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

FORM 10-Q

(Mark One)

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

For the quarterly period ended 31 December 2008

OR

o **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 (State or Other Jurisdiction of Incorporation or Organization)	23-1274455 (I.R.S. Employer Identification No.)
7201 Hamilton Boulevard, Allentown, Pennsylvania (Address of Principal Executive Offices)	18195-1501 (Zip Code)

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

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

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

Class	Outstanding at 26 January 2009
Common Stock, $1 par value	209,653,292

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries
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BASIS OF PRESENTATION:

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

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year. Reference the 2009 Outlook included in Management's Discussion and Analysis (MD&A) in this quarterly filing. Risk factors that could impact results are discussed in the Company's latest annual report on Form 10-K and under Forward-Looking Statements in the MD&A section of this quarterly filing.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(Millions of dollars, except for share data)

	31 December 2008	30 September 2008
ASSETS		
CURRENT ASSETS		
Cash and cash items	$ 118.5	$ 103.5
Trade receivables, less allowances for doubtful accounts	1,416.4	1,575.2
Inventories	521.2	503.7
Contracts in progress, less progress billings	143.9	152.0
Prepaid expenses	115.8	107.7
Other receivables and current assets	468.6	349.4
Current assets of discontinued operations	49.0	56.6
TOTAL CURRENT ASSETS	2,833.4	2,848.1
INVESTMENT IN NET ASSETS OF AND ADVANCES TO EQUITY AFFILIATES	763.3	822.6
PLANT AND EQUIPMENT, at cost	14,783.7	14,988.6
Less accumulated depreciation	8,324.7	8,373.8
PLANT AND EQUIPMENT, net	6,459.0	6,614.8
GOODWILL	866.0	928.1
INTANGIBLE ASSETS, net	243.9	289.6
NONCURRENT CAPITAL LEASE RECEIVABLES	519.0	505.3
OTHER NONCURRENT ASSETS	558.6	504.1
NONCURRENT ASSETS OF DISCONTINUED OPERATIONS	10.4	58.7
TOTAL ASSETS	$12,253.6	$12,571.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables and accrued liabilities	$ 1,578.6	$ 1,665.6
Accrued income taxes	60.9	87.0
Short-term borrowings	570.0	419.3
Current portion of long-term debt	4.0	32.1
Current liabilities of discontinued operations	8.4	8.0
TOTAL CURRENT LIABILITIES	2,221.9	2,212.0
LONG-TERM DEBT	3,595.2	3,515.4
DEFERRED INCOME & OTHER NONCURRENT LIABILITIES	966.2	1,049.2
DEFERRED INCOME TAXES	605.3	626.6
NONCURRENT LIABILITIES OF DISCONTINUED OPERATIONS	1.0	1.2
TOTAL LIABILITIES	7,389.6	7,404.4
MINORITY INTEREST IN SUBSIDIARY COMPANIES	137.9	136.2
COMMITMENTS AND CONTINGENCIES — See Note 10		
SHAREHOLDERS' EQUITY		
Common stock (par value $1 per share; 2009 and 2008 — 249,455,584 shares)	249.4	249.4
Capital in excess of par value	808.3	811.7
Retained earnings	6,957.7	6,990.2
Accumulated other comprehensive income (loss)	(835.3)	(549.3)
Treasury stock, at cost (2009 — 39,802,292 shares; 2008 — 40,120,957 shares)	(2,454.0)	(2,471.3)
TOTAL SHAREHOLDERS' EQUITY	4,726.1	5,030.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$12,253.6	$12,571.3

The accompanying notes are an integral part of these statements.

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

(Millions of dollars, except for share data)

	Three Months Ended 31 December	
	2008	2007
SALES	$2,195.3	$2,407.4
Cost of sales	1,629.7	1,753.6
Selling and administrative	247.0	258.5
Research and development	33.2	30.3
Global cost reduction plan	174.2	—
Pension settlement	—	1.4
Other (income) expense, net	(2.9)	(16.8)
OPERATING INCOME	114.1	380.4
Equity affiliates' income	24.5	25.3
Interest expense	36.5	40.8
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES AND MINORITY INTEREST	102.1	364.9
Income tax provision	7.1	96.5
Minority interest in earnings of subsidiary companies	5.0	6.1
INCOME FROM CONTINUING OPERATIONS	90.0	262.3
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(21.4)	1.4
NET INCOME	$ 68.6	$ 263.7
BASIC EARNINGS PER COMMON SHARE		
Income from continuing operations	$ .43	$ 1.22
Income (loss) from discontinued operations	(.10)	.01
Net Income	$ .33	$ 1.23
DILUTED EARNINGS PER COMMON SHARE		
Income from continuing operations	$ .42	$ 1.18
Income (loss) from discontinued operations	(.10)	.01
Net Income	$ .32	$ 1.19
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING (in millions)	209.4	214.8
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING ASSUMING DILUTION (in millions)	212.1	222.3
DIVIDENDS DECLARED PER COMMON SHARE — Cash	$ .44	$ .38

The accompanying notes are an integral part of these statements.

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

(Millions of dollars)

	Three Months Ended 31 December	
	2008	2007
NET INCOME	$ 68.6	$ 263.7
OTHER COMPREHENSIVE INCOME (LOSS), net of tax:		
Net unrealized holding (loss) on investments, net of income tax (benefit) of $(.6) and $(.8)	(1.1)	(1.7)
Net unrecognized (loss) on derivatives qualifying as hedges, net of income tax (benefit) of $(.6) and $(2.0)	(2.5)	(4.8)
Foreign currency translation adjustments, net of income tax (benefit) of $(16.0) and $(5.5)	(321.0)	55.6
Change in pension funded status, net of income tax of $1.3 and $3.6	2.8	10.9
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(321.8)	60.0
COMPREHENSIVE INCOME (LOSS)	$ (253.2)	$ 323.7

Amounts reclassified from other comprehensive income into earnings at 31 December 2008 and 2007 were not material.

The accompanying notes are an integral part of these statements.

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

(Millions of dollars)

	Three Months Ended 31 December	
	2008	2007
OPERATING ACTIVITIES		
Net Income	$ 68.6	$ 263.7
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation and amortization	200.6	211.0
Impairment of assets	32.1	—
Impairment of assets of discontinued operations	48.7	—
Deferred income taxes	(.6)	20.8
Undistributed earnings of unconsolidated affiliates	(10.9)	(7.2)
Loss (gain) on sale of assets and investments	1.9	(6.2)
Share-based compensation	17.5	17.1
Noncurrent capital lease receivables	(37.0)	(47.8)
Pension and other postretirement costs	20.0	29.2
Other	(25.6)	(56.8)
Working capital changes that provided (used) cash, excluding effects of acquisitions and divestitures:		
Trade receivables	101.7	(69.5)
Inventories	(53.7)	(29.3)
Contracts in progress	(6.6)	47.0
Other receivables	(74.2)	43.2
Payables and accrued liabilities	(42.9)	(93.1)
Other	(40.4)	44.6
CASH PROVIDED BY OPERATING ACTIVITIES (a)	199.2	366.7
INVESTING ACTIVITIES		
Additions to plant and equipment	(291.7)	(268.6)
Acquisitions, less cash acquired	(1.6)	(.2)
Investment in and advances to unconsolidated affiliates	(.1)	—
Proceeds from sale of assets and investments	18.9	8.8
Proceeds from sale of discontinued operations	.9	69.3
Change in restricted cash	(31.7)	(135.7)
Other	—	(7.9)
CASH USED FOR INVESTING ACTIVITIES	(305.3)	(334.3)
FINANCING ACTIVITIES		
Long-term debt proceeds	109.0	160.3
Payments on long-term debt	(41.4)	(41.2)
Net increase in commercial paper and short-term borrowings	145.7	120.1
Dividends paid to shareholders	(92.1)	(81.9)
Purchase of treasury stock	—	(189.7)
Proceeds from stock option exercises	1.1	33.0
Excess tax benefit from share-based compensation/other	.6	21.3
CASH PROVIDED BY FINANCING ACTIVITIES	122.9	21.9

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

(Millions of dollars)

	Three Months Ended 31 December	
	2008	2007
Effect of Exchange Rate Changes on Cash	(1.8)	1.7
Increase in Cash and Cash Items	15.0	56.0
Cash and Cash Items — Beginning of Year	103.5	40.5
Cash and Cash Items — End of Period	$118.5	$96.5
(a) Pension plan contributions	$42.6	$69.8

The accompanying notes are an integral part of these statements.

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

(Millions of dollars)

	Three Months Ended 31 December 2008	2007
Revenues from external customers		
Merchant Gases	$ 925.2	$1,001.7
Tonnage Gases	744.0	791.1
Electronics and Performance Materials	406.6	514.3
Equipment and Energy	119.5	100.3
Segment and Consolidated Totals	$2,195.3	$2,407.4
Operating income		
Merchant Gases	$ 170.5	$ 199.8
Tonnage Gases	108.8	111.1
Electronics and Performance Materials	24.6	66.0
Equipment and Energy	7.0	9.3
Segment Totals	310.9	386.2
Global cost reduction plan (a)	(174.2)	—
Pension settlement	—	(1.4)
Other	(22.6)	(4.4)
Consolidated Totals	$ 114.1	$ 380.4

(Millions of dollars)

	31 December 2008	30 September 2008
Identifiable assets (b)		
Merchant Gases	$ 4,647.7	$ 4,881.6
Tonnage Gases	3,270.5	3,335.4
Electronics and Performance Materials	2,220.4	2,341.0
Equipment and Energy	324.3	300.2
Segment Totals	10,462.9	10,858.2
Other	968.0	775.2
Discontinued operations	59.4	115.3
Consolidated Totals	$11,490.3	$11,748.7

(a) Information about this charge at the segment level is discussed in Note 3 to the Consolidated Financial Statements.

