AIR PRODUCTS & CHEMICALS INC /DE/
Form 10-K
November 24, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

X **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended 30 September 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.

7201 Hamilton Boulevard
Allentown, Pennsylvania, 18195-1501
Tel. (610) 481-4911

State of incorporation: Delaware
I.R.S. identification number: 23-1274455

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	**Registered on:**
Common Stock, par value $1.00 per share	**New York**
Preferred Stock Purchase Rights	**New York**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES X NO ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO X

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

Indicate by check mark 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 X NO ..

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

X

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.

Large accelerated filer X Accelerated filer .. Non-accelerated filer .. Smaller reporting company ..

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on 31 March 2014 was approximately $25.3 billion. For purposes of the foregoing calculations all directors and/or executive officers have been deemed to be affiliates, but the registrant disclaims that any such director and/or executive officer is an affiliate.

The number of shares of common stock outstanding as of 31 October 2014 was 213,710,798.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for the Annual Meeting of Shareholders to be held on 22 January 2015 are incorporated by reference into Part III.

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AIR PRODUCTS AND CHEMICALS, INC.

ANNUAL REPORT ON FORM 10-K

For the fiscal year ended 30 September 2014

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PART I

ITEM 1. BUSINESS

General Description of Business

Air Products and Chemicals, Inc. (we, our, us, the Company, Air Products, or registrant), a Delaware corporation originally founded in 19 serves energy, electronics, chemicals, metals, and manufacturing customers globally with a unique portfolio of products, services, and solutions that include atmospheric gases, process and specialty gases, performance materials, equipment, and services. The Company is the world s largest supplier of hydrogen and helium and has built leading positions in growth markets such as refinery hydrogen, semiconductor materials, natural gas liquefaction, and advanced coatings and adhesives. As used in this report, unless the context indicates otherwise, the terms we, our, us, the Company, or registrant include controlled subsidiaries and predecessors of Air Products and its subsidiaries.

Financial Information about Segments

We organized our operations into four reportable business segments: Merchant Gases, Tonnage Gases, Electronics and Performance Materials, and Equipment and Energy through 30 September 2014. The discussion that follows is based on those operations. On 18 September 2014, we announced a major company reorganization that includes geographic alignment of our gases businesses effective as of 1 October 2014. Refer to Note 25, Business Segment and Geographic Information, to the consolidated financial statements for additional details on our reportable business segments and segment reorganization.

Narrative Description of Business by Segments

Merchant Gases

Merchant Gases provides atmospheric gases, such as oxygen, nitrogen, and argon (primarily recovered by the cryogenic distillation of air); process gases such as hydrogen, helium (purchased or refined from crude helium), and carbon dioxide; specialty gases; temporary gas supply services; and equipment, throughout the world to customers in diversified industries, including metals, glass, electronics, chemical processing, food processing, healthcare, general manufacturing, and petroleum and natural gas industries.

Merchant Gases supplies the following types of products:

Liquid bulk Product is delivered in bulk (in liquid or gaseous form) by tanker or tube trailer and stored, usually in its liquid state, in equipment designed and installed by the Company at the customer s site for vaporizing into a gaseous state as needed. Liquid bulk sales are typically governed by three- to five-year contracts.

Packaged gases Small quantities of product are delivered in either cylinders or dewars. The Company operates packaged gas businesses in Europe, Asia, and Latin America. In the United States, the Company s packaged gas business sells products only for the electronics and magnetic resonance imaging (principally helium) industries.

Small on-site plants Customers receive product through small on-sites (cryogenic or noncryogenic generators), either by a sale of gas contract or the sale of the equipment to the customer.

Electric power is the largest cost component in the production of atmospheric gases oxygen, nitrogen, and argon. Natural gas is also an energy source at a number of the Company s Merchant Gases facilities. The Company mitigates energy and natural gas price increases through pricing formulas and surcharges. Helium is primarily produced as a by-product of natural gas production. We purchase crude helium for purification and resale. During fiscal year 2014, we experienced shortages in helium supply due to industry-wide sourcing shortfalls, and the supply/demand dynamics in this product continue to evolve. No other significant difficulties were encountered in obtaining adequate supplies of energy or raw materials during the year.

Merchant Gases competes worldwide against three global industrial gas companies: L Air Liquide S.A.; Linde AG; and Praxair, Inc.; and several regional sellers (including Airgas, Inc., primarily with respect to liquid bulk sales). Competition in industrial gases is based primarily on price, reliability of supply, and the development of industrial gas applications.

Merchant Gases sales constituted 41% of consolidated sales in fiscal year 2014, 40% in fiscal year 2013, and 38% in fiscal year 2012. Sales of atmospheric gases (oxygen, nitrogen, and argon) via the Liquid bulk, Packaged gases

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and Small on-site plants supply modes constituted approximately 49% of the Merchant Gases segment in fiscal year 2014, 48% in fiscal year 2013, and 54% in fiscal year 2012. These sales constituted approximately 20% of the total Company consolidated sales in fiscal year 2014, 19% in fiscal year 2013, and 21% in fiscal year 2012.

The Company owns a 67.3% controlling interest in the outstanding shares of Indura S.A., an industrial gas company in South America which produces packaged and liquid bulk gases and sells related hard goods. Indura S.A. is accounted for as part of the Merchant Gases operating segment. The Merchant Gases segment also includes the Company s 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, Saudi Arabia, India, and Thailand.

Tonnage Gases

Tonnage Gases provides hydrogen, carbon monoxide, nitrogen, oxygen, and syngas (a hydrogen-carbon monoxide mixture) principally to the energy production and refining, chemical, and metallurgical industries worldwide. Gases are produced at large facilities located adjacent to customers facilities or by pipeline systems from centrally located production facilities and are generally governed by contracts with 15- to 20-year terms. The Company is the world s largest provider of hydrogen, which is used by oil refiners to facilitate the conversion of heavy crude feedstock and lower the sulfur content of gasoline and diesel fuels to reduce smog and ozone depletion. The energy production industry uses nitrogen injection for enhanced recovery of oil and natural gas and oxygen for gasification. The metallurgical industry uses nitrogen for inerting and oxygen for the manufacture of steel and certain nonferrous metals. The chemical industry uses hydrogen, oxygen, nitrogen, carbon monoxide, and syngas as feedstocks in the production of many basic chemicals. The Company delivers product through pipelines from centrally located facilities in or near the United States Gulf Coast; Los Angeles, California; Alberta, Canada; Rotterdam, the Netherlands; the United Kingdom; Western Belgium; Ulsan, Korea; Nanjing, China; Tangshan, China; Kuan Yin, Taiwan; and Singapore. The Company also owns less than controlling interests in pipelines located in Thailand and South Africa.

Natural gas is the principal raw material for hydrogen, carbon monoxide, and syngas production. Electric power is the largest cost component in the production of atmospheric gases. The Company mitigates energy and natural gas price increases through long-term cost pass-through provisions in its contracts. During fiscal year 2014, no significant difficulties were encountered in obtaining adequate supplies of power and natural gas, however we experienced interruptions in availability of syngas, which affected our hydrogen and carbon monoxide sales in the United States Gulf Coast.

Tonnage Gases competes against three global industrial gas companies: L Air Liquide S.A.; Linde AG; Praxair, Inc.; and several regional competitors. Competition is based primarily on price, reliability of supply, the development of applications that use industrial gases, and, in some cases, provision of other services or products such as power and steam generation. We also have a competitive advantage in regions where we have pipeline networks, which enable us to provide a reliable and economic supply of products to customers.

Tonnage Gases sales constituted approximately 32% of consolidated sales in fiscal year 2014, 33% in fiscal year 2013, and 33% in fiscal year 2012. Sales of hydrogen and related products constituted approximately 68% of the Tonnage Gases segment in fiscal year 2014, 62% in fiscal year 2013, and 57% in fiscal year 2012. These sales constituted approximately 22% of the total Company consolidated sales in fiscal year 2014, 21% in fiscal year 2013, and 19% in fiscal year 2012.

Electronics and Performance Materials

Electronics and Performance Materials employs applications technology to provide solutions to a broad range of global industries through chemical synthesis, analytical technology, process engineering, and surface science. This segment provides the electronics industry with specialty gases (such as nitrogen trifluoride, arsine, phosphine, white ammonia, silicon tetrafluoride, carbon tetrafluoride, hexafluoroethane, tungsten hexafluoride, and critical etch gases), tonnage gases (primarily nitrogen), chemicals mechanical planarization slurries, specialty chemicals, services, and equipment primarily for the manufacture of silicon and compound semiconductors and thin film transistor liquid crystal displays. These products are delivered through various supply chains, including bulk delivery or distribution by pipelines such as those located in California s Silicon Valley; Phoenix, Arizona; Tainan, Taiwan; Gumi and Giheung, Korea; and Tianjin, China.

Electronics and Performance Materials also provides performance materials for a wide range of products, including coatings, inks, adhesives, civil engineering, personal care, institutional and industrial cleaning, mining, oil refining, and polyurethanes, and focuses on the development of new materials aimed at providing unique functionality to emerging markets. Principal performance materials include polyurethane catalysts and other additives for

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polyurethane foam, epoxy amine curing agents and auxiliary products for epoxy systems, specialty surfactants for formulated systems, and functional additives for industrial cleaning and mining industries.

The Electronics and Performance Materials segment uses a wide variety of raw materials, including ammonia, tungsten powder, hydrogen fluoride, amines, alcohols, epoxides, organic acids, and ketones. During fiscal year 2014, no significant difficulties were encountered in obtaining adequate supplies of energy or raw materials.

The Electronics and Performance Materials segment faces competition on a product-by-product basis against competitors ranging from niche suppliers with a single product to larger and more vertically integrated companies. Competition is principally conducted on the basis of price, quality, product performance, reliability of product supply, technical innovation, service, and global infrastructure.

