension Plan (together, the "Pension Plans") and assuming that the Executive had satisfied as of the Employment Termination Date the age and service requirements for any early retirement subsidy available under the Pension Plans over (ii) the Executive's accrued vested pension benefits under the Pension Plans as of the Employment Termination Date. The supplemental pension benefits payable hereunder shall be paid at the same time and in the same form as the Executive elects for his Supplementary Pension Plan benefit.

(b) Long-Term Incentive Plan Benefits. In addition to the Benefits payable under (a) above, the Executive's outstanding Long-Term Incentive Plan awards shall be treated as follows:

(i) All stock options and stock appreciation rights which are outstanding as of the Executive's Employment Termination Date shall continue to vest in accordance with their normal vesting schedule (if not fully vested as of the Employment Termination Date) and shall remain in effect for the remainder of their stated term, as set forth in the agreements governing such awards, in each case as if the Executive had continued in employment following the Employment Termination Date; provided, however, that the number of shares subject to any stock option granted less than one year

prior to the Employment Termination Date shall be reduced by multiplying the number of shares by a fraction the numerator of which is the number of days worked in the Fiscal Year in which the Employment Termination Date occurs and the denominator of which is 365.

(ii) All unearned performance shares or other awards with performance-based vesting or earnout shall earn out or vest consistent with the decision made by or on behalf of the Company for other senior executives for the relevant cycle and shall be paid out promptly following earn-out or vesting (or, if later, the end of the revocation period of the release described in Section 3).

(iii) All awards, including career shares and earned but deferred performance shares, which are subject to time-based vesting or other non-performance-based conditions, shall be paid out promptly following the Executive's Employment Termination Date (or, if later, the end of the revocation period of the release described in Section 3).

(c) Medical Benefits. For the period described in the next sentence, the Company will provide to the Executive and his dependents benefits equivalent to those provided by the Company under the medical plan in which the Executive was participating on the Employment Termination Date; provided, however, that the Company may elect to pay the Executive cash in lieu of coverage under such plans or programs in an amount equal to Executive's after-tax cost of continuing such coverage, where such coverage may not be continued (or where such continuation would adversely affect the tax status of the plan or program pursuant to which the coverage is provided). The period during which any of these benefits shall be provided shall commence on the day after the revocation period for the release required by Section 3 expires, but retroactive to the Employment Termination Date, and shall continue until the earliest of (i) the Executive's death, (ii) the third anniversary of the Executive's Employment Termination Date, or (iii) the date on which any such benefit would otherwise have ceased to be provided to the Executive under any such plans or programs, as in effect on the Executive's Employment Termination Date had the Executive not incurred an Employment Termination Date. In the event of the Executive's death during the period specified above, benefits in respect of the Executive or the Executive's beneficiaries shall be provided in accordance with the terms of each of the plans or programs applicable to active employees of the Company. Any continuation of health benefits pursuant to this subparagraph shall not run concurrent with any continuation rights owed to the Executive pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), and for purposes of applying COBRA with respect to the Executive's coverage under any group health plan, the end of coverage under this subparagraph shall be deemed to be the date of a qualifying event resulting from the termination of a covered employee.

3. Conditions to Entitlement to Benefit. To be eligible to receive any Benefits under this Agreement after the Executive's Employment Termination Date has been set, the Executive must (a) continue in his then current office and perform such duties for the

Company as are typically related to the Executive's position (or such other position as the Committee reasonably requests) including identifying, recruiting and/or transitioning the Executive's successor, in all events performing all assigned duties in the manner reasonably directed by the Committee, in its sole discretion, but consistent with his title and position with the Company, and cease his employment on, and not retire before, the Employment Termination Date; (b) execute a release and discharge (without revocation) of the Company, in substantially the form attached hereto as Appendix A, from any and all claims, demands or causes of action (other than as provided in said Appendix A), within 21 days of its presentation to the Executive; and (c) execute the Noncompetition, Nonsolicitation, and Nondisparagement Agreement that extends for the three-year period following the Executive's Employment Termination Date in substantially the form attached hereto as Appendix B, with such changes therein as the Committee shall reasonably determine to be required by applicable law or regulation, or as otherwise mutually agreed. Benefits due hereunder shall be paid in accordance with Section 4 provided that the Executive has complied in all respects with the requirements of this Section 3. On the date that the Executive's release becomes irrevocable, the Company shall execute a release in favor of the Executive, substantially in the form attached hereto as Annex 1, with such changes therein as the Committee shall reasonably determine to be required by applicable law.

4. Method of Payment. The cash Benefits to which the Executive is entitled, as determined pursuant to Section 2(a) hereof, shall be paid in a lump sum following the Executive's Employment Termination Date, subject to all employment and withholding taxes applicable to the type of payments made. In general, payments shall be made within 30 days after the Executive's Employment Termination Date or, if later, after the expiration of any revocation period for the release signed by the Executive pursuant to Section 3. Long-Term Incentive Plan awards, referred to in Section 3, will be paid in the form, and subject to applicable withholding, as provided in the respective award agreements.

5. Death or Disability.

(a) If the Executive incurs a Disability or dies before the Employment Termination Date has been set, no payments or other benefits will be due and owing under this Agreement to the Executive or, in the case of his death, to his estate or beneficiary.

(b) If the Executive incurs a Disability or dies after his Employment Termination Date has been set but not attained, the Committee shall cause any payments and benefits due under this Agreement to be paid to the Executive or, in the case of his death, to the Executive's designated beneficiary or to his estate; provided, however, that if the Executive dies after he has retired prior to attaining the Employment Termination Date, no payments and benefits shall be due and owing under this Agreement to the Executive's designated beneficiary, his estate, or any other person. For this purpose, "retire" means to have separated from employment and begun to receive an immediate pension benefit under a Company-sponsored defined benefit pension plan.

The Executive's beneficiary designation shall be made in the manner, and at the time, prescribed by the Committee in its sole discretion. In the absence of an effective beneficiary designation hereunder, the Executive's estate shall be deemed to be the designated beneficiary.

6. Change in Control. In the event of a Change in Control of the Company, the CIC Agreement shall continue in full force and effect and this Agreement shall be null and void; and, if the Change in Control occurs after the Employment Termination Date has been set but before the Employment Termination Date, the CIC Agreement shall continue in full force and effect and the Employment Termination Date under this Agreement shall be treated under the CIC Agreement as the Executive's "Employment Termination Date" for other than death, "Disability" or "Cause", as such terms appearing in quotations are defined in the CIC Agreement, and this Agreement shall be null and void.

7. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies for which the Executive may qualify. Vested benefits and other amounts that the Executive is otherwise entitled to receive on or after the Employment Termination Date under any plan, policy, practice or program of, or any contract or agreement with, the Company or any of its affiliated companies shall be payable in accordance with such plan, policy, practice, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

8. No Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

9. Successors and Assigns.

(a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean both the Company as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

10. Arbitration. The Company and the Executive mutually consent to the resolution by arbitration, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association, to be held in Philadelphia, Pennsylvania, of all claims or controversies, other than a claim which is primarily for equitable relief or an injunction to enforce a right or remedy under Appendix B of this Agreement, arising out of the Executive's employment (or its termination) that the Company may have against the Executive or that the Executive may have against the Company or against its officers, directors, shareholders, employees or agents in their capacity as such. The parties shall share the fees and costs of the arbitrator and all other costs in connection with any arbitration and each party shall bear its legal fees and expenses. Any such arbitration proceedings must be instituted by the party requesting a resolution within twelve months of the time that party knew, or should have known, of the dispute as to the events or facts giving rise to the claims or controversies requiring resolution. The failure to institute arbitration proceedings within such period shall constitute an absolute bar to the institution of any proceedings and a waiver of all claims.

11. Legal Fees. The Company agrees to pay all legal fees reasonably incurred by the Executive in connection with the negotiation and preparation of this Agreement.

12. Notice. All notices and other communications under this Agreement shall be in writing and shall be given by hand to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

John P. Jones III
220 North Main Street
Allentown, PA 18104

With a required copy to:

Paul Kimbol, Esquire
Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103

If to the Company:

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501
Attention: General Counsel

With a required copy to:

Robert J. Lichtenstein, Esquire
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103

or to such other address as either party furnishes to the other in writing in accordance with this Section 12. Notices and communications shall be effective when actually received by the addressee.

13. Miscellaneous.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(c) Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations.

(d) The Executive's or the Company's failure to insist upon strict compliance with any provision of, or to assert any right under, this Agreement shall not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

(e) This Agreement supersedes and replaces all prior agreements except the CIC Agreement and the Employee Patent, Copyright and Confidential Information Agreement attached hereto as Appendix C, and sets forth the entire understanding among the parties hereto with respect to the subject matter hereof and cannot be changed, modified, extended or terminated except upon written amendment approved and executed by the Executive.

(f) This Agreement may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument.

(g) The respective rights and obligations of the parties hereunder shall survive any termination of the Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization of the Committee, the Company has caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

AIR PRODUCTS AND CHEMICALS, INC.

By: /s/ James F. Hardymon

Name: James F. Hardymon
Title: Chairman, Management Development and
Compensation Committee

EXECUTIVE

/s/ John P. Jones III
- ------------------------------------
John P. Jones III

APPENDIX A
GENERAL RELEASE

1. John P. Jones III (the "Executive"), for and in consideration of (a) certain severance benefits to be paid and provided to the Executive by Air Products and Chemicals, Inc. (the "Company") under the written severance agreement between the Company and the Executive dated November 20, 2003 (the "Severance Agreement") and (b) the Company's execution of a release in favor of the Executive, on the date this General Release becomes irrevocable, substantially in the form attached hereto as Annex 1, and conditioned upon such payments and provisions, does hereby REMISE, RELEASE, AND FOREVER DISCHARGE the Company, and each of its past or present subsidiaries and affiliates, its and their past or present officers, directors, shareholders, employees and agents, their respective successors and assigns, heirs, executors and administrators, the pension and employee benefit plans of the Company, or of its past or present subsidiaries or affiliates, and the past or present trustees, administrators, agents, or employees of the pension and employee benefit plans (hereinafter collectively included within the term the "Company"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which the Executive ever had, now have, or hereafter may have, or which the Executive's heirs, executors or administrators hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of the Executive's employment with the Company to the date of this Release and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Executive's employment relationship and the termination of the Executive's employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, including any claims under the Pennsylvania Human Relations Act, 43 PA. C.S.A. Sections 951 et seq., as amended, the Rehabilitation Act of 1973, 29 USC Sections 701 et seq., as amended, Title VII of the Civil Rights Act of 1964, 42 USC Sections 2000e et seq., as amended, the Civil Rights Act of 1991, 2 USC Sections 60 et seq., as applicable, the Age Discrimination in Employment Act of 1967, 29 USC Sections 621 et seq., as amended ("ADEA"), the Americans with Disabilities Act, 29 USC Sections 706 et seq., and the Employee Retirement Income Security Act of 1974, 29 USC Sections 301 et seq., as amended, any contracts between the Company and the Executive and any common law claims now or hereafter recognized and all claims for counsel fees and costs; provided, however, that this Release shall not apply to any entitlements under the terms of the Severance Agreement or under any other plans or programs of the Company in which the Executive participated and under which the Executive has accrued and become entitled to a benefit other than under any Company separation or severance plan or programs. Notwithstanding the foregoing, the Executive understands that the Executive shall be indemnified by the Company as to any liability, cost or expense for which the Executive would have been entitled to be indemnified during employment, including for service as a director, in accordance with the Company's certificate of incorporation or insurance coverages in force for employees of the Company, as reviewed from time to time generally, in the future, serving in executive capacities for actions taken on behalf of the

Company within the scope of the Executive's service as a director of and/or employment by the Company.

2. Subject to the limitations of paragraph 1 above, the Executive expressly waives all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. The Executive understands the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. The Executive hereby agrees and recognizes that his employment by the Company was/will be permanently and irrevocably severed on ___________________, 20__ and the Company has no obligation, contractual or otherwise to the Executive to hire, rehire or reemploy the Executive in the future. The Executive acknowledges that the terms of the Severance Agreement provide him with payments and benefits which are in addition to any amounts to which the Executive otherwise would have been entitled.

4. The Executive hereby agrees and acknowledges that the payments and benefits provided by the Company are to bring about an amicable resolution of the Executive's employment arrangements and are not to be construed as an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by the Company and that the Severance Agreement was, and this Release is, executed voluntarily to provide an amicable resolution of the Executive's employment relationship with the Company.

5. The Executive hereby acknowledges that nothing in this Release shall prohibit or restrict the Executive from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

6. The Executive hereby certifies that the Executive has read the terms of this Release, that the Executive has been advised by the Company to discuss it with his attorney, that the Executive has received the advice of counsel and that the Executive understand its terms and effects. The Executive acknowledges, further, that the Executive is executing this Release of his own volition with a full understanding of its terms and effects and with the intention of releasing all claims recited herein in exchange for the consideration described in the Agreement, which the Executive acknowledges is adequate and satisfactory to his. None of the above named persons, nor their agents, representatives, or attorneys have made any representations to the Executive concerning the terms or effects of this Release other than those contained herein.

7. The Executive hereby acknowledges that the Executive has been informed that he has the right to consider this Release for a period of 21 days prior to execution. The

Executive also understands that the Executive has the right to revoke this Release for a period of seven days following execution by giving written notice to the Company at 7201 Hamilton Boulevard, Allentown Pennsylvania 18195-1501, Attention: General Counsel.

8. The Executive hereby further acknowledges that the terms of Appendix B of the Severance Agreement and the provisions of the Employee Patent, Copyright and Confidential Information Agreement entered into by him effective as of November 20, 2003 (a copy of which is attached to the Severance Agreement as Appendix C) continue to apply for the balance of the time periods provided therein and that the Executive will abide by and fully perform such obligations.

9. This Release shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to its conflict of laws provisions.

Intending to be legally bound hereby, the Executive execute the foregoing Release this ___ day of _____________, 20 ___.

___________________________	___________________________
Witness	Executive

ANNEX 1
GENERAL RELEASE

1. Air Products and Chemicals, Inc. (the "Company") on its behalf and on behalf of its subsidiaries and affiliates, their officers, directors, partners, employees and agents, their respective successors and assigns, heirs, executors and administrators (hereinafter collectively included within the term "Company"), for and in consideration of John P. Jones III (the "Executive") executing the general release of claims against the Company dated _______________ (the "Executive's Release of the Company"), and other good and valuable consideration, does hereby REMISE, RELEASE, AND FOREVER DISCHARGE the Executive, his assigns, heirs, executors and administrators (hereinafter collectively included within the term "Executive"), acting in any capacity whatsoever, of and from any and all manner of actions and causes of actions, suits, debts, claims and demands whatsoever in law or in equity, which it ever had, now have, or hereafter may have, by reason of any matter, cause or thing whatsoever from the beginning of the Executive's employment with the Company to the date of this Release arising from or relating in any way to the Executive's employment relationship and the termination of his employment relationship with the Company, including but not limited to, any claims which have been asserted, could have been asserted, or could be asserted now or in the future under any federal, state or local laws, any contracts between the Company and the Executive, other than the Executive's Release of the Company, the Executive's Noncompetition, Nonsolicitation, and Nondisparagement Agreement with the Company, and the Employee Patent, Copyright and Confidential Information Agreement entered into by the Executive on November 20, 2003, and any common law claims now or hereafter recognized and all claims for counsel fees and costs, but in no event shall this release apply to any action attributable to a criminal act or to an action which Executive knew or should have known was outside the scope of the Executive's employment.

2. Subject to the limitations of paragraph 1 above, the Company expressly waives all rights afforded by any statute which expressly limits the effect of a release with respect to unknown claims. The Company understands the significance of this release of unknown claims and the waiver of statutory protection against a release of unknown claims.

3. The Company hereby certifies that it has been advised by counsel in the preparation and review of this Release.

4. This Release shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to its conflict of laws provisions.

Intending to be legally bound hereby, Air Products and Chemicals, Inc. executes the foregoing Release this ____ day of ____________, 20__.

_______________________________ By:________________________
Witness

APPENDIX B
NONCOMPETITION, NONSOLICITATION, AND NONDISPARAGEMENT AGREEMENT

John P. Jones III (the "Executive"), for and in consideration of (a) certain severance benefits to be paid and provided to the Executive by Air Products and Chemicals, Inc. (the "Company") under the written severance agreement between the Company and the Executive dated November 20, 2003 (the "Severance Agreement"), and (b) the Company's execution of a release in favor of the Executive, hereby covenants and agrees as follows:

1. The Executive acknowledges that the Company is generally engaged in business throughout the world. During the Executive's employment by the Company and for three years after the Executive's Employment Termination Date (as defined in the Severance Agreement), the Executive agrees that he will not, unless acting with the prior written consent of the Company, directly or indirectly, own, manage, control, or participate in the ownership, management, or control of, or be employed or engaged by, or otherwise affiliated or associated with, as an officer, director, employee, consultant, independent contractor, or otherwise, any corporation, partnership, proprietorship, firm, association, or other business entity which is engaged in any manner anywhere in the industrial gas business, the chemicals business, the home healthcare business, i.e., the provision by the Company of homecare products and services related to durable medical equipment, respiratory therapy, infusion services and/or enteral therapy and related pharmacy services, or any other business which, as of the Employment Termination Date, is engaged in by the Company, has been reviewed with the Board for development to be owned or managed by the Company, and/or has been divested by the Company but as to which the Company has an obligation to refrain from involvement, but only for so long as such restriction applies to the Company; provided, however, that (i) with respect to the Company's chemical business the Executive and the Company agree that he will be so limited only with respect to Bayer Corporation, BASF Corporation, Imperial Chemical Industries, PLC, Forbo Group, Rohm & Haas Co., Lyondell Chemical Company, National Starch and Chemical Company, Wacker Group, and Celanese AG and such other chemical company or companies which the Company may reasonably designate as of the Employment Termination Date based on the then business of the Company in relation to such other entities but consistent with the type of companies already listed, and (ii) with respect to the Company's home healthcare business the Executive and the Company agree that he will be so limited only with respect to Apria Healthcare Group, Lincare/Lincare Holdings Inc., Rotech Healthcare Inc., American HomePatient, Praxair, and Air Liquide unless and until the Company generates at least 15% of its gross revenues from the home healthcare business ; and provided further, however, that the ownership of not more than 5% of the equity of a publicly-traded entity shall not be deemed to be a violation of this paragraph.

2. The Executive also agrees that he will not, directly or indirectly, during the period described in paragraph (1), induce any person who is an employee, officer, director, or

agent of the Company, to terminate such relationship, or employ, assist in employing or otherwise be associated in business with any present or former employee or officer of the Company, including without limitation those who commence such positions with the Company after the Employment Termination Date.

3. For the purposes of this Agreement, the term "Company" shall be deemed to include Air Products and the subsidiaries and affiliates of Air Products as in existence at any relevant date.

4. The Executive acknowledges and agrees that the restrictions contained in this Agreement are reasonable and necessary to protect and preserve the legitimate interests, properties, goodwill and business of the Company, that the Company would not have entered into this Agreement in the absence of such restrictions and that irreparable injury will be suffered by the Company should the Executive breach the provisions of this Section. The Executive represents and acknowledges that (i) the Executive has been advised by the Company to consult the Executive's own legal counsel in respect of this Agreement, (ii) the Executive has consulted with and been advised by his own counsel in respect of this Agreement, and (iii) the Executive has had full opportunity, prior to execution of this Agreement, to review thoroughly this Agreement with the Executive's counsel.

5. The Executive further acknowledges and agrees that a breach of the restrictions in this Agreement will not be adequately compensated by monetary damages. The Executive agrees that the Company shall be entitled to (i) preliminary and permanent injunctive relief, without the necessity of proving actual damages, or posting of a bond, (ii) an equitable accounting of all earnings, profits and other benefits arising from any violation of this Agreement, and (iii) enforce the terms, including requiring forfeitures, under other plans, programs and agreements under which the Executive has been granted a benefit contingent on a covenant similar to those contained in this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled. In the event that the provisions of this Agreement should ever be adjudicated to exceed the limitations permitted by applicable law in any jurisdiction, it is the intention of the parties that the provision shall be amended to the extent of the maximum limitations permitted by applicable law, that such amendment shall apply only within the jurisdiction of the court that made such adjudication and that the provision otherwise be enforced to the maximum extent permitted by law.

6. If the Executive breaches his obligations under this Agreement, he agrees that suit may be brought, and that he consents to personal jurisdiction, in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Allentown, Pennsylvania; consents to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding; and waives any objection which he may have to the laying of venue of any such suit, action or proceeding in any such court. The Executive also

irrevocably and unconditionally consents to the service of any process, pleadings, notices or other papers.

7. The Executive further agrees, covenants, and promises that he will not in any way communicate the terms of this Agreement to any person other than his immediate family and his attorney and financial consultant or when necessary to advise a third party of his obligations under this Agreement. Notwithstanding the foregoing, the Company and Executive also agree that for a period of three years following the Employment Termination Date, the Executive will provide and that at all times after the date hereof the Company may similarly provide, with prior written notice to the Executive, a copy of this Agreement to any business or enterprise (i) which the Executive may directly or indirectly own, manage, operate, finance, join, control or of which he may participate in the ownership, management, operation, financing, or control, or (ii) with which the Executive may be connected as an officer, director, employee, partner, principal, agent, representative, consultant, or otherwise, or in connection with which the Executive may use or permit to be used the Executive's name. The Executive agrees not to disparage the name, business reputation, or business practices of the Company or its subsidiaries or affiliates, or its or their officers, employees, or directors, and the Company agrees not to disparage the name or business reputation of the Executive.

8. The Executive hereby expressly acknowledges and agrees that (i) the provisions of the Employee Patent, Copyright and Confidential Information Agreement entered into by him on November 20, 2003 (a copy of which is attached hereto as Appendix C), shall continue to apply in accordance with its terms, and (ii) the provisions of the Executive's outstanding incentive award agreements granted under the Company's Long-Term Incentive Plan, as defined in the Agreement, shall continue to apply in accordance with their terms except as otherwise provided in Section 2 of the Severance Agreement and except that, for purposes of interpreting the provisions of the first indented clause of Section 2 of the "Conditions"(as defined in, and as set forth in Exhibit A to, each of the Executive's award agreements under the Long-Term Incentive Plan), "in Competition with the Company" shall be construed as provided in this Agreement.

9. No failure or delay on the part of the Company in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any further or other exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of this Agreement or consent to any departure by any party therefrom shall in any event be effective until the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

10. This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to its conflict of laws provisions.

This Agreement shall extend to and inure to the benefit of the respective successors and assigns of the Company.

Intending to be legally bound hereby, the Executive execute the Noncompetition, Nonsolicitation, and Nondisparagement Agreement this ___ day of _____________, 20 ___.

___________________________	_________________________
Witness	Executive

[AIR PRODUCTS LOGO]

EMPLOYEE PATENT, COPYRIGHT AND CONFIDENTIAL INFORMATION AGREEMENT

In consideration of my employment by Air Products and Chemicals, Inc., its divisions, affiliates and subsidiaries (all, collectively, referred to hereinafter as the Company), I agree that I will:

A. Communicate to the Company promptly and fully in writing, in such format as the Company may deem appropriate, all inventions made or conceived by me whether alone or jointly with others from my time of entering the Company's employ until I leave, and as requested, to assign to the Company those of such inventions which (1) relate to a field of business, research or investigation in which the Company has an interest, or (2) result from, or are suggested by, any work which I may do for or on behalf of the Company;

B. Make and maintain adequate permanent records of all such inventions, in the form of memoranda, notebook entries, drawings, print-outs or reports relating thereto, in keeping with then current Company procedures. I agree that these records, as well as the inventions themselves, shall be and remain the property of the Company at all times;

C. Cooperate with and assist the Company and its nominees, at their sole expense, during my employment and thereafter, in securing and protecting patent rights in which I am a named inventor or other similar rights in the United States and foreign countries. In this connection, I specifically agree to execute all papers which the Company deems necessary to protect its interests including the execution of assignments of invention and to give evidence and testimony, as may be necessary, to secure and enforce the Company's rights;

D. Except as the Company may otherwise authorize in writing, not use or disclose to others, reproduce or copy at any time, except as my Company duties may require, either during or subsequent to my employment, any private information of the Company or of others as to whom the Company has an obligation of confidentiality which may come to my attention or be developed by me during the course of my employment other than information which is or becomes public knowledge in a lawful manner;

E. Upon termination of my employment with the Company, deliver to it all records, data and memoranda of any nature which are in my possession or control and which relate to my employment or the activities of the Company, including, for example, notebooks, diaries, reports, photographs, films, manuals and computer software media.

F. Following termination of my employment, honor and abide by my continuing obligation of confidentiality. I agree that, in any situation which arises and involves a question of my freedom to disclose particular information to a subsequent employer or anyone else, I will contact the Company in writing and elicit its opinion on my freedom to make such a disclosure.

It is also agreed that:

G. All creative works which I produce during my employment and which relate to the Company's business or technology shall be considered to have been prepared for the Company as a part of and in the course of my employment. Any such work shall be owned by the Company regardless of whether it would otherwise be considered a work made for hire. Such works shall include, among other things, computer programs and documentation, non-dramatic literary works (e.g. professional papers and journal articles), visual arts (e.g. pictorial, graphic and three dimensional), sound recordings, motion pictures and other audiovisual works.

H. Nothing in this agreement shall bind me or the Company to any specific period of service or employment, nor shall the termination of such employment in any way affect the obligations assumed by me herein. Further, this agreement replaces any and all prior agreements or understandings between me and the Company concerning these subjects;

I. This agreement shall bind my heirs, executors, and administrators, and shall inure to the benefit of the successors and assigns of the Company.

J. I will not disclose to any other employee of the Company any information as to which I owe a continuing obligation of confidentiality to a previous employer or client. Any inventions, patented or unpatented, which were made or conceived by me prior to my employment are excluded from the operation of this agreement, and I warrant that there are no such inventions, other than those listed by me in the space provided on the back of this document.

WITNESS: ____________________________   ______________________________(L.S.)
Signature of Employee

DATED:

(LIST INVENTION INFORMATION ON THE BACK OF THIS AGREEMENT.)

APPENDIX C

Description of Invention	Patent Nos. or Application Nos. (if any)	Assignment or Disposition Employee Has Made or Will Make of Invention

Exhibit 12

AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Unaudited)

	Year Ended 30 September				
	1999	2000	2001	2002	2003
EARNINGS:					
Income from continuing operations	$ 450.5	$ 124.2	$ 465.6	$ 525.4	$ 400.2
Add (deduct):					
Provision for income taxes	209.5	(7.5)	196.2	247.5	154.0
Fixed charges, excluding capitalized interest	194.4	232.6	226.5	150.3	150.6
Capitalized interest amortized during the period	6.1	6.6	7.1	7.2	6.5
Undistributed earnings of less-than-fifty-percent-owned affiliates	(44.5)	(32.1)	(34.3)	(42.8)	(2.6)
Earnings, as adjusted	$ 816.0	$ 323.8	$ 861.1	$ 887.6	$ 708.7
FIXED CHARGES:					
Interest on indebtedness, including capital lease obligations	$ 175.4	$ 210.3	$ 201.6	$ 126.4	$ 126.9
Capitalized interest	24.7	19.7	8.8	11.7	6.2
Amortization of debt discount premium and expense	1.3	3.1	5.6	2.2	2.1
Portion of rents under operating leases representative of the interest factor	17.7	19.3	19.3	21.7	21.6
Fixed charges	$ 219.1	$ 252.4	$ 235.3	$ 162.0	$ 156.8
RATIO OF EARNINGS TO FIXED CHARGES:	3.7	1.3	3.7	5.5	4.5

FINANCIAL REVIEW

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MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS
(millions of dollars, except per share)

All comparisons in the discussion are to the corresponding prior year unless otherwise stated. All amounts presented are in accordance with accounting principles generally accepted in the United States of America.

