

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) of the  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) 23 July 1998  
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Air Products and Chemicals, Inc.

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(Exact name of registrant as specified in charter)

Delaware	1-4534	23-1274455
----- (State of other jurisdiction of incorporation)	----- (Commission file number)	----- (IRS Identification number)
7201 Hamilton Boulevard, Allentown, Pennsylvania		18195-1501
----- (Address of principal executive offices)		----- (Zip Code)

Registrant's telephone number, including area code (610) 481-4911  
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Item 5. Other Events.  
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The Registrant reported record income from operations of \$123 million, or diluted earnings per share of 56 cents, for the third quarter ended June 30, 1998. This compares to \$116 million, or 52 cents per share in the year ago quarter, a per-share increase of 8 percent. These results exclude an after-tax gain of \$15 million, or 7 cents per share, from a power contract restructuring related to the American Ref-Fuel divestiture. Sales of \$1.2 billion were up 7 percent versus last year.

In summarizing the quarter's results, Air Products Chairman H. A. Wagner said, "Our third quarter profits remain on-track to deliver solid year-on-year performance in 1998. Gases quarterly results were negatively impacted by customer outages and higher temporary costs for electricity and related product dislocation. Our chemicals and equipment businesses continue to deliver excellent results."

Industrial gas sales for the quarter rose 6 percent, and operating income declined 3 percent, as worldwide volume growth slowed from recent quarters. In North America and Europe, merchant volumes were up modestly and prices declined slightly. Merchant results in the U.S. were also impacted by regional power shortages that affected both energy costs and product availability. In the

tonnage business, strong gains were recorded in Europe, but North American volumes were down from prior period.

Finally, costs associated with integrating new acquisitions and European work process changes also lowered overall results for gases in the quarter.

The Chemicals segment reported a 10 percent increase in operating income, on a 7 percent sales gain, overcoming the negative impact from the Asian crisis. Volumes were strong across most

businesses, led by record sales of amines, emulsions, and specialty additives and margins improved modestly, due to ongoing productivity program benefits.

The Equipment and Services segment again posted significantly higher profits, benefiting from a favorable product mix and improved cost performance. 1998 will be a record profit year for the segment.

The Corporate/Other segment reflects the absence of American Ref-Fuel in equity affiliates, worth 3 cents per share, and a modest gain in foreign exchange versus a prior year loss in operating income.

The Company continued its previously announced share repurchase program, acquiring \$85 million of its shares in the quarter. Since the program was initiated in April 1996, a total of 14.5 million shares, on a post-split basis, have been acquired, for a total investment of approximately \$520 million. The Company expects to complete this \$600 million program by fiscal year-end.

For the first nine months of fiscal 1998, the Registrant reported income from operations of \$361 million, or \$1.63 per share, versus \$322 million, or \$1.43 per share, up 14 percent on a diluted basis. These results include the impact of currency translation effects, which reduced earnings per share growth by 11 cents in the fiscal year to-date, but exclude one-time after-tax gains recorded in fiscal 1998 from the sale of the Company's 50 percent interest in American Ref-Fuel Company, a related power contract restructuring, and a cogeneration project contract settlement. Sales rose 7 percent to \$3.7 billion.

Commenting on year-to-date results, Mr. Wagner said, "Despite signs of slower economic growth in the United States, and the residual impact of difficulties in Asia, we are confident we'll continue to meet our financial objectives into the future. We are expanding our successful work process efforts across the Company, and our level of capital

investment has been reduced in response to changing business conditions. We will continue our drive for consistent, profitable growth and improved returns on capital, by aggressively managing our cost structure and investment program."

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

Financial tables follow:

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

(In millions, except earnings per share)

	Three Months Ended		Nine Months Ended	
	30 June	1997	30 June	1997
	1998		1998	
Sales	\$1,225.3	\$1,150.3	\$3,668.7	\$3,424.3
Net Income	\$ 138.1(d)	\$ 116.0	\$ 419.1(c)(d)	\$ 321.9
Basic Earnings Per Share (a)(b)	\$ .64(d)	\$ .53	\$ 1.94(c)(d)	\$ 1.46
Diluted Earnings Per Share (a)(b)	\$ .63(d)	\$ .52	\$ 1.89(c)(d)	\$ 1.43

(a)Effective 31 December 1997, the company adopted Statement of Financial Accounting Standard (SFAS) No. 128, "Earnings Per Share."

(b)The earnings per share amounts for the prior year and for the first two quarters of fiscal 1998 have been restated to reflect a two-for-one stock split during the third quarter of fiscal 1998.

(c)Includes an after-tax gain of \$35.1 million, or \$.16 per share from the sale of the company's 50% interest in American Ref-Fuel Company and a gain of \$7.6 million, or \$.03 per share from a cogeneration project contract settlement.

(d)Includes an after-tax gain of \$15.4 million, or \$.07 per share from the settlement of a power contract restructuring.