Total sales from Electronics and Performance Materials constituted approximately 23% of total Company consolidated sales in fiscal year 2014, 22% in fiscal year 2013, and 24% in fiscal year 2012.

Equipment and Energy

Equipment and Energy designs and manufactures cryogenic equipment for air separation, hydrocarbon recovery and purification, natural gas liquefaction (LNG), and helium distribution (cryogenic transportation containers), and serves energy markets in a variety of ways.

Equipment is sold globally to customers in the chemical and petrochemical manufacturing, oil and gas recovery and processing, and steel and primary metals processing industries. This business segment also provides a broad range of plant design, engineering, procurement, and construction management services to its customers.

Energy markets are served through the Company s operation and partial ownership of cogeneration and flue gas desulfurization facilities. In addition, we are developing hydrogen as an energy carrier, energy-from-waste facilities to produce electricity (Tees Valley), carbon capture technologies for a variety of industrial and power applications, and oxygen-based technologies to serve energy markets in the future. The Company operates and owns a 48.8% interest in a 112-megawatt gas-fueled power generation facility in Thailand. The Company also operates and owns a 70% interest in a flue gas desulfurization facility in Indiana.

Steel, aluminum, and capital equipment subcomponents (compressors, etc.) are the principal raw materials in the construction of equipment in this business segment. Adequate raw materials for individual projects are acquired under firm purchase agreements. The Company mitigates these cost components, in part, through long-term cost pass-through provisions in contracts. During fiscal year 2014, no significant difficulties were encountered in obtaining adequate supplies of raw materials.

Equipment and Energy competes with a great number of firms for all of its offerings, except LNG heat exchangers, for which there are fewer competitors due to the limited market size and proprietary technologies. Competition is based primarily on technological performance, service, technical know-how, price, and performance guarantees.

The backlog of equipment orders (including letters of intent believed to be firm) from third-party customers was approximately $520 million on 30 September 2014, approximately 12% of which is for cryogenic equipment and 75% of which is for LNG heat exchangers, as compared with a total backlog of approximately $402 million on 30 September 2013. The Company expects that approximately $320 million of the backlog on 30 September 2014 will be completed during fiscal year 2015.

Narrative Description of the Company s Business Generally

The Company, through subsidiaries, affiliates, and less-than-controlling interests, conducts business in 50 countries outside the United States. Its international businesses are subject to risks customarily encountered in foreign operations, including fluctuations in foreign currency exchange rates and controls; import and export controls; and other economic, political, and regulatory policies of local governments.

The Company has majority or wholly owned foreign subsidiaries that operate in Canada, 18 European countries (including the United Kingdom, the Netherlands, and Spain), 11 Asian countries (including China, Korea, and Taiwan), 8 Latin American countries (including Chile and Brazil) and 2 African countries. The Company also owns less-than-controlling interests in entities operating in Europe, Asia, Africa, the Middle East, and Latin America (including Italy, Germany, China, India, Saudi Arabia, Singapore, Thailand, United Arab Emirates, South Africa, and Mexico).

Financial information about the Company s foreign operations and investments is included in Note 7, Summarized Financial Information of Equity Affiliates; Note 22, Income Taxes; and Note 25, Business Segment and Geographic

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Information, to the consolidated financial statements included under Item 8, herein. Information about foreign currency translation is included under Foreign Currency in Note 1, Major Accounting Policies, and information on the Company s exposure to currency fluctuations is included in Note 12, Financial Instruments, to the consolidated financial statements, included under Item 8, below, and in Foreign Currency Exchange Rate Risk, included under Item 7A, below. Export sales from operations in the United States to third-party customers amounted to $378.7 million, $410.3 million, and $521.1 million in fiscal years 2014, 2013, and 2012, respectively.

Technology Development

The Company pursues a market-oriented approach to technology development through research and development, engineering, and commercial development processes. It conducts research and development principally in its laboratories located in the United States (Trexlertown, Pennsylvania; Carlsbad, California; Milton, Wisconsin; and Phoenix, Arizona), Canada (Vancouver), the United Kingdom (Basingstoke and Carrington), Germany (Hamburg), the Netherlands (Utrecht), Spain (Barcelona), Japan (Kawasaki), China (Shanghai), Korea (Giheung), and Taiwan (Chupei and Hsinchu City). The Company also funds and cooperates in research and development programs conducted by a number of major universities and undertakes research work funded by others principally the United States government.

The Company s corporate research groups, which include science and process technology centers, support the research efforts of various businesses throughout the Company. Development of technology for use within Merchant Gases, Tonnage Gases, and Equipment and Energy focuses primarily on new and improved processes and equipment for the production and delivery of industrial gases and new or improved applications for industrial gas products. Research and technology development for Electronics and Performance Materials supports development of new products and applications to strengthen and extend the Company s present positions as well as to lower processing costs and develop new processes for the new products.

Research and development expenditures were $141.4 million during fiscal year 2014, $133.7 million in fiscal year 2013, and $126.4 million in fiscal year 2012. In addition, the Company expended $18.9 million on customer-sponsored research activities during fiscal year 2014, $45.5 million in fiscal year 2013, and $45.4 million in fiscal year 2012.

The Company owns approximately 1,000 United States patents, 3,700 foreign patents, and is a licensee under certain patents owned by others. While the patents and licenses are considered important, the Company does not consider its business as a whole to be materially dependent upon any particular patent, patent license, or group of patents or licenses.

Environmental Controls

The Company is subject to various environmental laws and regulations in the countries in which it has operations. Compliance with these laws and regulations results in higher capital expenditures and costs. In the normal course of business, the Company is involved in 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. Additional information with respect to these proceedings is included under Item 3, Legal Proceedings, below. The Company s accounting policy for environmental expenditures is discussed in Note 1, Major Accounting Policies, and environmental loss contingencies are discussed in Note 16, Commitments and Contingencies, to the consolidated financial statements, included under Item 8, below.

The amounts charged to income from continuing operations related to environmental matters totaled $35.1 million in fiscal 2014, $37.1 million in 2013, and $44.7 million in 2012. These amounts represent an estimate of expenses for compliance with environmental laws and activities undertaken to meet internal Company standards. Refer to Note 16, Commitments and Contingencies, to the consolidated financial statements for additional information.

The Company estimates that we spent $5 million in 2014 and $4 million in 2013 on capital projects to control pollution. Capital expenditures to control pollution in future years are estimated to be approximately $5 million in both 2015 and 2016.

Employees

On 30 September 2014, the Company (including majority-owned subsidiaries) had approximately 21,200 employees, of whom approximately 20,900 were full-time employees and of whom approximately 13,250 were located outside the United States. The Company has collective bargaining agreements with unions at various locations that expire on various dates over the next four years. The Company considers relations with its employees to be satisfactory.

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Available Information

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

The public may also read and copy any materials filed by the Company with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is www.sec.gov.

Seasonality

Although none of the four business segments are subject to seasonal fluctuations to any material extent, the Electronics and Performance Materials segment is susceptible to the cyclical nature of the electronics industry and to seasonal fluctuations in underlying end-use performance materials markets.

Working Capital

The Company maintains inventory where required to facilitate the supply of products to customers on a reasonable delivery schedule. Merchant Gases inventory consists primarily of industrial, specialty gas, and crude helium inventories supplied to customers through liquid bulk and packaged gases supply modes. Electronics and Performance Materials inventories consist primarily of bulk and packaged specialty gases and chemicals, bulk and packaged performance chemical solutions and also include inventories to support sales of equipment and services. Tonnage Gases and Equipment and Energy have limited inventory.

Customers

We do not have a homogeneous customer base or end market, and no single customer accounts for more than 10% of our consolidated revenues. The Tonnage Gases and Electronics and Performance Materials segments do have concentrations of customers in specific industries, primarily refining, chemicals, and electronics. Within each of these industries, the Company has several large-volume customers with long-term contracts. A negative trend affecting one of these industries, or the loss of one of these major customers, although not material to our consolidated revenue, could have an adverse impact on the affected segment.

Governmental Contracts

No segment s business is subject to a government entity s renegotiation of profits or termination of contracts that would be material to our business as a whole.

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Executive Officers of the Company

The Company s executive officers and their respective positions and ages on 24 November 2014 follow. Information with respect to offices held is stated in fiscal years.

Name	Age	Office
M. Scott Crocco	50	Senior Vice President and Chief Financial Officer (became Senior Vice President and Chief Financial Officer in 2013 and Vice President and Corporate Controller in 2008).
Seifi Ghasemi (A)(B)	70	Chairman, President, and Chief Executive Officer (became Chairman, President and Chief Executive Officer in 2014 and Chairman and Chief Executive Officer of Rockwood Holdings, Inc. in 2001).
Guillermo Novo	52	Executive Vice President Materials Technology (became Executive Vice President Materials Technology in 2015 and Senior Vice President and General Manager Electronics, Performance Materials, Strategy and Technology in 2012; Group Vice President, Dow Coating Materials at Dow Chemical Company in 2010; and Vice President, Polyurethanes Business at Dow Chemical Company in 2009).
Corning F. Painter	52	Executive Vice President Industrial Gases (became Executive Vice President Industrial Gases in 2015; Senior Vice President and General Manager Merchant Gases in 2014: Senior Vice President Supply Chain in 2012; Senior Vice President Corporate Strategy and Technology in 2011; and Vice President and General Manager, Global Electronics in 2007).
John D. Stanley	56	Senior Vice President, General Counsel and Chief Administrative Officer (became Senior Vice President, General Counsel and Chief Administrative Officer in 2013; and Senior Vice President and General Counsel in 2009).

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

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ITEM 1A. RISK FACTORS

In conjunction with evaluating an investment in the Company and the forward-looking information contained in this Annual Report on Form 10-K or presented elsewhere by management from time to time, you should carefully read the following risk factors. Any of the following risks could have a material adverse effect on our business, operating results, financial condition, and the actual outcome of matters as to which forward-looking statements are made and could adversely affect the value of an investment in our common stock as well. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that adversely affect our business, performance, or financial condition in the future that are not presently known, are not currently believed to be significant, or are not identified below because they are common to all businesses.