(b) Identifiable assets are equal to total assets less investments in and advances to equity affiliates.

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

(Millions of dollars)

	Three Months Ended 31 December	
	2008	2007
Revenues from external customers		
North America	$1,110.5	$1,146.6
Europe	717.4	807.5
Asia	325.6	403.9
Latin America	41.8	49.4
Total	$2,195.3	$2,407.4

Geographic information is based on country of origin. The Europe segment operates principally in Belgium, France, Germany, the Netherlands, Poland, the U.K., and Spain. The Asia segment operates principally in China, Japan, Korea, and Taiwan.

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

(Millions of dollars, except for share data)

1. MAJOR ACCOUNTING POLICIES

Refer to the Company's 2008 annual report on Form 10-K for a description of major accounting policies. There have been no material changes to these accounting policies during the first quarter of 2009 other than those detailed in Note 2.

2. NEW ACCOUNTING STANDARDS

Disclosures about Derivatives and Hedging

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how they affect an entity's financial position, financial performance, and cash flows. The Statement is effective for financial statements issued for fiscal years and interim periods beginning after 15 November 2008, with early application encouraged. These disclosures will be required for the Company in the second quarter of 2009.

Fair Value Option

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115." This Statement permits companies to elect to measure certain financial instruments at fair value on an instrument-by-instrument basis, with changes in fair value recognized in earnings each reporting period. In addition, SFAS No. 159 establishes financial statement presentation and disclosure requirements for assets and liabilities reported at fair value under the election. The Company adopted SFAS No. 159 as of 1 October 2008 and elected not to fair value any items under this Statement.

Postretirement Benefits

The Company adopted the measurement date change of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," for its U.K. and Belgium pension plans as of 1 October 2008. SFAS No. 158 required the Company to change the measurement date for these plans from 30 June to 30 September (end of fiscal year). As a result of this change, pension expense and actuarial gains/losses for the three-month period ended 30 September 2008 were recognized as adjustments to the beginning balances of retained earnings and Accumulated Other Comprehensive Income (AOCI), respectively. The after-tax charge to retained earnings was $8.1. AOCI was credited $35.8 for net actuarial gains on an after-tax basis. These adjustments only affected the balance sheet.

Fair Value Measurements

Effective 1 October 2008, the Company adopted SFAS No. 157, "Fair Value Measurements," for financial assets and liabilities and any other assets and liabilities that are recognized and disclosed at fair value on a recurring basis. This Statement defines fair value, establishes a method for measuring fair value, and requires additional disclosures about fair value measurements. FASB Staff Position No. 157-2 delayed the adoption of SFAS No. 157 for other nonfinancial assets and liabilities until 1 October 2009 for the Company. The adoption of SFAS No. 157 did not impact the Company's financial statements for assets and liabilities measured at fair value on a recurring basis.

Refer to Note 5 for the new enhanced disclosures required under SFAS No. 157.

3. GLOBAL COST REDUCTION PLAN

During the first quarter ended 31 December 2008, the Company announced a global cost reduction plan designed to lower its cost structure and better align its businesses to reflect rapidly declining economic conditions around the world. The results from continuing operations included a charge of $174.2 ($116.1 after-tax, or $.55 per share) for this plan. This charge included $120.0 for severance and pension-related costs. The Company will eliminate approximately 1,400 positions, or about seven percent of its global workforce. The reductions are targeted at reducing overhead and infrastructure costs, reducing and refocusing elements of the Company's technology and business development spending, and lowering its plant operating costs. The remainder of the charge, $54.2, is for business exits and asset management actions. Assets held for sale were written down to net realizable value and an environmental liability of $16.0 was recognized. This environmental liability results from a decision to sell a production facility. The planned actions are expected to be substantially completed within the next twelve months.

The charge for the global cost reduction plan has been excluded from segment operating profit. The table below displays how this charge related to the businesses at the segment level.

	Severance and Other Benefits	Asset Impairments/ Other Costs	Total
Merchant Gases	$ 84.5	$ 6.7	$ 91.2
Tonnage Gases	11.1	—	11.1
Electronics and Performance Materials	21.7	47.2	68.9
Equipment and Energy	2.7	.3	3.0
Total 2009 Charge	$120.0	$54.2	$174.2

The following table summarizes the carrying amount of the accrual for the global cost reduction plan at 31 December 2008:

	Severance and Other Benefits	Asset Impairments/ Other Costs	Total
2009 Charge	$120.0	$ 54.2	$174.2
Environmental Charge (see Note 10)	—	(16.0)	(16.0)
Noncash Expenses	(14.6)	(32.1)	(46.7)
Cash Expenditures	(2.5)	—	(2.5)
Accrual Balance at 31 December 2008	$102.9	$ 6.1	$109.0

4. DISCONTINUED OPERATIONS

The U.S. Healthcare business, Polymer Emulsions business, and the High Purity Process Chemicals (HPPC) business have been accounted for as discontinued operations. The results of operations of these businesses have been removed from the results of continuing operations for all periods presented.

For additional historical information on these discontinued operations, refer to the Company's 2008 annual report on Form 10-K.

U.S. Healthcare

In July 2008, the Board of Directors authorized management to pursue the sale of the U.S. Healthcare business. In 2008, the Company recorded a total charge of $329.2 ($246.2 after-tax, or $1.12 per share) related to the impairment/write-down of the net carrying value of the U.S. Healthcare business. The Company anticipates selling this business in 2009 and is in active discussions with potential buyers.

In the first quarter of 2009, based on additional facts, the Company recorded an impairment charge of $48.7 ($30.9 after-tax, or $.15 per share) reflecting a revision in the estimated net realizable value of the U.S. Healthcare business. Also, a tax benefit of $8.8, or $.04 per share, was recorded to revise the estimated tax benefit related to previously recognized impairment charges. Additional charges may be recorded in future periods dependent upon the timing and method of ultimate disposition.

The operating results of the U.S. Healthcare business have been classified as discontinued operations and are summarized below:

	Three Months Ended 31 December	
	2008	2007
Sales	$ 48.2	$66.2
Income (loss) before taxes	$ 1.1	$ (8.5)
Income tax provision (benefit)	.4	(3.2)
Income (loss) from operations of discontinued operations	$ .7	$ (5.3)
Impairment/write-down to estimated net realizable value, net of tax	(22.1)	—
Income (loss) from discontinued operations, net of tax	$(21.4)	$ (5.3)

Details of balance sheet items for the U.S. Healthcare business are summarized below:

	31 December 2008	30 September 2008
Trade receivables, less allowances	$40.9	$47.7
Inventories	5.9	7.2
Prepaid expenses	1.8	1.4
Other receivables	.4	.2
Total Current Assets	**$49.0**	**$56.5**
Plant and equipment, net	$10.4	$58.7
Total Noncurrent Assets	**$10.4**	**$58.7**
Payables and accrued liabilities	$ 7.6	$ 6.8
Current portion long-term debt	.8	1.0
Total Current Liabilities	**$ 8.4**	**$ 7.8**
Long-term debt	$ 1.0	$ 1.2
Total Noncurrent Liabilities	**$ 1.0**	**$ 1.2**

Polymer Emulsions Business

In the first quarter of 2008, the Polymer Emulsions business generated sales of $151.2 and income, net of tax, of $6.8. The Company completed the sale of its Polymer Emulsions business in 2008.

HPPC Business

In the first quarter of 2008, the HPPC business generated sales of $22.9 and income, net of tax, of $.2. The Company closed on the sale of its HPPC business on 31 December 2007.

5. FAIR VALUE MEASUREMENTS

As discussed in Note 2 on New Accounting Standards, the Company adopted SFAS No. 157 as of 1 October 2008, with the exception of the application of the Statement to nonrecurring nonfinancial assets and nonfinancial liabilities, for which adoption has been delayed until 1 October 2009.

SFAS No. 157 defines fair value as an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date). SFAS No. 157

establishes a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the asset or liability.
- Level 3 — Inputs that are unobservable for the asset or liability based on the Company's own assumptions (about the assumptions market participants would use in pricing the asset or liability).

The following table summarizes assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheet:

31 December 2008	Total	Level 1	Level 2	Level 3
Assets at Fair Value				
Derivatives (1)				
Interest rate swap agreements	$ 14.5	$ —	$ 14.5	$ —
Cross currency interest rate swap contracts	8.4	—	8.4	—
Currency option contracts	.6	—	.6	—
Forward exchange contracts	135.7	—	135.7	—
Commodity swap contracts	17.7	—	17.7	—
Other investments (2)	13.9	13.9	—	—
Liabilities at Fair Value				
Derivatives (1)				
Forward exchange contracts	$131.6	$ —	$131.6	$ —
Commodity swap contracts	18.2	—	18.2	—

(1) The fair value of the Company's interest rate swap agreements and foreign exchange contracts 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. These standard pricing models utilize inputs which are derived from or corroborated by observable market data such as interest rate yield curves and currency spot and forward rates. In addition, on an ongoing basis, the Company randomly tests a subset of its valuations against valuations received from the counterparty to the transaction to validate the accuracy of its standard pricing models. The fair value of commodity swaps is based on current market price as provided by the financial institutions with which the commodity swaps have been executed. Counterparties to these derivative contracts are highly rated financial institutions none of which experienced significant downgrades since 30 September 2008 that could reduce the receivable amount collectible.

