AIR PRODUCTS & CHEMICALS INC /DE/
Form 10-Q
January 30, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended 31 December 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission file number 1-4534

AIR PRODUCTS AND CHEMICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ü No ___

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 ü Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company ___
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ___ NO ü

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 31 December 2014
Common Stock, $1 par value	214,274,045

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AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

CONSOLIDATED INCOME STATEMENTS

(Unaudited)

	Three Months Ended 31 December	
(Millions of dollars, except for share data)	2014	2013
Sales	$ 2,560.8	$ 2,545.5
Cost of sales	1,831.0	1,865.9
Selling and administrative	258.2	280.9
Research and development	35.4	33.5
Business restructuring and cost reduction actions	32.4	
Gain on previously held equity interest	17.9	
Other income (expense), net	8.3	20.4
Operating Income	430.0	385.6
Equity affiliates income	43.1	38.2
Interest expense	29.1	33.3
Income from Continuing Operations before Taxes	444.0	390.5
Income tax provision	106.5	94.5
Income from Continuing Operations	337.5	296.0
Income from Discontinued Operations, net of tax		3.1
Net Income	337.5	299.1
Less: Net Income Attributable to Noncontrolling Interests	12.9	8.9
Net Income Attributable to Air Products	$ 324.6	$ 290.2
Net Income Attributable to Air Products		
Income from continuing operations	$ 324.6	$ 287.1
Income from discontinued operations		3.1
Net Income Attributable to Air Products	$ 324.6	$ 290.2
Basic Earnings Per Common Share Attributable to Air Products		
Income from continuing operations	$ 1.52	$ 1.36
Income from discontinued operations		.01
Net Income Attributable to Air Products	$ 1.52	$ 1.37
Diluted Earnings Per Common Share Attributable to Air Products		
Income from continuing operations	$ 1.50	$ 1.34
Income from discontinued operations		.01
Net Income Attributable to Air Products	$ 1.50	$ 1.35
Weighted Average Common Shares Basic (in millions)	214.2	211.8
Weighted Average Common Shares Diluted (in millions)	216.6	214.3
Dividends Declared Per Common Share Cash	$ .77	$ .71

The accompanying notes are an integral part of these statements.

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AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

(Unaudited)

	Three Months Ended 31 December	
(Millions of dollars)	2014	2013
Net Income	$ 337.5	$ 299.1
Other Comprehensive Income (Loss), net of tax:		
Translation adjustments, net of tax of $16.1 and ($13.6)	(244.4)	31.4
Net gain (loss) on derivatives, net of tax of ($11.4) and $4.8	(23.8)	13.1
Reclassification adjustments:		
Derivatives, net of tax of $5.4 and ($4.4)	13.5	(11.9)
Pension and postretirement benefits, net of tax of $10.1 and $9.6	20.9	20.0
Total Other Comprehensive Income (Loss)	(233.8)	52.6
Comprehensive Income	103.7	351.7
Net Income Attributable to Noncontrolling Interests	12.9	8.9
Other Comprehensive Loss Attributable to Noncontrolling Interests	(5.1)	(1.1)
Comprehensive Income Attributable to Air Products	$ 95.9	$ 343.9

The accompanying notes are an integral part of these statements.

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AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Millions of dollars, except for share data)	31 December 2014	30 September 2014
Assets		
Current Assets		
Cash and cash items	$ 238.8	$ 336.6
Trade receivables, net	1,430.4	1,486.0
Inventories	709.7	706.0
Contracts in progress, less progress billings	143.0	155.4
Prepaid expenses	76.4	87.8
Other receivables and current assets	538.9	523.0
Total Current Assets	3,137.2	3,294.8
Investment in net assets of and advances to equity affiliates	1,252.2	1,257.9
Plant and equipment, at cost	20,256.5	20,223.5
Less: accumulated depreciation	10,648.9	10,691.4
Plant and equipment, net	9,607.6	9,532.1
Goodwill, net	1,200.7	1,237.3
Intangible assets, net	585.2	615.8
Noncurrent capital lease receivables	1,397.6	1,414.9
Other noncurrent assets	454.9	426.3
Total Noncurrent Assets	14,498.2	14,484.3
Total Assets	$ 17,635.4	$ 17,779.1
Liabilities and Equity		
Current Liabilities		
Payables and accrued liabilities	$ 1,585.1	$ 1,591.0
Accrued income taxes	79.1	78.0
Short-term borrowings	1,283.5	1,228.7
Current portion of long-term debt	54.2	65.3
Total Current Liabilities	3,001.9	2,963.0
Long-term debt	4,751.3	4,824.5
Other noncurrent liabilities	1,070.7	1,187.5
Deferred income taxes	1,019.5	995.5
Total Noncurrent Liabilities	6,841.5	7,007.5
Total Liabilities	9,843.4	9,970.5
Commitments and Contingencies See Note 11		
Redeemable Noncontrolling Interest	288.7	287.2
Air Products Shareholders Equity		
Common stock (par value $1 per share; issued 2015 and 2014 249,455,584 shares)	249.4	249.4
Capital in excess of par value	852.8	842.0
Retained earnings	10,152.0	9,993.2
Accumulated other comprehensive loss	(1,470.6)	(1,241.9)
Treasury stock, at cost (2015 35,181,539 shares; 2014 35,917,440 shares)	(2,432.1)	(2,476.9)
Total Air Products Shareholders Equity	7,351.5	7,365.8
Noncontrolling Interests	151.8	155.6
Total Equity	7,503.3	7,521.4
Total Liabilities and Equity	$ 17,635.4	$ 17,779.1

The accompanying notes are an integral part of these statements.