Overall Economic and Supply/Demand Conditions A weakening or reversal of economic recovery or product supply versus demand imbalance in certain markets in which the Company does business may decrease the demand for its goods and services and adversely impact its revenues, operating results, and cash flow.

Demand for the Company s products and services depend in part on the general economic conditions affecting the countries and industries in which the Company does business. In the past few years, uncertain economic conditions in certain geographies and changing supply and demand balances in markets served by the Company have impacted and may in the future impact demand for the Company s products and services, in turn negatively impacting the Company s revenues and earnings. Helium is an example of a market experiencing changes in global supply and demand. Unfavorable conditions can depress sales in a given market, affect our margins, constrain our operating flexibility, impact new project on-stream timing, or result in charges which are unusual or nonrecurring. Excess capacity in the Company s or its competitors manufacturing facilities could decrease the Company s ability to maintain pricing and generate profits. Unanticipated contract terminations or project delays by current customers can also negatively impact financial results. Our operating results in one or more segments may also be affected by uncertain or deteriorating economic conditions particularly germane to that segment or to particular customer markets within that segment.

Reorganization Our ability to successfully manage ongoing organizational change could impact our business results.

The Board of Directors recently elected a new chairman, president and chief executive officer who has implemented other senior leadership changes and refocused our strategic goals. We have begun and will continue to execute a number of significant business and organization changes to support our new strategic objectives. We expect these changes, which may include staffing adjustments and reassignment of responsibilities as well as employee departures, to continue for the foreseeable future. Successfully managing these changes, including successfully transitioning and stabilizing key business and functional processes, is critical to our business success. Failure or delay in transitioning key processes could result in disruptions to our business.

Operational, Political, and Legal Risks of International Operations The Company s foreign operations can be adversely impacted by nationalization or expropriation of property, undeveloped property rights and legal systems, or political instability. Developing market operations present special risks.

The majority of the Company s revenue is derived from international operations. In addition, the Company is actively investing significant capital and other resources in emerging markets. The Company s operations in certain foreign jurisdictions may be subject to project delays due to unanticipated government actions and to nationalization and expropriation risk, and some of its contractual relationships within these jurisdictions are subject to cancellation without full compensation for loss. Economic and political conditions within foreign jurisdictions, social unrest, or strained relations between countries can cause fluctuations in demand, price volatility, supply disruptions, or loss of property. The occurrence of any of these risks could have a material adverse impact on the Company s financial condition, results of operation and cash flow.

Our developing market operations may be subject to greater risks than those faced by our operations in mature economies, including geopolitical, legal, economic and talent risks. Our success will depend, in part, on our ability to manage the risks inherent in operating in a developing market, including unfamiliar regulatory environments, new relationships with local partners, language and cultural differences, and tailoring products for acceptance by local markets.

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Interest Rate Increases The Company s earnings, cash flow, and financial position can be impacted by interest rate increases and access to credit.

At 30 September 2014, the Company had total consolidated debt of $6,118.5 million, of which $1,672.9 million will mature in the next twelve months. The Company expects to continue to incur indebtedness to fund new projects and replace maturing debt. Although the Company actively manages its interest rate risk through the use of derivatives and diversified debt obligations, not all borrowings at variable rates are hedged, and new debt will be priced at market rates. If interest rates increase, the Company s interest expense could increase significantly, affecting earnings and reducing cash flow available for working capital, capital expenditures, acquisitions, and other purposes. In addition, changes by any rating agency to the Company s outlook or credit ratings could increase the Company s cost of borrowing and weaken our ability to access capital and credit markets on terms commercially acceptable to us. For a more detailed discussion of interest rate risk, see Item 7A, below.

New Technologies New technologies create performance risks that could impact our financial results or reputation.

A number of new technologies and new product offerings are being developed or implemented by the Company. Some of our existing technologies are being implemented in products and designs beyond our experience base. These technological expansions can create nontraditional performance risks to our operations. Failure of the technologies to work as predicted or unintended consequences of new designs or uses, could lead to cost overruns, project delays, financial penalties, or damage to our reputation. In particular, the Company s Tees Valley projects contain some processes that have not been demonstrated to date at the same scale or in the same combination, and, although such projects include processes that have been demonstrated previously by others, such processes are new to the Company.

Raw Material and Energy Cost and Availability Interruption in ordinary sources of supply or an inability to recover increases in energy and raw material costs from customers could result in lost sales or reduced profitability.

Hydrocarbons, including natural gas, are the primary feedstock for the production of hydrogen, carbon monoxide, and syngas. Energy, including electricity, natural gas, and diesel fuel for delivery trucks, is the largest cost component of the Company s business. Because the Company s industrial gas facilities use substantial amounts of electricity, energy price fluctuations could materially impact the Company s revenues and earnings. A disruption in the supply of energy, components, or raw materials, whether due to market conditions, legislative or regulatory actions, natural events, or other disruption, could prevent the Company from meeting its contractual commitments, harming its business and financial results.

The Company s supply of crude helium for purification and resale is largely dependent upon natural gas production by crude helium suppliers. Lower natural gas production (which may result from natural gas pricing or supplier operating issues) or interruptions in sales from other crude helium suppliers, can reduce the Company s supplies of crude helium available for processing and resale to its customers.

The Electronics and Performance Materials segment uses a wide variety of raw materials, including alcohols, ethyleneamines, cyclohexylamine, acrylonitriles, and glycols. Shortages or price escalation in these materials could negatively impact financial results.

The Company typically contracts to pass through cost increases in energy and raw materials to its customers, but cost variability can still have a negative impact on its results. The Company may not be able to raise prices as quickly as costs rise, or competitive pressures may prevent full recovery. Increases in energy or raw material costs that cannot be passed on to customers for competitive or other reasons would negatively impact the Company s revenues and earnings. Even where costs are passed through, price increases can cause lower sales volume.

Regulatory Compliance The Company is subject to extensive government regulation in jurisdictions around the globe in which it does business. Changes in regulations addressing, among other things, environmental compliance, import/export restrictions, anti-bribery and corruption, and taxes, can negatively impact the Company s financial condition, results of operation and cash flow.

The Company is subject to government regulation in the United States and foreign jurisdictions in which it conducts its business. The application of laws and regulations to the Company s business is sometimes unclear. Compliance with laws and regulations may involve significant costs or require changes in business practice that could result in

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reduced profitability. Determination of noncompliance can result in penalties or sanctions that could also impact financial results. Compliance with changes in laws or regulations can require additional capital expenditures or increase operating costs. Export controls or other regulatory restrictions could prevent the Company from shipping its products to and from some markets or increase the cost of doing so. Export restrictions continue to attract external focus by multiple customs and export enforcement authorities. Changes in tax laws and regulations and international tax treaties could affect the financial results of the Company s businesses. Increasingly aggressive enforcement of anti-bribery and anti-corruption requirements, including the U.S. Foreign Corrupt Practices Act, the United Kingdom Bribery Act and the China Anti-Unfair Competition Law, could subject the Company to criminal or civil sanctions if a violation occurs. We have internal control policies and procedures to foster compliance with these laws, including compliance and training programs for our employees and established due diligence procedures with regard to third parties; however, the foregoing cannot eliminate the risk that violations could be committed by our employees, agents or joint venture partners.

Greenhouse Gases Legislative and regulatory responses to global climate change create financial risk.

Some of the Company s operations are within jurisdictions that have or are developing regulatory regimes governing emissions of greenhouse gases (GHG). These include existing coverage under the European Union Emissions Trading Scheme, California s cap and trade scheme, Alberta s Emission Reduction Program and China s Emission Trading Scheme Pilots and mandatory reporting and anticipated constraints on GHG emissions in Ontario, Canada, South Korea and China. In addition, the U.S. Environmental Protection Agency is regulating GHG emissions for new construction and major modifications to existing facilities. Moreover some jurisdictions have various mechanisms to target the power sector (e.g. Chile s tax on carbon dioxide from power producers) to motivate emission reductions. These reductions often involve higher power costs.

Increased public concern may result in more international, U.S. federal, and/or regional requirements to reduce or mitigate the effects of GHG. Although uncertain, these developments could increase the Company s costs related to consumption of electric power, hydrogen production, and fluorinated gases production. The Company believes it will be able to mitigate some of the increased costs through its contractual terms, but the lack of definitive legislation or regulatory requirements prevents an accurate estimate of the long-term impact on the Company. Any legislation that limits or taxes GHG emissions could impact the Company s growth, increase its operating costs, or reduce demand for certain of its products.

Environmental Compliance Costs and expenses resulting from compliance with environmental regulations may negatively impact the Company s operations and financial results.

The Company is subject to extensive federal, state, local, and foreign environmental and safety laws and regulations concerning, among other things, emissions in the air; discharges to land and water; and the generation, handling, treatment, and disposal of hazardous waste and other materials. The Company takes its environmental responsibilities very seriously, but there is a risk of environmental impact inherent in our manufacturing operations and transportation of chemicals. Future developments and more stringent environmental regulations may require the Company to make additional unforeseen environmental expenditures. In addition, laws and regulations may require significant expenditures for environmental protection equipment, compliance, and remediation. These additional costs may adversely affect financial results. For a more detailed description of these matters, see Narrative Description of the Company s Business Generally Environmental Controls, above.

We may not be able to successfully control or reduce costs to improve productivity and streamline operations.

Achieving our long-term profitability and return goals depends significantly on our efforts to control or reduce our operating costs. Because many of our costs are affected by factors outside or substantially outside our control, we generally must seek to control or reduce costs through operating efficiency. If we are not able to identify and execute efforts designed to control or reduce costs and increase operating efficiency, our financial results could be adversely impacted.