(2) The fair value of other investments in publicly traded companies is based on quoted market prices from the New York and Tokyo stock exchanges.

Refer to Note 1 and Note 6 in the Company's 2008 annual report on Form 10-K for additional information on the Company's accounting and reporting of the fair value of financial instruments.

6. GOODWILL

Changes to the carrying amount of consolidated goodwill by segment for the quarter ended 31 December 2008 are as follows:

	30 September 2008	Acquisition and Adjustments	Currency Translation and Other	31 December 2008
Merchant Gases	$626.5	$—	$(53.5)	$573.0
Tonnage Gases	18.0	—	(2.4)	15.6
Electronics and Performance Materials	283.6	(.9)	(5.3)	277.4
	$928.1	$(.9)	$(61.2)	$866.0

Goodwill is subject to impairment testing at least annually. In addition, goodwill is tested more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists.

7. SHARE-BASED COMPENSATION

The Company has various share-based compensation programs, which include stock options, deferred stock units, and restricted shares. During the three months ended 31 December 2008, the Company granted 2.0 million stock options at a weighted-average exercise price of $66.90 and an estimated fair value of $20.86 per option. The fair value of these options was estimated using a lattice-based option valuation model that used the following assumptions: expected volatility of 31.2%; expected dividend yield of 2.1%; expected life in years of 6.7-8.0; and a risk-free interest rate of 3.5%-3.9%. In addition, the Company granted 372,986 deferred stock units at a weighted-average grant-date fair value of $51.94 and 40,092 restricted shares at a weighted-average grant-date fair value of $64.01. Refer to Note 15 in the Company’s 2008 annual report on Form 10-K for information on the valuation and accounting for these programs.

Share-based compensation cost charged against income in the first quarter of 2009 was $17.5 ($10.7 after-tax). Of the share-based compensation cost recognized, $13.1 was a component of selling and administrative expense, $2.4 a component of cost of sales, $1.6 a component of research and development, and $.4 a component of the global cost reduction plan. Share-based compensation cost charged against income for the first quarter of 2008 was $17.1 ($10.5 after-tax). The amount of share-based compensation cost capitalized in 2009 and 2008 was not material.

8. EARNINGS PER SHARE

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

	Three Months Ended 31 December	
	2008	2007
NUMERATOR		
Used in basic and diluted EPS		
Income from continuing operations	$ 90.0	$262.3
Income (loss) from discontinued operations	(21.4)	1.4
Net Income	$ 68.6	$263.7
DENOMINATOR (in millions)		
Weighted average number of common shares used in basic EPS	209.4	214.8
Effect of dilutive securities		
Employee stock options	1.7	6.3
Other award plans	1.0	1.2
	2.7	7.5
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	212.1	222.3
BASIC EPS		
Income from continuing operations	$ .43	$ 1.22
Income (loss) from discontinued operations	(.10)	.01
Net Income	$ .33	$ 1.23
DILUTED EPS		
Income from continuing operations	$ .42	$ 1.18
Income (loss) from discontinued operations	(.10)	.01
Net Income	$ .32	$ 1.19

Options on 8.8 million shares and 1.2 million shares were antidilutive and therefore excluded from the computation of diluted earnings per share for 2009 and 2008, respectively.

9. RETIREMENT BENEFITS

The components of net pension cost for the defined benefit pension plans and other postretirement benefit cost for the three months ended 31 December 2008 and 2007 were as follows:

	Three Months Ended 31 December			
	2008	2007	2008	2007
	Pension Benefits		Other Benefits	
Service cost	$ 15.1	$ 19.6	$1.5	$1.5
Interest cost	45.8	45.7	1.4	1.4
Expected return on plan assets	(49.0)	(52.1)	—	—
Prior service cost (credit) amortization	1.0	.8	(.3)	(.3)
Actuarial loss amortization	3.8	9.9	.4	.4
Settlement and curtailment charges	—	1.4	—	—
Special termination benefits	.2	—	—	—
Other	.1	.9	—	—
Net periodic benefit cost	$ 17.0	$ 26.2	$3.0	$3.0

For the three months ended 31 December 2008, pension contributions of $42.6 were made. Total contributions for 2009 are expected to be approximately $175. For the three months ended 31 December 2007, pension contributions of $69.8 were made. During 2008, total contributions were $234.0.

10. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in various legal proceedings, including competition, environmental, health, safety, product liability, and insurance matters. In the third quarter of 2008, a unit of the Brazilian Ministry of Justice issued a report (previously issued in January 2007, and then withdrawn) on its investigation of the Company's Brazilian subsidiary, Air Products Brazil Ltda., and several other Brazilian industrial gas companies. The report recommended that the Brazilian Administrative Council for Economic Defense impose sanctions on Air Products Brazil Ltda. and the other industrial gas companies for alleged anticompetitive activities. The Company intends to defend this action and cannot, at this time, reasonably predict the ultimate outcome of the proceedings or sanctions, if any, that will be imposed. While the Company does not expect that any sums it may have to pay in connection with this or any other legal proceeding would have a materially adverse effect on its consolidated financial position or net cash flows, a future charge for regulatory fines or damage awards could have a significant impact on the Company's net income in the period in which it is recorded.

Customer Bankruptcy

On 6 January 2009, a major customer of the Company began operating under Chapter 11 bankruptcy protection. This customer receives product principally from the Tonnage Gases segment. At 31 December 2008, the Company had outstanding net receivables from the customer of $35.7. At this time, the Company is not able to reasonably estimate the financial statement impact of the bankruptcy, if any. As such, the Company did not recognize any charges associated with this bankruptcy as of 31 December 2008.

Environmental

Accruals for environmental loss contingencies are recorded when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The consolidated balance sheet at 31 December 2008 and 30 September 2008 included an accrual of $97.2 and $82.9, respectively, primarily as part of other noncurrent liabilities. The environmental liabilities will be paid over a period of up to 30 years. The Company estimates the exposure for environmental loss contingencies to range from $97 to a reasonably possible upper exposure of $111 as of 31 December 2008.

During the first quarter of 2009, the Company recognized a $16.0 environmental liability associated with a production facility. The Company is required by state law to investigate and remediate a site upon its sale. In the first quarter of 2009, management committed to a plan to sell this facility. At 31 December 2008, the Company estimated that it would take at least several years to complete the remediation efforts at this site.

Refer to Note 19 to the Consolidated Financial Statements in the Company's 2008 annual report on Form 10-K for information on the Company's environmental accruals related to the Pace, Florida and Piedmont, S.C. facilities. At 31 December 2008, the accrual balances associated with the Pace, Florida and Piedmont, S.C. facilities totaled $39.1 and $22.9, respectively.

11. SUPPLEMENTAL INFORMATION

Share Repurchase Program

On 20 September 2007, the Board of Directors authorized the repurchase of up to $1,000 of the Company's outstanding common stock. In the first quarter of 2009, the Company did not purchase any shares under this authorization. At 31 December 2008, $649.2 in share repurchase authorization remains.

Industrial Revenue Bonds

During the first quarter 2009, the Company issued two Industrial Revenue Bonds totaling $80.0, the proceeds of which must be held in escrow until related project spending occurs. As of 31 December 2008 and 30 September 2008, $210.9 and $181.2 were held in escrow from Industrial Revenue Bond issuances and classified as other noncurrent assets, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Millions of dollars, except for share data)

The disclosures in this quarterly report are complementary to those made in the Company's 2008 annual report on Form 10-K. An analysis of results for the first quarter of 2009, including an update to the Company's 2009 Outlook, is provided in the Management's Discussion and Analysis to follow.

All comparisons in the discussion are to the corresponding prior year unless otherwise stated. All amounts presented are in accordance with U.S. generally accepted accounting principles, except as noted. All amounts are presented in millions of dollars, except for share data, unless otherwise indicated.

FIRST QUARTER 2009 VS. FIRST QUARTER 2008

FIRST QUARTER 2009 IN SUMMARY

- Declining business conditions around the world have unfavorably impacted the Company's businesses. In response to these market conditions, the Company announced a global cost reduction plan to lower its cost structure and better align its businesses. The results from continuing operations included a charge of $174 ($116 after-tax, or $.55 per share) for this plan.
- Sales of $2,195 declined 9% from lower volumes and unfavorable currency impacts. Volumes declined primarily in the Electronics and Performance Materials segment reflecting the weak market conditions. Volumes were also lower in Merchant Gases; however, the decrease was offset by higher pricing.
- Operating income of $114 decreased $266. Operating income declined principally from lower volumes, unfavorable currency impacts, and the global cost reduction charge. Improved pricing in the Merchant Gases segment partially offset this decline.
- Income from continuing operations of $90 declined $172 and diluted earnings per share from continuing operations of $.42 declined $.76. A summary table of changes in diluted earnings per share is presented below.