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AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended 31 December	
(Millions of dollars)	2014	2013
Operating Activities		
Net Income	$ 337.5	$ 299.1
Less: Net income attributable to noncontrolling interests	12.9	8.9
Net income attributable to Air Products	324.6	290.2
Income from discontinued operations		(3.1)
Income from continuing operations attributable to Air Products	324.6	287.1
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation and amortization	235.5	234.2
Deferred income taxes	26.2	33.0
Gain on previously held equity interest	(17.9)	
Undistributed earnings of unconsolidated affiliates	(31.3)	1.5
Share-based compensation	11.9	11.8
Noncurrent capital lease receivables	(8.1)	(10.0)
Other adjustments	(60.5)	12.7
Working capital changes that provided (used) cash, excluding effects of acquisitions and divestitures:		
Trade receivables	22.3	(17.7)
Inventories	(16.0)	11.9
Contracts in progress, less progress billings	6.8	32.6
Other receivables	(27.3)	(.9)
Payables and accrued liabilities	5.0	(65.2)
Other working capital	15.4	15.2
Cash Provided by Operating Activities	486.6	546.2
Investing Activities		
Additions to plant and equipment	(446.5)	(391.1)
Acquisitions, less cash acquired	(22.6)	
Proceeds from sale of assets and investments	3.7	5.5
Other investing activities	2.2	
Cash Used for Investing Activities	(463.2)	(385.6)
Financing Activities		
Long-term debt proceeds	.9	1.4
Payments on long-term debt	(38.5)	(434.0)
Net increase in commercial paper and short-term borrowings	54.0	339.1
Dividends paid to shareholders	(164.4)	(149.9)
Proceeds from stock option exercises	42.1	19.9
Excess tax benefit from share-based compensation	13.4	4.1
Other financing activities	(19.4)	(18.8)
Cash Used for Financing Activities	(111.9)	(238.2)
Discontinued Operations		
Cash provided by operating activities		.7
Cash provided by investing activities		9.8
Cash used for financing activities		
Cash Provided by Discontinued Operations		10.5
Effect of Exchange Rate Changes on Cash	(9.3)	4.3
Decrease in Cash and Cash Items	(97.8)	(62.8)
Cash and Cash Items Beginning of Year	336.6	450.4
Cash and Cash Items End of Period	$ 238.8	$ 387.6

Supplemental Cash Flow Information		
Cash paid for taxes (net of cash refunds)	$ 62.5	$ 31.4

The accompanying notes are an integral part of these statements.

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AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars unless otherwise indicated, except for share data)

1. BASIS OF PRESENTATION AND MAJOR ACCOUNTING POLICIES

Refer to our 2014 Form 10-K for a description of major accounting policies. There have been no significant changes to these accounting policies during the first three months of fiscal year 2015.

The Company realigned its businesses in new reporting segments and began operating under the new structure effective 1 October 2014. Prior year segment information presented has been restated to conform with the fiscal year 2015 presentation. See Note 18, Business Segment Information, for further details.

The consolidated financial statements of Air Products and Chemicals, Inc. and its subsidiaries (we, our, us, the Company, Air Products, or registrant) included herein have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. In our opinion, 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. The interim results for the periods indicated herein, however, do not reflect certain adjustments, such as the valuation of inventories on the last-in, first-out (LIFO) cost basis, which are only finally determined on an annual basis. The consolidated financial statements and related Notes included herein should be read in conjunction with the financial statements and Notes thereto included in our latest 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.

2. NEW ACCOUNTING GUIDANCE

Accounting Guidance Implemented in 2015

Unrecognized Tax Benefits

In July 2013, the Financial Accounting Standards Board (FASB) issued guidance to require standard presentation of an unrecognized tax benefit when a carryforward related to net operating losses or tax credits exists. We adopted this guidance prospectively beginning in the first quarter of fiscal year 2015. This guidance did not have a significant impact on our consolidated financial statements.

New Accounting Guidance to be Implemented

Discontinued Operations

In April 2014, the FASB issued an update to change the criteria for determining which disposals qualify as a discontinued operation and to expand related disclosure requirements. Under the new guidance, a disposal is required to be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on operations and financial results. This guidance will be effective prospectively for new disposals and new disposal groups classified as held for sale beginning in fiscal year 2016, with early adoption permitted.

Revenue Recognition

In May 2014, the FASB issued guidance based on the principle that revenue is recognized in an amount expected to be collected and to which the entity expects to be entitled in exchange for the transfer of goods or services. This guidance is effective for us beginning in fiscal year 2018 and can be adopted either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted. We are currently evaluating the adoption alternatives and impact that this update will have on our consolidated financial statements.

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Share-Based Compensation

In June 2014, the FASB issued guidance clarifying that share-based compensation performance targets that could be achieved after the requisite service period should be treated as a performance condition that affects vesting, rather than a condition that affects the grant-date fair value of the award. This guidance is effective for us beginning in fiscal year 2017, with early adoption permitted. We do not expect this guidance to have a significant impact on our consolidated financial statements.

Going Concern

In August 2014, the FASB issued guidance regarding management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern within one year of the issuance of the financial statements. If substantial doubt exists, additional disclosures would be required. This guidance will be effective beginning in the fourth quarter of fiscal year 2017, with early adoption permitted. This guidance will not have a significant impact on our consolidated financial statements.

Extraordinary Items

In January 2015, the FASB issued an update to eliminate the concept of extraordinary items. Previously, extraordinary items were required to be segregated and shown separately in the income statement, net of tax, when the items were deemed both unusual and infrequent. The guidance is effective beginning in fiscal year 2017 and may be applied retrospectively for periods presented. Early adoption is permitted if applied from the beginning of the fiscal year of adoption.

3. DISCONTINUED OPERATIONS

During the second quarter of 2012, the Board of Directors authorized the sale of our Homecare business which has been accounted for as a discontinued operation.

In the third quarter of 2012, we sold the majority of our Homecare business to The Linde Group for sale proceeds of 590 million ($777) and recognized a gain of $207.4 ($150.3 after-tax, or $.70 per share). Additionally, during the third quarter of 2012, an impairment charge of $33.5 ($29.5 after-tax, or $.14 per share) was recorded to write down the remaining business, which was primarily in the United Kingdom and Ireland, to its estimated net realizable value. In the fourth quarter of 2013, an additional charge of $18.7 ($13.6 after-tax, or $.06 per share) was recorded to update our estimate of the net realizable value. In the first quarter of 2014, we sold the remaining portion of the Homecare business for £6.1 million ($9.8) and recorded a gain on sale of $2.4. We entered into an operations guarantee related to the obligations under certain homecare contracts assigned in connection with the transaction. Our maximum potential payment under the guarantee is £20 million (approximately $31 at 31 December 2014), and our exposure will be extinguished by 2020. The fair value of the guarantee is not material.

The results of discontinued operations are summarized below:

	Three Months Ended 31 December	
	2014	2013
Sales	$	$ 8.5
Income before taxes	$	$ .7
Income tax provision		
Income from operations of discontinued operations		.7
Gain on sale of business, net of tax		2.4
Income from Discontinued Operations, net of tax	$	$ 3.1

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4. BUSINESS RESTRUCTURING AND COST REDUCTION ACTIONS

The charges we record for business restructuring and cost reduction actions have been excluded from segment operating income and are reflected on the consolidated income statements as Business Restructuring and Cost Reduction Actions.

Business Realignment and Reorganization

On 18 September 2014, we announced plans to reorganize the Company, including realignment of our businesses in new reporting segments and other organizational changes, effective as of 1 October 2014. Refer to Note 18, Business Segment Information, for additional details. As a result of this reorganization, we will incur ongoing severance and other charges.