AIR PRODUCTS AND CHEMICALS, INC. AND ITS SUBSIDIARIES (the company) serves customers in technology, energy, healthcare and industrial markets. The company offers a broad portfolio of products, services and solutions, providing atmospheric gases, process and specialty gases, performance materials and chemical intermediates. Geographically diverse, with operations in over 30 countries, the company has sales of $6.3 billion, assets of $9.4 billion and a worldwide workforce of 18,500 employees.

2003 OVERVIEW

The company faced significant challenges this year, including: a slow manufacturing environment, cyclical lows in the Chemicals and Equipment businesses, high and volatile energy and raw material costs, and an electronics industry downturn that continued through the first half of the year. However, in spite of the difficult environment, the company continued to control its costs and make progress in portfolio management actions. As part of its ongoing portfolio management activities, the company continued to execute its growth strategies by entering the U.S. homecare market by acquiring American Homecare Supply, LLC (AHS) and other small homecare companies and by acquiring the Electronic Chemicals business of Ashland Specialty Chemical Company. A global cost reduction plan was announced in the third quarter of the fiscal year, and the company is on track to achieve associated cost savings. The company completed the sale of its Canadian packaged gas business and is currently pursuing the sale of its European methylamines and derivatives business. These programs implemented to improve the company's businesses were overshadowed by the weak manufacturing environment and high raw material and energy costs. Going forward, the company will continue to focus on growth markets, leading market positions, operating leverage and continued capital discipline. An analysis of 2003 financial results and the company's outlook for 2004 will be discussed throughout the Management's Discussion and Analysis, which follows.

CONSOLIDATED RESULTS

	2003	2002	2001
SALES	$ 6,297.3	$ 5,401.2	$ 5,857.8
Cost of sales	4,613.1	3,815.7	4,216.4
Selling and administrative	832.6	704.3	698.7
Research and development	121.1	120.3	121.8
Other (income) expense, net	(26.5)	(37.1)	(31.5)
Global cost reduction plans, net	152.5	23.1	107.0
OPERATING INCOME	604.5	774.9	745.4
Income from equity affiliates, net of related expenses	84.4	76.2	81.2
Gain on sale of U.S. packaged gas business	--	55.7	--
Gain on divestiture of interest in cogeneration facilities	--	--	101.6
Loss on early retirement of debt	--	--	(75.8)
Interest expense	123.5	122.3	191.2
Effective tax rate	26.9%	31.4%	29.0%
NET INCOME	397.3	525.4	465.6
BASIC EARNINGS PER SHARE	$ 1.81	$ 2.42	$ 2.17
DILUTED EARNINGS PER SHARE	$ 1.78	$ 2.36	$ 2.12

DISCUSSION OF CONSOLIDATED RESULTS

2003 VS. 2002

Sales increased 17%, or $896.1. Acquisitions, including the U.S. homecare companies and Ashland's Electronic Chemicals business in 2003 and San Fu Gas Company, Ltd. (San Fu) in July 2002, accounted for 6% of the increase. Underlying base business growth accounted for 5% of the increase, principally from improved volumes in the Chemicals and Gases businesses. The impact of higher natural gas cost contractually passed through to customers and favorable currency effects, partially offset by divestitures, accounted for the remaining sales increase of 6%.

Operating income in 2003 included a net expense of $152.5 for global cost reduction plans as compared to the prior year, which included a net expense of $23.1 for global cost reduction plans. Refer to the discussion of global cost reduction plans on page 27 for details.

Operating income of $604.5 declined $170.4. Operating income in 2003 was unfavorably impacted by higher global cost reduction plan expenses, higher raw material and energy costs, higher pension and

SAP implementation expenses, higher operating costs and lower electronics specialty material pricing. Favorable operating income variances resulted from higher gases volumes, the contribution from acquisitions, and favorable currency effects.

Income from equity affiliates increased 11%, or $8.2 from the prior year. Favorable adjustments of $23 were recorded related to divestitures recorded in prior years, partially offset by the impact of consolidating San Fu in the fourth quarter of 2002 and a one-time tax benefit related to an asset revaluation at an Italian affiliate recorded in the prior year.

Net income was $397.3, or $1.78 diluted earnings per share, as compared to net income of $525.4, or $2.36 diluted earnings per share. Income before the cumulative effect of an accounting change for the company's adoption of Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," was $400.2, or $1.79 diluted earnings per share in 2003. Current year results included a net expense for global cost reduction plans ($96.5 after-tax, or $.43 per share). Prior year results included a gain on the sale of the U.S. packaged gas business ($25.7 after-tax, or $.12 per share) and a net expense for global cost reduction plans ($14.1 after-tax, or $.07 per share). Interest expense increased slightly from the prior year while the effective tax rate of 26.9% was lower than the prior year of 31.4%.

2002 VS. 2001

Sales in 2002 decreased $456.6, or 8%. Acquisitions, including San Fu in July 2002, accounted for a 2% increase in sales. Underlying base business sales declined 3%, reflecting difficult economic conditions for the manufacturing sector. Gases sales declined, due principally to lower shipments to the electronics industry. Chemicals sales declined, due principally to lower selling prices. Somewhat offsetting these impacts, Equipment sales grew, reflecting increased activity in liquefied natural gas (LNG) heat exchangers and helium containers. The impact of lower natural gas cost contractually passed through to customers and divestitures, slightly offset by favorable currency, accounted for the remaining sales decrease of 7%.

Operating income in 2002 increased $29.5. Operating income in 2002 included a net expense of $23.1 for global cost reduction plans as compared to the prior year, which included a net expense of $107.0 for global cost reduction plans. Operating income in 2002 benefited from reduced costs from productivity efforts, constrained spending, higher Performance Materials volumes and increased Equipment activity.

Currency and exchange-related effects had a slightly favorable impact on operating income. Depressed conditions in the global electronics market and in the North American steel industry combined with higher maintenance spending in Energy and Process Industries (EPI--formerly Chemical Process Industries) negatively impacted operating income.

In 2002, equity affiliates' income declined $5.0, or 6%. The divestiture of investments in two cogeneration facilities in the fourth quarter of 2001 and lower electronics results more than offset the improved profitability of the global polymers joint venture and the one-time tax benefit related to an asset revaluation at an Italian affiliate.

Net income was $525.4, or $2.36 diluted earnings per share, as compared to net income of $465.6, or $2.12 diluted earnings per share. 2002 results included a gain on the sale of the U.S. packaged gas business ($25.7 after-tax, or $.12 per share) and a net expense for global cost reduction plans ($14.1 after-tax, or $.07 per share). 2001 results included a net expense for global cost reduction plans ($65.9 after-tax, or $.30 per share). The 2002 results benefited from a significant reduction in interest expense due principally to lower average debt outstanding. The 2002 effective tax rate was 31.4% compared to 29.0% in 2001.

2004 OUTLOOK

As we enter 2004, recent economic data and sales trends appear to indicate an early stage of economic recovery in most of the company's end markets. However, at this time, it is still too early to predict the pace at which these markets will grow in the near term. Other factors, such as potential volatility in energy and currency markets, also limit visibility and forecasting accuracy. Given this uncertainty, and in line with current economic outlooks, we are placing a broad range on fiscal year 2004 domestic manufacturing growth of between 2% and 6%, with broader ranges in individual sectors, in particular the global electronics market. The company anticipates sequential improvement in silicon processed by the semiconductor industry at about the double-digit level, and flat-panel display growth is expected to exceed silicon growth. The company anticipates benefits in 2004 from its portfolio management actions taken to build its market positions in its key growth platforms. The Ashland Electronic Chemicals and U.S. homecare acquisitions are expected to be accretive to earnings in 2004. The company's outlook for 2004 anticipates relative stability in currencies and in raw material costs and includes the shutdown of a methanol production facility and the startup of a long-term purchased methanol

supply arrangement in the second half of the fiscal year, which should materially reduce chemical raw material cost volatility. The company also expects cost savings in certain areas from the actions associated with the 2003 global cost reduction plan and expects a level of expense in 2004 on SAP system implementation and operation similar to the level in 2003. Pension expenses are expected to be higher in 2004 due to lower discount rate and lower long-term asset return assumptions. The company's outlook for the Equipment segment is for improvement in 2004 based on an anticipation of receiving two to four new LNG heat exchanger orders during the year, which should increase segment profitability in the latter quarters. The company plans to continue to drive portfolio management and cost reduction actions throughout the year, and any potential up-front costs associated with such actions could negatively impact the company's earnings in 2004 while providing benefits in the following years.

SELLING AND ADMINISTRATIVE EXPENSE (S&A)

2003 VS. 2002

S&A increased 18%, or $128.3. The impact of acquisitions and currency effects, partially offset by divestitures, accounted for two-thirds of this increase. In addition, S&A increased due to cost inflation, SAP implementation and pension expenses. These increases in S&A were partially offset by lower incentive compensation costs and improved productivity.

2002 VS. 2001

S&A in 2002 increased slightly as the impact of acquisitions, currency effects and spending on SAP increased expense levels which were offset by productivity improvements and the divestiture of the U.S. packaged gas business.

2004 OUTLOOK

S&A will increase in 2004 primarily as a result of acquisitions, particularly Ashland's Electronic Chemicals business acquired on 29 August 2003, the full year impact of U.S. homecare acquisitions made during 2003 and planned U.S. homecare acquisitions for 2004. The homecare business has a significantly higher level of S&A, as a percent of sales, than the average mix of the company's current businesses. In addition, the company expects increases in S&A due to inflation and higher pension expense. Partially offsetting these impacts, the company expects to realize cost savings from the global cost reduction plan initiated in the third quarter of 2003, savings in businesses where SAP was implemented in 2003 and other productivity initiatives.

OTHER (INCOME) EXPENSE, NET

2003 VS. 2002

Other income of $26.5 declined $10.6. Amortization expense increased by $6.5, resulting primarily from the intangible assets associated with the U.S. homecare companies acquired in 2003. Results in 2002 included higher favorable impacts from the sale of investments.

2002 VS. 2001

Other income of $37.1 increased $5.6. Amortization expense declined $15.6 in 2002, principally as a result of no longer amortizing goodwill with the adoption of SFAS No. 142. Results in 2002 included higher favorable impacts from the sale of investments. Results in 2001 included favorable insurance settlements.

Note 19 to the consolidated financial statements displays the details of other (income) expense.

GLOBAL COST REDUCTION PLANS

2003 PLAN

In 2003, the company recorded an expense of $152.7 for a global cost reduction plan (2003 Plan). This expense included $56.8 for severance and pension-related benefits and $95.9 for asset disposals and facility closures in the Gases and Chemicals segments. The results for 2003 also included the reversal of the balance of the 2002 Plan accrual of $.2.

During the third quarter of 2003, the company completed a capacity utilization analysis in several businesses in the Gases segment. To reduce capacity and costs, several facilities ceased operation as of 30 June 2003. An expense of $37.6 was recognized for the closure of these facilities, net of expected recovery from disposal. A decision was made to terminate several incomplete capacity expansion projects. An expense of $13.0 was recognized for the cost of terminating these projects, net of expected recovery from disposal and redeployment. An expense of $3.6 was also recognized for the planned sale of two real estate properties and the termination of several leases for small facilities. These expenses were principally in the North American merchant and tonnage businesses, with a modest amount in the Electronics business.

The rationalization of excess capacity in certain products resulted in a decision to exit certain Chemical Intermediates operations. Late in the quarter ended 30 June 2003, the company decided to pursue the sale of its European methylamines and derivatives business. The company expects to complete the sale by 30 June 2004. Expected proceeds from the sale were determined and a loss was recognized for the

difference between the carrying value of the assets and the expected net proceeds from the sale. Additional expenses for the closure of the methanol and ammonia plants in Pensacola, Florida, which made products for internal consumption, were also recognized. The total expense for these actions was $41.7.

In addition to the capacity reduction initiatives, the company continues to implement cost reduction and productivity-related efforts. The divestitures, the capacity reductions and the cost control initiatives will result in the elimination of 461 positions from the company. The company will complete the 2003 Plan by 30 June 2004. Approximately 30% of the position reductions relates to capacity rationalization and divestitures. An additional 40% relates to ongoing productivity efforts and balancing engineering resources with project activity and the remaining 30% relates to a reduction in the number of management positions.

Cost savings from the 2003 Plan realized in 2003 were approximately $3. Cost savings of $38 are expected in 2004. Beyond 2004, the company expects the 2003 Plan to provide annualized cost savings of $59, of which the majority is related to reduced personnel costs. As a result of actions taken in the 2003 and prior years' global cost reduction plans, operating income in 2003 included $27 of incremental benefits over those realized in 2002.

2002 PLAN

In 2002, the company recorded an expense of $30.8 for a global cost reduction plan (2002 Plan), including U.S. packaged gas divestiture-related reductions. This expense 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 2002 Plan included 333 position eliminations in the areas of manufacturing, engineering, distribution and overheads. The 2002 Plan was completed as expected in March 2003. The results for 2002 also included the reversal of the balance of the accrual for the 2001 Plan of $7.7.

Cost savings from the 2002 Plan realized in 2002 were approximately $3. Cost savings of $16 were realized in 2003. Beyond 2003, the company expects the 2002 Plan to provide annualized incremental cost savings of $17, of which the majority is related to reduced personnel costs. As a result of actions taken in the 2002 and prior years' global cost reduction plans, operating income in 2002 included $29 of incremental benefits over those realized in 2001.

2001 PLAN

In 2001, the company recorded an expense of $109.2 for a global cost reduction plan (2001 Plan). This expense included $79.6 for severance benefits and pension plan settlements and $29.6 for asset impairments and related restructuring charges. The 2001 Plan included 670 position eliminations in the areas of manufacturing, engineering, distribution and overheads. The company decided to divest several small facilities, which required a write-down of the net carrying value to the estimated net realizable value. The net carrying value of the assets to be disposed of was $11.1 and $27.7 in the Gases and Chemicals segments, respectively. The 2001 Plan was completed in 2002, with 644 positions eliminated and total expenses of $101.5 incurred. The results for 2001 also included the reversal of the balance of the accrual for the 2000 Plan of $2.2.

Cost savings from the 2001 Plan realized in 2001 were approximately $2. Cost savings of $22 were realized in 2002. Beyond 2002, the 2001 Plan reduced costs by $33 per year, of which the majority is related to reduced personnel costs.

Note 3 to the consolidated financial statements provides additional details on the global cost reduction plan expenses by segment.

INTEREST EXPENSE

	2003	2002	2001
Interest incurred	$ 127.7	$ 131.7	$ 197.2
Less: interest capitalized	4.2	9.4	6.0
Interest expense	$ 123.5	$ 122.3	$ 191.2

2003 VS. 2002

Interest expense increased $1.2. This increase resulted from the impact of a weaker U.S. dollar on the translation of foreign currency interest and lower capitalized interest, partially offset by lower average interest rates and a lower average debt balance excluding currency effects.

2002 VS. 2001

Interest expense declined $68.9. About two-thirds of this variance was due to lower average debt outstanding and the remainder due principally to lower interest rates in 2002.

2004 OUTLOOK

The company expects a modest decrease in interest expense, due primarily to the expectation of a lower debt portfolio average interest rate in 2004. The 2004

estimate excludes the possible effects of any future acquisitions, any change in stock repurchase policy or any change in risk management policy.

EFFECTIVE TAX RATE

The effective tax rate equals the income tax provision divided by income before taxes less minority interest.

2003 VS. 2002

The 2003 effective tax rate was 26.9% compared to 31.4%. The difference in the rates was due to higher tax credits and adjustments in 2003 and the nondeductible costs included in the sale of the U.S. packaged gas business in 2002.

2002 VS. 2001

The 2002 effective tax rate was 31.4% compared to 29.0%. The higher rate was due to the nondeductible costs included in the sale of the U.S. packaged gas business in 2002.

2004 OUTLOOK

The company expects the effective tax rate to increase to 30%, principally attributable to higher income. This estimate is based on current tax law, the current estimate of earnings and the expected distribution of income among various tax jurisdictions.

SEGMENT ANALYSIS

A description of the products, services and markets for each of the business segments is included in Note 20 to the consolidated financial statements.

GASES

The Gases segment involves three principal modes of supply: on-site/pipeline, liquid bulk and packaged gas. About one-third of the overall Gases sales come from the on-site and pipeline supply mode, which generally has long-term cost pass-through type contracts, lending an attractive degree of stability to Gases results. Liquid bulk products make up about one-third of overall Gases sales and, while volume-sensitive, generally have three- to five-year contracts that provide price stability. The remainder of sales is made up of specialty and industrial cylinder gas supply for electronics, medical/homecare and other industries.

Electricity is the largest cost input for the production of atmospheric gases. Natural gas is the principal raw material for hydrogen, the vast majority of which is delivered through on-site and pipeline supply arrangements. The company mitigates adverse energy impacts in the Gases segment through its cost pass-through structures as well as price increases.

GASES	2003	2002	2001
Sales	$ 4,438.3	$ 3,673.9	$ 4,084.6
Operating income	584.8	614.0	654.9
Equity affiliates' income	58.3	61.9	71.7

2003 VS. 2002

Sales increased 21%, or $764.4. Acquisitions, including U.S. homecare companies and Ashland Electronic Chemicals in 2003 and San Fu in July 2002, accounted for 9% of the increase. Base business revenue growth of 5% resulted from improved volumes across most businesses, slightly offset by unfavorable pricing in electronic specialty materials. Higher natural gas costs contractually passed through to customers and favorable currency effects, net of the decrease from divestitures, accounted for 7% of the sales increase.

Volumes for electronic specialty materials increased, driven primarily by increased Asian demand. On-site and pipeline volumes in EPI were up 5%, led by stronger oxygen, nitrogen and hydrogen volumes. Liquid bulk volumes in North America declined 3%, and liquid bulk volumes in Europe were at a similar level to last year. Liquid bulk volumes were strong in Asia, up 12%.

Pricing for electronic specialty materials decreased, due to the prolonged nature of the downturn in the electronics industry, excess supply capacity, and customer mix effects. On average, prices for liquid oxygen (LOX) and liquid nitrogen (LIN) in North America remained flat. Underlying price increases of about 3% were offset by the negative year-on-year impact of lower surcharges. LOX/LIN pricing in Europe increased by 2%.

Operating income decreased 5%, or $29.2. Operating income included a net expense of $92.0 for global cost reduction plans as compared to the prior year, which included a net expense of $21.0 for global cost reduction plans. Operating income was favorably impacted by the contribution of acquisitions, increased volumes across most businesses, and favorable currency effects. Partially offsetting these gains were higher operating costs, higher pension and SAP implementation expenses, and lower electronics specialty material pricing.

Gases equity affiliates' income decreased by 6%, or $3.6. The decrease was due primarily to the consolidation of San Fu and the one-time tax benefit related to an asset revaluation at an Italian affiliate recorded in the prior year, offset to some extent by favorable adjustments to customary post-sale liabilities associated with two divested cogeneration plant investments and the impact of

currency effects.

2002 VS. 2001

Sales in 2002 declined $410.7, or 10%. Acquisitions, including San Fu in July 2002, accounted for a 2% increase in sales. Underlying base business sales declined 3%, principally due to lower shipments to the electronics industry and lower demand for liquid bulk products in North America and Europe. Electronics was affected by a reduction in customers' global silicon wafer processing due to soft demand for most semiconductor products. The decline in base business sales was partially offset by higher prices for liquid bulk gases and volume growth in EPI. On average, prices for LOX/LIN were up 2%. Excluding surcharge effects, prices for LOX/LIN increased 3%. EPI on-site volumes grew 5%, due to higher hydrogen demand in the refining industry. The impact of lower natural gas cost contractually passed through to customers and divestitures, slightly offset by favorable currency, accounted for the remaining sales decrease of 9%.

Operating income declined $40.9, or 6%, due principally to depressed conditions in the global electronics market and North American steel industry and higher maintenance spending in EPI. The major factors for the decline in operating income of the Electronics business were lower worldwide demand coupled with price declines resulting from excess industry capacity. Operating income in 2002 included a net global cost reduction plan expense of $21.0 as compared to the prior year, which included a net expense of $66.9 for global cost reduction plans. Other factors partially offsetting the operating income decline included the consolidation of San Fu in the fourth quarter of 2002, higher prices and improved Asian volumes.

Equity affiliates' income was down $9.8, or 14%, mainly due to the divestiture of investments in two cogeneration facilities in the fourth quarter of 2001, lower Electronics results and the consolidation of San Fu in the fourth quarter of 2002. Equity affiliates' income in 2002 included a tax benefit related to an asset revaluation at an Italian affiliate.

2004 OUTLOOK

Gases sales are expected to increase based upon volume growth driven by an improved manufacturing environment, the Ashland Electronic Chemicals acquisition, the full year impact of the 2003 U.S. homecare acquisitions, and planned U.S. homecare acquisitions in 2004. Higher shipments are expected for Electronics during the year based on estimates of increased wafer production and demand from the flat-panel display market. Hydrogen volumes are expected to continue to grow as regulatory drivers for clean fuels continue and new plants to serve such demand are brought onstream during the year.

Based on favorable demographics and other trends in the healthcare industry, the company's healthcare business is expected to continue to grow organically. Other industrial end markets are expected to more closely track the general state of the manufacturing economies of the world. The company's current outlook for U.S. manufacturing growth is 2% to 6% in 2004, and volume growth assumptions for the U.S. liquid bulk gases business are tied to this range. Liquid bulk volumes outside the U.S. are also tied to manufacturing growth. The company expects that manufacturing growth in the European region will be below the U.S., while growth in Asia will exceed the U.S. Pricing in the liquid bulk business globally is expected to remain firm as the company continues to attempt to both recover cost increases and restore the business to reinvestment levels of return. Pricing in electronics specialty materials is expected to decline in 2004 as the full year impact of 2003 price reductions and increased volumes taken by customers should result in lower average prices.

CHEMICALS

The Chemicals segment consists of Performance Materials and Chemical Intermediates. Performance Materials accounted for about two-thirds of the segment's sales. Performance polymers, the largest product line in Performance Materials, uses vinyl acetate monomer (VAM) as its principal raw material. The cost of VAM generally fluctuates with energy prices and industry supply and demand. Performance polymers are sold in several markets, which are also served by competing products that are not derived from VAM, limiting the ability to adjust prices immediately as the cost of VAM increases. Margin fluctuation results from the timing of and ability to adjust prices in response to changes in VAM costs. About one-third of the segment's sales come from Chemical Intermediates, which include polyurethane intermediates and amines. Approximately one-half of Chemical Intermediates are supplied under long-term contracts under which costs are passed through to customers. Methylamines are sold in competitive markets with prices and margins fluctuating with the cost of natural gas and competitors' actions. During 2004, the company will begin purchasing methanol for domestic methylamines production and shut down its methanol production facility. This will have the effect of reducing the volatility of methylamines margins.

CHEMICALS	2003	2002	2001
Sales	$ 1,591.2	$ 1,451.7	$ 1,522.8
Operating income	67.1	172.5	112.3
Equity affiliates' income	10.8	11.7	7.5

2003 VS. 2002

Sales increased 10%, or $139.5. Acquisitions, including Sanwa Chemical Industry Co., Ltd. (Sanwa), accounted for a 1% increase. Underlying base business sales increased 4%, resulting primarily from improved volumes. In Chemical Intermediates, volumes increased 8%, led by polyurethane intermediates (PUI) and higher amines, due to stronger PUI demand, as well as a better market for herbicides. Performance Materials volumes were down 1%, principally due to performance polymers. The impact of favorable currency effects and natural gas cost increases passed through to customers, slightly offset by divestitures, accounted for the remaining sales increase of 5%.

Operating income decreased $105.4. Operating income included a net expense of $58.1 for global cost reduction plans compared to the prior year, which included a net expense of $2.7. The remaining decline in operating income was driven by higher raw material and energy costs and weaker volumes in performance polymers. This decline was partially offset by favorable currency effects and improved volumes in polyurethane intermediates and higher amines.

Chemicals equity affiliates' income decreased $.9. Chemicals equity affiliates' income consists primarily of a global polymers joint venture.

2002 VS. 2001

Sales in 2002 were down $71.1, or 5%. Underlying base business sales declined 2%. The overall volume index was flat, while the aggregate price index was down 2%. In Performance Materials, volumes increased as performance polymers experienced higher demand. In Chemical Intermediates, volumes declined due to reduced demand in the herbicide end market for higher amines. The impact of lower natural gas cost passed through to customers and divestitures accounted for the remaining 3% decrease.

Operating income in 2002 increased $60.2. Operating income included a net expense of $2.7 for global cost reduction plans as compared to the prior year, which included a net expense of $28.6 for global cost reduction plans. The other main factor for the improvement was lower natural gas and lower operating costs, as productivity efforts and constrained spending more than offset inflationary impacts. Higher volumes in Performance Materials, namely in the performance polymers product lines, also contributed favorably to operating income. The impact of lower selling prices was offset by lower raw material costs.

Equity affiliates' income increased $4.2, primarily due to the improved profitability of the global polymers joint venture.

2004 OUTLOOK

In Performance Materials, the expectation is for higher volumes driven by economic growth and the increased sale of new products across the portfolio. The company's outlook for VAM costs assumes relative stability. In Chemical Intermediates, volumes in continuing operations are expected to expand in 2004 in line with the assumed U.S. manufacturing growth range of 2% to 6% and a normal agricultural cycle. The company intends to divest its European methylamines and derivatives business during the year. The timing of this action does not materially affect the segment's total outlook. The company's outlook for raw material costs in Chemical Intermediates includes the shutdown of its methanol production facility early in the year and the start-up of a long-term purchased methanol supply arrangement in the second half of the fiscal year, which should materially reduce chemical raw material cost volatility, principally in the U.S. methylamines business. In the interim period between the shutdown of the company's methanol plant and the start-up of the long-term methanol supply agreement, the company has contracted to purchase methanol on a short-term basis.

A long-term supplier of sulfuric acid, used in the production of dinitrotoluene (DNT), emerged from Chapter 11 bankruptcy protection in June 2003. To facilitate the supplier's ability to emerge from bankruptcy and to continue supplying product to the company, the company agreed to participate in the supplier's financing and has continued to supply additional financing. Total loans to the supplier at 30 September 2003 totaled $39.8. If the supplier does not continue to operate, the sales and profitability of the chemicals segment could be materially impacted on an annual basis because of the company's inability to supply all of its customers' base requirements. The company does not expect a material loss related to this supplier.

EQUIPMENT

The Equipment segment designs and manufactures cryogenic and gas processing equipment for air separation, gas processing, LNG and hydrogen purification. The segment also builds cryogenic transportation containers for liquid helium. Equipment is sold worldwide to companies involved in oil and gas recovery and processing, chemical and petrochemical manufacturing, power generation, and steel and primary metal producers. This business is cyclical, primarily impacted by capital spending for expansion of manufacturing capacity.

EQUIPMENT	2003	2002	2001
Sales	$267.8	$275.6	$250.4
Operating income	4.2	20.7	10.0
Equity affiliates' income	.2	2.6	2.0

2003 VS. 2002

Sales decreased $7.8, while operating income decreased $16.5. The 2003 results included a net expense of $2.4 for global cost reduction plans. Operating income was lower due to lower helium container sales, lower LNG activity and lower margins in non-LNG product lines. Sales backlog for the Equipment segment increased to $259 at 30 September 2003, compared to $114. It is expected that approximately $200 of the backlog will be completed during 2004.

2002 VS. 2001

Sales in 2002 grew $25.2, while operating income increased $10.7. Operating income in 2001 included a net global cost reduction plan expense of $2.0. The sales and operating income improvement reflected increased activity across several product lines, particularly helium containers and LNG heat exchangers. Additionally, operating income benefited from favorable cost performance. Sales backlog for the Equipment segment declined to $114 at 30 September 2002, compared to $227, due to lower new project activity.

2004 OUTLOOK

The company's outlook for the Equipment segment is for improved operating income in 2004 based on an anticipation of receiving two to four new LNG heat exchanger orders during the year, which should increase Equipment segment profitability in the latter quarters.

ALL OTHER

All other principally comprises long-term research and development expense and unallocated corporate expenses and income.