Currency Fluctuations Changes in foreign currencies may adversely affect the Company s financial results.

The majority of the Company s sales are derived from outside the United States and denominated in foreign currencies. The Company also has significant production facilities that are located outside of the United States. Financial results therefore will be affected by changes in foreign currency rates. The Company uses certain financial instruments to mitigate these effects, but it is not cost-effective to hedge foreign currency exposure in a manner that

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would entirely eliminate the effects of changes in foreign exchange rates on earnings, cash flows, and fair values of assets and liabilities. Accordingly, reported sales, net earnings, cash flows, and fair values have been and in the future will be affected by changes in foreign exchange rates. For a more detailed discussion of currency exposure, see Item 7A, below.

Catastrophic Events Catastrophic events could disrupt the Company s operations or the operations of its suppliers or customers, having a negative impact on the Company s business, financial results, and cash flow.

The Company s operations could be impacted by catastrophic events outside the Company s control, including severe weather conditions such as hurricanes, floods, earthquakes, and storms, epidemics, or acts of war and terrorism. Any such event could cause a serious business disruption that could affect the Company s ability to produce and distribute its products and possibly expose it to third-party liability claims. Additionally, such events could impact the Company s suppliers or customers, in which event energy and raw materials may be unavailable to the Company, or its customers may be unable to purchase or accept the Company s products and services. Any such occurrence could have a negative impact on the Company s operations and financial results.

Operational Risks Operational and execution risks may adversely affect the Company s operations or financial results.

The Company s operation of its facilities, pipelines, and delivery systems inherently entails hazards that require continuous oversight and control, such as pipeline leaks and ruptures, fire, explosions, toxic releases, mechanical failures, or vehicle accidents. If operational risks materialize, they could result in loss of life, damage to the environment, or loss of production, all of which could negatively impact the Company s ongoing operations, reputation, financial results, and cash flow. In addition, the Company s operating results are dependent on the continued operation of its production facilities and its ability to meet customer requirements, which depends, in part, on the Company s ability to properly maintain and replace aging assets. Operating results are also dependent on the Company s ability to complete new construction projects on time, on budget, and in accordance with performance requirements, which depends, in part, on the availability of adequate sources of labor in the geographies where the Company intends to build new plants. Failure to do so may expose the Company to loss of revenue, potential litigation, and loss of business reputation.

Information Security The security of the Company s Information Technology systems could be compromised, which could adversely affect its ability to operate.

We depend on information technology to enable us to operate efficiently and interface with customers as well as to maintain financial accuracy and efficiency. Our information technology capabilities are delivered through a combination of internal and outsourced service providers. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to our confidential business information through a security breach. As with all large systems, our information systems could be penetrated by outside parties intent on extracting information, corrupting information, or disrupting business processes. The Company s systems have in the past been and likely will in the future be subject to sophisticated cyber security threats. To date, the Company is not aware of any impact on its operations or financial results from such attempts; however, unauthorized access could disrupt our business operations, result in the loss of assets, and have a material adverse effect on our business, financial condition, or results of operations.

The Company s business involves the use, storage, and transmission of information about its employees, vendors, and customers. The protection of such information, as well as the Company s information, is critical to the Company. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. The Company has established policies and procedures to help protect the security and privacy of this information. The Company also, from time to time, exports sensitive customer data and technical information to recipients outside the United States. Breaches of our security measures or the accidental loss, inadvertent disclosure, or unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers, including the potential loss or disclosure of such information or data as a result of fraud, trickery, or other forms of deception, could expose us, our customers, or the individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our reputation, or otherwise harm our business.

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Litigation and Regulatory Proceedings The Company s financial results may be affected by various legal and regulatory proceedings, including those involving antitrust, tax, environmental, or other matters.

The Company is subject to litigation and regulatory proceedings in the normal course of business and could become subject to additional claims in the future, some of which could be material. While the Company seeks to limit its liability in its commercial contractual arrangements, there are no guarantees that each contract will contain suitable limitations of liability or that limitations of liability will be enforceable at law. Also, the outcome of existing legal proceedings may differ from the Company s expectations because the outcomes of litigation, including regulatory matters, are often difficult to predict reliably. Various factors or developments can lead the Company to change current estimates of liabilities and related insurance receivables, where applicable, or make such estimates for matters previously not susceptible to reasonable estimates, such as a significant judicial ruling or judgment, a significant settlement, significant regulatory developments, or changes in applicable law. A future adverse ruling, settlement, or unfavorable development could result in charges that could have a material adverse effect on the Company s financial condition, results of operations and cash flow in any particular period. For a more detailed discussion of the legal proceedings involving the Company, see Item 3, below.

Asset Impairments The Company may be required to record impairment on its long-lived assets.

Weak demand may cause underutilization of the Company s manufacturing capacity or elimination of product lines; contract terminations, customer shutdowns or customer default may force sale or abandonment of facilities and equipment or projects not to reach on-stream; and contractual provisions may allow customer buyout of facilities or equipment. These or other events associated with weak economic conditions or specific end market, product, or customer events may require the Company to record an impairment on tangible assets, such as facilities and equipment, or intangible assets, such as intellectual property or goodwill, which would have a negative impact on its financial results.

Competition Inability to compete effectively in a segment could adversely impact sales and financial performance.

The Company faces strong competition from several large global competitors and many smaller regional ones in many of its business segments. Introduction by competitors of new technologies, competing products, or additional capacity could weaken demand for or impact pricing of the Company s products, negatively impacting financial results. In addition, competitors pricing policies could affect the Company s profitability or its market share.

Pension Liabilities The Company s results of operations and financial condition could be negatively impacted by its pension plans.

Adverse equity market conditions and volatility in the credit markets may have an unfavorable impact on the value of the Company s pension trust assets and its future estimated pension liabilities, significantly affecting the net periodic benefit costs of its pension plans and ongoing funding requirements for these plans. As a result, the Company s financial results and cash flow in any period could be negatively impacted. For information about potential impacts from pension funding and the use of certain assumptions regarding pension matters, see the discussion in Note 15, Retirement Benefits, to the consolidated financial statements, included in Item 8, below.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We have not received any written comments from the Commission staff that remain unresolved.

ITEM 2. PROPERTIES

Air Products owns its principal administrative offices, which are the Company s headquarters located in Trexlertown, Pennsylvania, as well as administrative offices in Hersham, U.K. and Santiago, Chile. The principal operating offices for the Company s businesses are located: in respect of the Americas region, in Canada and Brazil; in respect of Europe, in the U.K., Belgium, France, Spain, the Netherlands, Germany, Russia, and Poland; and in respect of Asia, in China, Taiwan, Malaysia, Japan, South Korea and Singapore. The Company leases administrative offices in Spain, Malaysia and China for its Global Business Support Services organization.

The following is a description of the properties used by our four business segments. We believe that, in general, our facilities are suitable and adequate for our current and anticipated future levels of operation and are adequately maintained.

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Merchant Gases

Merchant Gases currently operates 300 production and distribution facilities in North and South America (98 are located on owned property), 155 facilities in Europe, the Middle East and Africa (over 50 are on owned property) and 82 facilities within Asia (7 are on owned property). The production and distribution facilities include approximately 30 integrated sites that also serve the Tonnage Gases or Electronics businesses. Helium is processed at sites in Kansas, Wyoming and Texas and then distributed to/from transfill sites in the U.S., Canada, Europe and Asia. A new helium extraction facility is under construction in southwest Colorado. Sales support offices are located at our principal operating office centers referred to above, at 9 leased properties in the U.S. and Canada, at 9 leased sites and at production plant sites in Europe, at 10 leased sites and at production plant sites in Asia and at regional production plant sites in South America.

Research and development (R&D) activities for this business segment are conducted in: Trexlertown, Pennsylvania; Barcelona, Spain, Basingstoke and Carrington in the U.K.; a leased site in British Columbia, Canada; and a leased site in Shanghai, China.

Tonnage Gases

Tonnage Gases operates over 60 plants (9 are located on owned property) in North and South America that produce over 300 standard tons per day of product. Over 40 of these facilities produce or recover hydrogen. Many of the hydrogen facilities support the major pipeline systems located in Los Angeles, California and Alberta, Canada; and along the United States Gulf Coast through the Gulf Coast Connection Pipeline, which interconnects the Texas and Louisiana pipeline networks. The segment also operates 39 tonnage plants in Europe, the Middle East and Africa and 28 tonnage plants in Asia. The majority of the sites in this segment are under structured long-term leasehold type agreements. Sales support offices are located at our headquarters in Trexlertown, Pennsylvania and leased offices in Texas, Louisiana, California, Calgary, Alberta, Hersham, U.K., Rotterdam, the Netherlands, Moscow, Russia, Shanghai, China, Singapore, Bahrain and Doha, Qatar.

Electronics and Performance Materials

The Electronics portion of this business segment produces, packages and stores nitrogen, specialty gases and electronic chemicals and manufactures equipment at 38 sites in the United States (9 of which are owned and the majority of the remaining are located on customer sites), nine leased facilities in Europe and the Middle East, and 50 facilities in Asia (15 of which are owned, 23 of which are located on customer sites and the remainder of which are leased or term grants).

The Performance Materials portion of this business segment operates 5 production facilities in the United States, 3 in Europe and 4 in Asia. Seven of the Performance Materials facility sites are owned.

This business segment conducts R&D related activities at 11 locations worldwide, including: Trexlertown, Pennsylvania; Carlsbad, California; Tempe, Arizona; Milton, Wisconsin; Utrecht, the Netherlands; Hamburg and Marl, Germany; Chubei and Hsin Chu, Taiwan; Shanghai, China; and Kawasaki, Japan.