During the fourth quarter of 2014, an expense of $12.7 ($8.2 after-tax, or $.04 per share) was incurred relating to the elimination of approximately 50 positions. The 2014 charge related to the segment level as follows: $2.9 in Industrial Gases Americas, $3.1 in Industrial Gases EMEA, $1.5 in Industrial Gases Asia, $1.5 in Industrial Gases Global, $1.6 in Materials Technologies, and $2.1 in Corporate and other.

In the first quarter of 2015, we recognized an expense of $32.4 ($21.7 after-tax, or $.10 per share) related to the elimination of approximately 450 positions. The 2015 charge related to the segment level as follows: $5.1 in Industrial Gases Americas, $2.6 in Industrial Gases EMEA, $2.7 in Industrial Gases Asia, $1.3 in Industrial Gases Global, $8.1 in Materials Technologies, and $12.6 in Corporate and other.

The following table summarizes the carrying amount of the accrual for the business realignment and reorganization at 31 December 2014:

	Severance and Other Benefits
2014 Charge	$ 12.7
Cash expenditures	(2.2)
30 September 2014	$ 10.5
2015 Charge	$ 32.4
Amount reflected in pension liability	(2.7)
Cash expenditures	(25.0)
Currency translation adjustment	(.1)
31 December 2014	$ 15.1

2013 Plan

During the fourth quarter of 2013, we recorded an expense of $231.6 ($157.9 after-tax, or $.74 per share) reflecting actions to better align our cost structure with current market conditions. The asset and contract actions primarily impacted the Electronics Materials business due to continued weakness in the photovoltaic (PV) and light-emitting diode (LED) markets. The severance and other contractual benefits primarily impacted our Industrial Gases businesses and corporate functions in response to weaker than expected business conditions in Europe and Asia, reorganization of our operations and functional areas, and previously announced senior executive changes. The remaining planned actions were completed in the first quarter of 2015.

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The following table summarizes the carrying amount of the accrual for the 2013 Plan at 31 December 2014:

	Severance and Other Benefits	Asset Actions	Contract Actions/ Other	Total
2013 Charge	$ 71.9	$ 100.4	$ 59.3	$ 231.6
Amount reflected in pension liability	(6.9)			(6.9)
Noncash expenses		(100.4)		(100.4)
Cash expenditures	(3.0)		(58.5)	(61.5)
Currency translation adjustment	.4			.4
30 September 2013	$ 62.4	$	$ .8	$ 63.2
Cash expenditures	(51.7)		(.8)	(52.5)
Currency translation adjustment	(.6)			(.6)
30 September 2014	$ 10.1	$	$	$ 10.1
Cash expenditures	(7.1)			(7.1)
Currency translation adjustment	(.1)			(.1)
31 December 2014	$ 2.9	$	$	$ 2.9

5. BUSINESS COMBINATIONS

On 30 December 2014, we acquired our partner s equity ownership interest in a liquefied industrial gases production joint venture in North America for $22.6, which increased our ownership from 50% to 100%. The transaction was accounted for as a business combination, and subsequent to the acquisition, the results are consolidated within our Industrial Gases Americas segment. The assets acquired, primarily plant and equipment, were recorded at their fair market values as of the acquisition date.

The acquisition date fair value of the previously held equity interest was determined using a discounted cash flow analysis under the income approach. The three months ended 31 December 2014 include a gain of $17.9 ($11.2 after-tax, or $.05 per share) as a result of revaluing our previously held equity interest to fair value as of the acquisition date. This gain is reflected on the consolidated income statements as Gain on previously held equity interest.

6. INVENTORIES

The components of inventories are as follows:

	31 December 2014	30 September 2014
Finished goods	$ 506.3	$ 493.9
Work in process	37.6	34.1
Raw materials, supplies and other	273.6	283.4
	$ 817.5	$ 811.4
Less: Excess of FIFO cost over LIFO cost	(107.8)	(105.4)
	$ 709.7	$ 706.0

First-in, first-out (FIFO) cost approximates replacement cost. Our inventories generally have a high turnover, and as a result, there is little difference between the original cost of an item and its current replacement cost.

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7. GOODWILL

Changes to the carrying amount of consolidated goodwill by segment for the three months ended 31 December 2014 are as follows:

	Industrial Gases Americas	Industrial Gases EMEA	Industrial Gases Asia	Industrial Gases Global	Materials Technologies	Total
Balance at 30 September 2014	$ 327.2	$ 433.3	$ 140.0	$ 21.4	$ 315.4	$ 1,237.3
Acquisitions and adjustments	2.2					2.2
Currency translation and other	(3.1)	(21.8)	(4.0)	(.8)	(9.1)	(38.8)
Balance at 31 December 2014	$ 326.3	$ 411.5	$ 136.0	$ 20.6	$ 306.3	$ 1,200.7

	31 December 2014	30 September 2014
Goodwill, gross	$ 1,481.6	$ 1,522.1
Accumulated impairment losses [A]	(280.9)	(284.8)
Goodwill, net	$ 1,200.7	$ 1,237.3

[A] Amount is attributable to the Industrial Gases   Americas segment and includes currency translation of $24.3 and $20.4 as of 31 December 2014 and 30 September 2014, respectively.

Due to the reorganization of our business effective as of 1 October 2014, we conducted a goodwill impairment test in the first quarter of 2015. We determined that the fair value of each of our reporting units except Latin America within the Industrial Gases   Americas segment substantially exceeded the carrying value. The fair value of the Latin America reporting unit exceeded its carrying value, and no impairment of goodwill was recorded. We previously recorded an impairment of goodwill of $305.2 related to this reporting unit in the fourth quarter of 2014. The carrying value of goodwill for the Latin America reporting unit at 31 December 2014 was $229.7.

The fair value of the Latin America reporting unit at 1 October 2014 was estimated based on a similar outlook and assumptions as those used for the testing at 30 September 2014. Management judgment is required in the determination of each assumption utilized in the valuation model, and actual results could differ from the estimates. We will continue to evaluate goodwill on an annual basis as of the beginning of our fourth fiscal quarter and whenever there are indicators of potential impairment.

8. FINANCIAL INSTRUMENTS

Currency Price Risk Management

Our earnings, cash flows, and financial position are exposed to foreign currency risk from foreign currency-denominated transactions and net investments in foreign operations. It is our policy to minimize our cash flow volatility from changes in currency exchange rates. This is accomplished by identifying and evaluating the risk that our cash flows will change in value due to changes in exchange rates and by executing the appropriate strategies necessary to manage such exposures. Our objective is to maintain economically balanced currency risk management strategies that provide adequate downside protection.