- Income from discontinued operations declined $22.8, or $.11 per share. The Company recorded an impairment charge of $49 ($31 after-tax, or $.15 per share), reflecting a revision in the estimated net realizable value of the U.S. Healthcare business.
- For a discussion of the challenges, risks, and opportunities on which management is focused, refer to the update to the Company's 2009 Outlook provided on page 22.

Changes in Diluted Earnings per Share

	Three Months Ended 31 December		
	2008	**2007**	**Increase (Decrease)**
Diluted Earnings per Share			
Net Income	**$ .32**	**$1.19**	**$(.87)**
Discontinued Operations	**(.10)**	**.01**	**(.11)**
Continuing Operations	**$ .42**	**$1.18**	**$(.76)**
Operating Income (after-tax)			
Underlying business			
Volume			(.25)
Price/raw materials			.05
Costs			.03
Currency			(.13)
Global cost reduction plan			(.55)
Operating Income			**(.85)**
Other (after-tax)			
Interest expense			.01
Income tax rate			.03
Average shares outstanding			.05
Other			**.09**
Total Change in Diluted Earnings per Share from Continuing Operations			**$(.76)**

RESULTS OF OPERATIONS

Discussion of Consolidated Results

	Three Months Ended 31 December 2008	2007	% Change
Sales	$2,195.3	$2,407.4	(9)%
Operating income	114.1	380.4	(70)%
Equity affiliates’ income	24.5	25.3	(3)%

Sales

	% Change from Prior Year
Underlying business	
Volume	(8)%
Price	3%
Currency	(5)%
Natural gas/raw material cost pass-through	1%
Total Consolidated Change	**(9)%**

Sales of $2,195.3 decreased 9%, or $212.1. Underlying business declined 5% primarily due to lower volumes in the Electronics and Performance Materials and Merchant Gases segments. Higher prices in Merchant Gases partially offset this decline. Unfavorable currency impacted sales by 5% due primarily to the strengthening of the U.S. dollar against key European and Asian currencies.

Operating Income

Operating income of $114.1 decreased 70%, or $266.3.

- Underlying business operating income declined $49, primarily as a result of lower volumes in the Electronics and Performance Materials and Merchant Gases segments. Weakening consumer confidence, as a result of the deterioration in the global economy, significantly impacted customers’ operating rates across many of the Company’s end markets. The volume declines were partially offset by price increases in the Merchant Gases segment as well as reduced costs due to cost reduction actions.
- Unfavorable currency impacts lowered operating income by $39, reflecting the strengthening of the U.S. dollar against key European and Asian currencies.
- The global cost reduction plan charge in the first quarter of 2009 reduced operating income by $174.

Equity Affiliates’ Income

Income from equity affiliates of $24.5 decreased $.8, or 3%.

Selling and Administrative Expense (S&A)

S&A expense of $247.0 decreased 4%, or $11.5, primarily from favorable currency impacts. S&A, as a percent of sales, increased to 11.3% from 10.7%.

Research and Development (R&D)

R&D expense of $33.2 increased 10%, or $2.9. R&D increased as a percent of sales to 1.5% from 1.3%.

Global Cost Reduction Plan

During the first quarter ended 31 December 2008, the Company announced a global cost reduction plan designed to lower its cost structure and better align its businesses to reflect rapidly declining economic conditions around the world. The results from continuing operations included a charge of $174.2 ($116.1 after-tax, or $.55 per share) for this plan. This charge included $120.0 for severance and pension-related costs. The Company will eliminate approximately 1,400 positions, or about seven percent of its global workforce. The reductions are targeted at reducing overhead and infrastructure costs, reducing and refocusing elements of the Company’s technology and business development spending, and lowering its plant operating costs. The remainder of the charge, $54.2, is for business exits and asset management actions. Assets held for sale were written down to net realizable value and an environmental liability of $16.0 was recognized. This environmental liability results from a decision to sell a production facility. The planned actions are expected to be substantially completed within the next twelve months.

The charge for the global cost reduction plan has been excluded from segment operating profit. The charge was related to the businesses at the segment level as follows: $91.2 in Merchant Gases, $11.1 in Tonnage Gases, $68.9 in Electronics and Performance Materials, and $3.0 in Equipment and Energy.

Cost savings of $50 are expected in 2009 and $125 in 2010. Beyond 2010, the Company expects the restructuring plan to provide annualized savings of approximately $130, of which the majority is related to personnel costs.

Other (Income) Expense, Net

Items recorded to other income arise from transactions and events not directly related to the principal income earning activities of the Company.

Other income of $2.9 decreased $13.9, primarily from unfavorable foreign exchange. Results in 2008 included the favorable impacts of asset management activities, including a gain of $5.6 related to the sale of a cost-based investment in Europe. Otherwise, no individual items were significant in comparison to the prior year.

Interest Expense

	Three Months Ended 31 December	
	2008	2007
Interest incurred	$41.7	$47.0
Less: interest capitalized	5.2	6.2
Interest expense	$36.5	$40.8

Interest incurred decreased $5.3 primarily due to lower average interest rates on variable rate debt. The change in capitalized interest is driven by a decrease in project spending which qualified for capitalization.

Effective Tax Rate

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

The effective tax rate was 7.3% and 26.9% in the first quarter of 2009 and 2008, respectively. The net impact of the global cost reduction plan charge was a 16.7% lower tax rate in the first quarter of 2009. Also, the effective tax rate is lower in 2009 from higher relative tax credits based on lower income before taxes.

Discontinued Operations

The U.S. Healthcare business, Polymer Emulsions business, and the High Purity Process Chemicals (HPPC) business have been accounted for as discontinued operations. The results of operations of these businesses have been removed from the results of continuing operations for all periods presented. Refer to Note 4 to the Consolidated Financial Statements for additional information.

In the first quarter of 2009, based on additional facts, the Company recorded an impairment charge of $48.7 ($30.9 after-tax, or $.15 per share) reflecting a revision in the estimated net realizable value of the U.S. Healthcare business. Also, a tax benefit of $8.8, or $.04 per share, was recorded to revise the estimated tax benefit related to previously recognized impairment charges.

Net Income

Net income was $68.6 compared to $263.7. Diluted earnings per share was $.32 compared to $1.19. A summary table of changes in earnings per share is presented on page 17.

Segment Analysis

Merchant Gases

	Three Months Ended 31 December		
	2008	2007	% Change
Sales	$925.2	$1,001.7	(8)%
Operating income	170.5	199.8	(15)%
Equity affiliates' income	22.0	25.2	(13)%

Merchant Gases Sales

	% Change from Prior Year
Underlying business	
Volume	(6)%
Price	6%
Currency	(8)%
Total Merchant Gases Change	**(8)%**

Sales of $925.2 decreased 8%, or $76.5. Sales decreased 8% from unfavorable currency effects, driven primarily by the strengthening of the U.S. dollar against key European and Asian currencies. Volumes were lower across most product lines and regions, consistent with weak manufacturing worldwide. Volume declines accelerated through the quarter as the economy worsened and customers responded by extending holiday shutdowns. Price increases have been effective, offsetting the decline in volume.

In North America, sales increased by 2% driven by strong pricing gains. Volumes declined 6% reflecting weak demand across most end markets. In Europe, sales decreased 13%. Currency reduced sales by 12% while improved pricing added 6%. Volumes were lower by 7% due to weak demand across most end markets. In Asia, sales declined by 8%, mainly due to unfavorable currency of 7%. Volumes declined 6% due to weak demand particularly from steel and electronics customers. Improved pricing in Asia added 5% to sales.

Merchant Gases Operating Income

Operating income of $170.5 decreased 15%, or $29.3. The decline in volume of $27 was substantially offset by improved pricing of $25. Unfavorable currency impacts decreased operating income by $18. Operating income also declined $10 from reduced system loading, partially offset by productivity improvements.

Merchant Gases Equity Affiliates' Income

Merchant Gases equity affiliates' income of $22.0 decreased $3.2, driven by lower volumes and unfavorable currency impacts.

Tonnage Gases

	Three Months Ended 31 December		
	2008	2007	% Change
Sales	$744.0	$791.1	(6)%
Operating income	108.8	111.1	(2)%

Tonnage Gases Sales

	% Change from Prior Year
Underlying business	
Volume (excluding hurricane)	(2)%
Hurricane impact	(2)%
Currency	(4)%
Natural gas/raw materials cost pass-through	2%
Total Tonnage Gases Change	**(6)%**

Sales of $744.0 decreased 6%, or $47.1. Unfavorable currency effects reduced sales by 4%, and volumes, excluding hurricane impacts, were down 2%. Sales in the quarter reflected reduced demand from steel and chemical producers. The gulf coast hurricane in the fourth quarter of 2008 reduced sales an additional 2%. Natural gas and raw material cost pass-through increased sales by 2%.

Tonnage Gases Operating Income

Operating income of $108.8 decreased 2%, or $2.3. Operating income increased by $7 from improved costs and $9 from improved pricing and variable margins. Operating income decreased $8 from lower volumes, $6 from unfavorable currency, and $4 from hurricane-related business interruptions and other items.