Equipment and Energy

The Equipment portion of this business segment operates at eight facilities in the U.S., one in Europe and three in Asia. We manufacture a significant portion of the world s supply of LNG equipment at our Wilkes-Barre, Pennsylvania site and our new LNG manufacturing facility at the Port of Manatee, Florida, which opened in early 2014. Air separation columns and cold boxes for Company-owned facilities and third-party sales are produced by operations in Caojing, China and Tanjung Langsat, Malaysia as well as in the Wilkes-Barre, Pennsylvania facility. Cryogenic transportation containers for liquid helium are manufactured and reconstructed at facilities in eastern Pennsylvania; Liberal, Kansas; and Istres, France.

Equipment commercial and engineering team members are located at offices in: Allentown and Bethlehem, Pennsylvania; Hersham, U.K.; Pune, India; Xi an and Shanghai, China.

The Energy portion of this business segment produces electric power at various facilities globally, including a gas-fueled power generation facility in Thailand, in which the Company has a 48.8% interest. Flue gas desulfurization operations are conducted at the Pure Air facility in Chesterton, Indiana. The Company is constructing two renewable energy facilities in Tees Valley, U.K. on land for which we have long-term leases. Commercial and engineering team members are located in Trexlertown, Pennsylvania and Hersham and Tees Valley, U.K.

The Company or its affiliates own 6 of the Equipment and Energy properties described above and lease the remaining locations.

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ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company and its subsidiaries are involved in various legal proceedings, including contract, product liability, intellectual property, and insurance matters. Although litigation with respect to these matters is routine and incidental to the conduct of our business, such litigation could result in large monetary awards, especially if a civil jury is allowed to determine compensatory and/or punitive damages. However, we believe that litigation currently pending to which we are a party will be resolved without any material adverse effect on our financial position, earnings, or cash flows.

From time to time, we are also involved in proceedings, investigations, and audits involving governmental authorities in connection with environmental, health, safety, competition, and tax matters.

The Company is a party to proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA: the federal Superfund law); the 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 the Company, along with others, has been designated a Potentially Responsible Party by the Environmental Protection Agency or is otherwise engaged in investigation or remediation, including cleanup activity at certain of its current or former manufacturing sites. We do not expect that any sums we may have to pay in connection with these matters would have a material adverse effect on our consolidated financial position. Additional information on the Company s environmental exposure is included under Narrative Description of the Company s Business Generally Environmental Controls.

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 $73 million at 30 September 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 the Company s total revenue in Brazil in 2003.

We have denied the allegations made by the authorities and filed an appeal in October 2010 to 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. The Company, with advice of its outside legal counsel, has assessed the status of this matter and has 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.

While we do not expect that any sums we may have to pay in connection with these or any other legal proceeding would have a material adverse effect on our consolidated financial position, results of operations, 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.

ITEM 4. NOT APPLICABLE

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock (ticker symbol APD) is listed on the New York Stock Exchange. Our transfer agent and registrar is American Stock Transfer & Trust Company, 6201 15th Avenue, Brooklyn, New York 11219, telephone (800) 937-5449 (U.S. and Canada) or (718) 921-8124 (all other locations); Internet website www.amstock.com; and e-mail address info@amstock.com. As of 31 October 2014, there were 6,634 record holders of our common stock. Quarterly stock prices, as reported on the New York Stock Exchange composite tape of transactions, and dividend information for the last two fiscal years appear below. Cash dividends on the Company s common stock are paid quarterly. Our objective is to pay dividends consistent with the reinvestment of earnings necessary for long-term growth. It is our expectation that we will continue to pay comparable cash dividends in the future.

Quarterly Stock Information

2014	High	Low	Close	Dividend
First	$113.99	$102.23	$111.78	$0.71
Second	124.40	102.73	119.04	0.77
Third	131.48	114.28	128.62	0.77
Fourth	137.45	126.82	130.18	0.77
				$3.02

2013	High	Low	Close	Dividend
First	$86.31	$76.78	$84.02	$0.64
Second	90.34	84.15	87.12	0.71
Third	97.12	84.04	91.57	0.71
Fourth	114.75	90.12	106.57	0.71
				$2.77

Purchases of Equity Securities by the Issuer

On 15 September 2011, the Board of Directors authorized the repurchase of up to $1.0 billion of our outstanding common stock. This program does not have a stated expiration date. We repurchase shares pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended, through repurchase agreements established with several brokers. There were no purchases of stock during fiscal year 2014. At 30 September 2014, $485.3 million in share repurchase authorization remained. Additional purchases will be completed at the Company s discretion while maintaining sufficient funds for investing in its businesses and growth opportunities.

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Performance Graph

The performance graph below compares the five-year cumulative returns of the Company s common stock with those of the Standard & Poor s 500 Index (S&P 500 Index), the Peer Group Index used in 2013, and the Standard & Poor s 500 Materials Index (S&P 500 Materials Index). The figures assume an initial investment of $100 and the reinvestment of all dividends.

Air Products has changed the benchmark for the five-year cumulative return from a defined peer group to the S&P 500 Materials Index. The use of the S&P 500 Materials Index provides a more transparent and recognizable benchmark against which to measure our Company.

COMPARISON OF FIVE YEAR CUMULATIVE SHAREHOLDER RETURN

Air Products, S&P 500 Index, Peer Group Index, and S&P 500 Materials Index

Comparative Growth of a $100 Investment

(Assumes Reinvestment of All Dividends)

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ITEM 6. SELECTED FINANCIAL DATA

(Millions of dollars, except per share)	**2014** [A]	2013 [A]	2012 [A]	2011 [A]	2010 [A]
Operating Results					
Sales	**$10,439**	$10,180	$9,612	$9,674	$8,616
Cost of sales	**7,635**	7,472	7,052	7,098	6,289
Selling and administrative	**1,059**	1,066	947	942	887
Research and development	**141**	134	126	119	115
Business restructuring and cost reduction actions	**13**	232	327		
Operating Income	**1,328**	1,324	1,282	1,508	1,268
Equity affiliates income	**151**	168	154	154	127
Income from continuing operations attributable to Air Products	**987**	1,004	999	1,134	942
Net income attributable to Air Products	**992**	994	1,167	1,224	1,029
Basic earnings per common share attributable to Air Products:					
Income from continuing operations	**4.64**	4.79	4.73	5.33	4.44
Net income	**4.66**	4.74	5.53	5.75	4.85
Diluted earnings per common share attributable to Air Products:					
Income from continuing operations	**4.59**	4.73	4.66	5.22	4.34
Net income	**4.61**	4.68	5.44	5.63	4.74
Year-End Financial Position					
Plant and equipment, at cost	**$20,224**	$19,530	$18,046	$16,859	$15,934
Total assets	**17,779**	17,850	16,942	14,291	13,506
Working capital	**332**	212	726	848	790
Total debt [B]	**6,119**	6,274	5,292	4,562	4,128
Redeemable noncontrolling interest	**287**	376	393		
Air Products shareholders equity	**7,366**	7,042	6,477	5,796	5,547
Total equity	**7,521**	7,199	6,623	5,939	5,698
Financial Ratios					
Return on average Air Products shareholders equity [C]	**13.4%**	15.3%	16.1%	19.4%	18.2%
Operating margin	**12.7%**	13.0%	13.3%	15.6%	14.7%
Selling and administrative as a percentage of sales	**10.1%**	10.5%	9.9%	9.7%	10.3%
Total debt to total capitalization [B] [D]	**43.9%**	45.3%	43.0%	43.4%	42.0%
Other Data					
Adjusted EBITDA on a non-GAAP basis [E]	**$2,765**	$2,641	$2,528	$2,545	$2,317
Depreciation and amortization	**957**	907	841	834	827
Capital expenditures on a GAAP basis [F]	**1,682**	1,748	2,560	1,366	1,092
Capital expenditures on a non-GAAP basis [F]	**1,885**	1,997	2,778	1,539	1,256
Cash provided by operating activities	**2,186**	1,553	1,765	1,710	1,485
Cash used for investing activities	**1,638**	1,697	2,435	1,170	1,014
Cash (used for) provided by financing activities	**(504)**	115	(78)	(485)	(580)
Dividends declared per common share	**3.02**	2.77	2.50	2.23	1.92
Weighted average common shares outstanding (in millions)	**213**	210	211	213	212
Weighted average common shares outstanding assuming dilution (in millions)	**215**	212	215	218	217
Book value per common share at year-end	**$34.49**	$33.35	$30.48	$27.57	$25.94
Shareholders at year-end	**6,600**	7,000	7,500	7,900	8,300
Employees at year-end [G]	**21,200**	21,600	21,300	18,900	18,300

[A] Unless otherwise stated, selected financial data is presented on a GAAP basis. Our operating results were impacted by certain items which management does not believe to be indicative of ongoing business trends and are excluded from the non-GAAP measure.
For 2014, these items include: (i) a charge of $310 ($275 after-tax, or $1.27 per share) related to goodwill and intangible asset impairment, (ii) a charge to operating income of $13 ($8 after-tax, or $.04 per share) related to business reorganization and cost reduction actions, (iii) a charge of $6 ($4 after-tax, or $.02 per share) related to pension settlement loss, (iv) a tax expense of $21 ($.10 per share) for a Chilean rate change, (v) a tax benefit of $52 ($.24 per share) related to a tax election.

For 2013, these items include: (i) a charge to operating income of $232 ($158 after-tax, or $.74 per share) related to business restructuring and cost reduction actions, (ii) expenses of $10 ($6 after-tax, or $.03 per share) related to advisory costs.

For 2012, these items include: (i) a charge to operating income of $327 ($222 after-tax, or $1.03 per share) related to business restructuring and cost reduction actions, (ii) a gain of $86 ($55 after-tax, or $.25 per share) related to the gain on our previously held equity interest in DA NanoMaterials, (iii) a charge of $10 ($6 after-tax, or $.03 per share) related to a customer bankruptcy, (iv) a tax expense of $44 ($.20 per share) for a Spanish tax settlement, (v) a tax benefit of $58 ($.27 per share) for a favorable Spanish tax ruling.