Forward Exchange Contracts

We enter into forward exchange contracts to reduce the cash flow exposure to foreign currency fluctuations associated with highly anticipated cash flows and certain firm commitments, such as the purchase of plant and equipment. We also enter into forward exchange contracts to hedge the cash flow exposure on intercompany loans. The portfolio of forward exchange contracts consists primarily of Euros and British Pound Sterling as well as Euros and U.S. dollars. The maximum remaining term of any forward exchange contract currently outstanding and designated as a cash flow hedge at 31 December 2014 is 3.7 years.

Forward exchange contracts are also used to hedge the value of investments in certain foreign subsidiaries and affiliates by creating a liability in a currency in which we have a net equity position. The primary currency pair in this portfolio of forward exchange contracts is the Euro/U.S.

dollar.

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In addition to the forward exchange contracts that are designated as hedges, we utilize forward exchange contracts that are not designated as hedges. These contracts are used to economically hedge foreign currency-denominated monetary assets and liabilities, primarily working capital. The primary objective of these forward exchange contracts is to protect the value of foreign currency-denominated monetary assets and liabilities from the effects of volatility in foreign exchange rates that might occur prior to their receipt or settlement. This portfolio of forward exchange contracts comprises many different foreign currency pairs, with a profile that changes from time to time depending on business activity and sourcing decisions.

The table below summarizes our outstanding currency price risk management instruments:

	31 December 2014		30 September 2014	
	US$ Notional	Years Average Maturity	US$ Notional	Years Average Maturity
Forward Exchange Contracts:				
Cash flow hedges	$ 3,243.5	.6	$ 2,965.5	.7
Net investment hedges	660.5	2.6	685.9	2.9
Not designated	1,079.6	.5	381.5	.1
Total Forward Exchange Contracts	$ 4,983.6	.8	$ 4,032.9	1.0

In addition to the above, we use foreign currency-denominated debt to hedge the foreign currency exposures of our net investment in certain foreign subsidiaries. The designated foreign currency denominated debt and related accrued interest included 900.0 million ($1,089.3) and Chinese Renminbi 922.7 million ($148.6) at 31 December 2014 and 879.3 million ($1,110.6) and Chinese Renminbi 900.9 million ($146.8) at 30 September 2014. The designated foreign currency-denominated debt is located on the balance sheet in the long-term debt and short-term borrowings line items.

Debt Portfolio Management

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

Interest Rate Management Contracts

We enter into interest rate swaps to change the fixed/variable interest rate mix of our debt portfolio in order to maintain the percentage of fixed- and variable-rate debt within the parameters set by management. In accordance with these parameters, the agreements are used to manage interest rate risks and costs inherent in our debt portfolio. Our interest rate management portfolio generally consists of fixed-to-floating interest rate swaps (which are designated as fair value hedges), pre-issuance interest rate swaps and treasury locks (which hedge the interest rate risk associated with anticipated fixed-rate debt issuances and are designated as cash flow hedges), and floating-to-fixed interest rate swaps (which are designated as cash flow hedges). At 31 December 2014, the outstanding interest rate swaps were denominated in U.S. dollars, Euros, and Chilean Pesos. The maximum remaining term of any interest rate swap designated as a cash flow hedge is .2 years. The notional amount of the interest rate swap agreements is equal to or less than the designated debt being hedged. When interest rate swaps are used to hedge variable-rate debt, the indices of the swaps and the debt to which they are designated are the same. It is our policy not to enter into any interest rate management contracts that lever a move in interest rates on a greater than one-to-one basis.

Cross Currency Interest Rate Swap Contracts

We enter into cross currency interest rate swap contracts when our risk management function deems necessary. These contracts may entail both the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement and the exchange of one currency for another currency at inception and at a specified future date. These contracts effectively convert the currency denomination of a debt instrument into another currency in which we have a net equity position while changing the interest rate characteristics of the instrument. The contracts are used to hedge either certain net investments in foreign operations or nonfunctional currency cash flows related to intercompany loans. The current cross currency interest rate swap portfolio consists of fixed-to-fixed swaps between U.S. dollars and Chilean Pesos, U.S. dollars and offshore Chinese Renminbi, U.S. dollars and British Pound Sterling, as well as U.S. dollars and Euros.

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The following table summarizes our outstanding interest rate management contracts and cross currency interest rate swaps:

	31 December 2014				30 September 2014			
	US$ Notional	Average Pay %	Average Receive %	Years Average Maturity	US$ Notional	Average Pay %	Average Receive %	Years Average Maturity
Interest rate swaps (fair value hedge)	$ 600.0	LIBOR	2.77%	4.0	$ 600.0	LIBOR	2.77%	4.3
Cross currency interest rate swaps (net investment hedge)	$ 773.1	3.43%	2.01%	3.5	$ 404.5	3.70%	1.15%	2.7
Interest rate swaps (cash flow hedge)	$ 392.6	2.12%	.43%	.2	$ 431.7	2.36%	.71%	.4
Cross currency interest rate swaps (cash flow hedge)	$ 483.9	3.46%	2.86%	4.0	$ 446.3	3.39%	2.86%	4.2
Cross currency interest rate swaps (not designated)	$	%	%		$ 15.4	3.62%	.05%	.8

The table below summarizes the fair value and balance sheet location of our outstanding derivatives:

	Balance Sheet Location	31 December 2014	30 September 2014	Balance Sheet Location	31 December 2014	30 September 2014
Derivatives Designated as Hedging Instruments:						
Forward exchange contracts	Other receivables	$ 104.5	$ 78.9	Accrued liabilities	$ 109.0	$ 61.8
Interest rate management contracts	Other receivables	25.5	21.1	Accrued liabilities	31.2	18.8
Forward exchange contracts	Other noncurrent assets	31.8	10.5	Other noncurrent liabilities	2.6	3.1
Interest rate management contracts	Other noncurrent assets	77.9	54.6	Other noncurrent liabilities		.3
Total Derivatives Designated as Hedging Instruments		$ 239.7	$ 165.1		$ 142.8	$ 84.0
Derivatives Not Designated as Hedging Instruments:						
Forward exchange contracts	Other receivables	$ 3.2	$ 4.0	Accrued liabilities	$ 1.6	$ 1.9
Interest rate management contracts	Other receivables		2.6	Accrued liabilities		
Total Derivatives Not Designated as Hedging Instruments		$ 3.2	$ 6.6		$ 1.6	$ 1.9
Total Derivatives		$ 242.9	$ 171.7		$ 144.4	$ 85.9

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The table below summarizes the gain or loss related to our cash flow hedges, fair value hedges, net investment hedges, and derivatives not designated as hedging instruments:

	Three Months Ended 31 December							
	Forward Exchange Contracts		Foreign Currency Debt		Other [A]		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Cash Flow Hedges, net of tax:								
Net gain (loss) recognized in OCI (effective portion)	$ (24.0)	$ 14.3	$	$	$ .2	$ (1.2)	$ (23.8)	$ 13.1
Net (gain) loss reclassified from OCI to sales/cost of sales (effective portion)	(.6)	.2					(.6)	.2
Net (gain) loss reclassified from OCI to other income (expense), net (effective portion)	18.8	(12.7)			(5.2)	1.4	13.6	(11.3)
Net (gain) loss reclassified from OCI to interest expense (effective portion)	(.3)				.3	(.2)		(.2)
Net (gain) loss reclassified from OCI to other income (expense), net (ineffective portion)	.5	(.6)					.5	(.6)
Fair Value Hedges:								
Net gain (loss) recognized in interest expense [B]	$	$	$	$	$ 3.5	$ (4.4)	$ 3.5	$ (4.4)
Net Investment Hedges, net of tax:								
Net gain (loss) recognized in OCI	$ 20.1	$ (9.9)	$ 31.1	$ (13.6)	$ 10.1	$ 5.1	$ 61.3	$ (18.4)
Derivatives Not Designated as Hedging Instruments:								
Net gain (loss) recognized in other income (expense), net [C]	$ .2	$ .1	$	$	$	$	$ .2	$ .1

(A) Other includes the impact on other comprehensive income (OCI) and earnings primarily related to interest rate and cross currency interest rate swaps.

(B) The impact of fair value hedges noted above was largely offset by gains and losses resulting from the impact of changes in related interest rates on recognized outstanding debt.

(C) The impact of the non-designated hedges noted above was largely offset by gains and losses, respectively, resulting from the impact of changes in exchange rates on recognized assets and liabilities denominated in nonfunctional currencies.

The amount of cash flow hedges unrealized gains and losses at 31 December 2014 that are expected to be reclassified to earnings in the next twelve months is not material.

The cash flows related to all derivative contracts are reported in the operating activities section of the consolidated statements of cash flows.

Credit Risk-Related Contingent Features

Certain derivative instruments are executed under agreements that require us to maintain a minimum credit rating with both Standard & Poor s and Moody s. If our credit rating falls below this threshold, the counterparty to the derivative instruments has the right to request full collateralization on the derivatives net liability position. The net liability position of derivatives with credit risk-related contingent features was $11.7 as of 31 December 2014 and $2.1 as of 30 September 2014. Because our current credit rating is above the various pre-established thresholds, no collateral has been posted on these liability positions.

Counterparty Credit Risk Management

We execute financial derivative transactions with counterparties that are highly rated financial institutions, all of which are investment grade at this time. Some of our underlying derivative agreements give us the right to require the institution to post collateral if its credit rating falls below the pre-established thresholds with Standard & Poor s or Moody s. These are the same agreements referenced in Credit Risk-Related Contingent Features above. The collateral that the counterparties would be required to post was $159.8 as of 31 December 2014 and $107.8 as of 30 September 2014. No financial institution is required to post collateral at this time, as all have credit ratings at or above the threshold.

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9. FAIR VALUE MEASUREMENTS

Fair value is defined 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.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

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 our own assumptions (about the assumptions market participants would use in pricing the asset or liability).

The methods and assumptions used to measure the fair value of financial instruments are as follows:

Derivatives

The fair value of our interest rate management contracts and forward exchange contracts are quantified using the income approach and are based on estimates using standard pricing models. These models take into account the value of future cash flows as of the balance sheet date, discounted to a present value using discount factors that match both the time to maturity and currency of the underlying instruments. 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, we randomly test a subset of our valuations against valuations received from the transaction s counterparty to validate the accuracy of our standard pricing models. Counterparties to these derivative contracts are highly rated financial institutions.

Refer to Note 8, Financial Instruments, for a description of derivative instruments, including details on the balance sheet line classifications.

Long-term Debt

The fair value of our debt is based on estimates using standard pricing models that take into account the value of future cash flows as of the balance sheet date, discounted to a present value using discount factors that match both the time to maturity and currency of the underlying instruments. These standard valuation models utilize observable market data such as interest rate yield curves and currency spot rates. Therefore, the fair value of our debt is classified as a level 2 measurement. We generally perform the computation of the fair value of these instruments.

The carrying values and fair values of financial instruments were as follows:

	31 December 2014		30 September 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Derivatives				
Forward exchange contracts	$ 139.5	$ 139.5	$ 93.4	$ 93.4
Interest rate management contracts	103.4	103.4	78.3	78.3
Liabilities				
Derivatives				
Forward exchange contracts	$ 113.2	$ 113.2	$ 66.8	$ 66.8
Interest rate management contracts	31.2	31.2	19.1	19.1
Long-term debt, including current portion	4,805.5	5,078.7	4,889.8	5,130.7

The carrying amounts reported in the balance sheet for cash and cash items, trade receivables, payables and accrued liabilities, accrued income taxes, and short-term borrowings approximate fair value due to the short-term nature of these instruments. Accordingly, these items have been excluded from the above table.

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

	31 December 2014				30 September 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets at Fair Value								
Derivatives								
Forward exchange contracts	$ 139.5	$	$ 139.5	$	$ 93.4	$	$ 93.4	$
Interest rate management contracts	103.4		103.4		78.3		78.3	
Total Assets at Fair Value	$ 242.9	$	$ 242.9	$	$ 171.7	$	$ 171.7	$
Liabilities at Fair Value								
Derivatives								
Forward exchange contracts	$ 113.2	$	$ 113.2	$	$ 66.8	$	$ 66.8	$
Interest rate management contracts	31.2		31.2		19.1		19.1	
Total Liabilities at Fair Value	$ 144.4	$	$ 144.4	$	$ 85.9	$	$ 85.9	$

10. RETIREMENT BENEFITS

The components of net periodic benefit cost for the defined benefit pension and other postretirement benefit plans for the three months ended 31 December 2014 and 2013 were as follows:

	Pension Benefits				Other Benefits	
	2014		2013		2014	2013
Three Months Ended 31 December	U.S.	International	U.S.	International		
Service cost	$ 10.6	$ 8.2	$ 10.7	$ 8.8	$ .7	$ .8
Interest cost	31.2	15.0	32.7	16.6	.6	.6
Expected return on plan assets	(50.5)	(21.1)	(47.0)	(19.2)		
Prior service cost amortization	.7		.7	.1		
Actuarial loss amortization	19.8	10.5	19.6	8.8	.2	.4
Settlement and curtailment charges	(.1)	(.1)				
Special termination benefits	2.7		.2			
Other	1.1	.5		.5		
Net periodic benefit cost	$ 15.5	$ 13.0	$ 16.9	$ 15.6	$ 1.5	$ 1.8

Net periodic benefit cost is primarily included in cost of sales and selling and administrative expense on our consolidated income statements. The amount of net periodic benefit cost capitalized in 2014 and 2013 was not material.