Electronics and Performance Materials

	Three Months Ended 31 December		
	2008	2007	% Change
Sales	$406.6	$514.3	(21)%
Operating income	24.6	66.0	(63)%

Electronics and Performance Materials Sales

	% Change from Prior Year
Underlying business	
Volume	(20)%
Price	1%
Currency	(2)%
Total Electronics and Performance Materials Change	**(21)%**

Sales of $406.6 decreased 21%, or $107.7, primarily from lower volumes. Electronics sales were down 28%, reflecting a significant global downturn in semiconductor and flat panel capacity utilization and lower specialty materials pricing. In Performance Materials, sales were down 8% as volumes declined 17% due to weaker demand in coatings, autos and housing, partially offset by improved pricing which increased sales by 9%. Unfavorable currency impacts reduced sales by 2%.

Electronics and Performance Materials Operating Income

Operating income of $24.6 decreased 63%, or $41.4, mainly from the decline in volumes across the segment and from lower electronics specialty materials pricing.

Equipment and Energy

	Three Months Ended 31 December		
	2008	2007	% Change
Sales	$119.5	$100.3	19%
Operating income	7.0	9.3	(25)%

Equipment and Energy Sales and Operating Income

Sales of $119.5 increased 19%, or $19.2, due to higher large air separation plant sales. Operating income of $7.0 decreased $2.3 due to lower natural gas liquefaction (LNG) heat exchanger activity.

The sales backlog for the Equipment business at 31 December 2008 was $324, compared to $399 at 30 September 2008.

Other

Other operating income (loss) includes expense and income that cannot be directly associated with the business segments, including foreign exchange gains and losses and interest income. Also included are LIFO inventory adjustments, as the business segments use FIFO and the LIFO pool is kept at corporate.

	Three Months Ended 31 December	
	2008	2007
Operating income (loss)	$(22.6)	$(4.4)

The operating loss of $22.6 increased $18.2, primarily due to unfavorable foreign exchange. No other individual items were significant in comparison to the prior year.

2009 OUTLOOK

2009 is proving to be the most uncertain economic environment seen in decades. The Company expects the second quarter to be the low point of the year. The Company remains committed to improving return on capital and improving margins. The actions the Company has taken to adjust its cost structure during the first quarter will deliver improvement in the second half of the year. The discussion below outlines the areas of challenge, risk, and opportunity on which management is focused.

The Company anticipates a further deterioration in the global economy, and expects the second quarter to be the most challenging of the year. Overall, for 2009, the Company expects manufacturing to decline globally by 4% to 5% with the U.S. declining 6% to 7%, Europe also declining 6% to 7%, and Asia, excluding Japan, growing 2%. This global decline is significantly lower than the 1% to 2% growth originally anticipated by the Company.

Specifically by market, the Company expects refinery hydrogen demand to remain stable. Electronics demand is expected to continue to decline in the second quarter. However, the Company anticipates a sequential increase in Electronics in the second half of the year. Chemical markets are expected to continue to decline in 2009 until key end markets start to improve. The Company also anticipates global steel operating rates to continue to decline until late in calendar year 2009.

SHARE-BASED COMPENSATION

Refer to Note 7 to the Consolidated Financial Statements for information on the Company's share-based compensation programs. For additional information on the valuation and accounting for the various programs, refer to Note 15 to the Consolidated Financial Statements in the Company's 2008 annual report on Form 10-K.

PENSION BENEFITS

Refer to Note 9 to the Consolidated Financial Statements for details on pension cost and cash contributions. For additional information on the Company's pension benefits and associated accounting policies, refer to the Pension Benefits section of Management's Discussion and Analysis and Note 18 to the Consolidated Financial Statements in the Company's 2008 annual report on Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The narrative below refers to the Consolidated Statements of Cash Flows included on pages 6-7.

Operating Activities

For the first three months, net cash provided by operating activities decreased $167.5, or 46%. This decrease is due to lower earnings of $195.1 and an increase in the use of cash for working capital of $59.0. Adjustments to income, primarily non-cash asset impairment charges for the global cost reduction plan and the discontinued U.S. Healthcare business, increased cash from operating activities by $86.6.

The net increase in cash used for working capital (negative cash flow variance) of $59.0 primarily included:

- A $171.2 positive cash flow variance due to lower trade receivables as a result of reduced sales and increased collections.
- A $117.4 negative cash flow variance from the increase in other receivables, principally tax and derivative receivables.
- An $85.0 negative cash flow variance from other working capital accounts due principally to a reduction in accrued taxes in 2009 and the receipt of a $35.0 tax refund in the prior year.
- A $53.6 negative cash flow variance from contracts in progress as the prior year reflected an increase in cash due to a reduction in contracts in progress from lower equipment activity.
- A $50.2 positive cash flow variance due to a lower use of cash for payables and accrued liabilities. The positive variance was due principally to a $109.0 increase in accrued liabilities resulting from the global cost reduction plan. This positive variance was somewhat offset by a decline in payables as a result of lower operating activity and timing of payments.

Investing Activities

Cash used for investing activities decreased $29.0, due principally to changes in restricted cash, offset by lower proceeds from the sale of discontinued businesses. The proceeds from the issuance of certain Industrial Revenue Bonds must be held in escrow until related project spending occurs and are classified as noncurrent assets in the balance sheet. During the first quarter of 2009, the Company issued $80.0 of Industrial Revenue Bonds versus $145.0 in the prior year. The combined impact of lower bond proceeds and higher project spending resulted in a reduction in the use of cash of $104.0 compared to the prior year. The prior year included proceeds from the sale of the HPPC business of $69.3.

Capital expenditures are detailed in the table below.

	Three Months Ended 31 December	
	2008	**2007**
Additions to plant and equipment	$291.7	$268.6
Acquisitions, less cash acquired	1.6	.2
Investment in and advances to unconsolidated affiliates	.1	—
Total Capital Expenditures on a GAAP basis	**$293.4**	**$268.8**
Capital lease expenditures under EITF No. 01-08 (a)	39.5	54.9
Capital Expenditures on a non-GAAP basis	**$332.9**	**$323.7**

(a) The Company utilizes a non-GAAP measure in the computation of capital expenditures and includes spending associated with facilities accounted for as capital leases. Certain facilities that are built to service a specific customer are accounted for as capital leases in accordance with EITF No. 01-08, “Determining Whether an Arrangement Contains a Lease,” and such spending is reflected as a use of cash within cash provided by operating activities. The presentation of this non-GAAP measure is intended to enhance the usefulness of information by providing a measure which the Company’s management uses internally to evaluate and manage the Company’s capital expenditures.

Financing Activities

Cash provided by financing activities increased $101.0. During the first quarter of 2009, the Company did not purchase any of its outstanding shares, as compared to the prior year which included share repurchases of $189.7. This was partially offset by a net decrease in borrowings of $25.9 and lower stock option exercises of $31.9. Long-term debt proceeds of $109.0 in 2009 included $80.0 from Industrial Revenue Bonds.

Total debt at 31 December 2008 and 30 September 2008, expressed as a percentage of the sum of total debt, shareholders' equity, and minority interest, was 46.2% and 43.4%, respectively. Total debt increased from $3,966.8 at 30 September 2008 to $4,169.2 at 31 December 2008.

The Company's total multicurrency revolving facility, maturing in May 2011, amounted to $1,450.0 at 31 December 2008. No borrowings were outstanding under these commitments. Additional commitments totaling $426.2 are maintained by the Company's foreign subsidiaries, of which $344.4 was utilized at 31 December 2008.

The estimated fair value of the Company's long-term debt, including current portion, as of 31 December 2008 was $3,750.0 compared to a book value of $3,599.2.

On 20 September 2007, the Board of Directors authorized the repurchase of up to $1,000 of the Company's outstanding common stock. In the first quarter of 2009, the Company did not purchase any shares under this authorization. At 31 December 2008, $649.2 in share repurchase authorization remains.

CONTRACTUAL OBLIGATIONS

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements, unconditional purchase obligations and other long-term obligations. There have been no material changes to contractual obligations as reflected in the Management's Discussion and Analysis in the Company's 2008 annual report on Form 10-K.

COMMITMENTS AND CONTINGENCIES

Refer to Note 19 to the Consolidated Financial Statements in the Company's 2008 annual report on Form 10-K and Note 10 in this quarterly filing.

OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes to off-balance sheet arrangements as reflected in the Management's Discussion and Analysis in the Company's 2008 annual report on Form 10-K. 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 primarily in the industrial gas business. 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

Information on the Company's utilization of financial instruments and an analysis of the sensitivity of these instruments to selected changes in market rates and prices is included in the Company's 2008 annual report on Form 10-K.

There were no material changes to market risk sensitivities for interest rate risk on fixed debt, foreign currency exchange rate risk, or commodity price risk since 30 September 2008.

The net financial instrument position increased from a liability of $3,629 at 30 September 2008 to a liability of $3,723 at 31 December 2008, primarily due to the issuance of new long-term debt and the impact of lower interest rates on the market value of long-term debt.

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

The significant accounting policies of the Company are described in Note 1 to the Consolidated Financial Statements and the critical accounting policies and estimates are described in the Management's Discussion and Analysis included in the 2008 annual report on Form 10-K. Information concerning the Company's implementation and impact of new accounting standards issued by the Financial Accounting Standards Board (FASB) is included in Note 2 to the Consolidated Financial Statements. There have been no changes in accounting policy in the current period that had a material impact on the Company's financial condition, change in financial condition, liquidity or results of operations.