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For 2011 and 2010, these items include: expenses of $49 ($32 after-tax, or $.14 per share) and $96 ($60 after-tax, or $.28 per share), respectively, related to the Company s attempt to acquire Airgas, Inc.

(B) Total debt includes long-term debt, current portion of long-term debt, and short-term borrowings as of the end of the year.

(C) Calculated using income from continuing operations attributable to Air Products and five-quarter average Air Products shareholders equity.

(D) Total capitalization includes total debt plus total equity plus redeemable noncontrolling interest as of the end of the year.

(E) A reconciliation of reported GAAP results to Adjusted EBITDA is presented on page 32.

(F) Capital expenditures on a GAAP basis include additions to plant and equipment, investment in and advances to unconsolidated affiliates, and acquisitions. The Company utilizes a non-GAAP measure in the computation of capital expenditures and includes spending associated with facilities accounted for as capital leases and purchases of noncontrolling interests. Refer to page 34 for a reconciliation of the GAAP to non-GAAP measures for 2014, 2013, and 2012. For 2011, the GAAP measure was adjusted by $174 for spending associated with facilities accounted for as capital leases. For 2010, the GAAP measure was adjusted by $123 and $42 for spending associated with facilities accounted for as capital leases and purchases of noncontrolling interests, respectively.

(G) Includes full- and part-time employees from continuing and discontinued operations.

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

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The following discussion should be read in conjunction with the consolidated financial statements and the accompanying notes contained in this report. 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 (GAAP), except as noted. All amounts are presented in millions of dollars, except for share data, unless otherwise indicated.

Items such as income from continuing operations attributable to Air Products, net income attributable to Air Products, and diluted earnings per share attributable to Air Products are simply referred to as income from continuing operations, net income, and diluted earnings per share throughout this Management s Discussion and Analysis, unless otherwise stated.

The discussion of results that follows includes comparisons to non-GAAP financial measures. For 2014, the non-GAAP measures exclude: business reorganization and cost reduction charges recorded in the fourth quarter, goodwill and intangible asset impairment charges, pension settlement losses, and impacts resulting from a tax election benefit and the Chilean tax rate change. For 2013, the non-GAAP measures exclude the business restructuring and cost reduction plan charges and advisory costs. For 2012, the non-GAAP measures exclude the business restructuring and cost reduction plan charges, the customer bankruptcy charge, the gain on the previously held equity interest in DuPont Air Products NanoMaterials LLC (DA NanoMaterials), the Spanish tax settlement, and the Spanish tax ruling. The presentation of non-GAAP measures is intended to enhance the usefulness of financial information by providing measures that our management uses internally to evaluate our performance. The reconciliation of reported GAAP results to non-GAAP measures is presented on pages 30 32. Descriptions of the excluded items appear on pages 23 25.

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BUSINESS OVERVIEW

Air Products and Chemicals, Inc. and its subsidiaries serve energy, electronics, chemicals, metals, and manufacturing customers globally with a unique portfolio of products, services, and solutions that include atmospheric, process and specialty gases; performance materials; equipment; and technology. Geographically diverse, with operations in over 50 countries, in 2014 we had sales of $10.4 billion, assets of $17.8 billion, and a worldwide workforce of approximately 21,200 employees.

We organized our operations into four reportable business segments: Merchant Gases, Tonnage Gases, Electronics and Performance Materials, and Equipment and Energy through 30 September 2014. The financial statements and analysis that follow discuss our results based on those operations. On 18 September 2014, we announced a major company reorganization effective as of 1 October 2014. Refer to Note 25, Business Segment and Geographic Information, to the consolidated financial statements for additional details on our reportable business segments and segment reorganization beginning fiscal year 2015.

2014 IN SUMMARY

In 2014, we delivered sales and earnings growth driven by a strong second half of the year, particularly in the fourth quarter. Overall, sales increased by 3% including volume growth of 2% led by our Merchant Gases and Electronics and Performance Materials segments. Volume growth was leveraged along with recent cost reduction actions to improve operating income by 6% and operating margin by 50 basis points (bp). Tonnage Gases results decreased versus the prior year as we completed the exit of our polyurethane intermediates business (PUI) and experienced higher maintenance costs and customer outages.

In the third quarter, we announced Seifi Ghasemi as our new chairman, president and chief executive officer, effective as of 1 July 2014.

In the fourth quarter, we announced plans to reorganize the Company, including realignment of our businesses into new reporting segments and organizational changes effective as of 1 October 2014.

We recorded a goodwill and intangible asset impairment charge of $310.1 in our Merchant Gases Latin America business driven by lower economic growth and profitability in our Indura business and the impact of recent tax reform legislation in Chile. We also recorded charges of $5.5 for pension settlements and $12.7 for severance costs related to cost reduction actions.

Highlights for 2014

Sales of $10,439.0 increased 3%, or $258.6. Volume growth in the Merchant Gases and Electronics and Performance Materials segments and higher energy contractual cost pass-through to customers were partially offset by the exit from our PUI business.

Operating income of $1,328.2 increased $3.8. On a non-GAAP basis, operating income of $1,656.5 increased 6%, or $90.4, with higher volumes partially offset by higher energy and distribution costs and higher operating costs, including maintenance costs in the Tonnage Gases segment.

We increased focus on cash flow and introduced Adjusted EBITDA, a non-GAAP metric, in the fourth quarter. Adjusted EBITDA of $2,764.8 increased by $123.9, or 5%.

Income from continuing operations of $987.1 decreased 2%, or $17.1, and diluted earnings per share from continuing operations of $4.59 decreased 3%, or $.14. On a non-GAAP basis, income from continuing operations of $1,243.0 increased 6%, or $74.5, and diluted earnings per share from continuing operations of $5.78 increased 5%, or $.28. A summary table of changes in diluted earnings per share, including a non-GAAP reconciliation, is presented below.

We increased our quarterly dividend by 8% from $.71 to $.77 per share. This represents the 32nd consecutive year that we have increased our dividend payment.

For a discussion of the challenges, risks, and opportunities on which management is focused, refer to our 2015 Outlook discussions provided on page 21 in the Management s Discussion and Analysis that follows.

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Changes in Diluted Earnings per Share Attributable to Air Products

	2014	2013	Increase (Decrease)
Diluted Earnings per Share			
Net income	**$4.61**	$4.68	$(.07)
Income (Loss) from discontinued operations	**.02**	(.05)	.07
Income from Continuing Operations GAAP Basis	**$4.59**	$4.73	$(.14)
Business restructuring and cost reduction actions	**.04**	.74	(.70)
Pension settlement loss	**.02**		.02
Goodwill and intangible asset impairment charge	**1.27**		1.27
Advisory costs		.03	(.03)
Chilean tax rate change	**.10**		.10
Tax election benefit	**(.24)**		(.24)
Income from Continuing Operations Non-GAAP Basis	**$5.78**	$5.50	$.28
Operating income (after-tax)			
Underlying business			
Volume			.50
Price/raw materials			(.10)
Costs/other			(.06)
Currency			(.01)
Operating Income			.33
Other (after-tax)			
Equity affiliates income			(.05)
Interest expense			.05
Income tax rate			.01
Noncontrolling interests			.01
Average shares outstanding			(.07)
Other			(.05)
Total Change in Diluted Earnings per Share from Continuing Operations Non-GAAP Basis			$.28

2015 OUTLOOK

For 2015, we are focused on actions that we can control to improve cash flow and drive earnings growth. We reorganized the Company into new business segments effective as of 1 October 2014. Our new organization should enable us to reduce costs and more effectively manage and utilize our existing assets. We also expect pricing actions to deliver improvement in our results. Effectively executing on this strategy will be critical to improved results as we expect global economic growth to be modest in the year ahead.

The above guidance should be read in conjunction with the section entitled Forward-Looking Statements.

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RESULTS OF OPERATIONS

Discussion of Consolidated Results

	2014	2013	2012
Sales	**$10,439.0**	$10,180.4	$9,611.7
Operating income GAAP Basis	**1,328.2**	1,324.4	1,282.4
Operating margin GAAP Basis	**12.7%**	13.0%	13.3%
Equity affiliates income	**151.4**	167.8	153.8
Non-GAAP Basis			
Adjusted EBITDA	**2,764.8**	2,640.9	2,528.3
Operating income	**1,656.5**	1,566.1	1,533.7
Operating margin	**15.9%**	15.4%	16.0%

Sales

	% Change from Prior Year	
	2014	2013
Underlying business		
Volume (including PUI exit impact)	**2%**	(1)%
Price	**%**	%
Acquisitions	**%**	5%
Energy and raw material cost pass-through	**1%**	2%
Total Consolidated Change	**3%**	6%

2014 vs. 2013

Sales of $10,439.0 increased 3%, or $258.6. Underlying business increased 2%, as higher volumes in the Merchant Gases and Electronics and Performance Materials segments were partially offset by lower volumes in our Tonnage Gases segment, including the exit from our PUI business which reduced sales by 1%. Higher energy and raw material contractual cost pass-through to customers increased sales by 1%. Currency was flat as the impacts from a stronger Euro were offset by a weaker Chilean Peso.

2013 vs. 2012

Sales of $10,180.4 increased 6%, or $568.7. Underlying business decreased 1%, primarily due to lower volumes resulting from our previous decision to exit the PUI business and lower Electronics demand, partially offset by higher volumes in the Tonnage Gases, Performance Materials, and Equipment businesses. The acquisitions of Indura S.A. and DA NanoMaterials increased sales by 5%. Higher energy and raw material contractual cost pass-through to customers increased sales by 2%.