	2003	2002	2001
Operating (loss)	$(51.6)	$(32.3)	$(31)
Equity affiliates' income	15.1	--	--

2003 VS. 2002

Operating loss increased $19.3. This increase reflected expenses associated with portfolio management activities in the current year and favorable adjustments recorded in the prior year related to a divested business and insurance settlements.

Equity affiliates' income represents favorable adjustments to customary post-sale liabilities associated with a divested business that is not associated with any of the company's current segments.

2002 VS. 2001

Operating loss in 2002 was comparable to 2001. 2002 included lower foreign exchange gains and higher corporate expenses. 2001 included a $9.5 net expense for global cost reduction plans and a $6.0 charge for a litigation settlement. 2001 also included a higher favorable adjustment related to a divested business and favorable insurance settlements.

PENSION BENEFITS

The company and certain of its subsidiaries sponsor defined benefit plans that cover a substantial portion of all worldwide employees. Pension benefits earned are generally based on years of service and compensation during active employment. Assets under the company's defined benefit plans consist primarily of equity and fixed-income securities. The amounts recognized in the financial statements for pension benefits are determined on an actuarial basis utilizing several different assumptions.

For 2003, the fair market value of pension plan assets for the company's defined benefit plans as of their valuation date increased to $1,147.5 from $1,012.5. The accumulated benefit obligation for these plans as of their measurement date was $1,815.8 and $1,430.7 for 2003 and 2002, respectively. The increase in the obligation was due principally to a decline in the weighted average discount rate used to measure future benefit obligations to 5.8% from 6.5%.

Approximately 65% of total company defined benefit pension plan assets are held in the U.S. plans. The targeted allocation of the investment portfolio of the U.S. plans is 50% in domestic equities, 20% in international equities, 25% in fixed income and 5% in real estate. The U.K. pension plans, which represent

approximately 30% of the total defined benefit plan assets, have a targeted allocation of 50% in domestic equities, 30% in international equities and 20% in fixed income. At 30 September 2003, the actual investment portfolios were essentially in line with the targeted allocations.

PENSION FUNDING

Pension funding includes both contributions to funded plans and benefit payments under unfunded plans. With respect to funded plans, the company's funding policy is that contributions, combined with appreciation and earnings, will be sufficient to pay benefits without creating

unnecessary surpluses. In addition, the company ensures that contributions satisfy all legal funding requirements. External actuarial firms analyze the liabilities and demographics of each plan, which helps guide the level of contributions. During 2003 and 2002, the company contributed $61.6 and $54.2, respectively, to the pension plans.

2004 OUTLOOK

Cash contributions are estimated to be approximately $200 in 2004. The company expects to make significant contributions, although at reduced levels from 2004, in succeeding years. Actual future contributions will depend on future funding legislation, discount rates, investment performance, plan design and various other factors.

SIGNIFICANT ASSUMPTIONS

The company accounts for pension benefits using the accrual method, consistent with the requirements of SFAS No. 87, "Employers' Accounting for Pensions." Actuarial models are used in calculating the pension expense and liability related to the various plans. These models have an underlying assumption that the employees render service over their service lives on a relatively smooth basis; therefore, the expense of benefits earned should follow a similar pattern.

Several assumptions and statistical variables are used in the models to calculate the expense and liability related to the plans. The company, in consultation with its actuaries, determines assumptions about the discount rate, the expected rate of return on plan assets and the future rate of compensation increase. Note 17 to the consolidated financial statements includes disclosure of these rates on a weighted average basis, encompassing both the domestic and international plans. The actuarial models also use assumptions on demographic factors such as retirement, mortality and turnover. The company believes the assumptions are within accepted guidelines and ranges. However, these actuarial assumptions could vary materially from actual results due to economic events and different rates of retirement, mortality and turnover.

One of the critical assumptions used in the actuarial models is the discount rate. This rate is determined at the annual measurement date for each of the various plans and is therefore subject to change each year. The rate reflects the prevailing market rate for high-quality fixed-income debt instruments with maturities corresponding to the expected duration of the benefit obligations on the measurement date. The rate is used to discount the future cash flows of benefit obligations back to the measurement date. A higher discount rate decreases the present value of the benefit obligations and results in lower pension expense. A 50 basis point change in the discount rate impacts pension expense by approximately $18 per year. The weighted average discount rate at the 2003 and 2002 measurement dates was 5.8% and 6.5%, respectively. This decline reflected the market conditions of lower interest rates.

The expected long-term rate of return on plan assets represents the average rate of return to be earned by plan assets over the period that the benefits included in the benefit obligation are to be paid. Lower returns on the plan assets result in higher pension expense. The company uses historic market return trends combined with current market conditions for each asset category to estimate the rate of return. The weighted average actual compound rate of return earned on plan assets for the last ten years was 8.5%. For the last 20 years this rate was 10.6%. A 50 basis point change in the estimated rate of return on plan assets impacts pension expense by approximately $6 per year. The company lowered the weighted average expected rate of return which will be used to determine pension expense in 2004 to 8.4% from 9.1%.

The expected rate of compensation increase is another key assumption. The company determines this rate based on historic trends and comparisons to external rates. A 50 basis point change in the expected rate of compensation increase impacts pension expense by approximately $11 per year. The company lowered the expected rate of compensation increase which will be used to determine pension expense in 2004 to 4.2% from 4.7%. This reduction reflected the lower levels of inflation.

PENSION EXPENSE

Pension expense in 2003 was $96.4 compared to $55.7 in 2002. Expense in 2003 included a special termination charge of $12.7 under the global cost reduction plan. Expense in 2002 included $11.4 for special termination, settlement and curtailment charges. In 2001, pension expense was $59.7, including $22.0 for special termination and settlement charges.

The year-to-year variances in pension expense are principally attributable to changes in the discount rate, lower asset returns, and a reduction in the expected rate of return on plan assets. The global weighted average discount rates used to compute pension expense were 6.5%, 7.1% and 7.6% for 2003, 2002 and 2001, respectively. Pension expense includes the expected return on plan assets, as opposed to the actual returns. The expected return on plan assets is determined by applying the expected long-term rate of return to the market-related value of plan assets. The market-related value is a calculated value that amortizes the difference between the actual and expected returns

on equity securities ratably over a five-year period. The amortization of these differences reduced the market-related value of assets for 2003 and resulted in higher pension expense. Also contributing to higher expense in 2003 was a decline in the weighted average expected return on plan assets. The return, used in the determination of expense, was 9.1% for 2003 compared to 9.4% for 2002.

2004 OUTLOOK

Pension expense is estimated to be $133 for 2004, which includes anticipated settlement charges of $9. This represents an increase of $37 from 2003, which included a charge of $12.7 for special termination benefits. The increase in estimated pension expense in 2004 is principally the result of a lower discount rate, lower asset returns in prior years and a decrease in the expected long-term rate of return on plan assets. The global weighted average discount rate and the long-term rate of return on plan assets used to compute pension expense for 2004 is 5.8% and 8.4%, respectively.

ADDITIONAL MINIMUM LIABILITY

A $147.1 after-tax charge was recorded to comprehensive income within shareholders' equity due to the recognition of an additional minimum liability in 2003. The additional minimum liability is equal to the accumulated benefit obligation less the fair value of pension plan assets in excess of the accrued pension cost. The increase in the additional minimum liability resulted principally from the decline in the discount rate.

In 2002, a $158.2 after-tax charge was recorded to comprehensive income within shareholders' equity due to the recognition of an additional minimum liability and the reversal of prepaid pension plan assets. The increase in the additional minimum liability resulted principally from the decline in the discount rate and the loss in value of plan assets.

RECOGNITION OF ACTUARIAL GAINS AND LOSSES

At the end of 2003 and 2002, unrecognized actuarial losses for the defined benefit plans were $866.6 and $599.6, respectively. These losses principally reflect a decline in the discount rate and differences between the expected and actual return on plan assets. SFAS No. 87 requires the amortization of unrecognized actuarial gains/losses in excess of certain thresholds into pension expense over the average remaining service lives of the employees to the extent they are not offset by future gains/losses. Amortization of the total unrecognized actuarial loss at the end of 2003 will increase pension expense by approximately $24 in 2004. Future increases in the discount rate and higher than expected returns on plan assets would reduce the unrecognized actuarial losses and resulting amortization in years beyond 2004.

STOCK-BASED COMPENSATION

The company applies Accounting Principles Board (APB) Opinion No. 25 in accounting for its stock option plans. Accordingly, no compensation expense has been recognized. If the company recognized compensation expense in accordance with SFAS No. 123, net income would have been reduced by $37.9, $40.9 and $30.1 in years 2003, 2002 and 2001, respectively. The company intends to continue applying its current accounting methodology until a new uniform accounting standard for stock options is issued. This is consistent with the company's goal of providing understandable information on a basis comparable with what other companies disclose. See Note 1 and Note 14 to the consolidated financial statements for further information.

ENVIRONMENTAL MATTERS

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

The amounts charged to earnings on an after-tax basis related to environmental matters totaled $29.6, $24.4 and $21.6 for 2003, 2002 and 2001, respectively. These amounts represent an estimate of expenses for compliance with environmental laws, as well as remedial activities, and costs incurred to meet internal company standards. Such costs are estimated to be $30 and $31 in 2004 and 2005, respectively.

Although precise amounts are difficult to define, the company estimates that in 2003, it spent approximately $16 on capital projects to control pollution versus $14 in 2002. Capital expenditures to control pollution in future years are estimated at $17 in 2004 and $14 in 2005.

It is the company's policy to accrue environmental investigatory, external legal costs and noncapital remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from $9 to a reasonably possible upper exposure of $21. The balance sheet at 30 September 2003 and 2002 included an accrual of $15.3.

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

LIQUIDITY AND CAPITAL RESOURCES

The company maintained a solid financial position throughout 2003. Cash from operations, supplemented with proceeds from asset sales and the beginning of the year cash balance, provided funding for the company's capital spending program, debt repayment and dividend payout. The company is currently rated A/A2 (long-term) and A-1/P-1 (commercial paper), respectively, by Standard & Poor's and Moody's.

CASH FLOWS

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

	2003	2002	2001
Cash provided by (used for):			
Operating activities	$ 1,036.0	$1,063.9	$1,084.0
Investing activities	(1,046.6)	(493.6)	(277.7)
Financing activities	(182.7)	(385.0)	(832.9)
Effect of exchange rate changes on cash	15.8	2.2	(1.3)
(Decrease) increase in cash cash items	$ (177.5)	$ 187.5	$ (27.9)

OPERATING ACTIVITIES

2003 VS. 2002

Net cash provided by operating activities decreased $27.9, or 3%. Before working capital changes, the contribution of net income adjusted for noncash items to cash provided by operating activities was up $38.8. Net income decreased by $128.1. Noncash adjustments favorably contributing to the change in cash provided by operating activities included increased depreciation expense, the larger impairment of long-lived assets in 2003 and a reduced gain on the sale of assets and investments. The increase in depreciation expense of $59.2 was due principally to currency effects from a weaker U.S. dollar and acquisitions. The expenses for the impairment of long-lived assets increased $88.0, principally due to the 2003 global cost reduction plan. The gain on the sale of assets and investments was higher in 2002 by $58.1, principally due to the gain on sale of the U.S. packaged gas business in 2002. Additionally, cash provided by operating activities in 2003 benefited from higher dividend payments from equity affiliates. These favorable impacts were more than offset by deferred income taxes and an increased usage of cash for working capital in 2003. The $38.4 unfavorable impact from deferred income taxes resulted primarily from higher foreign tax benefits. The increase in accounts receivable was primarily due to the impact of natural gas cost contractually passed through to customers. Inventories increased as a result of higher energy and raw material costs. Payables and accrued liabilities increased primarily due to expenses for the 2003 global cost reduction plan.

2002 VS. 2001

Cash provided by operating activities in 2002 declined $20.1, or 2%. Before working capital changes, the contribution of net income adjusted for noncash items to cash provided by operating activities was up $69.5. Net income increased $59.8. Noncash adjustments favorably contributing to the change in cash provided by operating activities included deferred income taxes and a reduced gain on the sale of assets and investments. The favorable impact from deferred income taxes of $26.2 resulted from higher temporary differences associated with foreign subsidiaries. The gain on the sale of assets and investments was higher in 2001 by $38.2 due to the gain on the divestiture of the interest in cogeneration facilities. These favorable impacts were offset by the prior year loss on the early retirement of debt. The change in working capital was due principally to the collection of a tax refund in 2001 associated with a loss on currency hedges.

INVESTING ACTIVITIES

2003 VS. 2002

In 2003, cash used for investing activities increased by $553.0, due principally to acquisitions and lower proceeds from the sale of assets and investments.

Acquisitions in 2003, totaling $529.6, included Ashland's Electronic Chemicals business for $293.2 in August 2003, AHS for $165.8 in October 2002, additional small homecare businesses and Sanwa. Acquisitions in 2002, totaling $114.8, included the purchase of an additional 22% of the outstanding shares of San Fu,

raising the company's ownership interest to 70%. Proceeds from the sale of assets and investments declined $190.8 from the prior year. The company sold its Canadian packaged gas business in April 2003 for proceeds of $41.2. In 2002, the company sold the majority of its U.S. packaged gas business for proceeds of $254.5.

2002 VS. 2001

In 2002, cash used for investing activities increased by $215.9, due principally to lower proceeds from the sale of assets and investments. In 2001, the company sold its investments in two cogeneration projects and certain U.S. cryogenic vessel equipment.

CAPITAL EXPENDITURES

As a result of higher acquisitions, capital expenditures in 2003 totaled $1,170.9, compared to $805.6. As in 2002, additions to plant and equipment in 2003 were largely in support of the worldwide Gases business.

Capital expenditures are detailed in the following table:

	2003	2002	2001
Additions to plant and equipment	$ 612.9	$627.6	$708.3
Investments in and advances to unconsolidated affiliates	6.1	39.2	38.3
Acquisitions, less cash acquired	529.6	114.8	59.2
Long-term debt assumed in acquisitions	5.2	20.1	--
Capital leases	17.1	3.9	.5
	$1,170.9	$805.6	$806.3

2004 OUTLOOK

Capital expenditures for new plant and equipment in 2004 are expected to be between $650 and $750. In addition, the company intends to continue to evaluate acquisition opportunities and investments in affiliated entities. It is anticipated that these expenditures will be funded primarily with cash from operations.

FINANCING ACTIVITIES

2003 VS. 2002

Cash used for financing activities declined $202.3 in 2003, primarily due to a $37.6 increase in short-term borrowings in 2003 versus a $170.9 reduction in 2002. Higher payments on long-term debt in 2003 were partially funded by increased long-term debt proceeds.

2002 VS. 2001

Cash used for financing activities declined $447.9 in 2002. Lower payments on long-term debt of $593.0 were partially offset by a $202.0 reduction in commercial paper borrowings. The company repurchased $541.1 of its outstanding long-term fixed-rate debt during 2001. The average remaining life of the repurchased debt was 18.5 years, and the average coupon was 7.56%. In 2002, the company did not purchase treasury stock, as the share repurchase program was suspended in the fourth quarter of 2001. During 2001, the company purchased 2.1 million of its outstanding shares at a cost of $87.2.

FINANCING AND CAPITAL STRUCTURE

Capital needs in 2003 were satisfied with cash from operations, proceeds from asset sales and the beginning of the year cash balance. At the end of 2003, total debt outstanding was $2.5 billion compared to $2.4 billion, with the increase due to the impact of the weaker U.S. dollar on the translation of foreign currency debt. Total debt at 30 September 2003 and 2002 expressed as a percentage of the sum of total debt, shareholders' equity and minority interest was 38.7% and 39.6%, respectively.

Long-term debt financings in 2003 totaled $162.8. This was composed primarily of floating-rate U.S. dollar borrowings and fixed-and floating-rate Taiwan dollar borrowings with terms ranging from four to thirty-five years.

Commercial paper outstanding at 30 September 2003 was $92.2. Substantial credit facilities are maintained to provide backup funding for commercial paper and to ensure availability of adequate sources of liquidity. At 30 September 2003, the company's committed lines of credit totaled $600, maturing in January 2005. No borrowings were outstanding under these commitments at the end of 2003. The company expects to replace these commitments with a new committed facility totaling at least $600, maturing in 2009.

Additional commitments of $25.6 are maintained by the company's foreign subsidiaries, of which $17.1 was borrowed and outstanding at 30 September 2003.

During 2004, the company expects to file a form S-3 Registration Statement with the U.S. Securities and Exchange Commission for the incremental issuance of up

to $1 billion of a variety of securities including debt securities, preferred stock and common stock. The primary purpose of this registration is to provide capacity for the company to issue debt securities to replace debt maturing in 2004 and 2005.

The Board of Directors in May 2003 increased the quarterly cash dividend 10%, from 21 cents per share to 23 cents per share. Dividends are declared by the Board of Directors and are usually paid during the sixth week after the close of the fiscal quarter.

CONTRACTUAL OBLIGATIONS

The company is obligated to make future payments under various contracts such as debt agreements, lease agreements and unconditional purchase obligations. The following table summarizes these contractual obligations of the company as of 30 September 2003.

		PAYMENTS DUE BY PERIOD					
	Total	2004	2005	2006	2007	2008	Thereafter
Long-term debt obligations:							
Debt maturities	$2,293	$ 164	$ 793	$ 276	$ 492	$ 116	$ 452
Contractual interest	477	120	92	59	44	18	144
Capital leases	57	13	24	5	5	1	9
Operating leases	233	50	45	36	17	11	74
Unconditional purchase obligations	592	111	58	43	41	40	299
Total contractual obligations	$3,652	$ 458	$1,012	$ 419	$ 599	$ 186	$ 978

LONG-TERM DEBT OBLIGATIONS

The long-term debt obligations include the maturity payments of long-term debt, including current portion, and the related contractual interest obligations. Refer to Note 11 to the consolidated financial statements for additional information on long-term debt.

Contractual interest is the interest the company is contracted to pay on the long-term debt obligations without taking into account the interest impact of interest rate swaps related to any of this debt, which at current interest rates would reduce contractual interest. The company had $442.5 of long-term debt subject to variable interest rates at 30 September 2003, excluding fixed-rate debt that has been swapped to variable-rate debt. The rate assumed for the variable interest component of the contractual interest obligation was the rate in effect at 30 September 2003. Variable interest rates are primarily determined by LIBOR interest rates in the currency in which the debt is denominated and by U.S. short-term tax-exempt interest rates.

LEASES

Refer to Note 12 to the consolidated financial statements for additional information on capital and operating leases.

UNCONDITIONAL PURCHASE OBLIGATIONS

Most of the company's significant long-term unconditional purchase obligations relate to feedstock supply for numerous HyCO (hydrogen, carbon monoxide and syngas) facilities. The price of feedstock supply is principally related to the price of natural gas. However, long-term take-or-pay sales contracts to HyCO customers are generally matched to the term of the feedstock supply obligations and provide recovery of price increases in the feedstock supply. Due to the matching of numerous feedstock supply obligations to customer sales contracts, the company does not believe these obligations would have a material effect on its financial condition or results of operations.

Natural gas supply obligations that are not related to HyCO long-term customer contracts are principally short-term requirements contracts or gas transportation agreements.

The above unconditional purchase obligations also include the fixed demand charge for electric power under numerous supply contracts. A fixed demand charge is generally included in electric power supply agreement pricing and is generally reset at least annually; therefore, the fixed obligation is principally included in 2004. A portion of the power supply requirement relates to long-term take-or-pay sales contracts to industrial gas customers, which provide for recovery of power costs.

The company also has contractual obligations for materials, supplies and services as part of the ordinary conduct of business that are not unconditional purchase obligations and therefore not included in the above table. Critical raw material supply contracts in the Chemicals segment are principally requirements contracts at market prices.

OFF-BALANCE SHEET ARRANGEMENTS

The company has entered into certain guarantee agreements and an arrangement involving the sale and leaseback of U.S. cryogenic vessel equipment. The company's guarantee agreements are discussed in Note 18 to the consolidated financial statements. Information on the sale and leaseback of U.S. cryogenic vessel equipment is also contained in Note 12 to the consolidated financial statements. The company has not entered into any agreements under which the company

has an obligation arising out of a variable interest entity. The company does not have any derivative instruments indexed to the company's own stock. The company's off-balance sheet arrangements are not reasonably likely to have a material impact on financial condition, changes in financial condition, results of operations, or liquidity.

RELATED PARTY TRANSACTIONS

The company's principal related parties are equity affiliates operating in industrial gas and chemicals businesses. 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 at arm's length with clearly independent parties.

MARKET RISKS AND SENSITIVITY ANALYSIS

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

The company addresses these financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. Counterparties to all derivative contracts are major financial institutions, thereby minimizing the risk of credit loss. All instruments are entered into for other than trading purposes. The utilization of these instruments is described more fully in Note 6 to the consolidated financial statements. The major accounting policies for these instruments are described in Note 1 to the consolidated financial statements.

The company's derivative and other financial instruments consist of long-term debt (including current portion), interest rate swaps, cross currency interest rate swaps, foreign exchange-forward contracts and foreign exchange-option contracts. The net market value of these financial instruments combined is referred to below as the net financial instrument position. The net financial instrument position does not include other investments of $63.4 at 30 September 2003 and $50.1 at 30 September 2002 as disclosed in Note 6 to the consolidated financial statements. These amounts primarily represent an investment in a publicly traded foreign company accounted for by the cost method. The company assessed the materiality of the market risk exposure on these other investments and determined this exposure to be immaterial.

At 30 September 2003 and 2002, the net financial instrument position was a liability of $2,542.1 and $2,363.0, respectively. The increase in the net financial instrument position was due primarily to the impact of a weaker U.S. dollar on the translation of foreign currency debt and the market value of foreign exchange-forward contracts and the impact of lower global interest rates on the market value of fixed-rate debt.

The analysis below presents the sensitivity of the market value of the company's financial instruments to selected changes in market rates and prices. The range of changes chosen reflects the company's view of changes which are reasonably possible over a one-year period. Market values are the present value of projected future cash flows based on the market rates and prices chosen. The market values for interest rate risk and foreign currency risk are calculated by the company using a third-party software model that utilizes standard pricing models to determine the present value of the instruments based on market conditions (interest rates, spot and forward exchange rates and implied volatilities) as of the valuation date.

INTEREST RATE RISK

The company's debt portfolio, including swap agreements, as of 30 September 2003 primarily comprised debt denominated in Euros (44%) and U.S. dollars (32%). This debt portfolio is composed of 64% fixed-rate debt and 36% variable-rate debt. Changes in interest rates have different impacts on the fixed-and variable-rate portions of the company's debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows but does not impact the net financial instrument position.

The sensitivity analysis related to the fixed portion of the company's debt portfolio assumes an instantaneous 100 basis point move in interest rates from the levels at 30 September 2003 and 2002, with all other variables (including foreign exchange rates) held constant. A 100 basis point increase in market interest rates would result in a decrease of $41 and $52 in the net liability position of financial instruments at 30 September 2003 and 2002, respectively. A 100 basis point decrease in market interest rates would result in an increase of $44 and $55 in the net liability position of financial instruments at 30 September 2003 and 2002, respectively.

Based on the variable-rate debt included in the company's debt portfolio, including the interest rate swap agreements, as of 30 September

2003 and 2002, a 100 basis point increase in interest rates would result in an additional $9 and $8 in interest incurred per year at 30 September 2003 and 2002, respectively. A 100 basis point decline would lower interest incurred by $9 and $8 per year at 30 September 2003 and 2002, respectively.

FOREIGN CURRENCY EXCHANGE RATE RISK

The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from their levels at 30 September 2003 and 2002, with all other variables (including interest rates) held constant. A 10% strengthening of the functional currency of an entity versus all other currencies would result in a decrease of $223 and $188 in the net liability position of financial instruments at 30 September 2003 and 2002, respectively. A 10% weakening of the functional currency of an entity versus all other currencies would result in an increase of $217 and $183 in the net liability position of financial instruments at 30 September 2003 and 2002, respectively.

The primary currencies for which the company has exchange rate exposure are the U.S. dollar versus the Euro, the U.S. dollar versus the U.K. Pound Sterling and the Euro versus the U.K. Pound Sterling. Foreign currency debt, cross currency interest rate swaps and foreign exchange-forward contracts are used in countries where the company does business, thereby reducing its net asset exposure. Foreign exchange-forward contracts also are used to hedge the company's firm and highly anticipated foreign currency cash flows, along with foreign exchange-option contracts. Thus, there is either an asset or cash flow exposure related to all of the financial instruments in the above sensitivity analysis for which the impact of a movement in exchange rates would be in the opposite direction and materially equal (or more favorable in the case of purchased foreign exchange-option contracts) to the impact on the instruments in the analysis.

INFLATION

The financial statements are presented in accordance with accounting principles generally accepted in the United States and do not fully reflect the impact of prior years' inflation. While the U.S. inflation rate has been modest for several years, the company operates in many countries with both inflation and currency issues. The ability to pass on inflationary cost increases is an uncertainty due to general economic conditions and competitive situations. It is estimated that the cost of replacing the company's plant and equipment today is greater than its historical cost. Accordingly, depreciation expense would be greater if the expense were stated on a current cost basis.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Note 1 to the consolidated financial statements describes the company's major accounting policies. Judgments and estimates of uncertainties are required in applying the company's accounting policies in many areas. The following are areas requiring significant judgments and estimates: depreciable lives of plant and equipment, cash flow and valuation assumptions in performing impairment tests of long-lived assets and equity investments, and estimated costs to be incurred for environmental liabilities and pension benefits.

Application of the critical accounting policies discussed below requires management's significant judgments, often as the result of the need to make estimates of matters that are inherently uncertain. If actual results were to differ materially from the estimates made, the reported results could be materially affected. However, the company is not currently aware of any reasonably likely events or circumstances that would result in materially different results.

The company's senior management has reviewed these critical accounting policies and estimates and the Management's Discussion and Analysis regarding them with its audit committee.

Information concerning the company's implementation and impact of new accounting standards issued by the Financial Accounting Standards Board (FASB) is discussed in Note 2. Otherwise, the company did not adopt an accounting policy in the past year that had a material impact on the company's financial condition, change in financial condition or results of operations.

DEPRECIABLE LIVES OF PLANT AND EQUIPMENT

Plant and equipment is recorded at cost and depreciated using the straight-line method, which deducts equal amounts of cost of each asset from earnings every year over its estimated economic useful life. Net plant and equipment at 30 September 2003 totaled $5,637.1, representing 60% of total assets. Depreciation expense during 2003

totaled $640.2, representing 11% of total costs and expenses. Given the significance of plant and equipment and associated depreciation to the company's financial statements, the determination of an asset's economic useful life is considered to be a critical accounting estimate. The estimate is critical for the company's Gases and Chemicals segments, both capital-intensive businesses in which the company owns and operates plant and equipment.

Economic useful life is the duration of time the asset is expected to be productively employed by the company, which may be less than its physical life. Management's assumptions on the following factors, among others, affect the determination of estimated economic useful life: wear and tear, obsolescence, technical standards, contract life, changes in market demand and raw material availability. The company makes estimates and assumptions regarding its competitive position in various end markets and geographic locations.

The estimated economic useful life of an asset is monitored to ensure its appropriateness, especially in light of changed business circumstances. For example, changes in technological advances, changes in the estimated future demand for products, or excessive wear and tear may result in a shorter estimated useful life than originally anticipated. In these cases, the company would depreciate the remaining net book value over the new estimated remaining life, thereby increasing depreciation expense per year on a prospective basis. Likewise, if the estimated useful life is increased, the adjustment to the useful life decreases depreciation expense per year on a prospective basis. Over the past three years, changes in economic useful life assumptions have not had a material impact on the company's reported results.

The company has numerous long-term customer supply contracts, particularly in the gases on-site business. These contracts principally have initial contract terms of 15 to 20 years. Depreciable lives of the production assets related to long-term contracts are matched to the contract lives. Extensions to the contract term of supply frequently occur prior to the expiration of the initial term. As contract terms are extended, the depreciable life of the remaining net book value of the production assets is adjusted to match the new contract term.