NEW ACCOUNTING STANDARDS

See Note 2 to the Consolidated Financial Statements for information concerning the Company's implementation and impact of new accounting standards.

FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's reasonable expectations and assumptions as of the date of this document regarding important risk factors. Actual performance and financial results may differ materially from projections and estimates expressed in the forward-looking statements because of many factors not anticipated by management, including, without limitation, further deterioration in economic and business conditions; weakening demand for the Company's products; future financial and operating performance of major customers and industries served by the Company; inability to collect receivables from or recovery of payments made by customers in bankruptcy proceedings; unanticipated contract terminations or customer cancellations or postponement of projects and sales; asset impairments due to economic conditions or specific product or customer events; costs associated with future restructuring actions which are not currently planned or anticipated; the impact of competitive products and pricing; interruption in ordinary sources of supply of raw materials; the ability to recover unanticipated increased energy and raw material costs from customers; costs and outcomes of litigation or regulatory activities; consequences of acts of war or terrorism impacting the United States' and other markets; the effects of a pandemic or epidemic or a natural disaster; charges related to current portfolio management and cost reduction actions; the success of implementing cost reduction programs and achieving anticipated acquisition synergies; the timing, impact, and other uncertainties of future acquisitions or divestitures; the ability to attract, hire, and retain qualified personnel in all regions of the world where the Company operates; significant fluctuations in interest rates and foreign currencies; the continued availability of capital funding sources in all of the Company's foreign operations; the impact of new or changed environmental, healthcare, tax or other legislation and regulations in jurisdictions in which the Company and its affiliates operate; the impact of new or changed financial accounting standards; the timing and rate at which tax credits can be utilized; and other risk factors described in the Company's Form 10-K for its year ended 30 September 2008. The Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company's assumptions, beliefs or expectations or any change in events, conditions, or circumstances upon which any such forward-looking statements are based.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to the Market Risks and Sensitivity Analysis on page 24 of Item 2 in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

We maintain a comprehensive set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) designed to ensure that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported accurately and within the time periods specified in the SEC's rules and forms. As of 31 December 2008 (the Evaluation Date), an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the design and operation of these disclosure controls and procedures were effective to provide reasonable assurance of the achievement of the objectives described above.

During the quarter that ended on the Evaluation Date, there was no change in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008. The Company is updating those factors by adding the factors below which expand on how the current economic slowdown and global credit crisis may impact the Company's results.

Recent worldwide and domestic economic trends and financial market conditions could adversely impact our customers and suppliers and our financial performance.

As widely reported, the worldwide and domestic economies have experienced adverse conditions and may be subject to further deterioration for the foreseeable future. Consumer demand in the electronics industry and other end markets served by the Company has recently decreased significantly. A prolonged downturn, further worsening or broadening of the adverse conditions in the worldwide and domestic economies could create or exacerbate credit issues, cash flow issues and other financial hardships for our suppliers and customers. Some of the Company's customers have already sought bankruptcy protection. The bankruptcy or insolvency of the Company's customers may impact its ability to recover accounts receivable from such customers and any payment received by the Company in the preference period prior to a bankruptcy filing may be potentially recoverable. Further reduced consumer demand or financial instability of customers and suppliers in these industries may adversely affect our revenues, profitability, operating results and cash flow. The Company has a committed credit facility and additional liquidity facilities available. While to date it has not experienced problems with accessing these facilities, to the extent that the financial institutions that participate in these facilities were to default on their obligation to fund, those funds would not be available. The timing and nature of any recovery in the financial markets remains uncertain, and there can be no assurance that market conditions will improve in the near future.

Item 6. Exhibits.

Exhibits required by Item 601 of Regulation S-K

3.1	Amended and Restated By-Laws of the Company. (Filed as Exhibit 3 to the Company's Form 8-K Report dated 24 November 2008 and incorporated by reference.)
10.1	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY2009 Awards to Executive Officers.
12.	Computation of Ratios of Earnings to Fixed Charges.
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.

SIGNATURES

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

Air Products and Chemicals, Inc.
(Registrant)

Date: 30 January 2009

By: /s/ Paul E. Huck
Paul E. Huck
Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

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Confidential Communication to: «First_name» «Last_name»

As we complete this fiscal year and begin another, I would like to take a moment to congratulate you and to thank you for your performance and commitment to our goals both in the past and most importantly looking forward. You play an important role in the future performance of our Company.

One of the priorities of our management compensation program is to provide you with the opportunity to share in the long-term success of Air Products. As a result, I am pleased to present your 2009 stock awards under the Company's Long-Term Incentive Plan. These awards make up the long-term component of your total pay package and link your personal wealth to the performance of the Company.

In 2008, we were tracking another record year and, as you know, we ended the year on a disappointing note. While these circumstances are unsettling to all of us, we have learned from our experience that we can weather these times by being smart about our choices. It is extremely important that we balance our long-term growth goals with a steadfast resolve to improve our margins by managing our costs, improving pricing and acting with an unwavering commitment to continuously improving our processes. Our shareholders demand this and we must expect no less of ourselves. Over the next few years, our focus and priority to achieve our goals of growth <u>and</u> margin improvement will have the greatest impact on delivering EPS growth which will enhance the value of our stock price and hence, your award. I appreciate your hard work and I know you understand that through the actions of your teams and you, we will make the difference for our customers, employees and shareholders.

Your 2009 awards are valued at $<Tot Value> and include:

- A Nonstatutory *Stock Option* to purchase «Stock_Option» shares of Common Stock at a purchase price of $66.90 per share, which is the 1 October 2008 closing sale price of a share of Common Stock, valued at $<SO Value>; and
- An award of «RSU» *4-Year Restricted Shares* of Company Common Stock issued to you as of 2 October 2008 valued at $<RS Value>; and
- «Perf_Share» *Deferred Stock Units* with a three year performance period valued at $<PS Value>, each Unit (a "*Performance Share*") being equivalent in value to one share of Common Stock. Please note the performance share Earnout Schedule which is part of this Awards Agreement will be sent to you in a separate communication after finalization by the Management Development and Compensation Committee of the Company's Board of Directors (the "Committee"). The Schedule will display how the growth and return measures will define payout opportunities.

We are committed to offering long-term incentive awards for our employees who contribute to our success — both now and in the future. Thank you again for your dedication and on-going contributions to Air Products.

Your 2009 Awards are subject to and contingent upon your agreement to the attached conditions described in Exhibit A. Please read these conditions carefully, particularly the descriptions of "Prohibited Activities". This letter, together with its Exhibit, constitutes the agreement governing your

2009 Awards ("Awards Agreement"). Your 2009 Awards are also at all times subject to the applicable provisions of the Long-Term Incentive Plan (the "Plan") and to any determinations made by the Committee (or its delegate) with respect to your 2009 Awards as contemplated or permitted by the Plan or the Conditions. In addition, the Committee has established a one-year holding period for a portion of your Nonstatutory Stock Option. You are expected to hold, for one year, 50% of the net shares (after taxes and commissions) that you receive upon an exercise of the Stock Option.

Neither your 2009 Awards, this Awards Agreement or the Plan constitute a contract of employment; nor do they guarantee your continued employment for any period required for all or any of your 2009 Awards to vest, become exercisable, be earned or be paid out. Except as otherwise indicated all capitalized words used in this Awards Agreement have the meanings described in the Plan.

WITNESSETH the due execution of this Awards Agreement at Allentown, Pennsylvania effective as of the 1st day of October 2008 intending to be legally bound hereby.

AIR PRODUCTS AND CHEMICALS, INC.

By: ______________________________

Exhibit

EXHIBIT A

AIR PRODUCTS AND CHEMICALS, INC. (the "Company")
LONG-TERM INCENTIVE PLAN
FY2009 AWARD AGREEMENT

1. As described in the foregoing grant letter, you are hereby granted FY2009 Awards consisting of Stock Options ("Options"), Restricted Shares of Company Common Stock ("Restricted Shares"), and Deferred Stock Units to be called "Performance Shares" under the Air Products and Chemicals, Inc. Long-Term Incentive Plan (the "Plan"). The Options are "Nonstatutory Stock Options" as described in Section 6 of the Plan. The Restricted Shares are described in Section 8 of the Plan. The Deferred Stock Units are described in Section 9 of the Plan. The Management Development and Compensation Committee of the Company's Board of Directors has approved these Awards subject to the applicable provisions of the Plan and the terms of this Agreement, and contingent upon your execution of this Agreement. Except as noted herein, all capitalized terms used in this Agreement have the meaning ascribed to them in the Plan. A copy of the Plan is available from the Corporate Secretary's Office of the Company, 7201 Hamilton Boulevard, Allentown, PA 18195-1501.

2. Each Option entitles you to purchase one share of Company Common Stock ("Share") at a purchase price of $66.90 (the "Grant Price") as described below. You can first purchase Shares as follows: (i) up to one-third of the Shares may be purchased on or after 1 October 2009 and (ii) up to an additional one-third of such Shares may be purchased on or after 1 October 2010 and 2011, respectively. The Options are granted as of 1 October 2008 and will continue for a period of ten (10) years from such grant date and will expire and no longer be exercisable after 1 October 2018.