Operating Income

2014 vs. 2013

On a GAAP basis, operating income of $1,328.2 increased $3.8. Current year operating income was reduced by $310.1 for a goodwill and intangible asset impairment charge, $12.7 for a business reorganization and cost reduction charge, and $5.5 for pension settlement losses. Prior year operating income was reduced by a charge of $231.6 for a business restructuring and cost reduction plan and $10.1 for advisory costs. On a non-GAAP basis, operating income of $1,656.5 increased 6%, or $90.4. The increase was primarily due to higher volumes of $140 driven by our Merchant Gases and Electronics and Performance Materials segments, partially offset by lower recovery of raw material costs in pricing of $29 and higher operating costs of $9. Prior year operating income included $10 for gains from the sale of assets and investments in Merchant Gases.

2013 vs. 2012

On a GAAP basis, operating income of $1,324.4 increased 3%, or $42.0. Operating income in 2013 included a charge of $231.6 for a business restructuring and cost reduction plan and $10.1 for advisory costs. Operating income in 2012 included a charge of $327.4 for business restructuring and cost reduction plans, a $9.8 charge for a customer bankruptcy, and the gain on the previously held equity interest in DA NanoMaterials of $85.9. On a non-GAAP basis, operating income of $1,566.1 increased 2%, or $32.4. The increase was primarily due to acquisitions of $54, higher volumes of $24, and favorable currency translation and foreign exchange impacts of $2, partially offset by $40 from

unfavorable higher energy and distribution costs net of pricing, and higher operating costs of $20,

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including the impact from pensions. Operating income increased by $12 from higher gains on the sale of assets and investments.

Adjusted EBITDA

We define Adjusted EBITDA as income from continuing operations excluding certain disclosed items, which the Company does not believe to be indicative of ongoing business trends, before interest expense, income tax provision, and depreciation and amortization expense. We believe Adjusted EBITDA provides a useful operational metric for the measurement of our cash flow.

2014 vs. 2013

Adjusted EBITDA of $2,764.8 increased $123.9, or 5%, primarily due to the increase in volumes in the Merchant Gases and Electronics and Performance Materials segments.

2013 vs. 2012

Adjusted EBITDA of $2,640.9 increased $112.6, or 4%, primarily due to acquisitions and higher volumes, partially offset by higher energy, distribution, and operating costs.

Equity Affiliates Income

2014 vs. 2013

Income from equity affiliates of $151.4 decreased $16.4, due to higher costs from maintenance outages and an unfavorable arbitration award, unfavorable currency impacts, and weaker oilfield services volume in Mexico.

2013 vs. 2012

Income from equity affiliates of $167.8 increased $14.0, primarily due to better performance in our Mexican equity affiliate.

Selling and Administrative Expense

2014 vs. 2013

Selling and administrative expense of $1,059.3 decreased $7.0, or 1%, as productivity, including the benefits of recent cost reduction actions, and favorable currency effects more than offset other cost increases. Selling and administrative expense as a percent of sales decreased to 10.1% from 10.5%.

2013 vs. 2012

Selling and administrative expense of $1,066.3 increased $119.5, or 13%, primarily due to the acquisition of Indura S.A. Selling and administrative expense as a percent of sales increased to 10.5% from 9.9%, also due to Indura S.A.

Research and Development

2014 vs. 2013

Research and development expense of $141.4 increased 6%, or $7.7, primarily due to lower government grants and other cost increases. Research and development expense as a percent of sales increased to 1.4% from 1.3%.

2013 vs. 2012

Research and development expense of $133.7 increased 6%, or $7.3, including the acquisition of DA NanoMaterials. Research and development expense as a percent of sales was 1.3% in 2013 and 2012.

Business Restructuring and Cost Reduction Actions

We recorded charges in 2014, 2013, and 2012 for business restructuring and cost reduction actions. The charges for these actions are reflected on the consolidated income statements as Business restructuring and cost reduction actions. The charges for these actions are excluded from segment operating income.

2014 Charge

On 18 September 2014, we announced plans to reorganize the Company, including realignment of our businesses into new reporting segments and organizational changes, effective as of 1 October 2014. As a result of this initiative, 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. In 2015 and beyond, we expect the actions taken to date will provide approximately $10 in annual savings. Additional charges will be recorded in future periods as the Company commits to specific actions. These actions could materially impact future operating profit for the period in which the charges are recorded.

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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. These charges included $100.4 for asset actions and $58.5 for the final settlement of a long-term take-or-pay silane contract primarily impacting the Electronics business due to continued weakness in the PV and light-emitting diode (LED) markets. In addition, $71.9 was recorded for severance, benefits, and other contractual obligations associated with the elimination of approximately 700 positions and executive changes. These reductions primarily impact our Merchant Gases businesses and corporate functions. The actions were 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 associated with severance were completed in the first quarter of 2015 and provided approximately $45 in savings in 2014. Beyond 2014, we expect these actions to provide approximately $75 in annual savings.

2012 Plans

In 2012, we recorded an expense of $327.4 ($222.4 after-tax, or $1.03 per share) for business restructuring and cost reduction plans in our PUI, Electronics, and European Merchant businesses.

During the second quarter of 2012, we recorded an expense of $86.8 ($60.6 after-tax, or $.28 per share) for actions to remove stranded costs resulting from our decision to exit the Homecare business, the reorganization of the Merchant business, and actions taken to right size our European cost structure in light of the challenging economic outlook. The planned actions are complete and provided approximately $60 in annual savings in 2013.

During the fourth quarter of 2012, we took actions in the PUI business to improve costs, resulting in a net expense of $54.6 ($34.8 after-tax, or $.16 per share), and ultimately exit the business. We completed our exit from the business in the first quarter of 2014.

During the fourth quarter of 2012, we completed an assessment of our position in the PV market, resulting in $186.0 of expense ($127.0 after-tax, or $.59 per share) primarily related to the Electronics and Performance Materials business segment. Included in the charge was an accrual of $93.5 for an offer that we made to terminate a long-term take-or-pay supply contract to purchase silane. As noted above, a final settlement was reached with the supplier in the fourth quarter of 2013.

Refer to Note 4, Business Restructuring and Cost Reduction Actions, to the consolidated financial statements for additional details on these actions.

Pension Settlement Loss

Our U.S. supplemental pension plan provides for a lump sum benefit payment option at the time of retirement, or for corporate officers, six months after the retirement date. Pension settlements are recognized when cash payments exceed the sum of the service and interest cost components of net periodic pension cost of the plan for the fiscal year. The participant s vested benefit is considered fully settled upon cash payment of the lump sum. We recognized $5.5 ($3.6 after-tax, or $.02 per share) and $12.4 ($7.8 after-tax, or $.04 per share) of settlement charges in 2014 and 2013, respectively.

Goodwill and Intangible Asset Impairment Charge

In July 2012, we acquired a controlling interest in the outstanding shares of Indura S.A., a Latin American industrial gases company. In connection with this acquisition, we recorded $626.2 of goodwill, which was incorporated into the Latin American reporting unit of our Merchant Gases segment. During the fourth quarter of 2014, we concluded that the goodwill and indefinite-lived intangible assets (primarily acquired trade names) associated with this reporting unit were impaired. The Indura business continues to be profitable; however, recent economic conditions in Latin America, including the impact of tax legislation in Chile, have been less favorable due to increasing inflation, a decline in Chilean manufacturing growth, and weaker export demand for many commodities. As a result, we concluded in the fourth quarter that this business will not grow at the rate we anticipated, and we lowered our growth projections. We recorded a noncash impairment charge of $310.1 ($275.1 attributable to Air Products, after-tax or $1.27 per share) for the Latin America reporting unit. Refer to the Critical Accounting Policies and Estimates section below and Note 9, Goodwill, and Note 10, Intangible Assets, to the consolidated financial statements for additional details.

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Business Combinations

2013 Business Combinations

We completed three acquisitions in 2013. The acquisitions were accounted for as business combinations, and their results of operations were consolidated within their respective segments after the acquisition dates. The aggregate purchase price, net of cash acquired, for these acquisitions was $233.

2012 Business Combinations

Indura S.A.

In July 2012, we acquired a 64.8% controlling equity interest in the outstanding shares of Indura S.A. Following the acquisition date, 100% of the Indura S.A. results are consolidated in our financial statements within the Merchant Gases business segment. The portion of the business that is not owned by the Company is recorded as noncontrolling interests. We paid cash consideration in Chilean pesos (CLP) of 345.5 billion ($690) and assumed debt of CLP113.8 billion ($227) for these interests. As of 30 September 2014, we hold a 67.3% interest.

DA NanoMaterials LLC

On 2 April 2012, we closed on the acquisition agreement with E.I. DuPont de Nemours and Co., Inc. to acquire their 50% interest in our joint venture, DA NanoMaterials. Beginning in the third quarter of 2012, the results of DA NanoMaterials were consolidated within our Electronics and Performance Materials business segment.

Prior to the acquisition date, we accounted for our 50% interest in DA NanoMaterials as an equity-method investment. The year ended 30 September 2012 included a gain of $85.9 ($54.6 after-tax, or $.25 per share) as a result of revaluing our previously held equity interest to fair market value as of the acquisition date.

Refer to Note 5, Business Combinations, to the consolidated financial statements for additional details on these transactions.

Customer Bankruptcy

As a result of events which occurred during the fourth quarter of 2012, we recognized a charge of $9.8 ($6.1 after-tax, or $.03 per share) primarily related to the write-off of on-site assets due to a customer bankruptcy and mill shutdown. The customer, which primarily received products from the Tonnage Gases segment, filed for bankruptcy in May 2012 and announced the mill shutdown in August 2012.

Advisory Costs

During the fourth quarter of 2013, we incurred legal and other advisory fees of $10.1 ($6.4 after-tax, or $.03 per share) in connection with our response to the rapid acquisition of a large position in shares of our common stock by Pershing Square Capital Management LLC and its affiliates (Pershing Square). These fees, which are reflected on the consolidated income statements as Advisory costs, include costs incurred before and after Pershing Square s disclosure of its holdings and cover advisory services related to the adoption of the Shareholders Rights Plan, preparation for a potential proxy solicitation campaign, and entering into an agreement with Pershing Square.