For the three months ended 31 December 2014 and 2013, our cash contributions to funded pension plans and benefit payments under unfunded pension plans were $76.4 and $31.4, respectively. Total contributions for fiscal 2015 are expected to be approximately $130 to $150. During fiscal 2014, total contributions were $78.2.

11. COMMITMENTS AND CONTINGENCIES

Litigation

We are involved in various legal proceedings, including competition, environmental, health, safety, product liability, and insurance matters. In September 2010, the Brazilian Administrative Council for Economic Defense (CADE) issued a decision against our Brazilian subsidiary, Air Products Brasil Ltda., and several other Brazilian industrial gas companies for alleged anticompetitive activities. CADE imposed a civil fine of R$179.2 million (approximately $67 at 31 December 2014) on Air Products Brasil Ltda. This fine was based on a recommendation by a unit of the Brazilian Ministry of Justice, whose investigation began in 2003, alleging violation of competition laws with respect to the sale of industrial and medical gases. The fines are based on a percentage of our total revenue in Brazil in 2003.

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We have denied the allegations made by the authorities and filed an appeal in October 2010 with the Brazilian courts. On 6 May 2014, our appeal was granted and the fine against Air Products Brasil Ltda. was dismissed. CADE has appealed that ruling and the matter remains pending. We, with advice of our outside legal counsel, have assessed the status of this matter and have concluded that, although an adverse final judgment after exhausting all appeals is possible, such a judgment is not probable. As a result, no provision has been made in the consolidated financial statements. We estimate the maximum possible loss to be the full amount of the fine of R$179.2 million (approximately $67 at 31 December 2014) plus interest accrued thereon until final disposition of the proceedings.

While we do not expect that any sums we may have to pay in connection with this or any other legal proceeding would have a material adverse effect on our consolidated financial position or net cash flows, a future charge for regulatory fines or damage awards could have a significant impact on our net income in the period in which it is recorded.

Environmental

In the normal course of business, we are involved in legal proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA: the federal Superfund law); Resource Conservation and Recovery Act (RCRA); and similar state and foreign environmental laws relating to the designation of certain sites for investigation or remediation. Presently, there are approximately 36 sites on which a final settlement has not been reached where we, along with others, have been designated a potentially responsible party by the Environmental Protection Agency or are otherwise engaged in investigation or remediation, including cleanup activity at certain of our current and former manufacturing sites. We continually monitor these sites for which we have environmental exposure.

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 sheets at 31 December 2014 and 30 September 2014 included an accrual of $84.8 and $86.2, respectively, primarily as part of other noncurrent liabilities. The environmental liabilities will be paid over a period of up to 30 years. We estimate the exposure for environmental loss contingencies to range from $84 to a reasonably possible upper exposure of $98 as of 31 December 2014.

Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Using reasonably possible alternative assumptions of the exposure level could result in an increase to the environmental accrual. Due to the inherent uncertainties related to environmental exposures, a significant increase to the reasonably possible upper exposure level could occur if a new site is designated, the scope of remediation is increased, a different remediation alternative is identified, or a significant increase in our proportionate share occurs. We do not expect that any sum we may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a material adverse impact on our financial position or results of operations in any one year.

PACE

At 31 December 2014, $31.7 of the environmental accrual was related to the Pace facility.

In 2006, we sold our Amines business, which included operations at Pace, Florida and recognized a liability for retained environmental obligations associated with remediation activities at Pace. We are required by the Florida Department of Environmental Protection (FDEP) and the United States Environmental Protection Agency (USEPA) to continue our remediation efforts. We estimated that it would take 20 years to complete the groundwater remediation, and the costs through completion were estimated to range from $42 to $52. As no amount within the range was a better estimate than another, we recognized a pretax expense in fiscal 2006 of $42 as a component of income from discontinued operations and recorded an environmental accrual of $42 in continuing operations on the consolidated balance sheets. There has been no change to the estimated exposure range related to the Pace facility.

We have implemented many of the remedial corrective measures at the Pace facility required under 1995 Consent Orders issued by the FDEP and the USEPA. Contaminated soils have been bioremediated, and the treated soils have been secured in a lined on-site disposal cell. Several groundwater recovery systems have been installed to contain and remove contamination from groundwater. We completed an extensive assessment of the site to determine how well existing measures are working, what additional corrective measures may be needed, and whether newer remediation technologies that were not available in the 1990s might be suitable to more quickly and effectively remove groundwater contaminants. Based on assessment results, we completed a focused feasibility study that has identified alternative approaches that may more effectively remove contaminants. We continue to review alternative remedial approaches with the FDEP. In the first quarter of 2015, we entered into a new Consent Order with the FDEP requiring us to continue our remediation efforts at the Pace facility. We expect the costs we will incur under the new Consent Order to be consistent with our previous estimates.

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PIEDMONT

At 31 December 2014, $18.6 of the environmental accrual was related to the Piedmont site.

On 30 June 2008, we sold our Elkton, Maryland and Piedmont, South Carolina production facilities and the related North American atmospheric emulsions and global pressure sensitive adhesives businesses. In connection with the sale, we recognized a liability for retained environmental obligations associated with remediation activities at the Piedmont site. This site is under active remediation for contamination caused by an insolvent prior owner. We are required by the South Carolina Department of Health and Environmental Control to address both contaminated soil and groundwater. Numerous areas of soil contamination have been addressed, and contaminated groundwater is being recovered and treated. We estimate that it will take until 2017 to complete source area remediation and another 15 years thereafter to complete groundwater recovery, with costs through completion estimated to be $24. We recognized a pretax expense in 2008 of $24 as a component of income from discontinued operations and recorded an environmental liability of $24 in continuing operations on the consolidated balance sheets. There has been no change to the estimated exposure.

PASADENA

At 31 December 2014, $12.1 of the environmental accrual was related to the Pasadena site.

During the fourth quarter of 2012, management committed to permanently shutting down our polyurethane intermediates (PUI) production facility in Pasadena, Texas. In shutting down and dismantling the facility, we have undertaken certain obligations related to soil and groundwater contaminants. We have been pumping and treating groundwater to control off-site contaminant migration in compliance with regulatory requirements and under the approval of the Texas Commission on Environmental Quality (TCEQ). We estimate that the pump and treat system will continue to operate for 30 years subsequent to the shutdown of the PUI production facility. We plan to perform additional work to address other environmental obligations at the site. This additional work includes investigating solid waste management units, which are now accessible as a result of the shutdown, remediating as required impacted soils, performing post closure care for two closed RCRA surface impoundment units and establishing engineering controls. In 2012, we estimated the total exposure at this site to be $13. There has been no change to the estimated exposure.