The depreciable lives of merchant gas production facilities are principally 15 years. Major chemical production facilities are also generally depreciated over 15 years. The terms of customer contracts associated with products produced at these types of facilities typically have a much shorter term. Management has determined a 15-year life to be appropriate based on historical experience combined with its judgment on future assumptions such as technological advances, potential for obsolescence, competitors' actions, etc. Management monitors its assumptions and may potentially need to adjust depreciable life as circumstances change. A change in the depreciable life for all merchant chemical and gas facilities by one year would impact annual depreciation expense by approximately $20.

IMPAIRMENT OF LONG-LIVED ASSETS AND EQUITY INVESTMENTS

PLANT AND EQUIPMENT

Net plant and equipment at 30 September 2003 totaled $5,637.1. Plant and equipment held for use is grouped for impairment testing at the lowest level for which there are identifiable cash flows. Impairment testing of the asset group occurs whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The company assesses recoverability by comparing the carrying amount of the asset group to the estimated undiscounted future cash flows expected to be generated by the assets. If an asset group is considered impaired, the impairment loss to be recognized would be measured as the amount by which the asset group's carrying amount exceeds its fair value. Assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

The estimate of plant and equipment fair value is based on estimated discounted future cash flows expected to be generated by the asset group. The assumptions underlying cash flow projections represent management's best estimates at the time of the impairment review. Factors that management must estimate include: industry and market conditions, sales volume and prices, costs to produce, inflation, etc. Changes in key assumptions or actual conditions which differ from estimates could result in an impairment charge. The company uses reasonable and supportable assumptions when performing impairment reviews and cannot predict the occurrence of future events and circumstances that could result in impairment charges. Over the past three years, there have been no impairments of asset groups held for use. As part of the actions taken in the company's global cost reduction plans, recognized impairments of assets to be sold or abandoned were $90.1, $3.7 and $23.8 in 2003, 2002 and 2001, respectively. Refer to the Global Cost Reduction Plans discussion above.

GOODWILL

The purchase method of accounting for business combinations requires the company to make use of estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the net tangible and identifiable intangible assets. Goodwill represents the excess of the aggregate purchase price over the fair value of net assets of an acquired entity. Goodwill, including goodwill associated

with equity affiliates, was $793.5 as of 30 September 2003. The majority of the company's goodwill is assigned to reporting units within the Gases segment. Disclosures related to goodwill are included in Note 10 to the consolidated financial statements.

The company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," on 1 October 2001. In accordance with SFAS No.142, goodwill is no longer amortized on a recurring basis but rather is subject to periodic impairment testing. Prior to adopting SFAS No. 142, the company amortized goodwill into income over periods not exceeding 40 years.

The company performs an impairment test annually in the fourth quarter of the fiscal year. In addition, goodwill would be tested more frequently if changes in circumstances or the occurrence of events indicated potential impairment exists. The impairment test requires the company to compare the fair value of business reporting units to carrying value including assigned goodwill. The results of the impairment tests have indicated fair value amounts exceeded carrying amounts by a substantial margin.

The company primarily uses the present value of future cash flows to determine fair value. The company's valuation model assumes a five-year growth period for the business and an estimated exit trading multiple. Management judgment is required in the estimation of future operating results and to determine the appropriate exit multiple. The exit multiple is determined from comparable industry transactions. Future operating results and exit multiples could reasonably differ from the estimates. However, given the substantial margin by which fair value exceeded carrying amounts in the latest goodwill impairment review, the company does not anticipate a material impact on the financial statements from differences in these assumptions.

EQUITY INVESTMENTS

Investments in and advances to equity affiliates totaled $553.5 at 30 September 2003. The majority of the company's investments are nonpublicly traded ventures with other companies in the industrial gas or chemicals business. Summarized financial information of equity affiliates is included in Note 8 to the consolidated financial statements. Equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

In the event that a decline in fair value of an investment occurs, and the decline in value is considered to be other than temporary, an impairment loss would be recognized. Management's estimate of fair value of an investment is based on estimated discounted future cash flows expected to be generated by the investee. Changes in key assumptions about the financial condition of an investee or actual conditions which differ from estimates could result in an impairment charge. Over the past three years, there have been no impairment charges associated with an equity investment.

ENVIRONMENTAL LIABILITIES

Accruals for environmental loss contingencies are recorded when it is probable that a liability has been incurred and the amount can reasonably be estimated. The company estimates the exposure for environmental contingencies to range from $9 to a reasonably possible upper exposure of $21. The balance sheet at 30 September 2003 included an accrual of $15.3, primarily as part of other noncurrent liabilities. Management views the measurement of environmental loss contingency accruals as a critical accounting estimate because of the considerable uncertainty surrounding estimation and the need to forecast into the distant future.

In the normal course of business, the company is involved in legal proceedings under the federal Superfund law, similar state environmental laws and RCRA relating to the designation of certain sites for investigation or remediation. Presently, there are approximately 40 sites on which a final settlement has not been reached where the company, along with others, has been designated a potentially responsible party by the Environmental Protection Agency or is otherwise engaged in investigation or remediation. In addition, the company is also involved in cleanup activities at certain of its manufacturing sites. Sites for which the company monitors environmental exposure are related to operations within the Gases and Chemicals segments as well as discontinued businesses.

Measurement of environmental accruals is based on the evaluation of currently available information with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. An environmental accrual related to cleanup of a contaminated site might include, for example, provision for one or more of the following types of costs: site investigation and testing costs, cleanup costs, costs related to soil and water contamination resulting from tank ruptures, postremediation monitoring costs and outside legal fees. Environmental accruals include costs related to other potentially responsible parties to the extent that the company has reason to believe such parties will not fully pay their proportionate share. The accruals also do not take into account any claims for recoveries from insurance and are not discounted.

As assessments and remediation progress at individual sites, the amount of the projected cost is reviewed periodically, and the accrual is adjusted to reflect additional technical and legal information that becomes available. Management has a well-established process in place to identify and monitor the company's environmental exposures. An environmental accrual analysis is prepared and maintained that lists all environmental loss contingencies, even where an accrual has not been established. This analysis assists in monitoring the company's overall environmental exposure and serves as a tool to facilitate on-going communication among the company's technical experts, environmental managers, environmental lawyers and financial management to ensure that required accruals are recorded and potential exposures disclosed.

Actual costs to be incurred at identified sites in future periods may vary from the estimates, given the inherent uncertainties in evaluating environmental exposures. Using reasonably possible alternative assumptions of the exposure level could result in an increase to the environmental accrual. Due to the inherent uncertainties related to environmental exposures, a significant increase to the reasonably possible upper exposure level could occur if a new site was designated, the scope of remediation was increased or a significant increase in the company's proportionate share occurred.

PENSION BENEFITS

The company sponsors defined benefit pension plans in various forms for employees who meet eligibility requirements. Several assumptions and statistical variables are used in actuarial models to calculate the pension expense and liability related to the various plans. Assumptions about the discount rate, the expected rate of return on plan assets and the future rate of compensation increases are determined by the company. The actuarial models also use assumptions on demographic factors such as retirement, mortality and turnover. Management considers the accounting for pension benefits critical because of the significance and number of assumptions used. Depending on the assumptions selected, pension expense could vary significantly and have a material effect on reported earnings. The assumptions used can also materially affect the measurement of benefit obligations. For a detailed discussion of the company's pension benefits, see Pension Benefits above and Note 17 to the consolidated financial statements.

NEW ACCOUNTING STANDARDS

In November 2002, the FASB published Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure." In January 2003, the FASB published Interpretation No. 46, "Consolidation of Variable Interest Entities." In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." In May 2003, the FASB ratified the EITF consensus on Issue No. 01-08, "Determining Whether an Arrangement Contains a Lease." See Note 2 to the consolidated financial statements for information concerning the company's implementation and impact of new accounting standards.

FORWARD-LOOKING STATEMENTS

The forward-looking statements contained in this document are based on current expectations at the time the document was originally prepared regarding important risk factors. Management does not anticipate publicly updating any of its expectations except as part of the quarterly earnings announcement process.

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

COMPANY RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

-s- John P. Jones III	-s- John R. Owings
John P. Jones III	John R. Owings
Chairman, President and	Vice President and
Chief Executive Officer	Chief Financial Officer
24 October 2003	24 October 2003

REPORTS OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of Air Products and Chemicals, Inc. (a Delaware corporation) and subsidiaries as of 30 September 2003 and 2002, and the related consolidated statements of income, cash flows and shareholders' equity for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Air Products and Chemicals, Inc. for the year ended 30 September 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements, before the revisions as described in Note 1 and Note 10 to the financial statements, in their report dated 26 October 2001.

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

In our opinion, the 2003 and 2002 financial statements referred to above present fairly, in all material respects, the financial position of Air Products and Chemicals, Inc. and subsidiaries as of 30 September 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed above, the financial statements of Air Products and Chemicals, Inc. for the year ended 30 September 2001 were audited by other auditors who have ceased operations. As described in Note 1, those financial statements have been revised. We audited the adjustments described in Note 1 that were applied to revise the 2001 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. In addition, as described in Note 10, the financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which was adopted as of 1 October 2001. In our opinion, the disclosures for 2001 in Note 10 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of Air Products and Chemicals, Inc. other than with respect to such adjustments and disclosures, and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

KPMG LLP

KPMG LLP
Philadelphia, Pennsylvania
24 October 2003

The following report is a copy of a previously issued Arthur Andersen LLP ("Andersen") report, and the report has not been reissued by Andersen. The Andersen report refers to the consolidated balance sheets as of 30 September 2001 and 2000 and the consolidated statements of income, cash flows and shareholders' equity for the years ended 30 September 2000 and 1999, which are no longer included in the accompanying financial statements.

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

We have audited the accompanying consolidated balance sheets of Air Products and Chemicals, Inc. (a Delaware corporation) and subsidiaries as of 30 September 2001 and 2000, and the related consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended 30 September 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Air Products and Chemicals, Inc. and subsidiaries as of 30 September 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended 30 September 2001, in conformity with accounting principles generally accepted in the United States.

- -s- Arthur Andersen LLP

Arthur Andersen LLP
Philadelphia, Pennsylvania
26 October 2001

THE FINANCIAL STATEMENTS

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

YEAR ENDED 30 SEPTEMBER (millions of dollars, except per share)	2003	2002	2001
SALES	$ 6,297.3	$ 5,401.2	$ 5,857.8
COSTS AND EXPENSES			
Cost of sales	4,613.1	3,815.7	4,216.4
Selling and administrative	832.6	704.3	698.7
Research and development	121.1	120.3	121.8
Other (income) expense, net	(26.5)	(37.1)	(31.5)
Global cost reduction plans, net	152.5	23.1	107.0
OPERATING INCOME	604.5	774.9	745.4
Income from equity affiliates, net of related expenses	84.4	76.2	81.2
Gain on sale of U.S. packaged gas business	--	55.7	--
Gain on divestiture of interest in cogeneration facilities	--	--	101.6
Loss on early retirement of debt	--	--	(75.8)
Interest expense	123.5	122.3	191.2
INCOME BEFORE TAXES AND MINORITY INTEREST	565.4	784.5	661.2
Income tax provision	147.2	240.8	190.5
Minority interest in earnings of subsidiary companies	18.0	18.3	5.1
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	400.2	525.4	465.6
Cumulative effect of accounting change	(2.9)	--	--
NET INCOME	$ 397.3	$ 525.4	$ 465.6
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING (in millions)	219.7	217.2	214.8
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING ASSUMING DILUTION (in millions)	223.6	222.7	219.3
BASIC EARNINGS PER COMMON SHARE			
Income before cumulative effect of accounting change	$ 1.82	$ 2.42	$ 2.17
Cumulative effect of accounting change	(.01)	--	--
NET INCOME	$ 1.81	$ 2.42	$ 2.17
DILUTED EARNINGS PER COMMON SHARE			
Income before cumulative effect of accounting change	$ 1.79	$ 2.36	$ 2.12
Cumulative effect of accounting change	(.01)	--	--
NET INCOME	$ 1.78	$ 2.36	$ 2.12

The accompanying notes are an integral part of these statements.

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

30 SEPTEMBER (millions of dollars, except per share)	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash items	$ 76.2	$ 253.7
Trade receivables, less allowances for doubtful accounts of $21.8 in 2003 and $12.0 in 2002	1,188.5	980.9
Inventories	483.1	392.6
Contracts in progress, less progress billings	82.8	68.1
Other current assets	237.3	214.0
TOTAL CURRENT ASSETS	2,067.9	1,909.3
INVESTMENT IN NET ASSETS OF AND ADVANCES TO EQUITY AFFILIATES	553.5	484.2
PLANT AND EQUIPMENT, at cost	11,723.2	10,879.8
Less accumulated depreciation	6,086.1	5,502.0
PLANT AND EQUIPMENT, net	5,637.1	5,377.8
GOODWILL	725.8	431.1
INTANGIBLE ASSETS, net	104.1	70.9
OTHER NONCURRENT ASSETS	343.5	221.7
TOTAL ASSETS	$ 9,431.9	$ 8,495.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables and accrued liabilities	$ 1,123.5	$ 839.3
Accrued income taxes	115.6	72.9
Short-term borrowings	165.7	116.9
Current portion of long-term debt	176.4	227.1
TOTAL CURRENT LIABILITIES	1,581.2	1,256.2
LONG-TERM DEBT	2,168.6	2,041.0
DEFERRED INCOME AND OTHER NONCURRENT LIABILITIES	1,005.9	827.4
DEFERRED INCOME TAXES	705.6	725.6
TOTAL LIABILITIES	5,461.3	4,850.2
MINORITY INTEREST IN SUBSIDIARY COMPANIES	188.1	184.4
SHAREHOLDERS' EQUITY		
Common stock (par value $1 per share; issued 2003 and 2002--249,455,584 shares)	249.4	249.4
Capital in excess of par value	493.9	437.1
Retained earnings	4,516.6	4,312.8
Accumulated other comprehensive income (loss)	(567.2)	(566.9)
Treasury stock, at cost (2003--22,189,714 shares; 2002--22,236,196 shares)	(766.1)	(767.8)
Shares in trust (2003--5,842,391 shares; 2002--8,684,265 shares)	(144.1)	(204.2)
TOTAL SHAREHOLDERS' EQUITY	3,782.5	3,460.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 9,431.9	$ 8,495.0

The accompanying notes are an integral part of these statements.

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER (millions of dollars)	2003	2002	2001
OPERATING ACTIVITIES			
Net income	$ 397.3	$ 525.4	$ 465.6
Adjustments to reconcile income to cash provided by operating activities:			
Depreciation	640.2	581.0	573.0
Impairment of long-lived assets	91.7	3.7	23.8
Deferred income taxes	26.8	65.2	39.0
Loss on early retirement of debt	--	--	75.8
Undistributed earnings of unconsolidated affiliates	(6.8)	(44.4)	(46.2)
Gain on sale of assets and investments	(8.4)	(66.5)	(104.7)
Other	6.5	44.1	12.7
Subtotal	1,147.3	1,108.5	1,039.0
Working capital changes, excluding effects of acquisitions and divestitures:			
Trade receivables	(88.0)	(13.1)	63.9
Inventories and contracts in progress	(53.2)	55.1	2.6
Payables and accrued liabilities	13.3	(133.7)	(99.4)
Other	16.6	47.1	77.9
CASH PROVIDED BY OPERATING ACTIVITIES	1,036.0	1,063.9	1,084.0
INVESTING ACTIVITIES			
Additions to plant and equipment	(612.9)	(627.6)	(708.3)
Acquisitions, less cash acquired	(529.6)	(114.8)	(59.2)
Investment in and advances to unconsolidated affiliates	(6.1)	(39.2)	(38.3)
Proceeds from sale of assets and investments	102.1	292.9	497.0
Other	(.1)	(4.9)	31.1
CASH USED FOR INVESTING ACTIVITIES	(1,046.6)	(493.6)	(277.7)
FINANCING ACTIVITIES			
Long-term debt proceeds	162.8	61.3	121.0
Payments on long-term debt	(271.0)	(203.6)	(796.6)
Net increase (decrease) in commercial paper and short-term borrowings	37.6	(170.9)	8.0
Dividends paid to shareholders	(188.6)	(175.6)	(165.2)
Purchase of treasury stock	--	--	(87.2)
Issuance of stock for options and award plans	76.5	103.8	87.1
CASH USED FOR FINANCING ACTIVITIES	(182.7)	(385.0)	(832.9)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	15.8	2.2	(1.3)
(DECREASE) INCREASE IN CASH AND CASH ITEMS	(177.5)	187.5	(27.9)
CASH AND CASH ITEMS--BEGINNING OF YEAR	253.7	66.2	94.1
CASH AND CASH ITEMS--END OF YEAR	$ 76.2	$ 253.7	$ 66.2
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 123.6	$ 124.1	$ 226.7
Taxes (net of refunds)	79.1	136.5	62.6

The accompanying notes are an integral part of these statements.

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(millions of dollars, except per share)	Number of Common Shares Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Shares in Trust	Total
BALANCE 30 SEPTEMBER 2000	214,218,709	$249.4	$342.2	$3,667.9	$(407.8)	$(681.6)	$(348.8)	$ 2,821.3
Comprehensive Income:								
Net income				465.6				465.6
Net gain on derivatives, net of income tax of $1.1					1.8			1.8
Translation adjustments, net of income tax of $14.1					(43.3)			(43.3)
Net change in unrealized holding gains, net of income tax of $3.8					6.3			6.3
Change in minimum pension liability, net of income tax of $5.8					(9.5)			(9.5)
Comprehensive Income								420.9
Issuance of shares in trust for stock options and award plans	3,362,762		25.0				75.7	100.7
Tax benefit of stock option and award plans			17.7					17.7
Cash dividends ($.78 per share)				(167.6)				(167.6)
Purchase of treasury shares	(2,118,851)					(87.2)		(87.2)
BALANCE 30 SEPTEMBER 2001	215,462,620	$249.4	$384.9	$3,965.9	$(452.5)	$(768.8)	$(273.1)	$ 3,105.8
Comprehensive Income:								
Net income				525.4				525.4
Net gain on derivatives, net of income tax of $.3					1.1			1.1
Translation adjustments, net of income tax of $29.8					50.1			50.1
Net change in unrealized holding gains, net of income tax of $1.6					(7.4)			(7.4)
Change in minimum pension liability, net of income tax of $81.4					(158.2)			(158.2)
Comprehensive Income								411.0
Issuance of treasury shares and shares in trust for stock options and award plans	3,072,503		30.3			1.0	68.9	100.2
Tax benefit of stock option and award plans			21.9					21.9
Cash dividends ($.82 per share)				(178.5)				(178.5)
BALANCE 30 SEPTEMBER 2002	218,535,123	$249.4	$437.1	$4,312.8	$(566.9)	$(767.8)	$(204.2)	$3,460.4
Comprehensive Income:								
Net income				397.3				397.3
Net loss on derivatives, net of income tax of $2.5					(5.1)			(5.1)
Translation adjustments, net of income tax of $60.3					146.8			146.8
Net change in unrealized holding gains, net of income tax of $3.1					5.1			5.1
Change in minimum pension liability, net of income tax of $71.4					(147.1)			(147.1)
Comprehensive Income								397.0
Issuance of treasury shares and shares in trust for stock options and award plans	2,888,356		34.6			1.7	60.1	96.4
Tax benefit of stock option and award plans			22.2					22.2
Cash dividends ($.88 per share)				(193.5)				(193.5)
BALANCE 30 SEPTEMBER 2003	221,423,479	$249.4	$493.9	$4,516.6	$(567.2)	$(766.1)	$(144.1)	$3,782.5

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
(millions of dollars, except per share)

1. MAJOR ACCOUNTING POLICIES

CONSOLIDATION PRINCIPLES

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

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with accounting principles generally accepted in the United States 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.

REVENUE RECOGNITION

Revenue from gases and chemicals sales is recognized as risk and title to the product transfers to the customer which occurs at the time shipment is made. Sales returns and allowances are not a business practice in the industry. Revenues from equipment sale contracts are recorded primarily using the percentage-of-completion method. Under this method, revenues from the sale of major equipment, such as natural gas liquefaction (LNG) heat exchangers and air separation units, are recognized primarily based on labor hours incurred to date compared with total estimated labor hours. Changes to total estimated labor hours and anticipated losses, if any, are recognized in the period determined.

Amounts billed for shipping and handling fees are classified as sales in the consolidated income statements. Costs incurred for shipping and handling are classified as cost of sales.

PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation. Construction costs, labor and applicable overhead related to installations are capitalized. Expenditures for additions and improvements that extend the lives or increase the capacity of plant assets are capitalized. The costs of maintenance and repairs of plant and equipment are charged to expense as incurred.

Depreciation is recorded using the straight-line method, which deducts equal amounts of the cost of each asset from earnings every year over its expected useful life. The estimated useful lives primarily range from 15 to 30 years (principally 30 years) for buildings and principally from 15 to 20 years for gas generating and chemical facilities, machinery and equipment.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The company assesses recoverability by comparing the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If an asset is considered impaired, the impairment loss to be recognized is measured as the amount by which the asset's carrying amount exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

CAPITALIZED INTEREST

As the company builds new plant and equipment, it includes in the cost of these assets a portion of the interest payments it makes during the year. The amount of capitalized interest was $4.2, $9.4 and $6.0 in 2003, 2002 and 2001, respectively.

FINANCIAL INSTRUMENTS

The company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. The types of derivative financial instruments permitted for such risk management programs are specified in policies set by management. The company currently enters into foreign exchange contracts, including forward, option combination and purchased option contracts, to reduce the effects of fluctuating foreign currency exchange rates. The company currently enters into interest rate swap contracts to reduce interest rate risks and to modify the interest rate characteristics of its outstanding debt. The company is also currently party to cross currency interest rate swap agreements. Major financial institutions are counterparties to these contracts. The company has established counterparty credit guidelines and only enters into transactions with financial institutions of investment grade or better. Management believes the risk of incurring losses related to credit risk

is remote, and any losses would be immaterial to consolidated financial results.

The company recognizes derivatives on the balance sheet at fair value. On the date the derivative instrument is entered into, the company generally designates the derivative as either (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), or (3) a hedge of a net investment in a foreign operation. Changes in the fair value of a derivative that is designated as and meets all the required criteria for a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings. Changes in the fair value of a derivative that is designated as and meets all the required criteria for a cash flow hedge are recorded in accumulated other comprehensive income and reclassified into earnings as the underlying hedged item affects earnings. Changes in the fair value of a derivative or foreign currency debt that is designated as and meets all the required criteria for a hedge of a net investment are recorded as translation adjustments in accumulated other comprehensive income. Changes in the fair value of a derivative that is not designated as a hedge are recorded immediately in earnings.

The company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes relating all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The company also formally assesses, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, the company will discontinue hedge accounting with respect to that derivative prospectively.

FOREIGN CURRENCY

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

For most foreign operations, local currencies are considered the functional currency. Generally, foreign subsidiaries translate their assets and liabilities into U.S. dollars at current exchange rates -- that is, the rates in effect at the end of the fiscal period. The gains or losses that result from this process are shown in accumulated other comprehensive income in the shareholders' equity section of the balance sheet.

The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period. Therefore, the U.S. dollar value of these items on the income statement fluctuates from period to period, depending on the value of the dollar against foreign currencies. Some transactions are made in currencies different from an entity's functional currency. Gains and losses from these foreign currency transactions are generally included in income as they occur.

ENVIRONMENTAL EXPENDITURES

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

The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations and prior experience in remediation of contaminated sites. These liabilities include costs related to other potentially responsible parties to the extent that the company has reason to believe such parties will not fully pay their proportionate share. They also do not take into account any claims for recoveries from insurance and are not discounted. As assessments and remediation progress at individual sites, these liabilities are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. The accruals for environmental liabilities are reflected in the balance sheet, primarily as part of other noncurrent liabilities.

STOCK-BASED COMPENSATION

The company has various stock-based compensation plans as described in Note 14. The company accounts for its stock option plans under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No compensation expense has been recognized in net income for stock options. The following table

illustrates the effect on net income and earnings per share as if the company had applied the fair value recognition provisions of Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation," to its stock option plans.

	2003	2002	2001
NET INCOME, AS REPORTED	$ 397.3	$ 525.4	$ 465.6
Deduct total stock option employee compensation expense determined under fair value-based method, net of related tax effects	(37.9)	(40.9)	(30.1)
PRO FORMA NET INCOME	$ 359.4	$ 484.5	$ 435.5
BASIC EARNINGS PER SHARE			
As reported	$ 1.81	$ 2.42	$ 2.17
Pro forma	1.64	2.23	2.03
DILUTED EARNINGS PER SHARE			
As reported	$ 1.78	$ 2.36	$ 2.12
Pro forma	1.61	2.18	2.00

For disclosure purposes, the fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003	2002	2001
Dividend yield	2.0%	2.0%	2.1%
Expected volatility	30.6%	30.1%	29.2%
Risk-free interest rate	3.6%	4.7%	5.9%
Expected life (years)	7.9	7.8	7.6

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of subjective assumptions, including the expected stock price volatility. Because the company's options have characteristics different from those of traded options, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

The weighted average fair value of options granted as calculated by the Black-Scholes option-pricing model was $13.71 per share in 2003, $12.90 per share in 2002 and $12.82 per share in 2001.

INCOME TAXES

The company accounts for income taxes under the liability method. Under this method, deferred tax liabilities and assets are recognized for the tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates. A principal temporary difference results from the excess of tax depreciation over book depreciation because accelerated methods of depreciation and shorter useful lives are used for income tax purposes. The cumulative impact of a change in tax rates or regulations is included in income tax expense in the period that includes the enactment date.

CASH AND CASH ITEMS

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

ALLOWANCES FOR DOUBTFUL ACCOUNTS

The allowances for doubtful accounts represent estimated uncollectible receivables associated with potential customer defaults on contractual obligations, usually due to customers' potential insolvency. The allowances include amounts for certain customers where a risk of default has been specifically identified. In addition, the allowances include a provision for customer defaults on a general formula basis when it is determined the risk of some default is probable and estimable but cannot yet be associated with specific customers. The assessment of the likelihood of customer defaults is based on various factors, including the length of time the receivables are past due, historical experience and existing economic conditions.

INVENTORIES

Inventories are stated at the lower of cost or market. The cost of chemical inventories and some gas and equipment inventories in the United States is determined using the last-in, first-out (LIFO) method. The cost of other inventories is principally determined using the first-in, first-out (FIFO) method.

As of 30 September 2003, the company changed its method of accounting for LIFO inventory by reducing the number of LIFO inventory pools from ten pools to three pools. This newly adopted accounting principle is preferable as each pool will include items with similar economic activity. The adoption of this new accounting principle did not have a material effect on the company's financial statements.

GOODWILL AND INTANGIBLE ASSETS

When a company is acquired, the difference between the fair value of its net assets, including identified intangibles, and the purchase price is goodwill. Goodwill is recorded as a noncurrent asset on the balance sheet.

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and intangible assets. The Statement provides that goodwill and intangible assets with indefinite lives are no longer amortized on a recurring basis but instead are subject to impairment testing at least annually. The company adopted SFAS No. 142 on 1 October 2001. Accordingly, the company no longer amortizes goodwill, including goodwill associated with investments in equity affiliates. In accordance with the provisions of SFAS No. 142, the company performed impairment tests on goodwill which indicated no impairment of goodwill. Disclosures required by SFAS No. 142 are presented in Note 10.

Prior to 1 October 2001, the company amortized goodwill into income over periods not exceeding 40 years.