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

CONSOLIDATED INCOME

(In millions, except per share)

	Three Months Ended 30 June		Nine Months Ended 30 June	
	1998	1997	1998	1997
<b>SALES AND OTHER INCOME</b>				
Sales	\$1,225.3	\$1,150.3	\$3,668.7	\$3,424.3
Other income	10.8	.7	9.2	20.5
	1,236.1	1,151.0	3,677.9	3,444.8
<b>COSTS AND EXPENSES</b>				
Cost of sales	708.7	663.4	2,131.3	2,042.4
Selling, distribution and administrative	287.4	266.8	834.6	773.0
Research and development	28.7	27.9	82.0	83.1
	211.3	192.9	630.0	546.3
<b>OPERATING INCOME</b>				
Income from equity affiliates, net of related expenses	11.0	17.3	24.6	49.5
Gain on Ref Fuel Sale and Contract Settlements	28.3	--	103.5	--
Interest expense	42.0	39.4	121.2	121.8
	208.6	170.8	636.9	474.0
<b>INCOME BEFORE TAXES</b>				
Income taxes	70.5	54.8	217.8	152.1
	\$ 138.1	\$ 116.0	\$ 419.1	\$ 321.9
<b>NET INCOME</b>				
<b>BASIC EARNINGS PER COMMON SHARE</b>				
	\$ .64	\$ .53	\$ 1.94	\$ 1.46
<b>DILUTED EARNINGS PER COMMON SHARE*</b>				
	\$ .63	\$ .52	\$ 1.89	\$ 1.43
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in millions)</b>				
	214.9	219.8	216.4	220.2
<b>WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES (in millions)</b>				
	219.9	224.6	221.3	224.9
<b>DIVIDENDS DECLARED PER COMMON SHARE - Cash</b>				
	\$ .17	\$ .15	\$ .47	\$ .425

\* Diluted earnings per common share is due mainly to the impact of unexercised stock options.

## AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

(In millions, except per share)

ASSETS	30 June 1998	30 June 1997
<b>CURRENT ASSETS</b>		
Cash and cash items	\$ 110.8	\$ 70.6
Trade receivables, less allowances for doubtful accounts	852.2	841.6
Inventories	424.4	401.4
Contracts in progress, less progress billings	97.3	142.2
Other current assets	197.8	196.7
<b>TOTAL CURRENT ASSETS</b>	<b>1,682.5</b>	<b>1,652.5</b>
<b>INVESTMENTS</b>		
	361.3	590.4
<b>PLANT AND EQUIPMENT, at cost</b>		
	9,189.1	8,627.8
Less - Accumulated depreciation	4,569.5	4,243.1
<b>PLANT AND EQUIPMENT, net</b>	<b>4,619.6</b>	<b>4,384.7</b>
<b>GOODWILL</b>		
	299.4	253.6
<b>OTHER NONCURRENT ASSETS</b>		
	385.5	344.9
<b>TOTAL ASSETS</b>	<b>\$7,348.3</b>	<b>\$7,226.1</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Payables, trade and other	\$ 530.3	\$ 631.9
Accrued liabilities	280.3	265.1
Accrued income taxes	74.5	57.5
Short-term borrowings	186.7	325.0
Current portion of long-term debt	130.8	30.6
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,202.6</b>	<b>1,310.1</b>
<b>LONG-TERM DEBT</b>		
	2,305.0	2,213.4
<b>DEFERRED INCOME &amp; OTHER NONCURRENT LIABILITIES</b>		
	524.9	421.2
<b>DEFERRED INCOME TAXES</b>		
	688.7	671.5
<b>TOTAL LIABILITIES</b>	<b>4,721.2</b>	<b>4,616.2</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, par value \$1 per share	249.5	124.7
Capital in excess of par value	329.4	453.3
Retained earnings	3,308.3	2,915.7
Unrealized gain on investments	7.4	15.6
Cumulative translation adjustments	(264.8)	(162.5)
Treasury Stock, at cost	(577.0)	(293.6)
Shares in trust	(425.7)	(443.3)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,627.1</b>	<b>2,609.9</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$7,348.3</b>	<b>\$7,226.1</b>

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In December 1997, the company sold its 50% interest in American Ref-Fuel Company, its former waste-to-energy joint venture with Browning-Ferris Industries, Inc. (BFI), to Duke Energy Power Services and United American Energy Corporation. This transaction provided for the sale of Air Products' interest in American Ref-Fuel's five waste-to-energy facilities for \$237 million, and the assumption of various parental support agreements by Duke Energy Capital Corporation, the parent company of Duke Energy Power Services. The income statement for the nine months ended 30 June 1998 includes a gain of \$62.6 million from this sale, (\$35.1 million after-tax or \$.16 per share.) Fiscal 1997 results included equity affiliates' income related to American Ref-Fuel of \$21.4 million before taxes of which \$2.3, \$.8, \$9.6 and \$8.7 million was included in the first through fourth quarters respectively.

Air Products retained a limited partnership interest in an American Ref-Fuel project that was undergoing a power contract restructuring. The restructuring was completed in June 1998. The three months ending 30 June 1998 includes a gain, net of transaction costs, of \$28.3 million (\$15.4 million after-tax or \$.07 per share.)