12. SHARE-BASED COMPENSATION

We have various share-based compensation programs, which include deferred stock units, stock options, and restricted stock. Under all programs, the terms of the awards are fixed at the grant date. We issue shares from treasury stock upon the payout of deferred stock units, the exercise of stock options, and the issuance of restricted stock awards. As of 31 December 2014, there were 5,057,910 shares available for future grant under our Long-Term Incentive Plan, which is shareholder approved.

Share-based compensation cost recognized in the consolidated income statement is summarized below:

Three Months Ended 31 December	2014	2013
Before-Tax Share-Based Compensation Cost	$ 11.9	$ 11.8
Income Tax Benefit	(4.0)	(4.3)
After-Tax Share-Based Compensation Cost	$ 7.9	$ 7.5

Before-tax share-based compensation cost is primarily included in selling and administrative expense on our consolidated income statements. The amount of share-based compensation cost capitalized in 2015 and 2014 was not material.

Deferred Stock Units

During the three months ended 31 December 2014, we granted 116,111 market-based deferred stock units. The market-based deferred stock units vest as long as the employee continues to be employed by the Company and upon the achievement of the performance target. The performance target, which is approved by the Compensation Committee, is the Company s relative total shareholder return in relation to a defined peer group over the three year performance period beginning 1 October 2014 and ending 30 September 2017.

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The market-based deferred stock units had an estimated grant-date fair value of $194.51 per unit. The grant-date fair value was estimated using a Monte Carlo simulation model as these equity awards were tied to a market condition. The model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the grant and calculates the fair value of the awards. We generally expense the grant-date fair value of these awards on a straight line basis over the vesting period. The calculation of the fair value of market-based deferred stock units used the following assumptions:

Expected volatility	19.6%
Risk-free interest rate	.9%
Expected dividend yield	2.5%

In addition, during the three months ended 31 December 2014, we granted 126,504 time-based deferred stock units at a weighted-average grant-date fair value of $144.14.

Stock Options

During the three months ended 31 December 2014, we granted 175,829 stock options at a weighted-average exercise price of $144.09 and an estimated fair value of $37.19 per option. The fair value of these options was estimated using a Black-Scholes option valuation model that used the following assumptions:

Expected volatility	30.3%
Expected dividend yield	2.6%
Expected life (in years)	7.5
Risk-free interest rate	2.2%

Restricted Stock

During the three months ended 31 December 2014, we issued 19,691 restricted shares at a weighted-average grant-date fair value of $144.09.

13. EQUITY

The following is a summary of the changes in total equity:

	Three Months Ended 31 December					
	2014			2013		
	Air Products	Non-controlling Interests	Total Equity	Air Products	Non-controlling Interests	Total Equity
Balance at 30 September	$ 7,365.8	$ 155.6	$ 7,521.4	$ 7,042.1	$ 156.8	$ 7,198.9
Net income [(A)]	324.6	7.5	332.1	290.2	7.6	297.8
Other comprehensive income (loss)	(228.7)	(5.1)	(233.8)	53.7	(1.1)	52.6
Dividends on common stock (per share $.77, $.71)	(165.4)		(165.4)	(150.3)		(150.3)
Dividends to noncontrolling interests		(6.2)	(6.2)		(4.6)	(4.6)
Share-based compensation	11.9		11.9	11.8		11.8
Issuance of treasury shares for stock option and award plans	30.1		30.1	13.2		13.2
Tax benefit of stock option and award plans	13.5		13.5	4.8		4.8
Purchase of noncontrolling interests				(.5)		(.5)
Other equity transactions	(.3)		(.3)	(1.0)		(1.0)

Balance at 31 December	$ 7,351.5	$ 151.8	$ 7,503.3	$ 7,264.0	$ 158.7	$ 7,422.7

(A) Net income attributable to noncontrolling interests excludes net income related to redeemable noncontrolling interests, which is not included in total equity. Refer to Note 15, Noncontrolling Interests, for additional information.

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14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The table below summarizes changes in accumulated other comprehensive loss (AOCL), net of tax, attributable to Air Products for the three months ended 31 December 2014:

	Net loss on derivatives qualifying as hedges	Foreign currency translation adjustments	Pension and postretirement benefits	Total
Balance at 30 September 2014	$ (28.5)	$ (268.7)	$ (944.7)	$ (1,241.9)
Other comprehensive income (loss) before reclassifications	(23.8)	(244.4)		(268.2)
Amounts reclassified from AOCL	13.5		20.9	34.4
Net current period other comprehensive income (loss)	$ (10.3)	$ (244.4)	$ 20.9	$ (233.8)
Amount attributable to noncontrolling interest	.1	(5.2)		(5.1)
Balance at 31 December 2014	$ (38.9)	$ (507.9)	$ (923.8)	$ (1,470.6)

The table below summarizes the reclassifications out of accumulated other comprehensive loss and the affected line item on the consolidated income statements:

	Three Months Ended 31 December	
	2014	2013
(Gain) Loss on Cash Flow Hedges, net of tax		
Sales/Cost of sales	$ (.6)	$ .2
Other income (expense), net	14.1	(11.9)
Interest expense		(.2)
Total (Gain) Loss on Cash Flow Hedges, net of tax	$ 13.5	$ (11.9)
Pension and Postretirement Benefits, net of tax [A]	$ 20.9	$ 20.0

[A] The components include items such as prior service cost amortization, actuarial loss amortization, and settlements and are reflected in net periodic benefit cost. Refer to Note 10, Retirement Benefits.

15. NONCONTROLLING INTERESTS

INDURA S.A.

Redeemable Noncontrolling Interest

In 2012, we purchased a 64.8% controlling equity interest in the outstanding shares of Indura S.A. As part of the purchase agreement, the largest minority shareholder in Indura S.A. has the right to exercise a put option to require us to purchase up to a 30.5% equity interest during the two-year period beginning on 1 July 2015, at a redemption value equal to the greater of fair market value or the acquisition date value escalated by an inflation factor (the floor value). The put option is not accounted for separate from the minority interest shares that are subject to the put option. The redemption feature of the put option requires classification of the minority shareholder s interest in the consolidated balance sheet outside of equity under the caption Redeemable Noncontrolling Interest.

Adjustments to the value of the redeemable noncontrolling interest due to the redemption feature are recognized as they occur. Currently, the floor value of the redemption feature is in excess of the fair value of the minority interest shares. Because the value of the redeemable noncontrolling interest cannot be less than the floor value, the attribution of net income between Air Products and the minority shareholders is adjusted so that the value of the redeemable noncontrolling interest is not less than the floor value.