Intangible assets with determinable lives primarily consist of customer relationships, noncompete covenants and purchased patents and technology. There were no acquired intangible assets with indefinite lives. The cost of intangible assets with determinable lives is amortized on a straight-line basis over the estimated period of economic benefit. Customer relationships are generally amortized over periods of three to ten years. Noncompete covenants are generally amortized over periods of three to five years based on contractual terms. Purchased patents and technology and other intangibles are amortized based on contractual terms, ranging from eight to twenty years. Amortizable lives are adjusted whenever there is a change in the estimated period of economic benefit. The company reviews long-lived assets, including intangible assets with determinable lives, for impairment whenever events and circumstances indicate the carrying amount of the assets may not be recoverable.

RETIREMENT-RELATED BENEFITS

The cost of retiree benefits is recognized over the employees' service period. The company's defined benefit pension plans are accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions." Nonpension postretirement benefits are accounted for in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." These Statements require the use of actuarial methods and assumptions in the valuation of benefit obligations and the performance of plan assets. Differences between actual and expected results or changes in the value of obligations and plan assets are not recognized as they occur but rather, systematically and gradually over subsequent periods. Refer to Note 17 for disclosures related to the company's pension and other postretirement benefits.

SHARES IN TRUST

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

RECLASSIFICATIONS

The company changed its reporting for the global cost reduction plans to present the costs on a separate income statement line item within operating income. In 2003, the company recorded a net global cost reduction plan expense of $152.5, which was previously reflected in the income statement as follows: cost of sales $20.6, selling and administrative $34.1, research and development $2.1 and other expense $95.7. In 2002, the company recorded a net global cost reduction plan expense of $23.1, which was previously reflected in the income statement as follows: cost of sales $12.0, selling and administrative $10.8, research and development $.3. In 2001, the company recorded a net global cost reduction plan expense of $107.0, which was previously reflected in the income statement as follows: cost of sales $26.9, selling and administrative $53.4, research and development $.7 and other expense of $26.0.

As of 1 October 2001, the company changed its reporting of demurrage/cylinder income to include it in revenues. Previously, it was included as an offset to cost of sales. The consolidated income statements of the prior periods were adjusted to reflect this reclassification.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." The Statement requires gains and losses from debt extinguishments that are used as part of the company's risk management strategy to be classified as income from operations rather than as extraordinary items, net of tax. The company adopted this Statement as of 1 July 2002. The impact on the company was to reclassify the extraordinary item recorded in the fourth quarter of 2001 to income from continuing operations.

2. NEW ACCOUNTING STANDARDS

STANDARDS ADOPTED 2003

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

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Statement also supersedes APB Opinion No. 30 provisions related to the accounting and reporting for the disposal of a segment of a business. This Statement establishes a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale. The Statement retains most of the requirements in SFAS No. 121 related to the recognition of impairment of long-lived assets to be held and used. Additionally, SFAS No. 144 broadens the definition of businesses that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations. The company adopted this Statement as of 1 October 2002, with no material effect on the company's financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses the accounting for costs associated with disposal activities covered by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and with exit (restructuring) activities previously covered by Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." This Statement nullifies EITF Issue No. 94-3 in its entirety and requires that a liability for all costs be recognized when the liability is incurred. Generally, the ability to accrue for termination benefits at the communication date of a plan in the form of a one-time benefit arrangement is limited. The cost of the termination benefits would be recognized over the future service period of the employees. This Statement does not change the accounting for termination benefits under ongoing benefit arrangements such as those included in the company's global cost reduction plans discussed in Note 3. The company adopted SFAS No. 146 as of 1 October 2002. The adoption of this Statement did not have an impact on the company's financial statements.

In November 2002, the FASB published Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." The Interpretation expands on the disclosure requirements to be made in interim and annual financial statements. The company has included the required disclosures in Note 18. The Interpretation also requires that a liability measured at fair value be recognized for guarantees even if the probability of payment on the guarantee is remote. The recognition provisions applied on a prospective basis for guarantees issued or modified after 31 December 2002. The company has not issued or modified any guarantees subsequent to 31 December 2002.

In November 2002, the EITF reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." This Issue addresses the appropriate accounting by vendors for arrangements that will result in the delivery of multiple products, services and/or rights to assets that could occur over a period of time. The application of EITF Issue No. 00-21 did not have a material effect on the company's financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure." SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in financial statements. Also, SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. The company has included the disclosures prescribed by SFAS No. 148 in Note 1. The company does not intend to change its accounting method for stock-based compensation until a new uniform accounting standard is issued.

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

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The adoption of these Statements did not have a material effect on the company's financial statements.

In May 2003, the FASB ratified the EITF consensus on Issue No. 01-08, "Determining Whether an Arrangement Contains a Lease." The EITF consensus applied prospectively to new or modified arrangements beginning after 30 June 2003. The Issue addresses how to determine whether an arrangement contains a lease that is within the scope of SFAS No. 13, "Accounting for Leases." Under the EITF consensus, certain contracts within the company's Gases segment associated with on-site tonnage facilities servicing one customer may potentially be considered leases. In cases where operating-lease treatment is necessary, there would be no change to the company's financial results. In cases where capital-lease treatment is necessary, the timing of revenue and expense recognition would be impacted. Revenue would be recognized immediately for the sale of equipment component of a contract (as compared to the current method of revenue recognition over the life of the arrangement). A portion of revenues formerly reported as sales would be reflected as interest income resulting from the lease receivable. The application of this EITF consensus did not have a material effect on the financial statements in 2003. The impact of the EITF consensus on the company's financial statements beyond 2003 is dependent upon the contracts executed and potential changes in business practices and contractual arrangements.

STANDARDS ADOPTED 2002

As discussed in Note 1, the company adopted SFAS No. 142 and SFAS No. 145 during 2002.

3. GLOBAL COST REDUCTION PLANS

2003 PLAN

In 2003, the company recorded an expense of $152.7 for a global cost reduction plan (2003 Plan). This expense included $56.8 for severance and pension-related benefits and $95.9 for asset disposals and facility closures in the Gases and Chemicals segments.

During the third quarter of 2003, the company completed a capacity utilization analysis in several businesses in the Gases segment. To reduce capacity and costs, several facilities ceased operation as of 30 June 2003. An expense of $37.6 was recognized for the closure of these facilities, net of expected recovery from disposal. A decision was made to terminate several incomplete capacity expansion projects. An expense of $13.0 was recognized for the cost of terminating these projects, net of expected recovery from disposal and redeployment. An expense of $3.6 was also recognized for the planned sale of two real estate properties and the termination of several leases for small facilities. These expenses were principally in the North American merchant and tonnage businesses with a modest amount in the Electronics business.

The rationalization of excess capacity in certain products resulted in a decision to exit certain Chemical Intermediates operations. Late in the quarter ended 30 June 2003, the company decided to pursue the sale of its European methylamines and derivatives business. The company expects to complete the sale by 30 June 2004. Expected proceeds from the sale were determined and a loss was recognized for the difference between the carrying value of the assets and the expected net proceeds from the sale. Additional expenses for the closure of the methanol and ammonia plants in Pensacola, Florida, which made products for internal consumption, were also recognized. The total expense for these actions was $41.7.

In addition to the capacity reduction initiatives, the company continues to implement cost reduction and productivity-related efforts. The divestitures, the capacity reductions and the cost control initiatives will result in the elimination of 461 positions from the company. The company will complete the 2003 Plan by 30 June 2004. Approximately 30% of the position reductions relates to capacity rationalization and divestitures. An additional 40% relates to ongoing productivity efforts and balancing engineering resources with project activity and the remaining 30% relates to a reduction in the number of management positions.

The following table presents the detail of expenses by segment for the global cost reduction plan recorded in 2003:

	Severance	Pension	Other(A)	Total
Gases	$ 27.1	$ 10.9	$ 54.2	$ 92.2
Chemicals	14.4	2.0	41.7	58.1
Equipment	2.2	.2	--	2.4
PROVISION FOR 2003 PLAN	$ 43.7	$ 13.1	$ 95.9	$ 152.7
Reversal of 2002 Plan	(.2)	--	--	(.2)
NET EXPENSE IN 2003	$ 43.5	$ 13.1	$ 95.9	$ 152.5

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

2002 PLAN

In 2002, the company recorded an expense of $30.8 for a global cost reduction plan (2002 Plan), including U.S. packaged gas divestiture-related reductions. This expense 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 2002 Plan included 333 position eliminations in the areas of manufacturing, engineering, distribution and overheads. The 2002 Plan was completed as expected in March 2003.

The following table presents the detail of expenses by segment for the global cost reduction plan recorded in 2002:

	Severance	Pension	Other(A)	Total
Gases	$ 15.6	$ 10.6	$ --	$ 26.2
Chemicals	.8	.1	3.7	4.6
PROVISION FOR 2002 PLAN	$ 16.4	$ 10.7	$ 3.7	$ 30.8
Reversal of 2001 Plan	(7.1)	--	(.6)	(7.7)
NET EXPENSE IN 2002	$ 9.3	$ 10.7	$ 3.1	$ 23.1

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

2001 PLAN

In 2001, the company recorded an expense of $109.2 for a global cost reduction plan (2001 Plan). This expense included $79.6 for severance benefits and pension plan settlements and $29.6 for asset impairments and related restructuring charges. The 2001 Plan included 670 position eliminations in the areas of manufacturing, engineering, distribution and overheads. The company decided to divest several small facilities, which required a write-down of the net carrying value to the estimated net realizable value. The 2001 Plan was completed in 2002, with 644 positions eliminated and total expenses of $101.5 incurred. The balance of the accrual of $7.7 was reversed into income during 2002.

The following table presents the detail of expenses by segment for the global cost reduction plan recorded in 2001:

	Severance	Pension	Other(A)	Total
Gases	$ 47.0	$ 10.3	$ 11.8	$ 69.1
Chemicals	9.4	1.4	17.8	28.6
Equipment	1.2	.8	--	2.0
Corporate	--	9.5	--	9.5
PROVISION FOR 2001 PLAN	$ 57.6	$ 22.0	$ 29.6	$ 109.2
Reversal of 2000 Plan	(2.2)	--	--	(2.2)
NET EXPENSE IN 2001	$ 55.4	$ 22.0	$ 29.6	$ 107.0

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

PLAN ACCRUAL

The following table summarizes changes to the carrying amount of the accrual for global cost reduction plans:

BALANCE AS OF	Severance	Pension	Other(A)	Total
30 SEPTEMBER 2000	$ 23.5	$ --	$ --	$ 23.5
Provision	57.6	22.0	29.6	109.2
Noncash expenses	--	(22.0)	(23.8)	(45.8)
Cash expenditures	(29.8)	--	(4.3)	(34.1)
Reverse 2000 Plan balance	(2.2)	--	--	(2.2)
30 SEPTEMBER 2001	$ 49.1	$ --	$ 1.5	$ 50.6
Provision	16.4	10.7	3.7	30.8
Noncash expenses	--	(10.7)	(3.7)	(14.4)
Cash expenditures	(51.6)	--	(.9)	(52.5)
Reverse 2001 Plan balance	(7.1)	--	(.6)	(7.7)
30 SEPTEMBER 2002	$ 6.8	$ --	$ --	$ 6.8
Provision	43.7	13.1	95.9	152.7
Noncash expenses	--	(13.1)	(90.1)	(103.2)
Cash expenditures	(11.7)	--	(1.7)	(13.4)
Reverse 2002 Plan balance	(.2)	--	--	(.2)
30 SEPTEMBER 2003	$ 38.6	$ --	$ 4.1	$ 42.7

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

4. ACQUISITIONS

Acquisitions in 2003, totaling $529.6, included Ashland's Electronic Chemicals business, American Homecare Supply, LLC (AHS), additional small homecare businesses, and Sanwa Chemical Industry Co., Ltd. Acquisitions in 2002, totaling $114.8, principally included the purchase of an additional 22% of the outstanding shares of San Fu Gas Company, Ltd. (San Fu). The acquisitions in 2003 and the San Fu acquisition in 2002 contributed $411.9 and $64.9 to sales and operating income, respectively, for the twelve months ended 30 September 2003.

ASHLAND'S ELECTRONIC CHEMICALS BUSINESS

On 29 August 2003, the company acquired the Electronic Chemicals business of Ashland Specialty Chemical Company, a division of Ashland Inc., in a cash transaction valued at $293.2. Goodwill recognized in this transaction amounted to $89.6, of which $21.3 is deductible for tax purposes. Identified intangibles included in this transaction amounted to $27.1. Ashland's Electronic Chemicals business is a leading global supplier of ultrapure specialty chemicals and services used by the electronics industry to make semiconductor devices. With annual revenues of approximately $200, the Electronic Chemicals business of Ashland has a global network of sales and marketing offices in North America, Europe and Asia.

AMERICAN HOMECARE SUPPLY, LLC (AHS)

In October 2002, the company acquired AHS, a homecare market leader throughout the northeastern United States, for $165.8. Subsequently, AHS has acquired additional small homecare businesses for $52.3 and has been renamed Air Products Healthcare. Goodwill recognized in these transactions amounted to $152.4, of which $102.1 is deductible for tax purposes. Identified intangibles included in these transactions amounted to $20.7. These acquisitions contributed $155.9 to sales in 2003. Prior to these acquisitions, the company and its affiliates had a homecare position serving approximately 180,000 patients. With these acquisitions, the company and its affiliates will provide home medical services to more than 320,000 patients in 14 countries, a significant step in the company's strategy to be a global healthcare provider.

SAN FU GAS COMPANY, LTD. (SAN FU)

In July 2002, the company purchased an additional 22% of the outstanding shares of San Fu, increasing the company's ownership interest from 48% to 70%. Since 1987, the company has had a joint venture ownership of San Fu, the largest industrial gas company in Taiwan. San Fu is a full-service industrial gas and chemical company with a broad product portfolio, supplying specialty gases, electronic piping and equipment, liquid bulk gases, on-site/pipeline gases and chemicals to the Taiwan marketplace. This investment is consistent with the company's strategy of investing in growth markets (Asia) and industries (electronics) and will provide a stronger foundation for growth in both Taiwan and China.

As of 30 June 2002, the company accounted for its investment in San Fu using the equity method. In July 2002, the company obtained control through the acquisition of an additional 22% of the outstanding shares and began to consolidate this investment. San Fu had revenues of approximately $215 for the twelve months ended 30 September 2002. Goodwill recognized in this transaction amounted to $51.4, which was not deductible for tax purposes. Identified intangibles included in this transaction amounted to $19.5. As part of this transaction, put options have been issued which give other shareholders the right to sell San Fu stock to the company at market price when exercised. The options are effective from January 2005 through January 2015 and allow for the sale of all stock owned by other shareholders to the company.

5. DIVESTITURES

SALE OF CANADIAN PACKAGED GAS BUSINESS

On 1 April 2003, the company completed the sale of the majority of its Canadian packaged gas business to the BOC Group for cash proceeds of $41.2.

SALE OF U.S. PACKAGED GAS BUSINESS

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. 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 nonelectronic specialty gases and the retail selling of welding hard goods, 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 cash proceeds from these transactions were $254.5. The results for 2002 included a gain of $55.7.

SALE OF INTEREST IN COGENERATION FACILITIES

In the fourth quarter of 2001, the company sold its 50% interest in two cogeneration facilities located in Cambria County, Pennsylvania and Orlando, Florida. The Cambria facility uses a coal by-product to generate electricity, with power generation capability of 88 megawatts.

The Orlando facility is a natural gas-fired power plant with power generation capability of 115 megawatts. These investments contributed approximately $11 to net income in 2001. The results for 2001 included a gain of $101.6.

6. FINANCIAL INSTRUMENTS

CURRENCY RISK MANAGEMENT

The company does business in many foreign countries. Therefore, its earnings, cash flows and financial position are exposed to foreign currency risk from foreign currency denominated transactions and net investments in foreign operations.

It is the policy of the company to minimize its cash flow exposure to adverse changes in currency and exchange rates. This is accomplished by identifying and evaluating the risk that the company's cash flows will decline in value due to changes in exchange rates, and by determining the appropriate strategies necessary to manage such exposures. The company's objective is to maintain economically balanced currency risk management strategies that provide adequate downside protection.

The company enters into a variety of foreign exchange contracts, including forward, option combination and purchased option contracts, to hedge its exposure to fluctuations in foreign currency exchange rates. These agreements generally involve the exchange of one currency for a second currency at some future date.

The company enters into foreign exchange contracts, including forward, option combination and purchased option contracts, to reduce the cash flow exposure to foreign currency fluctuations associated with certain monetary assets and liabilities, as well as highly anticipated cash flows and certain firm commitments. Examples of such exposures are the purchase of plant and equipment and export sales transactions. Forward exchange contracts are also used to hedge the value of investments in certain foreign subsidiaries and affiliates by creating a liability in a currency in which the company has a net equity position. The company also uses foreign currency denominated debt to hedge certain net investments in foreign operations.

Certain forward exchange contracts entered into by the company are not designated as hedging instruments. Contracts used to hedge the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities are not designated as hedging instruments, and changes in the fair value of these items are recorded in earnings to offset the foreign exchange gains and losses of the monetary assets and liabilities. Other forward exchange contracts may be used to economically hedge foreign currency exposures that are not designated as hedging instruments due to the immaterial amount of the underlying hedged exposures. Changes in the fair value of these contracts are also recorded in earnings.

DEBT PORTFOLIO MANAGEMENT

It is the policy of the company to identify on a continuing basis the need for debt capital and evaluate the financial risks inherent in funding the company with debt capital. Reflecting the result of this ongoing review, the debt portfolio and hedging program of the company is managed with the objectives and intent to (1) reduce funding risk with respect to borrowings made or to be made by the company to preserve the company's access to debt capital and provide debt capital as required for funding and liquidity purposes, and (2) reduce the aggregate interest rate risk of the debt portfolio in accordance with certain debt management parameters.

The company enters into interest rate swap agreements to change the fixed/variable interest rate mix of its debt portfolio in order to maintain the percentage of fixed- and variable-rate debt within the parameters set by management. In accordance with these parameters, the agreements are used to reduce interest rate risks and costs inherent in the company's debt portfolio. The notional amount of these agreements is equal to or less than the designated debt instrument being hedged. The variable rate bases of the swap instruments and the debt to which they are designated are the same. It is the company's policy not to enter into any interest rate swap contracts which lever a move in interest rates on a greater than one-to-one basis.

The company is also party to cross currency interest rate swap contracts. These contracts entail both the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement and the exchange of one currency for another currency at inception and at a specified future date. These contracts effectively convert the currency denomination of a debt instrument into another currency in which the company has a net equity position while changing the interest rate characteristics of the instrument. The contracts are used to hedge intercompany and third-party borrowing transactions and certain net investments in foreign operations.

FAIR VALUE HEDGES

For the years ended 30 September 2003 and 2002, there was no material gain or loss recognized in earnings resulting from hedge ineffectiveness or from excluding a portion of derivative instruments' gain or loss from the assessment of hedge effectiveness related to

derivatives designated as fair value hedges. Also, the amount recognized in earnings in 2003 and 2002 as a result of a hedged firm commitment no longer qualifying as a fair value hedge was not material.

CASH FLOW HEDGES

For the years ended 30 September 2003 and 2002, there was no material gain or loss recognized in earnings resulting from hedge ineffectiveness or from excluding a portion of derivative instruments' gain or loss from the assessment of hedge effectiveness related to derivatives designated as cash flow hedges.

The amount reclassified from accumulated other comprehensive income into earnings as a result of the discontinuance of foreign currency cash flow hedges due to the probability of the original forecasted transactions not occurring by the original specified time period was not material in 2003 and 2002. The amount in other comprehensive income expected to be reclassified into earnings in 2004 is also not material.

As of 30 September 2003, the maximum length of time over which the company is hedging its exposure to the variability in future cash flows for forecasted transactions is three years.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

For the years ended 30 September 2003 and 2002, $178.2 and $68.2, respectively, of net losses related to hedges of net investments in foreign operations were included in accumulated other comprehensive income within shareholders' equity.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Summarized below are the carrying values and fair values of the company's financial instruments as of 30 September 2003 and 2002.

30 SEPTEMBER	2003 CARRYING VALUE	2003 FAIR VALUE	2002 Carrying Value	2002 Fair Value
ASSETS (LIABILITIES)				
Other investments	$ 63.4	$ 63.4	$ 50.1	$ 50.1
Currency option contracts	.1	.1	1.1	1.1
Interest rate swap agreements	21.3	21.3	20.6	20.6
Cross currency interest rate swap contracts	(9.5)	(9.5)	6.2	6.2
Forward exchange contracts	(66.1)	(66.1)	(3.5)	(3.5)
Long-term debt, including current portion	(2,345.0)	(2,487.9)	(2,268.1)	(2,387.4)

The fair values of the company's debt, interest rate swap agreements, cross currency interest rate swap contracts, forward exchange contracts, option combination contracts and purchased foreign currency options are based on estimates using standard pricing models that take into account the present value of future cash flows as of the balance sheet date. The computation of the fair values of these instruments is generally performed by the company.

The fair value of other investments is based principally on quoted market prices. The carrying amounts reported in the balance sheet for cash and cash items, accounts receivable, payables and accrued liabilities, accrued income taxes and short-term borrowings approximate fair value due to the short-term nature of these instruments. Accordingly, these items have been excluded from the above table.

7. INVENTORIES

The components of inventories are as follows:

30 SEPTEMBER	2003	2002
INVENTORIES AT FIFO COST		
Finished goods	$ 327.2	$ 276.8
Work in process	26.8	35.7
Raw materials and supplies	165.8	107.9
	519.8	420.4
Less excess of FIFO cost over LIFO cost	(36.7)	(27.8)
	$ 483.1	$ 392.6

Inventories valued using the LIFO method comprised 49.3% and 46.1% of consolidated inventories before LIFO adjustment at 30 September 2003 and 2002, respectively. Liquidation of prior years' LIFO inventory layers in 2003, 2002 and 2001 did not materially affect results of operations in any of these years.

FIFO cost approximates replacement cost. The company's inventories have a high turnover, and as a result there is little difference between the original cost of an item and its current replacement cost.

As discussed in Note 1, the company changed its method of accounting for LIFO

inventory by reducing the number of LIFO inventory pools. The adoption of this new accounting principle did not have a material effect on the company's financial statements.

8. SUMMARIZED FINANCIAL INFORMATION OF EQUITY AFFILIATES

The following table presents summarized financial information on a combined 100% basis of the principal companies accounted for by the equity method. Amounts presented include the accounts of the following equity affiliates: Air Products South Africa (50%); Bangkok Cogeneration Company Limited (48.8%); Bangkok Industrial Gases Company Ltd. (50.6%); Daido Air Products Electronics, Inc. (49%); DuPont Air Products Nanomaterials, LLC (50%); Europoort Utility Partners V.O.F. (50%); Helap S.A. (50%); INFRA Group (40%); INOX Air Products Limited (INOX) (49.4%); Island Pipeline Gas (33%); Pure Air on the Lake, L.P. (50%); Sapio Produzione Idrogeno Ossigeno S.r.L. (49%); SembCorp Air Products (HyCo) Pte. Ltd. (40%); Stockton CoGen Company (50%); Tyczka Industrie-Gases GmbH (50%); Wacker Polymer Systems GmbH & CoKG (20%); and principally other industrial gas producers. In the fourth quarter of 2002, the company obtained control of San Fu after increasing its ownership interest from 48% to 70%. Amounts presented include the accounts of San Fu for the periods during which the equity method was applied.

	2003	2002
Current assets	$ 732.7	$ 732.6
Noncurrent assets	1,449.3	1,148.7
Current liabilities	537.5	572.5
Noncurrent liabilities	526.3	452.2
Net sales	1,617.8	1,608.8
Sales less cost of sales	601.9	543.0
Net income	171.7	196.3

The company's share of income of all equity affiliates for 2003, 2002 and 2001 was $70.9, $86.4 and $91.1, respectively. These amounts exclude $9.2, $12.5 and $9.9 of related net expenses incurred by the company. Additionally, in 2003, the company recorded favorable adjustments of $22.7 related to prior period divestitures. Dividends received from equity affiliates were $64.1, $42.0 and $44.9 in 2003, 2002 and 2001, respectively.

The investment in net assets of and advances to equity affiliates as of 30 September 2003 and 2002 included investment in foreign affiliates of $518.3 and $449.5, respectively.

As of 30 September 2003 and 2002, the amount of investment in companies accounted for by the equity method included goodwill in the amount of $67.7 and $69.6, respectively. Goodwill is no longer amortized, as discussed in Note 1.

9. PLANT AND EQUIPMENT

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

30 SEPTEMBER	2003	2002
Land	$ 164.8	$ 163.3
Buildings	800.8	698.6
Gas generating and chemical facilities, machinery and equipment	10,386.8	9,616.3
Construction in progress	370.8	401.6
	$ 11,723.2	$ 10,879.8

10. GOODWILL AND INTANGIBLE ASSETS

Changes to the carrying amount of consolidated goodwill by segment are as follows:

BALANCE AS OF	Gases	Chemicals	Equipment	Total
30 SEPTEMBER 2001	$ 289.2	$ 87.1	$ 8.4	$ 384.7
Acquisitions and adjustments	64.1	--	--	64.1
Goodwill related to the sale of U.S. packaged gas business	(36.3)	--	--	(36.3)
Currency translation and other	15.1	2.5	1.0	18.6
30 SEPTEMBER 2002	$ 332.1	$ 89.6	$ 9.4	$ 431.1
Acquisitions and adjustments	251.3	2.7	--	254.0
Goodwill related to the sale of Canadian packaged gas business	(9.7)	--	--	(9.7)
Currency translation and other	45.5	4.6	.3	50.4
30 SEPTEMBER 2003	$ 619.2	$ 96.9	$ 9.7	$ 725.8

In 2003, the increase in goodwill was principally due to the acquisitions of AHS and other U.S. homecare businesses, and Ashland Electronic Chemicals. The 2002 increase in goodwill was principally due to the acquisition of an additional

interest in San Fu.

The following table presents the adjusted net income and adjusted per share amounts for the year ended 30 September 2001, as if goodwill had not been amortized. Total goodwill amortization, which is shown after-tax, includes both consolidated companies and equity affiliates.

	2003	2002	2001
NET INCOME			
As reported	$397.3	$525.4	$465.6
Effect of goodwill amortization	--	--	14.8
As adjusted	$397.3	$525.4	$480.4
BASIC EARNINGS PER SHARE			
As reported	$ 1.81	$ 2.42	$ 2.17
Effect of goodwill amortization	--	--	.07
As adjusted	$ 1.81	$ 2.42	$ 2.24
DILUTED EARNINGS PER SHARE			
As reported	$ 1.78	$ 2.36	$ 2.12
Effect of goodwill amortization	--	--	.07
As adjusted	$ 1.78	$ 2.36	$ 2.19

All acquired intangible assets are subject to amortization. Acquired intangible assets are as follows:

	Gross	Accumulated Amortization	Net
Customer relationships	$ 28.4	$ 4.0	$ 24.4
Patents and technology	70.0	43.5	26.5
Noncompete covenants	10.8	10.5	.3
Other	49.3	29.6	19.7
30 SEPTEMBER 2002	$158.5	$ 87.6	$ 70.9
Customer relationships	$ 71.4	$ 12.2	$ 59.2
Patents and technology	70.0	46.9	23.1
Noncompete covenants	15.7	12.1	3.6
Other	49.2	31.0	18.2
30 SEPTEMBER 2003	$206.3	$102.2	$104.1

In 2003, the increase in intangible assets was due to the acquisitions of AHS and other U.S. homecare business, and Ashland Electronic Chemicals.