3. You may purchase Shares covered by an Option by providing to the Company's agent, Fidelity Stock Plan Services, LLC ("Fidelity"), notice of exercise of the Option in a form designated by Fidelity and the Grant Price of the Shares. Payment of the Grant Price and applicable taxes may be made in cash or by providing an irrevocable exercise notice coupled with irrevocable instructions to Fidelity to simultaneously sell the Shares and deliver to the Company on the settlement date the portion of the proceeds representing the Grant Price and any taxes to be withheld. Payment of the Grant Price may also be made by delivery or attestation of ownership of other Shares of Common Stock owned by you, in which case the number of Shares acquired in the exercise will be reduced by an amount equal in value to the amount of any taxes required to be withheld and by any Shares attested.

4. Your Options terminate as of the close of business on the last day of your employment with the Company and all its Subsidiaries, unless your employment ends due to your death, Disability or Retirement on or after 30 September 2009. Upon your, death, Disability or Retirement on or after 30 September 2009, any unexercisable portion of the Options will be extended for the remaining term of the award (that is, will become exercisable) as if you have continued to be an active employee of the Company or a Subsidiary. Notwithstanding the above, if your employment with the Company or a Subsidiary is involuntarily terminated by the Company on or after 30 September 2009 due to action necessitated by business conditions, including, but not limited to, job eliminations, workforce reductions, divestitures of facilities, assets or businesses, sale by the Company of a Subsidiary or plant closing, your exercisable Options will not be

terminated but will continue to be exercisable in accordance with their terms for six months following your last day of employment with the Company or a Subsidiary.

5. In the event of a Change in Control, the Options become exercisable on the later of the Change in Control or the first date more than six months from grant. In the event of any other change in the outstanding shares of the Common Stock of the Company or the occurrence of certain other awards described in Section 12 of the Plan, an equitable adjustment shall be made in the number or kind of Shares or the Grant Price for Shares covered by your Options.

6. Options are nonassignable and nontransferable except to your Designated Beneficiary, by will or the laws of descent and distribution, or by gift to family members or to trusts of which only family members are beneficiaries. Transfers by gift can be made only after the Option has become exercisable and subject to such administrative procedures and to such restrictions and conditions as the officers of the Company shall determine to be consistent with the purposes of the Plan and the interests of the Company and/or to be necessary or appropriate for compliance with all applicable tax and other legal requirements. Subject to the foregoing, you may transfer Options by gift only by delivering to the Company at its principal offices in Allentown, Pennsylvania, written notice of the intent to transfer the Options on forms to be provided by the Company.

7. The Restricted Shares shall be issued to you, contingent upon your execution of this Agreement, as of 2 October 2008. Upon issuance of the Restricted Shares, you shall have all the rights of a shareholder with respect to the Restricted Shares, including the right to vote such Restricted Shares and receive all dividends or other distributions paid with respect to the Restricted Shares, subject to the restrictions contained in Paragraph 8 below. In the event of any change in the outstanding shares of Common Stock of the Company or the occurrence of certain other events described in Section 12 of the Plan, an equitable adjustment of the number of Restricted Shares covered by this Agreement shall be made consistent with the impact of such change or event upon the rights of the Company's other shareholders, and any additional Shares of Common Stock issued to you as a result of such adjustment shall be Restricted Shares subject to this Agreement, including, without limitation, the restrictions contained in Paragraph 8.

8. The "Restriction Period" with respect to the Restricted Shares shall be the period beginning 2 October 2008 and ending on the earliest of 1 October 2012; your death, Disability or Retirement on or after 30 September 2009, or a Change in Control of the Company. During the Restriction Period, the Restricted Shares may not be sold, assigned, transferred, encumbered, or otherwise disposed of by you; provided however, that such Restricted Shares may be used to pay the Grant Price by attestation upon your exercise of Stock Options, with the stipulation that the Restricted Shares attested will remain subject to the restrictions of this Paragraph 8 and the terms of this Agreement. If your employment by the Company and all its Subsidiaries is terminated for any reason prior to 30 September 2009, or for any reason other than death, Disability or Retirement prior to 1 October 2012, the Restricted Shares shall be forfeited in their entirety; provided that, in the event of a Change in Control of the Company, your rights to the Restricted Shares shall become immediately transferable and nonforfeitable. At the end of the Restriction Period, all nonforfeited Restricted Shares shall become transferable and otherwise be regular Shares.

9. At the end of the Restriction Period, and, if earlier, upon your election to include the value of the Restricted Shares in your federal taxable income pursuant to Internal Revenue Code Section 83(b), payment of taxes required to be withheld by the Company must be made. When taxation occurs at the end of the Restriction Period, applicable taxes will be withheld by reducing

the number of the Restricted Shares issued to you by an amount equal in market value to the taxes required to be withheld. In the event you make a Section 83(b) election, applicable taxes must be paid in cash to the Company at the time the election is filed with the Internal Revenue Service.

10. In the event your employment is terminated due to your death on or after 30 September 2009, the Restricted Shares shall be transferred free of restriction, reduced by any applicable taxes, to your Designated Beneficiary or, if none, to your legal representative.

11. The Performance Shares granted to you are associated with a three year performance cycle ending 30 September 2011. The final version of the performance share payout schedule will be sent to you in a separate communication. The schedule will display how the growth and return measures will define payout opportunities. Subject to the forfeiture conditions contained in Paragraph 12, each earned Performance Share will entitle you to receive, at the end of the Deferral Period (as defined below), one Share.

12. The Deferral Period will begin on the date of this Agreement and will end on 1 October 2011. If your employment by the Company and all its affiliates is terminated for any reason prior to 30 September 2009, all your Performance Shares will be automatically forfeited in their entirety. If your employment by the Company and all its affiliates terminates on or after 30 September 2009, but during the Deferral Period, other than due to death, Disability or Retirement, you will forfeit all of your Performance Shares. If your employment by the Company and all its affiliates is terminated on or after 30 September 2009, but during the Deferral Period, due to death, Disability or Retirement, you will forfeit a pro-rata portion of your earned Performance Shares which portion in each case shall be based on the number of full months you worked following 30 September 2008.

13. Performance Shares earned and not forfeited shall be paid, reduced by the number of Shares equal in market value to any applicable taxes, as soon as administratively practical after the end of the Deferral Period, in Shares. No cash dividends or other amounts shall be payable with respect to the Performance Shares during the Deferral Period. At the end of the Deferral Period, for each earned and nonforfeited Performance Share, the Company will also pay to you a cash payment equal to the dividends which would have been paid on a Share during the Deferral Period ("Dividend Equivalents"), net of applicable taxes.

14. If your employment by the Company or a Subsidiary terminates during the Deferral Period due to death, payment in respect of earned Performance Shares that are not forfeited and of related Dividend Equivalents shall be made, as soon as practical after the Deferral Period, to your Designated Beneficiary or, if none, your legal representative, net of applicable taxes.

15. In the event of any change in the outstanding Shares of Common Stock of the Company or the occurrence of certain other events as described in Section 12 of the Plan, an equitable adjustment of the number of Performance Shares covered by this Agreement shall be made as provided in the Plan.

16. Notwithstanding anything to the contrary above, any Performance Shares earned or paid and any related Dividend Equivalents paid to you may be rescinded within three years of their payment in the event: the earning of such Performance Shares is predicated upon the achievement of financial results that are subsequently the subject of a restatement; the Committee determines in its sole discretion that you engaged in misconduct that caused or partially caused the need for the restatement; and the Performance Shares would not have been earned or a lesser amount of

Performance Shares would have been earned based upon the restated financial results. In the event of any such rescission, you shall pay to the Company the amount of any gain realized or payment received as a result of any rescinded payment, in such manner and on such terms as may be required, and the Company shall be entitled to set off against the amount of any such gain or payment any amount owed to you by the Company or any Subsidiary.

17. In the event the Company determines, in its sole discretion, that you have engaged in a "Prohibited Activity" (as defined below), at any time during your employment, or within one year after termination of your employment from the Company or any Subsidiary, the Company may forfeit, cancel, modify, rescind, suspend, withhold, or otherwise limit or restrict any unexpired, unpaid, unexercised, or deferred Awards outstanding under this Agreement, and any exercise, payment, or delivery of an Award or Shares pursuant to an Award may be rescinded within six months after such exercise, payment, or delivery. In the event of any such rescission, you shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment, or delivery, in such manner and on such terms as may be required, and the Company shall be entitled to set off against the amount of any such gain or payment any amount owed to you by the Company or any Subsidiary.