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

On 6 May 1998, the company's Board of Directors approved a two-for-one stock split. The additional shares were issued on 15 June 1998, to shareholders of record on 15 May 1998. The earnings per share and shares outstanding amounts for the prior year and for the prior two quarters of fiscal 1998 have been restated to reflect the stock split.

The company completed the sale of the landfill gas recovery business, GSF Energy Inc., during the three months ended 31 December 1996. A gain of \$9.5 million (\$5.9 million after tax, or \$.03 per share) was recorded.

During the three months ended 31 December 1996, an impairment loss of \$9.3 million (\$6.0 million after tax, or \$.03 per share) was recorded in the chemicals segment. The write-down was related to production assets in the performance chemicals division and the related goodwill.



AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

SUMMARY BY BUSINESS SEGMENTS

(In millions)

	Three Months Ended 30 June		Nine Months Ended 30 June	
	1998	1997	1998	1997
<b>Sales:</b>				
Industrial Gases	\$ 725.9	\$ 684.8	\$2,168.2	\$1,970.3
Chemicals	393.6	366.3	1,152.9	1,071.0
Equipment/Services	105.8	99.2	347.6	381.8
Corporate/Other	--	--	--	1.2
<b>CONSOLIDATED</b>	<b>\$1,225.3</b>	<b>\$1,150.3</b>	<b>\$3,668.7</b>	<b>\$3,424.3</b>
<b>Operating Income:</b>				
Industrial Gases	\$ 135.7	\$ 140.6	\$ 427.6	\$ 384.4
Chemicals	65.4	59.7	191.4	157.6 (a)
Equipment/Services	20.4	8.0	50.4	24.1
Corporate/Other	(10.2)	(15.4)	(39.4)	(19.8)(b)
<b>CONSOLIDATED</b>	<b>\$ 211.3</b>	<b>\$ 192.9</b>	<b>\$ 630.0</b>	<b>\$ 546.3</b>
<b>Equity Affiliates' Income:</b>				
Industrial Gases	\$ 5.1	\$ 3.5	\$ 8.3	\$ 24.0
Chemicals	0.1	0.2	0.5	0.4
Equipment/Services	4.9	3.2	13.2	10.2
Corporate/Other	0.9	10.4	2.6	14.9 (c)
<b>CONSOLIDATED</b>	<b>\$ 11.0</b>	<b>\$ 17.3</b>	<b>\$ 24.6</b>	<b>\$ 49.5</b>

(a) Operating income for the nine month period ended 30 June 1997 includes a \$9.3 million impairment loss.

(b) Operating income for the nine month period ended 30 June 1997 includes a pre-tax gain of \$9.5 million on the sale of the landfill gas recovery business, and a pre-tax gain of \$7.3 million on the sale of 19% of a cost based investment.

(c) Equity affiliates' income for the nine month period ended 30 June 1997 includes a pre-tax charge of \$4.8 million from the refinancing of a joint venture bond offering.

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

SUMMARY BY GEOGRAPHIC REGIONS

(In millions)

	Three Months Ended		Nine Months Ended	
	30 June		30 June	
	1998	1997	1998	1997
<b>Sales:</b>				
United States	\$ 832.1	\$ 809.4	\$2,544.8	\$2,407.9
Europe	331.4	288.7	946.5	879.6
Canada/Latin America	55.3	45.4	159.0	123.6
Other	6.5	6.8	18.4	13.2
<b>CONSOLIDATED</b>	<b>\$1,225.3</b>	<b>\$1,150.3</b>	<b>\$3,668.7</b>	<b>\$3,424.3</b>
<b>Operating Income:</b>				
United States	\$ 157.7	\$ 142.8	\$ 485.9	\$ 427.4
Europe	49.8	45.2	135.6	104.8
Canada/Latin America	4.2	4.9	11.2	14.5
Other	(0.4)	--	(2.7)	(0.4)
<b>CONSOLIDATED</b>	<b>\$ 211.3</b>	<b>\$ 192.9</b>	<b>\$ 630.0</b>	<b>\$ 546.3</b>
<b>Equity Affiliates' Income:</b>				
United States	\$ 5.5	\$ 13.2	\$ 15.2	\$ 24.2
Europe	2.6	2.3	7.6	11.3
Canada/Latin America	3.0	2.5	8.6	7.9
Other	(0.1)	(0.7)	(6.8)	6.1
<b>CONSOLIDATED</b>	<b>\$ 11.0</b>	<b>\$ 17.3</b>	<b>\$ 24.6</b>	<b>\$ 49.5</b>

For the nine months ended 30 June 1997, operating income of the United States includes a gain of \$9.5 million from the sale of the landfill gas recovery business and operating income of Europe includes an impairment loss of \$9.3 million.

SIGNATURES

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

Air Products and Chemicals, Inc.  
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(Registrant)

Dated: 23 July 1998

By: /s/ Leo J. Daley  
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Leo J. Daley  
Vice President - Finance and  
Treasurer  
(Chief Financial Officer)