Amortization expense for intangible assets was $14.6, $10.1 and $10.9 in 2003, 2002 and 2001, respectively. Projected annual amortization expense for intangible assets as of 30 September 2003 is as follows:

2004	$ 15.8
2005	15.5
2006	13.8
2007	8.7
2008	7.9
Thereafter	42.4
Total	$104.1

11. LONG-TERM DEBT

The following table shows the company's outstanding debt at the end of 2003 and 2002:

30 SEPTEMBER	Maturities	2003	2002
PAYABLE IN U.S. DOLLARS:			
DEBENTURES: (effective rate)			
8.50% (8.55%)	2006	$ 100.0	$ 100.0
8.75% (8.95%)	2021	18.4	18.4
NOTES: (effective rate)			
7.375% (7.54%)	2005	150.0	150.0
6.25% (6.30%)		--	100.0
Medium-term notes:			
Weighted average rate			
Series B 6.7%		--	16.0
Series D 6.8%	2004 to 2016	223.0	223.0
Series E 7.6%	2008 to 2026	17.4	17.4
Series F 6.5%	2007 to 2010	133.0	133.0
OTHER: 1.1%	2004 to 2037	348.0	289.2
LESS: Unamortized discount		(1.8)	(2.6)

PAYABLE IN OTHER CURRENCIES:			
Euro bonds 6.0%	2005	571.7	493.5
Euro bonds 6.5%	2007	350.1	296.1
Other 4.9%	2004 to 2009	383.4	393.1
CAPITAL LEASE OBLIGATIONS:			
United States 5.9%	2004 to 2018	17.0	5.7
Foreign 8.4%	2004 to 2007	34.8	35.3
		$2,345.0	$2,268.1
Less current portion		(176.4)	(227.1)
		$2,168.6	$2,041.0

Various debt agreements to which the company is a party include certain financial covenants and other restrictions, including restrictions pertaining to the ability to create property liens and enter into certain sale and leaseback transactions. The company is in compliance with all financial debt covenants.

The company has obtained the commitment of a number of commercial banks to lend money at market rates whenever needed. These committed lines of credit are also used to support the issuance of commercial paper. At 30 September 2003, the company's committed lines of credit totaled $600, maturing in January 2005. No borrowings were outstanding under these commitments at the end of 2003.

Additional commitments of $25.6 are maintained by the company's foreign subsidiaries, of which $17.1 was borrowed and outstanding at 30 September 2003.

Maturities of long-term debt in each of the next five years are as follows: $176.4 in 2004, $816.8 in 2005, $280.6 in 2006, $497.2 in 2007 and $116.9 in 2008.

In August 2001, the company retired $459.6 of various medium-term notes, as well as $81.5 of an 8.75% debenture, for an aggregate principal retirement of $541.1. A loss of $75.8 was incurred as a result of the early retirement of debt, consisting principally of retirement premiums.

12. LEASES

Capital leases, primarily for machinery and equipment, are included with owned plant and equipment on the balance sheet in the amount of $65.9 and $56.5 at the end of 2003 and 2002, respectively. Related amounts of accumulated depreciation are $37.9 and $36.1, respectively.

Operating leases, including month-to-month agreements, cost the company $101.7 in 2003, $102.7 in 2002 and $91.0 in 2001.

During 2001, the company sold and leased back certain U.S. cryogenic vessel equipment resulting in proceeds of $301.9. This operating lease has a five-year term with purchase and renewal options. The company recognized a deferred gain of $134.7 on this sale-leaseback. This amount was included in other noncurrent liabilities.

At 30 September 2003, minimum payments due under leases are as follows:

	Capital Leases	Operating Leases
2004	$13.2	$ 49.9
2005	24.0	44.7
2006	5.2	35.6
2007	5.3	16.6
2008	1.1	11.6
2009 and thereafter	8.3	74.4
	$57.1	$232.8

The present value of the above future capital lease payments is included in the liability section of the balance sheet. At the end of 2003, $12.7 was classified as current and $39.1 as long term.

13. CAPITAL STOCK

The authorized Capital Stock consists of 25 million preferred shares with a par value of $1 per share, none of which was outstanding at 30 September 2003, and 300 million shares of Common Stock with a par value of $1 per share.

In 1994, the company established a trust to fund a portion of future payments to employees under existing compensation and benefit programs. The trust, which is administered by an independent trustee, was initially funded with 20 million shares of Treasury Stock. It does not increase or alter the amount of benefits or compensation that is paid under existing plans. The establishment of the trust does not have an effect on earnings per share or return on average shareholders' equity.

In 1998, the Board of Directors adopted a shareholder rights plan under which common stockholders receive an associated right to purchase one one-thousandth (1/1,000) of a share of Series A Participating Cumulative Preferred Stock, par value $1 per share. Such rights are exercisable at a price of $345 and only in the event of certain changes or potential changes in the beneficial ownership of the company's Common Stock, which could result in a person or group owning more than 15% of the outstanding Common Stock ("Acquiring Person"). If such rights become exercisable, the rights would entitle the stockholder (other than the Acquiring Person) to purchase for the purchase price (i) that number of one one-thousandths of a share of Series A Participating Cumulative Preferred Stock or (ii) that number of shares of common stock of the surviving company (in the event of a business combination with the Acquiring Person or asset purchase of 50% or more of the company's assets by the Acquiring Person), with a value equal to two times the purchase price of the right. The rights will expire on 19 March 2008 unless earlier redeemed by the company.

14. STOCK OPTION AND AWARD PLANS

STOCK OPTIONS

Under various plans, executives, employees and outside directors receive awards of options to purchase common stock. Under all option awards, the terms are fixed at the grant date. Generally, the exercise price equals the market price of the company's stock on the date of the grant. Options under the plans generally vest from one to three years, and the option's maximum term is 10 years. Options issued to directors are exercisable six months after the grant date.

The company has savings-related stock option plans in which eligible employees in the United Kingdom may purchase stock at a price based on 90% of the stock price on the grant date.

The following table reflects activity under all stock option plans:

	Number of Shares	Average Price
OUTSTANDING AT 30 SEPTEMBER 2000	22,156,498	$30.18
Granted	4,592,600	35.83
Exercised	(3,039,223)	24.93
Forfeited	(536,668)	33.61
OUTSTANDING AT 30 SEPTEMBER 2001	23,173,207	$31.69
Granted	5,454,587	37.82
Exercised	(2,741,980)	27.51
Forfeited	(422,442)	36.56
OUTSTANDING AT 30 SEPTEMBER 2002	25,463,372	$33.44
Granted	4,648,050	42.08
Exercised	(2,712,226)	27.01
Forfeited	(193,390)	34.58
OUTSTANDING AT 30 SEPTEMBER 2003	27,205,806	$35.14
Exercisable at end of year	17,042,215	
Available for future grant at end of year	11,522,747	

The following tables summarize information about options outstanding and exercisable at 30 September 2003:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
19.56-24.79	1,273,625	2.50	$23.73
26.03-29.47	7,828,628	4.42	28.37
30.01-41.69	13,377,353	6.55	38.04
41.96-52.19	4,726,200	8.97	43.31

	Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price
19.56-24.79	1,273,625	$23.73
26.03-29.47	7,828,628	28.37
30.01-41.69	7,900,296	38.58
41.96-52.19	39,666	44.18

OTHER AWARDS

The company granted deferred stock units identified as performance shares to executive officers and other key employees. These awards provide for the issuance of common stock based on certain management objectives achieved by the end of the performance period. The performance period is the one- or two-year period following the grant date. The performance shares are payable either at the end of the performance period or after retirement. The number of shares outstanding and earned for these awards was 500,808 and 370,446 share units as of 30 September 2003 and 2002, respectively.

Prior to the issuance of performance shares, the company granted deferred stock units as career share awards in 1992 through 1997 to certain executive officers and other key employees. Career shares are deferred stock units payable in shares of stock after retirement. Career share awards equivalent to 533,206 and 666,958 shares of stock were outstanding at the end of 2003 and 2002, respectively.

Deferred stock units equivalent to 213,221 and 416,797 shares of stock were outstanding at the end of 2003 and 2002, respectively.

Compensation cost is charged to expense over the periods during which employees perform related services. Compensation expense recognized relating to the

programs granting deferred stock units was $3.8 in 2003, $3.1 in 2002 and $8.5 in 2001.

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share (EPS) is as follows:

30 SEPTEMBER	2003	2002	2001
NUMERATOR			
Used in basic and diluted EPS			
Income before cumulative effect of accounting change	$400.2	$525.4	$465.6
Cumulative effect of accounting change	(2.9)	--	--
NET INCOME	$397.3	$525.4	$465.6
DENOMINATOR			
Weighted average number of common shares used in basic EPS (in millions)	219.7	217.2	214.8
Effect of dilutive securities (in millions):			
Employee stock options	3.4	4.8	3.6
Other award plans	.5	.7	.9
	3.9	5.5	4.5
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	223.6	222.7	219.3
BASIC EPS			
Income before cumulative effect of accounting change	$ 1.82	$ 2.42	$ 2.17
Cumulative effect of accounting change	(.01)	--	--
NET INCOME	$ 1.81	$ 2.42	$ 2.17
DILUTED EPS			
Income before cumulative effect of accounting change	$ 1.79	$ 2.36	$ 2.12
Cumulative effect of accounting change	(.01)	--	--
NET INCOME	$ 1.78	$ 2.36	$ 2.12

Diluted EPS reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The incremental shares are included using the treasury stock method, which assumes the proceeds from exercise are used by the company to purchase common stock at the average market price during the period. The incremental shares (difference between shares assumed to be issued versus purchased), to the extent they would have been dilutive, are included in the denominator of the diluted EPS calculation.

Options on 3.4 million shares, .1 million shares and 2.8 million shares of common stock were excluded from the computation of diluted earnings per share for 2003, 2002 and 2001, respectively. The exercise price of these options was greater than the average market price of the common shares for the respective years, and therefore the effect would have been antidilutive.

16. INCOME TAXES

The following table shows the components of the provision for income taxes:

	2003	2002	2001
FEDERAL			
Current	$ 19.2	$123.4	$ 98.2
Deferred	47.6	20.0	27.9
	66.8	143.4	126.1
STATE			
Current	6.8	4.6	(.6)
Deferred	4.4	14.8	14.9
	11.2	19.4	14.3
FOREIGN			
Current	94.4	47.6	53.9
Deferred	(25.2)	30.4	(3.8)
	69.2	78.0	50.1
	$147.2	$240.8	$190.5

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

30 SEPTEMBER	2003	2002
GROSS DEFERRED TAX ASSETS		
Pension and other compensation accruals	$ 322.9	$ 210.9
Tax loss and investment tax credit carryforwards	47.2	40.1
Reserves and accruals	23.9	18.6
Foreign currency translation adjustment	113.3	83.1
Postretirement benefits	30.0	29.8
Inventory	22.2	18.5
Other	104.5	72.1
Valuation allowance	(10.8)	(15.4)
DEFERRED TAX ASSETS	$ 653.2	$ 457.7
GROSS DEFERRED TAX LIABILITIES		
Plant and equipment	$ 875.8	$ 859.1
Investment in partnerships	111.8	99.6
Employee benefit plans	62.4	26.5
Currency gains	19.4	18.7
Other	125.7	119.5
DEFERRED TAX LIABILITIES	$ 1,195.1	$ 1,123.4
NET DEFERRED INCOME TAX LIABILITY	$ 541.9	$ 665.7

Net current deferred tax assets of $54.9 and net noncurrent deferred tax assets of $108.8 were included in other current assets and other noncurrent assets at 30 September 2003, respectively. Net current deferred tax assets of $47.7 and net noncurrent deferred tax assets of $12.2 were included in other current assets and other noncurrent assets at 30 September 2002, respectively.

Foreign and state operating loss carryforwards as of 30 September 2003 were $78.4 and $263.1, respectively. The foreign losses have an unlimited carryover period. State operating loss carryforwards are available through 2023. Foreign capital loss carryforwards were $1.3 on 30 September 2003 and have an unlimited carryover period.

The valuation allowance as of 30 September 2003 primarily relates to the tax loss carryforwards referenced above. If events warrant the reversal of the $10.8 valuation allowance, it would result in a reduction of tax expense.

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

(percent of income before taxes)	2003	2002	2001
U.S. federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal tax benefit	1.4	1.6	1.8
Income from equity affiliates	(3.7)	(3.2)	(3.4)
Foreign tax credits and refunds on dividends received from foreign affiliates	(2.9)	.2	.3
Export tax benefits	(1.2)	(1.0)	(.9)
Restructuring of operations	--	--	(1.5)
Other	(1.7)	(1.2)	(2.3)
EFFECTIVE TAX RATE AFTER MINORITY INTEREST	26.9%	31.4%	29.0%
Minority interest	(.9)	(.7)	(.2)
EFFECTIVE TAX RATE	26.0%	30.7%	28.8%

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

	2003	2002	2001
Income from consolidated operations:			
United States	$ 293.9	$ 463.7	$ 416.0
Foreign	177.9	232.1	154.1
Income from equity affiliates	93.6	88.7	91.1
	$ 565.4	$ 784.5	$ 661.2

The company does not pay or record U.S. income taxes on the undistributed earnings of its foreign subsidiaries as long as those earnings are permanently reinvested in the companies that produced them. These cumulative undistributed earnings are included in consolidated retained earnings on the balance sheet and amounted to $1,117.1 at the end of 2003. An estimated $248.1 in U.S. income and foreign withholding taxes would be due if these earnings were remitted as dividends after payment of all deferred taxes.

17. PENSION AND OTHER POSTRETIREMENT BENEFITS

The company and certain of its subsidiaries sponsor defined benefit pension plans that cover a substantial portion of all worldwide employees. Pension benefits earned are generally based on years of service and compensation during active employment.

The company provides other postretirement benefits consisting of healthcare and life insurance benefits to certain retirees. Healthcare benefits are contributory, with contribution percentages adjusted periodically. The life insurance plan is noncontributory. The plans are unfunded.

The following table presents the benefit obligation and funded status of the domestic pension plans and other postretirement plan benefits as of 30 September and certain foreign pension plans as of 30 June:

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$ 1,780.1	$ 1,475.7	$ 76.8	$ 65.5
Service cost	59.3	50.1	4.2	4.4
Interest cost	117.5	104.8	5.8	4.7
Amendments	10.2	1.2	--	(3.6)
Actuarial loss	247.8	180.3	14.7	13.6
Special termination benefits, settlements and curtailments	12.5	1.8	.4	(.3)
Plan participant contributions	7.9	3.5	--	--
Benefits paid	(70.9)	(71.0)	(8.6)	(7.5)
Currency translation/other	50.7	33.7	--	--
Benefit obligation at end of year	$ 2,215.1	$ 1,780.1	$ 93.3	$ 76.8
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 1,012.5	$ 1,090.8	$ --	$ --
Actual return (loss) on plan assets	104.5	(89.7)	--	--
Company contributions	61.6	54.2	8.6	7.5
Plan participant contributions	7.9	3.5	--	--
Benefits paid	(70.9)	(72.1)	(8.6)	(7.5)
Currency translation/other	31.9	25.8	--	--
Fair value of plan assets at end of year	$ 1,147.5	$ 1,012.5	$ --	$ --
Funded status of the plans	$ (1,067.6)	$ (767.6)	$ (93.3)	$ (76.8)
Unrecognized actuarial loss (gain)	866.6	599.6	14.2	(.4)
Unrecognized prior service cost	23.0	19.0	(3.2)	(4.0)
Unrecognized net transition liability (asset)	.7	(2.6)	--	--
Net amount recognized	$ (177.3)	$ (151.6)	$ (82.3)	$ (81.2)
TOTAL RECOGNIZED AMOUNTS IN THE BALANCE SHEET CONSIST OF:				
Prepaid benefit cost	$ 11.5	$ 3.6	$ --	$ --
Accrued benefit liability	(689.4)	(429.9)	(82.3)	(81.2)
Intangible asset	22.8	15.4	--	--
Accumulated other comprehensive income - pretax	477.8	259.3	--	--
Net amount recognized	$ (177.3)	$ (151.6)	$ (82.3)	$ (81.2)
WEIGHTED AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS:				
Discount rate	5.8%	6.5%	6.0%	6.8%
Rate of compensation increase	4.2%	4.7%	4.5%	5.0%

The components of net pension and other postretirement benefit cost for 2003, 2002 and 2001 are set forth in the following table:

	Pension Benefits			Other Benefits		
	2003	2002	2001	2003	2002	2001
COMPONENTS OF NET PERIODIC BENEFIT COST						
Service cost	$ 59.3	$ 50.1	$ 42.9	$ 4.2	$ 4.4	$ 4.1
Interest cost	117.5	104.8	96.3	5.8	4.7	4.9
Expected return on plan assets	(114.9)	(112.2)	(102.9)	--	--	--
Prior service cost amortization	3.7	2.2	2.7	(.7)	(.2)	(.1)
Actuarial loss (gain) amortization	16.3	3.4	2.2	--	(.7)	(1.2)
Transition amount amortization	(3.3)	(4.0)	(3.5)	--	--	--
Settlement and curtailment charges	--	1.6	9.5	--	(2.1)	--
Special termination benefit	12.7	9.8	12.5	.4	1.5	.9
Net periodic benefit cost	$ 91.3	$ 55.7	$ 59.7	$ 9.7	$ 7.6	$ 8.6
WEIGHTED AVERAGE ASSUMPTIONS USED TO DETERMINE NET COST						
Discount rate	6.5%	7.1%	7.6%	6.8%	7.5%	8.0%
Expected return on plan assets	9.1%	9.4%	9.5%	--	--	--
Rate of compensation increase	4.7%	4.7%	4.7%	5.0%	5.0%	5.0%

During 2003, 2002 and 2001, the company incurred charges for special termination benefits as part of enhanced benefit programs offered under the global cost reduction plans discussed in Note 3.

The accumulated benefit obligation for all defined benefit pension plans was $1,815.8 and $1,430.7 at the end of 2003 and 2002.

The company's pension plans asset target allocation for 2004 and allocation at 30 September 2003 are as follows:

Asset Category	2004 Target Allocation	2003 Percentage of Plan Assets
Equity securities	67-73%	71%
Debt securities	20-30	23
Real estate	4-8	5
Other	0-5	1
Total		100%

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plans' assets were $2,141.0, $1,758.4 and $1,072.6, respectively, at the end of 2003, and $1,723.1, $1,390.5 and $964.2, respectively, at the end of 2002.

A $147.1 after-tax charge was recorded to comprehensive income within shareholders' equity due to the recognition of an additional minimum liability in 2003. The additional minimum liability is equal to the accumulated benefit obligation less the fair value of pension plan assets in excess of the accrued pension cost. The increase in the additional minimum liability resulted principally from the decline in the discount rate. In 2002, a $158.2 after-tax charge was recorded to comprehensive income within shareholders' equity due to the recognition of an additional minimum liability and the reversal of prepaid pension assets. The increase in the additional minimum liability resulted principally from the decline in the discount rate and the loss in value of plan assets.

Certain international operations have defined benefit pension plans that are not presented in the tables above. These international operations had accrued pension liabilities of $16.7 as of 30 September 2003. Pension expense associated with these plans for 2003 was $5.1.

The effect of a change in the healthcare trend rate is slightly tempered by a cap on average retiree medical cost. A one percentage point change in the assumed healthcare cost trend rate would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total of service and interest cost	$ --	$ (.1)
Effect on the postretirement benefit obligation	1.0	(1.0)

For measurement purposes, a 9.5% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2004. The rate was assumed to decrease gradually to 5.0% for 2006 and thereafter.

The company maintains a nonleveraged employee stock ownership plan (ESOP) which forms a portion of the Air Products and Chemicals, Inc. Retirement Savings and Stock Ownership Plan (RSSOP). The ESOP was established in May of 2002. The balance of the RSSOP is a qualified defined contribution plan including a 401(k) elective deferral component. Substantially all U.S. employees are eligible and participate. Dividends paid on ESOP shares are treated as ordinary dividends by the company. Under existing tax law, the company may deduct dividends which are paid with respect to shares held by the plan. Shares of the company's common stock in the ESOP totaled 7,973,107 as of 30 September 2003.

The company matches a portion of the participants' contributions to the RSSOP. Matching contributions expensed to income in 2003, 2002 and 2001 were $13.8, $14.2 and $14.3, respectively.

18. OTHER COMMITMENTS AND CONTINGENCIES

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

GUARANTEES AND WARRANTIES

The company is a party to certain guarantee agreements, including a residual value guarantee, debt guarantees of equity affiliates and equity support agreements. These guarantees are contingent commitments that are related to activities of the company's primary businesses.

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

The company has guaranteed repayment of some borrowings of certain foreign equity affiliates. At 30 September 2003, these guarantees have terms primarily in the range of one to seven years, with maximum potential payments of $18.

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

An equity support agreement was entered into related to the financing of a cogeneration project. At 30 September 2003, the remaining term of this guarantee is 15 months, with maximum potential payments of $15. A partner in this project has agreed to fund approximately half of any required equity contribution.

The company has not accrued any amounts related to these guarantees. To date, no equity contributions or payments have been required since the inception of these guarantees. The fair value of the above guarantees totals approximately $10.

The company, in the normal course of business operations, has issued product warranties in its Equipment segment. Also, contracts often contain standard terms and conditions which typically include a warranty and indemnification to the buyer that the goods and services purchased do not infringe on third-party intellectual property rights. The provision for estimated future costs relating to warranties is not material to the consolidated results of operations.

ENVIRONMENTAL

The company has accrued for certain environmental investigatory, external legal costs and noncapital remediation costs consistent with the policy set forth in Note 1. The potential exposure for such costs is estimated to range from $9 to a reasonably possible upper exposure of $21. The balance sheet at 30 September 2003 includes an accrual of $15.3.

OTHER COMMITMENTS

The company has entered into put option agreements with certain affiliated companies. In 1999, the company made an investment in INOX, an Indian industrial gases company. As part of this transaction, put options were issued which give other shareholders the right to require the company to purchase shares of INOX (approximately 5.1 million) at a predefined exercise price. The option period begins January 2004 and extends through January 2006. The option price during the first year is 570 Rupees per share and during the second year 630 Rupees per share. The U.S. dollar price of purchasing all 5.1 million shares in 2004 based on current exchange rates would be approximately $64. In 2002, the company entered into a put option agreement as part of the San Fu acquisition as discussed in Note 4.

At the end of 2003, the company had purchase commitments to spend approximately $286 for additional plant and equipment.

19. SUPPLEMENTAL INFORMATION

PAYABLES AND ACCRUED LIABILITIES

30 SEPTEMBER	2003	2002
Trade creditors, payables and accrued expenses	$ 547.3	$ 480.0
Accrued payroll and employee benefits	115.4	128.1
Pension benefits	189.8	22.9
Customer advances	62.5	57.6
Accrued interest expense	40.3	40.1
Outstanding checks payable in excess of certain cash balances	35.9	24.7
Miscellaneous	132.3	85.9
	$ 1,123.5	$ 839.3

SHORT-TERM BORROWINGS

30 SEPTEMBER	2003	2002
Bank obligations	$ 73.5	$ 116.9
Commercial paper	92.2	--
	$ 165.7	$ 116.9

The weighted average interest rate of short-term borrowings outstanding as of 30 September 2003 and 2002 was 2.1% and 3.7%, respectively.

DEFERRED INCOME AND OTHER NONCURRENT LIABILITIES

30 SEPTEMBER	2003	2002
Deferred gain on sale-leaseback of U.S. cryogenic vessel equipment	$ 134.7	$ 134.7
Pension benefits	515.1	410.8
Postretirement benefits	71.6	62.2
Derivative instruments	76.3	17.1
Miscellaneous	208.2	202.6
	$ 1,005.9	$ 827.4

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

30 SEPTEMBER	2003	2002
(Loss) gain on derivatives	$ (2.2)	$ 2.9
Unrealized gain on investment	19.7	14.6
Minimum pension liability adjustment	(317.5)	(170.4)
Cumulative translation adjustments	(267.2)	(414.0)
	$ (567.2)	$ (566.9)

OTHER (INCOME) EXPENSE, NET

	2003	2002	2001
Technology and royalty income	$ (15.1)	$ (13.4)	$ (16.9)
Interest income	(3.8)	(4.9)	(6.2)
Foreign exchange	(.8)	(2.0)	--
Gain on sale of assets and investments	(5.0)	(9.6)	(.1)
Amortization of intangibles	10.3	3.8	19.4
Insurance settlements	(3.6)	(2.7)	(9.6)
Miscellaneous	(8.5)	(8.3)	(18.1)
	$ (26.5)	$ (37.1)	$ (31.5)

Notes to the Financial Statements CONTINUED

SUMMARY BY QUARTER

These tables summarize the unaudited results of operations for each quarter of 2003 and 2002:

2003	First	Second	Third	Fourth	Total
Sales	$ 1,447.0	$ 1,578.1	$ 1,629.9	$ 1,642.3	$ 6,297.3
Operating income	196.5	179.0	40.0(A)	189.0	604.5
Net income	125.8	113.6	26.6(A)	131.3	397.3
Basic earnings per common share	.57	.52	.12(A)	.59	1.81
Diluted earnings per common share	.56	.51	.12(A)	.58	1.78
Dividends per common share	.21	.21	.23	.23	.88
Market price per common share: high	46.50	44.20	44.25	48.78	
low	40.34	36.97	40.72	40.50	

(A) Included an expense of $152.7 ($96.6 after-tax, or $.43 per share) for the 2003 global cost reduction plan.

2002	First	Second	Third	Fourth	Total
Sales	$ 1,316.5	$ 1,312.7	$ 1,374.0	$ 1,398.0	$ 5,401.2
Operating income	184.2	154.8(A)	215.1	220.8	774.9
Net income	113.7	126.1(A)(B)	141.3	144.3	525.4
Basic earnings per common share	.53	.58(A)(B)	.65	.66	2.42
Diluted earnings per common share	.52	.57(A)(B)	.63	.65	2.36
Dividends per common share	.20	.20	.21	.21	.82
Market price per common share: high	48.09	53.52	52.58	51.66	
low	36.15	43.30	45.59	40.00	

(A) Included an expense of $30.8 ($18.9 after-tax, or $.09 per share) for the 2002 global cost reduction plan.

(B) Included a gain of $55.7 ($25.7 after-tax, or $.12 per share) related to the sale of the U.S. packaged gas business.

20. BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

The company's segments are organized based on differences in products. The company has three operating segments consisting of Gases, Chemicals and Equipment.

GASES SEGMENT

The company's Gases segment includes its industrial gases, healthcare, power generation and flue gas treatment businesses.

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

The global healthcare business of the company is directed at two main markets: institutional and homecare. The institutional market uses medical gases in hospitals, clinics and nursing homes, as well as helium for use in magnetic resonance imaging. The homecare business involves the delivery of respiratory therapy services, infusion services and home medical equipment to patients in their homes in Europe, South America and the eastern United States.

The company constructed, operates and has approximately a 50% interest in power generation facilities in California, Rotterdam and Thailand. The company also constructed, operates and has a 50% interest in a flue gas treatment facility in Indiana.

CHEMICALS SEGMENT

The company's Chemicals segment consists of businesses organized around two divisions: Performance Materials and Chemical Intermediates.

Principal products of Performance Materials are emulsions, specialty additives, polyurethane additives and epoxy additives. Principal Chemical Intermediates are amines and polyurethane intermediates. The end markets for the company's chemical products are extensive, including adhesive, textile, paper, building products, agriculture and furniture. Principal geographic markets for the company's chemical products are North America, Europe, Asia, Brazil and Mexico.

EQUIPMENT SEGMENT

The Equipment segment designs and manufactures cryogenic and gas processing equipment for air separation, gas processing, natural gas liquefaction and hydrogen purification. The segment also designs and builds cryogenic transportation containers for liquid helium and systems for recovering gases using membrane technology. Equipment is sold worldwide to companies involved in chemical and petrochemical manufacturing, oil and gas recovery and processing, power generation and steel and primary metal production. Equipment is also manufactured for the company's industrial gas business. Another important market, particularly for air separation equipment, is the company's international industrial gas joint ventures.

CUSTOMERS

The company has a large number of customers, and no single customer accounts for a significant portion of annual sales.

ACCOUNTING POLICIES

The accounting policies of the segments are the same as those described in Note 1. The company evaluates the performance of segments based upon reported segment operating income. Operating income of the business segments includes general corporate expenses. Corporate expenses not allocated to the segments, included in all other, are primarily long-term research and development. Intersegment sales are not material and are recorded at selling prices that approximate market prices. Equipment manufactured for the company's industrial gas business is generally transferred at cost and not reflected as an intersegment sale. Corporate assets not allocated to the segments are included in all other. These assets include cash and cash items, unallocated administrative facilities and certain deferred items. Long-lived assets include investment in net assets of and advances to equity affiliates, net plant and equipment, goodwill and intangibles.