The Prohibited Activities are:

(a) Nondisparagement — making any statement, written or verbal, in any forum or media, or taking any action in disparagement of the Company or any Subsidiary or affiliate thereof (hereinafter, the "Company"), including but not limited to negative references to the Company or its products, services, corporate policies, current or former officers or employees, customers, suppliers, or business partners or associates;

(b) No Publicity — publishing any opinion, fact, or material, delivering any lecture or address, participating in the making of any film, radio broadcast, or television transmission; or communicating with any representative of the media relating to confidential matters regarding the business or affairs of the Company which you were involved with during your employment;

(c) Nondisclosure of Trade Secrets — failure to hold in confidence all Trade Secrets of the Company that came into your knowledge during your employment by the Company, or disclosing, publishing, or making use of at any time such Trade Secrets, where the term "Trade Secret" means any technical or nontechnical data, formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, financial plan, product plan, list of actual or potential customers or suppliers, or other information similar to any of the foregoing, which (i) derives economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by, other persons who can derive economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy;

(d) Nondisclosure of Confidential Information — failure to hold in confidence all Confidential Information of the Company that came into your knowledge during your employment by the Company, or disclosing, publishing, or making use of such Confidential Information, where the term "Confidential Information" means any data or information, other than Trade Secrets, that is valuable to the Company and not generally known to the public or to competitors of the Company;

(e) Return of Materials — your failure, in the event of your termination of employment for any reason, promptly to deliver to the Company all memoranda, notes, records, manuals, or other documents, including all electronic or other copies of such materials and all documentation prepared or produced in connection therewith, containing Trade Secrets or Confidential Information regarding the Company's business, whether made or compiled by you or furnished to you by virtue of your employment with the Company; or your failure promptly to deliver to the Company all vehicles, computers, credit cards, telephones, handheld electronic devices, office equipment, and other property furnished to you by virtue of your employment with the Company;

(f) Noncompete and Nonsolicitation — rendering services for any organization as an employee, officer, director, consultant, advisor, agent, broker, independent contractor, principal, or partner, or engaging directly or indirectly in any business which, in the sole judgment of the Company, is or becomes competitive with the Company during the one (1) year period following the termination of your employment; or directly or indirectly soliciting any customer, supplier, contractor, employee, agent, or consultant of the Company with whom you had contact during the last two years of your employment with the Company or became aware of through your employment with the Company, to cease doing business with, or to terminate their employment or business relationship with, the Company; or

(g) Violation of Company Policies — violating any written policies of the Company applicable to you, including, without limitation, the Company's insider trading policy.

The provisions of this Section 17 are in addition to, and shall not supersede, the terms of your Employee Patent and Confidential Information Agreement entered at the time you were employed by the Company.

You expressly acknowledge and affirm that the foregoing provisions of this Section 17 are material and important terms of this Agreement and that your agreement to be bound by the terms of this Section 17 is a condition precedent to your FY2009 Awards.

18. All determinations regarding the interpretation, construction, enforcement, waiver, or modification of this Agreement and/or the Plan shall be made in the Company's sole discretion or, in the case of Executive Officer Awards, by the Committee in its sole discretion and shall be final and binding on you and the Company. Determinations made under this Agreement and the Plan need not be uniform and may be made selectively among individuals, whether or not such individuals are similarly situated.

19. If any of the terms of this Agreement in the opinion of the Company conflict or are inconsistent with any applicable law or regulation of any governmental agency having jurisdiction, the Company reserves the right to modify this Agreement to be consistent with applicable laws or regulations.

20. You understand and acknowledge that the Company holds certain personal information about you, including but not limited to your name, home address, telephone number, date of birth, social security number, salary, nationality, job title, and details of all Shares awarded, cancelled, vested, unvested, or outstanding (the "personal data"). Certain personal data may also constitute "sensitive personal data" within the meaning of applicable local law. Such data include but are not limited to the information provided above and any changes thereto and other appropriate personal and financial data about you. You hereby provide explicit consent to the Company and any Subsidiary to process any such personal data and sensitive personal data. You also hereby

provide explicit consent to the Company and any Subsidiary to transfer any such personal data and sensitive personal data outside the country in which you are employed, and to the United States. The legal persons for whom such personal data are intended are the Company and any third party providing services to the Company in connection with the administration of the Plan.

21. By accepting this award, you acknowledge having received and read the Plan Prospectus, and you consent to receiving information and materials in connection with this Award or any subsequent awards under the Company's long-term performance plans, including without limitation any prospectuses and plan documents, by any means of electronic delivery available now and/or in the future (including without limitation by e-mail, by Website access, and/or by facsimile), such consent to remain in effect unless and until revoked in writing by you. This Agreement and the Plan, which is incorporated herein by reference, constitute the entire agreement between you and the Company regarding the terms and conditions of this Award.

22. You submit to the exclusive jurisdiction and venue of the federal or state courts of the Commonwealth of Pennsylvania to resolve all issues that may arise out of or relate to and all determinations made under this Agreement. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to conflicts or choice of law rules or principles.

23. If any court of competent jurisdiction finds any provision of this Agreement, or portion thereof, to be unenforceable, that provision shall be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement shall continue in full force and effect.

24. Neither your FY2009 Awards, this Award Agreement, nor the Plan constitute a contract of employment; nor do they guarantee your continued employment for any period required for all or any of your Options to vest or become exercisable.

SUPPLEMENT TO EXHIBIT A OF

THE 2009 LONG-TERM INCENTIVE PLAN AWARDS AGREEMENT

As noted in the agreement governing your 2009 awards under the Long-Term Incentive Plan, which was offered to you via an email dated 13 October 2008 and must be accepted by you no later than 31 December 2008 (“Awards Agreement”), Performance Shares granted to you will be earned based on certain performance metrics which were not finalized by the Management Development and Compensation Committee of the Board of Directors at the time the Awards Agreement was transmitted to you. At its November meeting, the Committee approved the Performance Shares payout schedule (attached) for the 1 October 2008 to 30 September 2011 measurement period. After the conclusion of the performance cycle, the Committee will determine the level of performance and approve the payout percentage of the Performance Shares based on the weighted average of the Payout Factors in the schedule below. The payout percentage will be multiplied by the number of Performance Shares indicated in your Awards Agreement to determine the number of shares you will receive.

The measurements for this three-year period will emphasize both growth and returns. Growth will be measured by the change in Earnings per Share (EPS growth) over the prior year and will be weighted at 33%. Return will be measured based on the spread between the Return on Capital Employed (ROCE) over the Company’s cost of capital as calculated by Corporate Treasury, and will be weighted at 67%. Each of these metrics will be measured on an annual basis, totaled, then divided by three to determine the average performance for the measurement period.

<u>Fiscal Year 2009 Performance Share Awards Payout Schedule</u>

(33% Growth and 67% Return)

EPS Growth	Payout
-10%	0%
0%	35%
4%	50%
7%	80%
9%	100%
10%	120%
11%	130%
13%	160%
15%	180%
16%	200%

ROCE Spread (ROCE over Cost of Capital)	Payout
< 0%	0%
0%	50%
+1%	75%
+2%	100%
+3%	150%
+4%	200%

This Supplement shall be incorporated into Exhibit A of the Awards Agreement and shall be part of the Awards Agreement.

AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(Unaudited)

	Year Ended 30 September					Three Months Ended 31 Dec
	2004	2005	2006	2007	2008	2008
Earnings:						
Income from continuing operations (1)	$ 574.9	$ 659.0	$ 734.1	$ 1,019.6	$ 1,090.5	$ 90.0
Add (deduct):						
Provision for income taxes	209.3	235.7	271.9	289.0	381.7	10.3
Fixed charges, excluding capitalized interest	144.0	139.1	146.7	190.9	188.8	44.3
Capitalized interest amortized during the period	7.0	6.1	6.5	6.4	6.6	1.9
Undistributed earnings of less-than-fifty-percent-owned affiliates	(28.7)	(29.2)	(29.2)	(61.2)	(72.7)	(7.8)
Earnings, as adjusted	$ 906.5	$ 1,010.7	$ 1,130.0	$ 1,444.7	$ 1,594.9	$ 138.7
Fixed Charges:						
Interest on indebtedness, including capital lease obligations	$ 123.0	$ 113.0	$ 119.8	$ 163.7	$ 164.4	$ 37.0
Capitalized interest	7.9	14.9	18.8	14.6	27.3	6.2
Amortization of debt discount premium and expense	1.4	4.1	4.8	4.1	4.0	1.3
Portion of rents under operating leases representative of the interest factor	19.6	22.0	22.1	23.1	20.4	6.0
Fixed charges	$ 151.9	$ 154.0	$ 165.5	$ 205.5	$ 216.1	$ 50.5
Ratio of Earnings to Fixed Charges (2):	6.0	6.6	6.8	7.0	7.4	2.7

(1) During the first quarter ended 31 December 2008, income from continuing operations included a charge of $174.2 for the global cost reduction plan.

(2) The ratio of earnings to fixed charges is determined by dividing earnings, which includes income from continuing operations before taxes, undistributed earnings of less-than-fifty-percent-owned affiliates, and fixed charges, by fixed charges. Fixed charges consist of interest on all indebtedness plus that portion of operating lease rentals representative of the interest factor (deemed to be 21% of operating lease rentals).

PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATION

I, John E. McGlade, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Air Products and Chemicals, Inc.;

2. Based on my knowledge, this 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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: 30 January 2009

/s/ John E. McGlade

John E. McGlade
President and Chief Executive Officer

Exhibit 31.2

PRINCIPAL FINANCIAL OFFICER'S CERTIFICATION

I, Paul E. Huck, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Air Products and Chemicals, Inc.;

2. Based on my knowledge, this 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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: 30 January 2009

/s/ Paul E. Huck

Paul E. Huck
Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Air Products and Chemicals, Inc. (the "Company") on Form 10-Q for the period ending 31 December 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, John E. McGlade, Chief Executive Officer of the Company, and Paul E. Huck, 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: 30 January 2009

/s/ John E. McGlade

John E. McGlade
Chief Executive Officer

/s/ Paul E. Huck

Paul E. Huck
Chief Financial Officer