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The following is a summary of the changes in redeemable noncontrolling interest for the three months ended 31 December:

	2014	2013
Balance at 30 September	$ 287.2	$ 375.8
Net income	5.4	1.3
Dividends		(3.5)
Currency translation adjustment	(3.9)	(14.9)
Balance at 31 December	$ 288.7	$ 358.7

As of 31 December 2014, we have a 67.3% controlling equity interest in Indura S.A.

16. EARNINGS PER SHARE

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

	Three Months Ended 31 December	
	2014	2013
Numerator		
Income from continuing operations	$ 324.6	$ 287.1
Income from discontinued operations		3.1
Net Income Attributable to Air Products	$ 324.6	$ 290.2
Denominator (in millions)		
Weighted average number of common shares Basic	214.2	211.8
Effect of dilutive securities		
Employee stock option and other award plans	2.4	2.5
Weighted average number of common shares Diluted	216.6	214.3
Basic EPS Attributable to Air Products		
Income from continuing operations	$ 1.52	$ 1.36
Income from discontinued operations		.01
Net Income Attributable to Air Products	$ 1.52	$ 1.37
Diluted EPS Attributable to Air Products		
Income from continuing operations	$ 1.50	$ 1.34
Income from discontinued operations		.01
Net Income Attributable to Air Products	$ 1.50	$ 1.35

For the three months ended 31 December 2014 and 2013, outstanding share-based awards of .4 million and ..8 million shares were antidilutive and therefore excluded from the computation of diluted earnings per share.

17. SUPPLEMENTAL INFORMATION

As of 31 December 2014, we have classified a 3.875% Eurobond for 300 million ($363.1) maturing in March 2015 as long-term debt because we have the ability to refinance the debt on a long-term basis under our $2,595.0 committed credit facility maturing 30 April 2018. Our current intent is to refinance this debt via the U.S. or European public or private placement markets.

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18. BUSINESS SEGMENT INFORMATION

The Company began operating under a new structure effective 1 October 2014. Our new reporting segments reflect the manner in which our chief operating decision maker reviews results and allocates resources. Except in the Corporate and other segment, each reporting segment meets the definition of an operating segment and does not include the aggregation of multiple operating segments. Our liquefied natural gas (LNG) and helium storage and distribution sale of equipment businesses are aggregated within the Corporate and other segment. The prior year information presented has been restated to conform with the fiscal year 2015 presentation.

The new reporting segments are:

- Industrial Gases Americas
- Industrial Gases EMEA (Europe, Middle East, and Africa)
- Industrial Gases Asia
- Industrial Gases Global
- Materials Technologies
- Energy-from-Waste
- Corporate and other

Industrial Gases Regional

The regional Industrial Gases (Americas, EMEA, Asia) segments include the results of our regional industrial gas businesses, which produce and sell atmospheric gases such as oxygen, nitrogen, and argon (primarily recovered by the cryogenic distillation of air) and process gases such as hydrogen, carbon monoxide, helium, syngas, and specialty gases. We supply gases to customers in many industries, including those in metals, glass, chemical processing, energy production and refining, food processing, metallurgical industries, medical, and general manufacturing. We distribute gases to our customers through a variety of supply modes including liquid or gaseous bulk supply delivered by tanker or tube trailer and, for smaller customers, packaged gases delivered in cylinders and dewars or small on-sites (cryogenic or noncryogenic generators). For large-volume customers, we construct an on-site plant adjacent to or near the customer s facility or deliver product from one of our pipelines. We are the world s largest provider of hydrogen, which is used by refiners to facilitate the conversion of heavy crude feedstock and lower the sulfur content of gasoline and diesel fuels.

Electricity is the largest cost component in the production of atmospheric gases, and natural gas is the principal raw material for hydrogen, carbon monoxide, and syngas production. We mitigate energy and natural gas prices contractually through pricing formulas, surcharges, and cost pass-through arrangements. The regional Industrial Gases segments also include our share of the results of several joint ventures accounted for by the equity method. The largest of these joint ventures operate in Mexico, Italy, South Africa, India, Saudi Arabia, and Thailand. Each of the regional Industrial Gases segments competes against global industrial gas companies as well as regional competitors. Competition is based primarily on price, reliability of supply, and the development of industrial gas applications. We derive a competitive advantage in locations where we have pipeline networks, which enable us to provide reliable and economic supply of products to larger customers.

Industrial Gases Global

The Industrial Gases Global segment includes cryogenic and gas processing equipment sales for air separation. The equipment is sold worldwide to customers in a variety of industries, including chemical and petrochemical manufacturing, oil and gas recovery and processing, and steel and primary metals processing. The Industrial Gases Global segment also includes centralized global costs associated with management of all the Industrial Gases segments. These costs include Industrial Gases global administrative costs, product development costs, and research and development costs. We compete with a large number of firms for all the offerings included in the Industrial Gases Global segment. Competition in the equipment businesses is based primarily on technological performance, service, technical know-how, price, and performance guarantees.

Materials Technologies

The Materials Technologies segment includes applications technology to make products that provide solutions to a broad range of global industries through chemical synthesis, analytical technology, process engineering, and surface science. This segment provides specialty gases, specialty chemicals, services, and equipment to the electronics industry primarily for the manufacture of silicon and compound semiconductors as well as liquid crystal (LCD) and other displays. The Materials Technologies segment also provides performance chemical solutions for the coatings, inks, adhesives, civil engineering, personal care, institutional and industrial cleaning, mining, oil field, polyurethane, and other industries. We compete in the businesses included in the Materials Technologies segment on a product-by-product basis against companies ranging from niche suppliers with a single product to large, vertically integrated companies. Competition is principally conducted on the basis of product performance, price, quality, reliability of product supply, technical innovation, service, and global infrastructure.

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Energy-from-Waste

The Energy-from-Waste segment consists of two projects that are under construction in Tees Valley, United Kingdom. Once operational, these projects will process waste materials and generate renewable power for customers under long-term contracts.

Corporate and other

The Corporate and other segment includes two on-going global businesses (our LNG sale of equipment business and our helium storage and distribution vessel sale of equipment business), the polyurethane intermediates business that was exited in early fiscal year 2014, and corporate support functions that benefit all the segments. Competition for the two sale of equipment businesses is based primarily on technological performance, service, technical know-how, price, and performance guarantees.

Business Segment

	Industrial Gases Americas	Industrial Gases EMEA	Industrial Gases Asia	Industrial Gases Global	Materials Technologies	Energy-from-Waste	Corporate and other	Total
Three Months Ended 31 December 2014								
Sales	$ 1,003.0	$ 500.8	$ 398.7	$ 59.0	$ 524.0	$	$ 75.3	$ 2,560.8