Business segment information is shown below:

	Gases	Chemicals	Equipment	Segment Totals	All Other	Consolidated Totals
2003						
Revenues from external customers	$ 4,438.3	$ 1,591.2	$ 267.8	$ 6,297.3	$ --	$ 6,297.3
Operating income	584.8	67.1	4.2	656.1	(51.6)	604.5
Depreciation and amortization	532.7	109.7	6.4	648.8	6.0	654.8
Equity affiliates' income	58.3	10.8	.2	69.3	15.1	84.4
Segment assets:						
Identifiable assets	7,097.3	1,478.1	171.4	8,746.8	131.6	8,878.4
Investment in and advances to equity affiliates	502.5	50.0	1.0	553.5	--	553.5
Total segment assets	7,599.8	1,528.1	172.4	9,300.3	131.6	9,431.9
Expenditures for long-lived assets	946.6	82.0	5.1	1,033.7	91.0	1,124.7
2002						
Revenues from external customers	$ 3,673.9	$ 1,451.7	$ 275.6	$ 5,401.2	$ --	$ 5,401.2
Operating income	614.0	172.5	20.7	807.2	(32.3)	774.9
Depreciation and amortization	473.3	109.0	5.4	587.7	3.4	591.1
Equity affiliates' income	61.9	11.7	2.6	76.2	--	76.2
Gain on sale of U.S. packaged gas business	55.7	--	--	55.7	--	55.7
Segment assets:						
Identifiable assets	6,045.0	1,400.2	184.4	7,629.6	381.2	8,010.8
Investment in and advances to equity affiliates	427.9	53.9	2.4	484.2	--	484.2
Total segment assets	6,472.9	1,454.1	186.8	8,113.8	381.2	8,495.0
Expenditures for long-lived assets	625.5	49.4	6.4	681.3	108.0	789.3
2001						
Revenues from external customers	$ 4,084.6	$ 1,522.8	$ 250.4	$ 5,857.8	$ --	$ 5,857.8
Operating income	654.9	112.3	10.0	777.2	(31.8)	745.4
Depreciation and amortization	465.7	123.1	5.5	594.3	3.4	597.7
Equity affiliates' income	71.7	7.5	2.0	81.2	--	81.2
Gain on divestiture of interest in cogeneration facilities	101.6	--	--	101.6	--	101.6
Loss on early retirement of debt	--	--	--	--	(75.8)	(75.8)
Segment assets:						
Identifiable assets	5,886.6	1,386.0	185.4	7,458.0	126.6	7,584.6
Investment in and advances to equity affiliates	446.0	50.2	3.3	499.5	--	499.5
Total segment assets	6,332.6	1,436.2	188.7	7,957.5	126.6	8,084.1
Expenditures for long-lived assets	698.1	52.0	1.6	751.7	57.7	809.4

Geographic information is presented below:

	2003	2002	2001
REVENUES FROM EXTERNAL CUSTOMERS			
United States	$ 3,630.6	$ 3,301.9	$ 3,871.4
Canada	96.1	108.4	116.6
Total North America	3,726.7	3,410.3	3,988.0
United Kingdom	499.3	459.1	478.5
Spain	365.8	332.2	313.7
Other Europe	925.0	706.6	608.3
Total Europe	1,790.1	1,497.9	1,400.5
Asia	648.4	377.1	335.3
Latin America	131.6	115.6	133.7
All other	.5	.3	.3
Total	$ 6,297.3	$ 5,401.2	$ 5,857.8
LONG-LIVED ASSETS			
United States	$ 3,529.8	$ 3,187.8	$ 3,389.7
Canada	52.3	78.1	87.8
Total North America	3,582.1	3,265.9	3,477.5
United Kingdom	432.2	475.5	452.6
Spain	491.0	405.8	371.1
Other Europe	1,180.3	987.7	829.8
Total Europe	2,103.5	1,869.0	1,653.5
Asia	1,084.0	993.1	680.9
Latin America	195.3	202.2	210.9
All other	55.6	33.8	35.8
Total	$ 7,020.5	$ 6,364.0	$ 6,058.6

Note: Geographic information is based on country of origin. Included in United States revenues are export sales to unconsolidated customers of $497.2 in 2003, $532.7 in 2002 and $602.3 in 2001. The Other Europe segment operates principally in Belgium, France, Germany and the Netherlands. The Asia segment operates principally in China, Japan, Korea and Taiwan.

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(millions of dollars, except per share)		2003	2002	2001	2000	1999
OPERATING RESULTS						
Sales		$ 6,297	$ 5,401	$ 5,858	$ 5,610	$ 5,161
Cost of sales		4,613	3,816	4,216	3,947	3,627
Selling and administrative		833	704	699	689	673
Research and development		121	120	122	123	122
Global cost reduction plans, net		153	23	107	55	34
Operating income		605	775	745	831	725
Equity affiliates' income		84	76	81	88	62
Interest expense		124	122	191	197	159
Income tax provision (benefit)		147	241	191	(14)	203
Net income		397	525	466	124	451
Basic earnings per common share		1.81	2.42	2.17	.58	2.12
Diluted earnings per common share		1.78	2.36	2.12	.57	2.09
YEAR-END FINANCIAL POSITION						
Plant and equipment, at cost		$ 11,723	$ 10,880	$ 10,227	$ 10,311	$ 10,188
Total assets		9,432	8,495	8,084	8,271	8,236
Working capital		487	653	332	430	(75)
Total debt(A)		2,511	2,385	2,478	3,045	2,842
Shareholders' equity		3,783	3,460	3,106	2,821	2,962
FINANCIAL RATIOS						
Return on sales		6.3%	9.7%	7.9%	2.2%	8.7%
Return on average shareholders' equity		10.9%	15.9%	15.8%	4.3%	16.1%
Total debt to sum of total debt, shareholders' equity and minority interest(A)		38.7%	39.6%	43.5%	50.9%	47.9%
Cash provided by operations to average total debt		42.8%	46.0%	37.8%	37.5%	39.5%
Interest coverage ratio		5.4	6.9	4.3	1.5	4.6
OTHER DATA						
For the year:	Depreciation	$ 640	$ 581	$ 573	$ 576	$ 527
	Capital expenditures(B)	1,171	806	806	973	1,108
	Cash dividends per common share	.88	.82	.78	.74	.70
	Market price range per common share	49-36	54-36	49-30	39-23	49-27
	Weighted average common shares outstanding (in millions)	220	217	215	213	212
	Weighted average common shares outstanding assuming dilution (in millions)	224	223	219	216	216
At year end:	Book value per common share	17.08	15.83	14.41	13.17	13.90
	Shareholders	11,100	11,100	11,200	11,400	11,900
	Employees	18,500	17,200	17,800	17,500	17,400

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

(B) Capital expenditures include additions to plant and equipment, investment in and advances to unconsolidated affiliates, acquisitions (including long-term debt assumed in acquisitions) and capital lease additions.

Exhibit 14

AIR PRODUCTS AND CHEMICALS, INC.

CODE OF CONDUCT

A MESSAGE FROM JOHN JONES
CHAIRMAN, PRESIDENT, AND CEO

Dear Colleague:

We at Air Products have always tried to live by the highest standards of integrity and ethical behavior in the performance of our work. That commitment is expressed in both broad statements of principle, and statements of more specific requirements of compliance with our Company policy.

We can take pride in our record of consistently meeting or exceeding the requirements of applicable laws, accepted industry standards, and our own values. Through our actions and our communications, we try to keep that message a meaningful part of the thinking and actions of our employees.

It is Company policy that we conduct our business in compliance with the legal requirements of the countries in which we do business, and the highest moral and ethical standards. The reputation of the Company and each of its employees for unquestioned honesty, integrity, and fair dealing are priceless assets--assets that we must not compromise. And because it's also good business, maintaining that reputation should be of primary concern to each of us. You should know too that disciplinary action, up to and including dismissal, could result for employees who fail to comply with laws or to exhibit the highest standard of ethics. Non-compliance with law may also result in legal action against responsible individuals and the Company.

This reissuance of the Company's Code of Conduct comes at a time when corporate business practices are under intense public scrutiny. Investors in the United States and around the world have witnessed the collapse of a number of companies, large and small, due to failures of diligence, ethics, and controls. In this environment, it is especially important that you join me in renewing our commitment to upholding the highest standards of integrity and ethics as set forth in the Code of Conduct.

It is important that all of us understand the Code of Conduct and satisfy its requirements in our everyday work. So please take the time to read this booklet. Because the laws applicable to our businesses are voluminous and complex, obvious and not-so-obvious questions about the Code can arise at any time in your day-to-day activity. You should seek advice whenever you are in doubt. Questions should be addressed to the Director, Corporate Compliance, or to Company legal counsel with whom you ordinarily consult.

/s/ John

John

INTRODUCTION

SOME BROAD PRINCIPLES

Community Involvement

Each of the Company's facilities will function as an integral part of the country, economy, and regional community in which it conducts the Company's business operations. Employees are encouraged to participate in community and political activities as concerned and responsible citizens. Both the Company and its employees benefit from any activity that improves the health, well-being, education, and culture of the community. Together, they have a responsibility to support and share in the development of social and civic activities designed to improve the quality of life in each such community.

Environmental Concerns

Air Products is firmly committed to protection of the environment and conservation of the world's natural resources. The Company will comply with applicable environmental laws and regulations. The Company's environmental concerns include the health and aesthetic needs of communities' citizens. The Company will participate in the development of sound, equitable, and realistic laws and other standards designed to preserve the quality of the environment.

Safety

The protection of the health of its employees and their safety from injury are fundamental objectives of the Company. These are moral responsibilities of each employee as well, and the Company recognizes their importance to the success of its business. Therefore, the Company's goal is to be a leader in safety and health in each industry in which it is a member.

The Company will also provide its customers with products and services that meet high standards of safety and reliability. Accordingly, employees will strive to minimize the potential risk of injury or illness to others from goods and services furnished by the Company. A Company goal is to maintain a position of industry leadership in meeting these standards.

Quality

Air Products is committed to being one of the industry leaders in quality for every product and service it provides in every market it serves. The Company is dedicated to continued improvement in its overall quality performance in every facet of its operations. The Company's goal is to conform consistently to its customers' expectations regarding its products and services.

Fairness

The Company, through its employees, officers and directors should endeavor to deal fairly with the Company's customers, suppliers, competitors and employees. No one should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

COMPLIANCE POLICY

Beyond the very broad principles of the Company's philosophy, there are also some more particular requirements to comply with Company policy. Some of those more particular requirements are set forth in the Business Conduct Guidelines, which are set out in the Code. It is Company policy that we conduct our business in compliance with the highest moral and ethical standards. Throughout this Code of Conduct, references to "employees" are intended to refer to the directors, officers, assistant officers, employees, and agents of the Company, and references to the Company are intended to refer to the Company and its controlled subsidiaries and joint ventures. Employees shall conduct the Company's affairs in accordance with this policy. Since the Company is a multinational company, employees will

frequently be confronted with laws, regulations, and business practices in the various countries and economies that differ from those in places where they customarily do business. As a company, we cannot equivocate on honesty and integrity. The Company will be a responsible corporate citizen in every country in which it conducts its business. Compliance with the legal requirements in all countries in which we do business is a key part of our ethical standards.

The Code aims at assuring adherence to that policy. Although we may present portions of the Code in a different manner in countries outside of the U.S., its message and the policy remain the same. Where laws in a country outside of the U.S. are more restrictive, the more restrictive laws are to be adhered to by our employees doing business in that country. Where a conflict presents itself, it should be resolved with the assistance of the Law Department.

The Code is crucial to establishing central oversight and coordination of the compliance efforts of the Company to minimize the likelihood of violations, to halt any violations that may occur as soon as reasonably possible after its discovery, and to discipline those who engage in such behavior, as well, as individuals who fail to exercise appropriate supervision and oversight and thereby allow such behavior by their subordinates to go undetected. It incorporates and supplements existing policies, practices and procedures and does not displace regulatory, auditing and other reporting systems that form the basis of the compliance program of the Company. Because the Code needs to change as the industries in which we do business evolve, it may be revised periodically.

CORPORATE RESPONSIBILITY

The Company shoulders primary responsibility in this area. We will hire and retain employees whose integrity matches our values, and who will not engage in illegal activities or violate Company policy. We will assure that each existing employee receives a copy of the Code, and that each new employee is provided a copy as a part of his or her orientation process. Through the Code, we will provide employees sufficient information to understand the standards and requirements that apply to them. We will deliver this information through a variety of informative methods such as e-mails, home and office mailings, and training by people knowledgeable about each of the specific areas of focus described in the Business Conduct Guidelines.

EMPLOYEE RESPONSIBILITY

Employees have a responsibility, too. The Code of Conduct and Business Conduct Guidelines describe conduct expected of all our employees. They identify a number of particular areas which present significant risks to the Company. Since no guidelines could cover all circumstances and risks, they are summary in nature, and not complete. In some countries or regions, portions of the Business Conduct Guidelines will not be applicable or will need to be modified to be applicable. The portion dealing with Political Contributions/Lobbying is an example. In some countries and jurisdictions, political contributions and lobbying are simply not permitted. Individual business units or staff groups may issue additional more specific guidance about certain practices related to those particular businesses or groups. IT IS THE OBLIGATION OF EACH EMPLOYEE TO BECOME FAMILIAR WITH THE CONTENTS OF THESE GUIDELINES AS THEY APPLY TO HIS OR HER RESPONSIBILITIES, AND TO ACT IN ACCORDANCE WITH THE CODE OF CONDUCT IN THE PERFORMANCE OF HIS OR HER ACTIVITIES. Additional information regarding each area contained in the Business Conduct Guidelines can be found at the end of each section. Employees should seek clarification or assistance from the Director, Corporate Compliance or Company legal counsel with whom the employee ordinarily consults.

IMPLEMENTATION

COMPANY COMPLIANCE ASSISTANCE LINE 1-877-272-9726

We hope all employees will fully comply with the Code of Conduct. And we expect managers and supervisors to create and maintain a work environment that encourages and promotes constructive, frank, and open discussion. Leaders must communicate the seriousness of the Company's expectations for ethical conduct and their own personal support of these expectations. Ethical leadership includes both fostering a work environment that encourages employees to voice concerns or otherwise seek assistance if faced with potentially compromising situations, and supporting those who speak out. But we recognize that we may not achieve 100 percent success in the pursuit of these goals. So, we have channels for employees to use in the implementation of this Code of Conduct.

Employees having questions or needing advice about the Code, or having reason to suspect a violation, should feel free to seek answers or advice, and report their suspicions. Their immediate supervisor would be the normal person to consult.

If the suspicions involve the supervisor, or if the employee would prefer to report the suspicions to another manager, he or she should take the matter to the desired manager, or to the Director, Corporate Compliance. The Director, Corporate Compliance, is to be notified of reports of suspected violations of the policy.

An employee may be reluctant to make such reports to anyone in management. In those circumstances, employees are encouraged to call the third-party operated, toll-free Compliance Assistance Line at 1-877-272-9726 to report suspicions of violations. Callers from outside the United States and Canada will need to access the toll-free Compliance Assistance Line by first dialing the AT&T Access Number applicable to the country from which the call is being placed. This assistance line will be staffed to receive calls 24 hours a day, 7 days a week, by people trained to collect sufficient information from callers to allow the Company to effectively handle reports. Access to operators fluent in languages other than English is provided as necessary. While the employee may choose to report anonymously, choosing anonymity and withholding detailed information may limit the ability of the Company to address or reconcile issues.

The Audit Committee of the Board has adopted the following procedure: Employees wishing to report suspected violations related to questionable accounting or auditing matters, in particular, to the Audit Committee of the Board of Directors, may do so by calling the Compliance Assistance Line, following the same procedure described above, and requesting that the report be forwarded to the Audit Committee, as well. Employees may make such a report on an anonymous basis.

NON-RETALIATION

Employees who, in good faith, report suspected violations in a manner described in the Code, are protected by the Company's policy of non-retaliation. Any retaliation for such a report should itself be reported through the Compliance Assistance Line.

INVESTIGATION

Our Director, Corporate Compliance, or a designee, will promptly evaluate and investigate all credible reports of suspected violations of the Code of Conduct.

COMPLIANCE MONITORING

Our Director, Corporate Compliance, is responsible for the overall administration of this Code of Conduct and will be responsible for documenting the compliance efforts of the Company. We may use internal or outside auditors and counsel, staff functions or consultants to audit various functions within the Company to assess the adequacy of, and adherence to, the Code of Conduct.

ENFORCEMENT

We will take appropriate action to correct any detected violations of the Code of Conduct, including correcting any failures of our Code or other policies and procedures, which inadvertently allowed the violations to occur, or to go undetected. A FAILURE BY AN EMPLOYEE TO COMPLY WITH THE CODE OF CONDUCT MAY RESULT IN DISCIPLINARY ACTION, WHICH COULD INCLUDE TERMINATION OF EMPLOYMENT, REFERRAL FOR CRIMINAL PROSECUTION, AND/OR LEGAL ACTION BY THE COMPANY TO RECOVER LOSSES OR DAMAGES RESULTING FROM THE VIOLATIONS. MANAGERS AND SUPERVISORS MAY BE SUBJECT TO DISCIPLINARY ACTION AND/OR PERSONAL LIABILITY FOR ANY INTENTIONAL OR CARELESS FAILURE TO DISCOVER OR ADDRESS VIOLATIONS COMMITTED BY THEIR SUBORDINATES.

ADMINISTRATION

Our Director, Corporate Compliance, will report to the Vice President and General Counsel, who will be the Chief Compliance Officer of the Company.

To provide for awareness, review, and participation at the highest levels of the Company, the Director, Corporate Compliance, will report any substantial violations of the Code of Conduct to the Corporate Executive Committee as frequently as circumstances require, and to the Audit Committee of the Company's Board of Directors as frequently as required, but at least once a year. The Audit Committee will, in turn, report to the full Board of Directors.

Periodically, the Director may designate certain employees who will be required to provide a written certification that they have reviewed and understand the Code of Conduct and confirming that during the immediately preceding period:

- they complied with the Code of Conduct, and

- they have no personal knowledge of any violation of it by others.

SHAREHOLDER ACCESS

The Company will make this Code of Conduct available for viewing BY INTERESTED PERSONS through appropriate means, including on the Corporate Governance section of the Company's external website. The Company will similarly and timely disclose to the public any amendment, or expressed or implicit material waiver, of the application of the Code to any employee of the Company. Any requests for a waiver to this Code of Conduct must be in writing and addressed to the Chief Compliance Officer. In order to effectively grant any such request, it will be elevated to the Board of Directors.

FINANCIAL ACCOUNTING AND REPORTING

As a publicly traded company, full, fair, accurate, timely, and understandable disclosure is required in periodic reports and documents filed by the Company with the U.S. Securities and Exchange Commission ("SEC") and in other public communications. Not only are accuracy and reliable business records mandated by law, but they are of critical importance to the Company's decision-making process. All business records, accounts, vouchers, invoices, bills, payrolls, service records, reports to government agencies and others, books, and records of the Company must be prepared with care and accuracy and be maintained in a verifiable manner and, in their final form, in conformance with U.S. Generally Accepted Accounting Principles (GAAP). All entries to Company ledger accounts must be substantiated by documentation that accurately describes the transactions they represent. No employee, regardless of position, is authorized to depart from this requirement or to condone a departure by anyone else. All corporate funds and accounts must be established in accordance with applicable standard practices. No fund or account is to be established or maintained for a purpose that is not fully and accurately described in the relevant books of the Company. Accounting and internal control procedures shall be strictly adhered to at all times.

Related to this particular area and many others is the requirement that since the Company's records are important corporate assets, employees are responsible for creating, using, storing, preserving and, as appropriate, disposing of records, in accordance with all applicable laws and regulations while meeting the needs of the business.

EXAMPLE

In your position as an assistant controller, you are spending another late night analyzing the financial results of your business area for the month. The revenue projections have failed to materialize during a time critical to the Company. In discussing this with your controller, she appears more than simply disappointed and tells you of all the pressure she's under from the business area vice president. She insists that you make some "beneficial adjustments, on a temporary basis, to get us all through this rough spot." You resist, but you fear, and she implies, that your career will not be enhanced by your "boy scout" approach to this.

DOING THE RIGHT THING TAKES A GREAT DEAL OF COURAGE AT TIMES. IMPLIED THREATS TO YOUR ABILITY TO SUPPORT YOURSELF AND YOUR FAMILY IN THIS WAY ARE INTIMIDATING AND WRONG. SHE'S WRONG, AND YOU WOULD BE WRONG TO DO AS SHE SAYS. YOU SHOULD REPORT THE CONVERSATION TO HER SUPERVISOR PROMPTLY. THE COMPANY HAS AN OBLIGATION TO PROTECT YOU FROM AN EFFORT TO HARM YOUR CAREER AS A RESULT OF YOUR REPORT, BUT IT CAN'T PROTECT YOU IF YOU DON'T REPORT IT.

CONFLICTING PERSONAL INTERESTS

CONFLICTS OF INTEREST AND IMPROPER PAYMENTS

Employees should conduct all of the business affairs of the Company at arm's length; that is, they should avoid any situation that involves, or appears to involve, a conflict between their personal interests and the interests of the Company. That means avoiding any circumstances that might compromise--or even appear to compromise--their judgment or impartiality when doing their job.

Conflicts could arise if an employee is directly or indirectly connected with a supplier, competitor, or customer. Being connected directly means, for instance, being an owner, partner, consultant, or the recipient of wages, or other compensation. Being connected indirectly includes being an immediate family member of an owner, a silent partner, etc. of the business in question. (Shares of stocks, bonds and other securities in companies traded on major public exchanges, acquired, in an arm's length transaction, as a part of a normal investment program do not normally constitute a conflict.)

No employee should offer anything of value to, or accept anything of value from, a customer, a supplier or anyone else, which can be construed as an attempt to influence or prompt business decisions, or that can be considered to be a bribe or a pay-off. Obviously, giving or receiving cash is against Company policy. It is consistent with Company policy to accept or provide reasonable entertainment when normal business courtesies indicate a need. This would include providing or accepting a meal of reasonable value or the occasional social event, such as a play or a sporting event. Employees, whenever possible, should reciprocate in providing business courtesies in an effort to maintain a balanced relationship. Providing or receiving excessive entertainment or gifts is not considered ordinary or necessary business practice, and is against Company policy, as is accepting or providing even reasonable entertainment when it has been brought to our attention that it is against the policy of the customer or supplier involved. It may even be a violation of the law with respect to government employees, as there are very technical regulations regarding any dealings with government employees. Because of that, no gifts should be given to government employees without first seeking the approval of your immediate supervisor and a representative of the Law Department. The receipt of certain personal benefits, such as loans or guarantees of obligations, is of special concern, and are subject to the requirements of this conflict of interest guideline. It should be understood that employees are prohibited from using opportunities, which are discovered through Company information or their position, or using Company property for personal gain, or competing with the Company.

Since conflicts are often difficult to judge and the propriety of certain practices is not always clear, circumstances, which may involve a conflict should be promptly disclosed to the employee's immediate supervisor, or the Director, Corporate Compliance. A common-sense test for appropriateness is whether the parties involved would be willing to publicly disclose an action without fear of embarrassment or legal proceedings.

EXAMPLES

Your spouse holds a senior position at a company proposing to supply materials of the kind and quality being sought by Air Products for a particular project. In the ordinary course of business, you would be responsible for evaluating bids for suppliers to that project.

WHILE YOUR SPOUSE'S BUSINESS MAY HAVE THE BEST OVERALL BID, YOUR REVIEW AND PART IN AWARDING THE CONTRACT TO THAT BUSINESS COULD LEAD TO QUESTIONS AS TO YOUR IMPARTIALITY. SINCE IT IS IN THE INTEREST OF AIR PRODUCTS TO FOSTER AN EXPECTATION AMONG SUPPLIERS THAT THEIR PROPOSALS WILL BE FAIRLY EVALUATED, YOU SHOULD TELL YOUR SUPERVISOR OF THE CONFLICT AS SOON AS YOU LEARN OF IT, SO THAT ANOTHER DISINTERESTED EMPLOYEE MAY BE SELECTED TO EVALUATE THE BIDS.

You have just taken a new position in the Company. A supplier's representative, interested in obtaining an order from Air Products, calls on you to welcome you to your new position. She gives you a greeting card also containing two season tickets to the local professional hockey team.

YOU MUST GRACIOUSLY REFUSE TO ACCEPT THE GIFT. ALTHOUGH WE ARE INTERESTED IN FOSTERING RELATIONSHIPS WHICH MAKE OUR WORK MORE PLEASANT AND IMPROVE THE ABILITY OF AIR PRODUCTS TO OBTAIN PROMPT AND ATTENTIVE SERVICE, THIS GIFT EXCEEDS REASONABLE COURTESIES, AND COULD BE EASILY VIEWED AS AN INDUCEMENT FOR YOU TO GIVE THE SUPPLIER SPECIAL AND INAPPROPRIATE CONSIDERATION IN MAKING YOUR PROFESSIONAL JUDGMENTS.

CONFLICTING PERSONAL INTERESTS

SECURITIES/INSIDER TRADING

It is a violation of Company policy for an employee to disclose, directly or indirectly, any confidential information acquired in the course of his or her employment with the Company. Employees may not use such information to their own advantage, or to the Company's disadvantage. There are legal reasons for this policy, but it is also aimed at preventing damage to the Company resulting from the disclosure of valuable information.

This policy would forbid the purchase of stock in another company which an employee has reason to believe the Company may be interested in acquiring. Nor could an employee give such information to another who in turn might make use of it. This kind of information is often referred to as "insider" information. In general, it means material information about Air Products or another company which has not been made public (such as knowledge that the Company may be interested in acquiring that other company), and which could affect a decision to buy, sell or hold the stock of Air Products or the other company. Disclosure of "insider" information relating to a publicly traded company may result in criminal or civil liability for the disclosing individual.

From time to time, certain employees are specifically informed that, because of their knowledge about and/or involvement in a certain project, they are restricted in their ability to engage in any buying or selling of Air Products stock. Further, certain employees of the Company, whose position involves regular access to material information about the company which is not generally available to the public, are subject to special restrictions applicable to any buying or selling of Air Products stock by them, other than during certain so-called "window periods." Whether or not notified, if you are in possession of material, non-public information about the Company, you are prohibited from trading in Air Products stock.

EXAMPLE

You are attending a safety meeting. As the meeting breaks up, another employee mentions that the product development effort which the two of you have been working on is going so well that the first public announcement about this product, which is sure to revolutionize the market, is to be made next week. During your regular weekly golf outing with long-time friends, one of them asks "What's new and exciting at work."

THOUGH YOU ARE APPROPRIATELY PROUD OF THE RESULTS OF YOUR EFFORTS, YOU SHOULD NOT DISCUSS THIS UNTIL MADE PUBLIC. BUYING OR SELLING ON THE BASIS OF THIS KIND OF INFORMATION COULD BE A VIOLATION OF THE LAW.

RELATIONS WITH COMPETITORS / ANTITRUST LAWS

We expect our employees to follow the letter and spirit of the antitrust laws of the United States and of any other country or group of countries whose laws apply to our business. Through the Company's commitment to free and open competition in the marketplace, the Company will grow and prosper. No employee should assume that the Company's interest in enhancing its earnings or meeting its financial objectives ever requires or justifies actions in conflict with those laws and our commitment to follow them.

In general, these laws prohibit agreements or actions that may restrain trade or reduce competition. One of these U.S. laws, the Sherman Act, makes certain agreements and understandings between competitors per se unlawful. That means they are flatly prohibited and cannot be defended or justified in any way, even where the parties acted in good faith and even if the agreement or understanding was economically rational. Further, there will be no examination of whether the understanding or agreement actually adversely affected competition; instead, it is presumed to be illegal. By way of example, per se violations include agreements among competitors to: 1) fix or control prices or terms, 2) boycott certain suppliers or customers, 3) allocate products, territories or markets, or 4) limit the production or sale of products.

Antitrust laws are complex and difficult to interpret, and they apply to a very broad range of corporate activities. Violations can carry serious civil and criminal sanctions. And even the allegation of a violation can be damaging and disruptive to the Company. So great care and attention is expected of employees in a position to affect the commercial actions of the Company.

Contact with competitors can be dangerous, but can serve legitimate business purposes, such as certain trade association meetings and activities, and the discussion of joint business or research ventures. When you have any doubt if a transaction or course of conduct is consistent with Company policy or when considering a joint business or research venture of this kind, you should consult our Law Department for guidance.

EXAMPLES

You are attending a trade association meeting including some of our competitors. Following a meeting focused on improving and standardizing industry equipment safety, you are approached by a representative of one of our competitors. He tells you of his need for more product in a region, and suggests that if we also need product in the region, our mutual financial interests might be served by jointly building a production facility. In fact, you know that it would be cheaper to build the larger plant. We could take our share of the product and sell it to whomever we want, at any price we can get -- that is, we could still compete with one another.

WHETHER THIS JOINT PRODUCTION EFFORT WOULD BE LEGAL IS A QUESTION WHICH REQUIRES CAREFUL THOUGHT. YOU SHOULD CONTACT OUR LAW DEPARTMENT TO REVIEW IT WITH YOU.

When you respond to the first question by saying that you will consider his suggestion and review it with your Law Department, he goes on to suggest that, in another region, we are probably both suffering with unnecessarily low margins. He suggests that we could make life simpler for ourselves by agreeing which of us will get the business of each of the major customers in that region.

WHILE HE MAY BE RIGHT THAT SHORT-TERM SUPPORT TO PRICES MIGHT RESULT FROM THAT ARRANGEMENT, IT WOULD BE WRONG AND ILLEGAL, AND THE LEGAL CONSEQUENCES MIGHT TURN OUT TO BE ENORMOUS. YOU SHOULD MAKE YOUR REFUSAL TO CONSIDER THIS VERY CLEAR. YOU DO NOT WANT ANYONE TO BE IN A POSITION TO SUGGEST THAT YOU AGREED BY YOUR ACTIONS, EVEN THOUGH YOU DID NOT SAY "YES." THIS SHOULD BE REPORTED TO THE DIRECTOR, CORPORATE COMPLIANCE, OR OUR LAW DEPARTMENT.

INTERNATIONAL TRADE LAWS

ANTI-BOYCOTT LAWS

Some foreign governments boycott or refuse to deal with the governments of other countries or businesses within the borders of those other countries. These governments have attempted to heighten the impact of their boycott by requiring customers and suppliers beyond their borders to refuse to deal with the target country or companies from the target country as a condition of doing business with the company from the boycotting country. The United States has enacted laws and regulations generally prohibiting U.S. companies and their foreign and domestic subsidiaries from cooperating with boycotts, which the U.S. government does not support. These laws also require the reporting to U.S. government agencies of most written and oral requests to comply with or support such boycotts. Violations may result in criminal and civil penalties and the loss of tax benefits. It is the policy of the Company to comply in all respects with the U.S. anti-boycott laws and regulations.

EXAMPLE

You have been trying for years to sell equipment and services to a company in country X. Finally, you are informed that you will be awarded the business, and you are given a copy of the draft contract the company intends to use. It would be a long-term and financially rewarding deal for the Company. Then

you notice that the draft contract contains a provision requiring that Air Products agree not to utilize components or persons from country Y in performing the contract. Air Products does not need to use components or persons from country Y.

AS IS THE CASE WITH CONTRACTS GENERALLY, YOU SHOULD REVIEW IT WITH OUR LAW DEPARTMENT, WHO WILL ALSO DETERMINE THE NEED FOR REPORTING THE REQUEST. YOU MAY NOT BE ABLE TO PROCEED WITH THE CONTRACT UNTIL THE BOYCOTT LANGUAGE CONTAINED IN ALL DOCUMENTATION IS REMOVED OR APPROPRIATELY AMENDED. PROVISIONS SUCH AS THESE NORMALLY MUST BE PROMPTLY REPORTED AND REMOVED FROM ALL DOCUMENTATION, AND CANNOT BE REPLACED WITH A VERBAL AGREEMENT.

INTERNATIONAL TRADE LAWS

IMPORT / EXPORT LAWS

Global importing and exporting laws require accurate classification, valuation, end-user/end-use screening, and timely documentation of commodities and technologies crossing international borders. The United States and other governments may restrict, through required licensing, the exportation, importation, or re-exportation of commodities based on factors such as the origin, classification, or dual-use nature of many of our commodities and technologies, as well as the identity of the customer. Exports and re-exports to countries designated "embargoed" under the jurisdiction of the exporting country are prohibited. Violations may result in criminal and civil penalties and loss of exporting or importing privileges. It is the policy of the Company to comply with these laws.

EXAMPLE

You are at a trade convention in Italy and are approached by a representative of a company, which is interested in buying a large volume of one of our chemical products. The representative is unclear about the use and ultimate customer of the product, but promises that we would be the sole source for the customer and the price would be above market. You know that the chemical product has many legitimate uses, but you are also aware of certain dual-use qualities that can make the chemical very dangerous.

YOU SHOULD REFUSE TO DO BUSINESS UNLESS LEGITIMATE USE, CUSTOMER, AND DESTINATION INFORMATION CAN BE ESTABLISHED, AND UNTIL ANY REQUIRED EXPORT LICENSE FROM THE APPROPRIATE GOVERNMENT CAN BE PROPERLY OBTAINED. WE SHOULD NOT PARTICIPATE IN A SUBTERFUGE TO AVOID THE REQUIREMENTS OF THE LAW.

INTERNATIONAL TRADE LAWS

FOREIGN CORRUPT PRACTICES ACT

It is our policy to comply with the U.S. Foreign Corrupt Practices Act. That act prohibits payments and offers of payments of anything of value to foreign officials, political parties, or candidates for foreign political office to get, keep, or direct business. And claiming not to know of the wrong-doing will not serve as a defense, where circumstances should reasonably have alerted you to it. Payments made indirectly through intermediaries, such as sales agents and consultants, when most people would understand that such payments are being passed along for prohibited purposes, are also illegal.

In addition to certain prohibited actions, the law also requires internal accounting control and record keeping which apply to the domestic operations of the Company in connection with any payments by its foreign subsidiaries.

The issues presented by this law are more complex than they may at first appear. As an example, although you might not consider the term "foreign official" to include employees of businesses owned by the foreign government, the law would generally consider them to be "foreign officials". To complicate things further, certain exceptions exist in the law. For these reasons and others, the assistance of legal counsel experienced in this area is essential for working through the complexities of the issues encountered in connection with complying with this law.

While some have complained that, by enacting this law, the U.S. government has unfairly handicapped U.S.-based companies in competing globally, recently, a large number of countries, including many of the major industrialized countries from western Europe have signed a treaty agreeing to enact substantially similar laws. Before doing business outside of the U.S., U.S. employees need to have a working knowledge of these laws and policies.

EXAMPLES

You have been making repeated efforts at selling our long-term services to a government-owned business in an emerging nation. Our local sales agent contacts you saying that he finally arranged a meeting with the key decision maker. He says there's a small issue though. The key decision maker needs a sign of our support of him in the form of a large sum of cash. Our sales agent tells you he knows that a company with the reputation of Air Products would never want to be involved in such a thing, but offers that perhaps he can still arrange the meeting but he will have to work very hard--harder than he had thought. He says that he would probably be more successful if we help by raising his commission for this project. The new commission would be a surprisingly high percentage.

YOU SHOULD SAY NO, AND REVIEW THE EVENTS WITH OUR LAW DEPARTMENT. WHILE PAYING FOR THE SERVICES OF A SALES AGENT IS OFTEN APPROPRIATE, THESE CIRCUMSTANCES SHOULD LEAD YOU TO WORRY THAT THE SALES AGENT INTENDED TO PASS ALL OR A PART OF THE INCREASED COMMISSION ON TO THE DECISION MAKER. IT WOULD BE INAPPROPRIATE FOR US TO PARTICIPATE IN SUCH AN ARRANGEMENT, AND IF OUR REASONABLE SUSPICIONS WERE CORRECT, OUR PARTICIPATION COULD PROVE TO BE ILLEGAL. THE SUGGESTION SHOULD BE ENOUGH TO CAUSE YOU TO RE-CONSIDER THE APPROPRIATENESS OF OUR SELECTION OF THIS SALES AGENT.

Instead of a request for money the key decision maker indicates the need to tour the state-of-the-art plant we own and operate in southern California (not too far from local tourist attractions). This trip is far too expensive for his government to pay for, so he requests that it be paid for by Air Products. This is a small expense to Air Products in comparison with the value of this very large piece of business.

WHILE THERE ARE CIRCUMSTANCES WHERE SUCH EXPENSES MAY LEGITIMATELY BE PAID FOR A FOREIGN GOVERNMENT OFFICIAL, THE ISSUE IS QUITE COMPLEX. THE U.S. DEPARTMENT OF JUSTICE VIEWS THIS AS A VERY NARROW EXCEPTION TO THE PROHIBITIONS OF THE LAW, AND SOME ADDITIONAL FACTORS CAN PUSH OUR CIRCUMSTANCES OUT OF THE EXCEPTION. ADDITIONAL FACTORS MAY INCLUDE PAYING THE TRAVEL AND LIVING EXPENSES OF THE SPOUSE AND CHILDREN OF THE OFFICIAL, PAYING LARGE AMOUNTS OF ADDITIONAL LIVING EXPENSES AND TRIPS WHERE, AS AN EXAMPLE, ONE OF TEN DAYS IS DEVOTED TO TOURING COMPANY FACILITIES, WITH THE BALANCE BEING A PAID-FOR VACATION.

POLITICAL CONTRIBUTIONS / LOBBYING

It is our policy to comply with all laws governing political contributions. These laws can be complex. They are often enforced with civil and criminal penalties, and may vary widely from federal to state, and from state to state within the U.S. For example, some U.S. states allow, and others do not allow, corporate contributions to political candidates. Employees are, of course, free to give to any political party or

candidate of their choice on their own behalf, but they may not make any contribution of Company funds, property or services to any political party or committee, or to any candidate for or holder of any office of any government. It is the policy of Air Products not to make any federal or state political contributions.

This policy does not prevent, where lawful, the operation of a Political Action Committee ("PAC"). In fact, U.S. employees, above a certain grade level, are from time to time asked to join the Air Products PAC, which makes contributions to federal and state candidates who share the Company's beliefs. The decision of any employee to participate in the Air Products PAC is purely voluntary. No one may pressure an employee in any way to join.

No employee should lobby or try to influence state or federal officials to act, or refrain from acting, with respect to legislation or other policy decisions on matters relating to Company business, unless the action is approved by the Director, Corporate Relations. Not only is it important to coordinate our lobbying efforts, but increasingly those considered to be lobbyists must register as lobbyists.

EXAMPLE

Air Products would be very interested in the passage of a law in one of the states in which we do business. We know the vote will be close. We are contacted by a key legislator on the eve of the vote. After casually discussing our long relationship and the importance of the vote to us, the legislator suggests that her re-election effort is behind in its fund-raising efforts and that she would be very grateful for a meaningful contribution from Air Products.

WHILE AIR PRODUCTS DOES FIND IT USEFUL TO LOBBY LAW MAKERS IN THE FEDERAL AND STATE GOVERNMENTS, IT IS DONE WITHIN THE LAW. THIS SUGGESTION SEEMS TO BE A VERY HEAVY-HANDED REQUEST FOR SOMETHING WHICH IS NOT APPROPRIATE. IN FACT , IT MAY BE ILLEGAL. AT THE VERY LEAST IT WOULD NOT APPEAR, IF PRINTED IN THE REGIONAL NEWSPAPER, TO BE APPROPRIATE, AND IT IS NOT PERMITTED BY COMPANY POLICY. IT IS ESSENTIAL TO INVOLVE OUR CORPORATE RELATIONS PERSONNEL IN PLANNING OUR EFFORTS AT APPROPRIATELY MAKING OUR CASE TO LAWMAKERS.

EMPLOYMENT

The Company values diversity in its workforce and believes employees with diverse backgrounds can and do make valuable contributions to its success. Our continued success depends largely on our ability to attract and develop a diverse work force of qualified men and women. We expect all persons in our workplaces to be treated with dignity and to have their rights respected. We will not tolerate sexual or other harassment or discrimination on the basis of, among other things, race, creed, gender, religion, national origin, age, disability, sexual orientation, veteran status or any other basis prohibited by law, by or against any person at any level. Every employee will be judged on the basis of his or her qualifications to perform his or her job. We simply cannot afford to deprive ourselves of capable people for reasons based on unlawful or unjust discrimination. Instead, the Company fully supports all principles of equal opportunity in employment.

EXAMPLE

You are trying to fill a position, which will include responsibility for work in a variety of countries outside the United States. Among the candidates, the one with the best educational background and experience, a woman, is expressing great interest in the opportunity, but you are aware that businessmen in some of the countries included in the area of responsibility do not like dealing with businesswomen.

IT IS AGAINST THE POLICY OF AIR PRODUCTS, AND ILLEGAL, TO EXCLUDE THE BEST CANDIDATE FROM CONSIDERATION BECAUSE SOMEONE MIGHT NOT LIKE DEALING WITH PROFESSIONAL WOMEN. IT IS IMPORTANT THAT WE FOLLOW WHAT WE BELIEVE TO BE THE RIGHT PATH IN WHAT WE DO, EVEN WHEN IT INVOLVES ACTIVITIES OUTSIDE OF THE UNITED STATES.

INTELLECTUAL PROPERTY

While the flow of information within the Company regarding current and future projects, products, and plans is critical to the performance of the employees and the Company, that information could be valuable to a competitor, and its disclosure to others without approval could be harmful to the Company. The Company may also hold confidential information of other companies or individuals, which we are legally obligated to protect. Beyond that, all Company assets should be used for legitimate business purposes. Therefore, employees should protect sensitive Company information from unauthorized disclosure or use, and employees shall not use such information to further any personal interest or to the Company's disadvantage. The confidential or proprietary information of another company or individual should be received and used only in accordance with a written agreement approved by one of the attorneys in our Law Department to avoid potential legal claims or contamination of the Company's own research efforts, developments and business. Adequate security must be maintained in disposing of confidential and proprietary information.

It is a normal and appropriate part of the conduct of business to try to understand and anticipate the products, plans, and strategies of competitors. This information can be gathered from a variety of legally appropriate sources, but there are clear limits. Improper acquisition or use of confidential information of competitors can have serious legal and business consequences. One limitation is found in the recently enacted federal Economic Espionage Act, which provides severe criminal penalties for individuals or organizations who improperly receive or pass along trade secrets.

EXAMPLE

As part of a general sales call by a supplier, you are having dinner together--much as you would expect he has with our competitors. The supplier asks how we are doing on a certain project, which we are negotiating with a potential customer.

WHILE IT MAY BE TO OUR BENEFIT TO DEVELOP FRIENDLY RELATIONS WITH OUR SUPPLIERS FOR OUR OWN PURPOSES, IT IS IMPORTANT TO KEEP IN MIND THAT ANYTHING WE SAY MAY BE PASSED ON TO THE COMPETITION. ONLY IF THE SUPPLIER IS INVOLVED IN SUPPORTING OUR EFFORTS ON A PARTICULAR PROJECT, AND HAS SIGNED A CONFIDENTIALITY AGREEMENT WITH AIR PRODUCTS TO ALLOW US TO DISCLOSE INFORMATION TO HIM OR HER, SHOULD WE THE DISCUSS THE PROJECT. THEN WE SHOULD ONLY DISCLOSE WHAT THEY NEED TO KNOW IN CONNECTION WITH THE WORK THEY ARE DOING FOR US.

HEALTH CARE REGULATIONS

A portion of the Company's business is increasingly in the field of home healthcare. As a provider of health care related products and services in the U.S., the subsidiaries through which the Company conducts that business are subject to laws, including fraud and abuse laws. Fraud and abuse laws, in general, pertain to physician referrals, false claims, and anti-kickback laws, and the violation of these laws may result in civil and/or criminal penalties and the exclusion of the Company from government business. While these laws are broad in scope and cover a variety of conduct, in general, in connection with the home healthcare business, employees are directly and affirmatively PROHIBITED from engaging in the following conduct: (1) making, soliciting or receiving, directly or indirectly, payments or anything of value in exchange for making or recommending the referral of patients or the purchase of items for which payment is made under a federal health program; (2) submitting false, fraudulent, or misleading claims to any government entity or third party payer, including claims for service not rendered, claims which characterize the service differently than the service actually rendered (e.g. upcoding), falsification of medical necessity documentation or claims that do not otherwise comply with applicable program or contractual requirements; and (3) making false representations to any person or entity in order to gain or retain participation in a program or to obtain payment for any service. Fraud and Abuse laws currently apply to both Medicare and Medicaid programs and may at some point in the future apply to private payers. Some federal fraud and abuse laws also apply to other federal programs.

EXAMPLE

You are a salesperson for our liquid/bulk business and while visiting a hospital customer in connection with the renewal of the hospital's contract the hospital's purchasing agent asks if it's true that Air Products is now a homecare provider. You respond that it is true. The purchasing manager calls in the hospital's discharge planner to report the news and suggests that the hospital would be willing to direct its referral of new oxygen therapy patient to Air Products Healthcare if Air Products provided a discount on its bulk liquid medical oxygen purchases.

YOU SHOULD POLITELY REFUSE TO ENGAGE IN FURTHER DISCUSSIONS ON THIS TOPIC AND REPORT THE INCIDENT TO YOUR SALES SUPERVISOR AND THE VP OF COMPLIANCE AND REIMBURSEMENT OF AIR PRODUCTS HEALTHCARE.

Exhibit 18

December 10, 2003

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195

Ladies and Gentlemen:

We have audited the consolidated balance sheets of Air Products and Chemicals, Inc. (the Company) as of 30 September 2003 and 2002, and the related consolidated statements of income, cash flows and shareholders' equity for the years then ended, and have reported thereon under date of 24 October 2003. The aforementioned consolidated financial statements and our audit report thereon are incorporated by reference in the Company's annual report on Form 10-K for the year ended 30 September 2003. As stated in Note 1, the Company changed its method of accounting for LIFO inventory by reducing the number of LIFO inventory pools and states that this newly adopted accounting principle is preferable in the circumstances, as each new pool will include items with similar economic activity. In accordance with your request, we have reviewed and discussed with Company officials the circumstances and business judgment and planning upon which the decision to make this change in the method of accounting was based.

With regard to the aforementioned accounting change, authoritative criteria have not been established for evaluating the preferability of one acceptable method of accounting over another acceptable method. However, for purposes of the Company's compliance with the requirements of the Securities and Exchange Commission, we are furnishing this letter.

Based on our review and discussion, with reliance on management's business judgment and planning, we concur that the newly adopted method of accounting is preferable in the Company's circumstances.

Very truly yours,

/s/ KPMG LLP

Exhibit 21

SUBSIDIARIES OF AIR PRODUCTS AND CHEMICALS, INC.

The following is a list of the Company's subsidiaries, all of which are wholly owned as of 30 September 2003, except for certain subsidiaries of the Registrant which do not in the aggregate constitute a significant subsidiary as that term is defined in Rule 12b-2 under the Securities Exchange Act of 1934.

UNITED STATES

All companies are incorporated in the State of Delaware unless otherwise indicated.

Registrant -- Air Products and Chemicals, Inc.
Air Products Asia, Inc.
Air Products (Didcot), Inc.
Air Products Helium, Inc.
Air Products Hydrogen Company, Inc.
Air Products, L.P.
Air Products International Corporation
Air Products Manufacturing Corporation
Air Products of Oklahoma, Inc.
Air Products Polymers Holdings, L.P.
Air Products Polymers, L.P.
Air Products Powders, Inc.
Air Products (Rozenburg), Inc.
American Homecare Supply Metro New York, LLC
American Homecare Supply Mid-Atlantic, LLC
American Homecare Supply West Virginia, Inc.
APCI (U.K.), Inc.
Collins I.V. Care, Inc. (Connecticut)
C.O.P.D. Services, Inc. (New Jersey)
Denmark's, Inc. (Massachusetts)
DependiCare Home Health, Inc. (Illinois)
Genox Homecare, Inc. (Connecticut)
Middletown Oxygen Company, Inc.
Prodair Corporation

BELGIUM

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

BERMUDA

Asia Industrial Gas Company Ltd.

BRAZIL

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

CANADA

Air Products Canada Limited

CHINA

Air Products and Chemicals (China) Investment Co., Limited
Air Products (Nanjing) Co., Limited
Chun Wang Industrial Gases, Limited
Eastern Air Products (Shanghai) Co., Limited
Northern Air Products (Tianjin) Limited
Southern Air Products (Guangzhou) Limited
Southern Air Products (Zhuhai) Limited

CZECH REPUBLIC

Air Products spol s.r.o.

FRANCE

Air Products SAS
Air Products (Medical) S.a.r.l.
Air Prod 99 S.A.S.
Prodair et Cie S.C.S.
Prodair S.A.

GERMANY

Air Products GmbH
Air Products Medical GmbH
Air Products Polymers GmbH & Co KG
Air Products Powders GmbH

INDONESIA

PT Air Products Indonesia

IRELAND

Air Products Ireland Limited

ISRAEL

Prodair Israel Limited

JAPAN

Air Products Japan, Inc.

KOREA

Air Products Korea, Inc.
Hanyang Technology Co., Ltd.
Korean Industrial Gases, Limited
Korea Specialty Gases Ltd.

MALAYSIA

Air Products STB Sdn Bhd

MEXICO

Air Products Resinas, S.A. de C.V.

THE NETHERLANDS

Air Products Holdings B.V.
Air Products Investments B.V.
Air Products Leasing B.V.
Air Products Nederland B.V.
Air Products (Pernis) B.V.

NORWAY

Air Products A/S

SPAIN

Air Products Iberica, S.L.
Gases Industriais, S.A.
S.E. de Carburos Metalicos S.A.

SINGAPORE

Air Products Singapore Pte. Limited

TAIWAN

San Fu Gas Co., Limited

UNITED KINGDOM

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

Exhibit 23.1

NOTICE REGARDING CONSENT OF ARTHUR ANDERSEN LLP

Section 11(a) of the Securities Act of 1933, as amended (the Securities Act), provides that if any part of a registration statement at the time such part becomes effective contains an untrue statement of a material fact or an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may sue, among others, every accountant who has consented to be named as having prepared or certified any part of the registration statement, or as having prepared or certified any report or valuation which is used in connection with the registration statement, with respect to the statement in such registration statement, report or valuation which purports to have been prepared or certified by the accountant.

This Form 10-K is incorporated by reference into Air Products and Chemicals, Inc. filings on Form S-8 Nos. 33-2068, 33-65117, 333-21145, 333-45239, 333-71405, 333-18955, 333-73105, 333-54224, 333-81358, 333-56292, 333-60147, 333-95317, 333-31578, 333-99497, 333-100210, and 333-103809, and on Form S-3 Nos. 333-33851 and 333-02461 (collectively, the Registration Statements) and, for purposes of determining any liability under the Securities Act, is deemed to be a new registration statement for each Registration Statement into which it is incorporated by reference.

On 10 May 2002 the Board of Directors decided to no longer engage Arthur Andersen LLP as its independent public accountants and appointed KPMG LLP to replace Arthur Andersen. Since Air Products' former engagement partner and audit manager have left Andersen and in light of the cessation of Andersen's SEC practice, Air Products has been unable to obtain Andersen's written consent to the incorporation by reference into the Registration Statements of its audit report with respect to Air Products' financial statements for the year ended 30 September 2001. Under these circumstances, Rule 437a under the Securities Act permits Air Products to file this Form 10-K without a written consent from Arthur Andersen. (As a result, however, Arthur Andersen may not have any liability under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Andersen or any omissions of a material fact required to be stated therein. Accordingly, you may not be able to assert a claim against Andersen under Section 11(a) of the Securities Act for any purchases of securities under the Registration Statements made on or after the date of this Form 10-K.) To the extent provided in Section 11(b)(3)(C) of the Securities Act, however, other persons who are liable under Section 11(a) of the Securities Act, including the Company's officers and directors, should still be able to rely on Andersen's original audit reports as being made by an expert for purposes of establishing a due diligence defense under Section 11(b) of the Securities Act.

Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

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

We consent to the incorporation by reference in the Registration Statements (File Nos. 33-2068, 33-65117, 333-21145, 333-45239, 333-71405, 333-18955, 333-73105, 333-54224, 333-81358, 333-56292, 333-60147, 333-95317, 333-31578, 333-99497, 333-100210, and 333-103809) on Form S-8 and in the Registration Statements (333-02461 and 333-33851) on Form S-3 of Air Products and Chemicals, Inc. and subsidiaries of our reports dated 24 October 2003, with respect to the related consolidated balance sheets of Air Products and Chemicals, Inc as of 30 September 2003 and 2002 and the related consolidated statements of income, cash flows and shareholders' equity for the years then ended, and the related financial statement schedule , which reports appear in the 30 September 2003 annual report on Form 10-K of Air Products and Chemicals, Inc.

Our report contains an explanatory paragraph relating to the fact that the financial statements of Air Products and Chemicals, Inc. and subsidiaries for the year ended 30 September 2001 were audited by other auditors who have ceased operations. As described in Note 1 to the financial statements, those financial statements have been revised. We audited the adjustments described in Note 1 that were applied to revise the 2001 financial statements. In addition, as described in Note 10, the financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which was adopted as of 1 October 2001. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of Air Products and Chemicals, Inc. and subsidiaries other than with respect to such adjustments and disclosures, and, accordingly, we do not express any opinion or any other form of assurance on the 2001 financial statements taken as a whole.

KPMG LLP
Philadelphia, Pennsylvania
10 December 2003

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints JOHN P. JONES III or JOHN R. OWINGS or W. DOUGLAS BROWN, acting severally, his/her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place and stead, in any and all capacities, to sign the Form 10-K Annual Report for the fiscal year ended 30 September 2003 and all amendments thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

SIGNATURE	TITLE	DATE
/s/ Mario L. Baeza Mario L. Baeza	Director	20 November 2003
/s/ Michael J. Donahue Michael J. Donahue	Director	20 November 2003
/s/ Ursula F. Fairbairn Ursula F. Fairbairn	Director	20 November 2003
/s/ W. Douglas Ford W. Douglas Ford	Director	20 November 2003
/s/ Edward E. Hagenlocker Edward E. Hagenlocker	Director	20 November 2003
/s/ James F. Hardymon James F. Hardymon	Director	20 November 2003
/s/ John P. Jones III John P. Jones III	Director	20 November 2003

/s/ Terrence Murray - ---------------------------- Terrence Murray	Director	20 November 2003
/s/ Charles H. Noski - ---------------------------- Charles H. Noski	Director	20 November 2003
/s/ Paula G. Rosput - ---------------------------- Paula G. Rosput	Director	20 November 2003
/s/ Lawrason D. Thomas - ---------------------------- Lawrason D. Thomas	Director	20 November 2003

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, John P. Jones III, certify that:

1. I have reviewed this Annual Report on Form 10-K of Air Products and Chemicals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 12 December 2003

/s/ John P. Jones III

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John R. Owings, certify that:

1. I have reviewed this Annual Report on Form 10-K of Air Products and Chemicals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 12 December 2003

/s/ John R. Owings

John R. Owings
Vice President and
Chief Financial Officer

Exhibit 32

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

In connection with the Annual Report on Form 10-K of Air Products and Chemicals, Inc. (the "Company") for the year ending September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, John P. Jones III, Chairman, President, and Chief Executive Officer of the Company, and John R. Owings, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: 12 December 2003

/s/ John P. Jones III

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

/s/ John R. Owings

John R. Owings
Vice President and
Chief Financial Officer