Other Income (Expense), Net

Items recorded to other income (expense), net arise from transactions and events not directly related to our principal income earning activities. The detail of other income (expense), net is presented in Note 23, Supplemental Information, to the consolidated financial statements.

2014 vs. 2013

Other income (expense), net of $52.8 decreased $17.4, primarily due to higher gains from the sale of a number of small assets and investments, higher government grants, and a favorable commercial contract settlement in the prior year. Otherwise, no individual items were significant in comparison to the prior year.

2013 vs. 2012

Other income (expense), net of $70.2 increased $23.1, primarily due to higher gains from the sale of a number of small assets and investments and a favorable commercial contract settlement, partially offset by lower government grants. Otherwise, no individual items were significant in comparison to the prior year.

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Interest Expense

	2014	2013	2012
Interest incurred	**$158.1**	$167.6	$153.9
Less: Capitalized interest	**33.0**	25.8	30.2
Interest Expense	**$125.1**	$141.8	$123.7

2014 vs. 2013

Interest incurred decreased $9.5. The decrease was primarily due to a lower average interest rate on the debt portfolio which reduced interest by $13, partially offset by a higher average debt balance which increased interest by $6. The change in capitalized interest was driven by a higher carrying value in construction in progress.

2013 vs. 2012

Interest incurred increased $13.7. The increase was driven primarily by a higher average debt balance for $41, partially offset by a lower average interest rate on the debt portfolio of $24. The change in capitalized interest was driven by a decrease in project spending and a lower average interest rate.

Effective Tax Rate

The effective tax rate equals the income tax provision divided by income from continuing operations before taxes. Refer to Note 22, Income Taxes, to the consolidated financial statements for details on factors affecting the effective tax rate.

2014 vs. 2013

On a GAAP basis, the effective tax rate was 27.0% and 22.8% in 2014 and 2013, respectively. The effective tax rate was higher in the current year primarily due to the goodwill impairment charge of $305.2, which was not deductible for tax purposes, and the Chilean tax reform enacted in September 2014 which increased income tax expense by $20.6. These impacts were partially offset by an income tax benefit of $51.6 associated with losses from transactions and a tax election in a non-U.S. subsidiary. The prior year rate included income tax benefits of $73.7 related to the business restructuring and cost reduction plans and $3.7 for the advisory costs. Refer to Note 4, Business Restructuring and Cost Reduction Actions; Note 9, Goodwill; Note 22, Income Taxes; and Note 23, Supplemental Information, to the consolidated financial statements for details on these transactions. On a non-GAAP basis, the effective tax rate was 24.0% and 24.2% in 2014 and 2013, respectively.

2013 vs. 2012

On a GAAP basis, the effective tax rate was 22.8% and 21.9% in 2013 and 2012, respectively. The effective rate in 2013 includes income tax benefits of $73.7 related to the business restructuring and cost reduction plans and $3.7 for the advisory costs. The effective rate in 2012 includes income tax benefits of $105.0 related to the business restructuring and cost reduction plans, $58.3 related to the second quarter Spanish tax ruling, and $3.7 related to the customer bankruptcy charge, offset by income tax expense of $43.8 related to the first quarter Spanish tax settlement and $31.3 related to the gain on the previously held equity interest in DA NanoMaterials. Refer to Note 4, Business Restructuring and Cost Reduction Actions; Note 5, Business Combinations; Note 22, Income Taxes; and Note 23, Supplemental Information, to the consolidated financial statements for details on these transactions. On a non-GAAP basis, the effective tax rate was 24.2% in both 2013 and 2012.

Discontinued Operations

During the second quarter of 2012, the Board of Directors authorized the sale of our Homecare business, which had previously been reported as part of the Merchant Gases operating segment.

In 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). In addition, 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 2013, we recorded an additional charge of $18.7 ($13.6 after-tax, or $.06 per share) to update our estimate of the net realizable value. In 2014, a gain of $3.9 was recognized for the sale of the remaining Homecare business and settlement of contingencies on the sale to The Linde Group.

Refer to Note 3, Discontinued Operations, to the consolidated financial statements for additional details on this business.

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Segment Analysis

Merchant Gases

	2014	2013	2012
Sales	**$4,250.7**	$4,098.6	$3,662.4
Operating income	**671.6**	680.5	644.0
Operating margin	**15.8%**	16.6%	17.6%
Equity affiliates income	**140.1**	145.0	137.1

Merchant Gases Sales

	% Change from Prior Year	
	2014	2013
Underlying business		
Volume	**3%**	%
Price	**1%**	1%
Acquisition	**%**	11%
Currency	**%**	%
Total Merchant Gases Sales Change	**4%**	12%

2014 vs. 2013

Underlying sales increased 4% due to higher volumes of 3% and higher pricing of 1%.

In the U.S. and Canada, sales increased 7%, with volumes up 3% and price up 4%. Volumes increased as higher liquid oxygen, nitrogen, and argon volumes were partially offset by lower helium volumes due to supply limitations. Volumes also increased as a result of our EPCO Carbondioxide Products, Inc. acquisition. Pricing was higher due to improved pricing in liquid oxygen, liquid nitrogen, and helium.

In Europe, sales increased 4%, with favorable currency impacts of 4%, primarily from the Euro and the Pound Sterling. Volumes were flat as higher volumes in liquid oxygen, nitrogen, and argon were offset by lower helium volumes and lower cylinder volumes as construction remains weak.

In Asia, sales increased 4% due to higher volumes of 5%, partially offset by lower pricing of 1%. Volumes increased with higher liquid oxygen, nitrogen, and argon volumes across the region, partially offset by lower helium volumes. Pricing decreased as higher helium pricing was more than offset by lower pricing in liquid oxygen, nitrogen, and argon, particularly in China, driven in part by a higher mix of wholesale customers.

In Latin America, sales decreased 8%, as higher volumes of 1%, and higher pricing of 2% was more than offset by unfavorable currency impacts of 11% from the Brazilian Real and Chilean Peso. Volumes increased in Brazil and were only modestly higher in Chile as the economy slowed.

Operating income decreased 1%, primarily due to higher operating costs of $25, prior year gains from sales of assets and investments of $10, and lower price recovery of power and fuel costs of $3, partially offset by higher volumes of $31. Operating margin decreased 80 basis points (bp) from prior year, primarily due to higher power and fuel costs.

Merchant Gases equity affiliates income of $140.1 decreased $4.9, primarily from unfavorable currency impacts in Mexico, South Africa, and India and lower oilfield services volume in Mexico.

2013 vs. 2012

Underlying sales increased 1% due to higher pricing of 1%. The acquisition of Indura S.A. had a favorable impact on sales of 11%.

In the U.S. and Canada, sales increased 5%, with volumes up 2% and price up 3%. Volumes increased primarily due to higher liquid oxygen and liquid nitrogen, partially offset by helium supply limitations. In Europe, sales decreased 3%, with volumes down 3% primarily due to overall economic weakness in the region. In Asia, sales increased 3% due to higher volumes of 2% and favorable currency of 2%, partially offset by lower pricing of 1%. Volumes increased primarily due to higher liquid oxygen and liquid nitrogen volumes.

Operating income increased 6%, primarily due to higher acquisitions of $48 and lower operating costs of $13, partially offset by lower price recovery of power and fuel costs of $25 and lower volumes of $10. The lower operating costs included the impact from the prior year cost reduction plan in Europe, partially offset by higher pension costs.

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Operating income in 2013 also included $10 for gains from sales of assets and investments. Operating margin decreased 100 bp, primarily due to the impact of the Indura S.A. acquisition and higher power and fuel costs.

Merchant Gases equity affiliates income of $145.0 increased $7.9, primarily as a result of improved performance in our Mexican equity affiliate.

Tonnage Gases

	2014	2013	2012
Sales	**$3,288.9**	$3,387.3	$3,206.7
Operating income	**484.9**	515.9	512.0
Operating margin	**14.7%**	15.2%	16.0%

Tonnage Gases Sales

	% Change from Prior Year	
	2014	2013
Underlying business		
Volume	**(7)%**	(1)%
Energy and raw material cost pass-through	**3%**	6%
Currency	**1%**	1%
Total Tonnage Gases Sales Change	**(3)%**	6%

2014 vs. 2013

Volumes decreased 7%, as strong demand in the United States Gulf Coast hydrogen system was more than offset by lower volumes in Latin America and the exit from our PUI business. The lower PUI volumes decreased sales by 4%. As of the end of the first quarter of 2014, our exit from the PUI business was complete. Higher energy contractual cost pass-through to customers increased sales by 3%. Currency favorably impacted sales by 1%.

Operating income decreased primarily due to higher costs of $22, including maintenance, and lower volumes of $9. Operating margin decreased 50 bp from prior year, primarily due to the higher maintenance costs and higher pass-through of energy costs.

2013 vs. 2012

Volumes decreased 1%, as the impact from implementation of our previous decision to exit the PUI business was partially offset by the impact of new plants. Higher energy and raw material contractual cost pass-through to customers increased sales by 6%. Currency favorably impacted sales by 1%.

Operating income increased as higher volumes of $22 and favorable currency of $3 were partially offset by higher costs of $21, including higher maintenance and pension costs. Operating margin decreased 80 bp, primarily due to the higher energy cost pass-through and higher costs, partially offset by the higher volumes from new plants.

Electronics and Performance Materials

	2014	2013	2012
Sales	**$2,449.0**	$2,243.4	$2,322.5
Operating income GAAP basis	**425.3**	321.3	425.6
Operating margin GAAP basis	**17.4%**	14.3%	18.3%
Operating income Non-GAAP basis	**425.3**	321.3	339.7
Operating margin Non-GAAP basis	**17.4%**	14.3%	14.6%

Electronics and Performance Materials Sales

	% Change from Prior Year	
	2014	2013
Underlying business		
Volume	**9%**	(4)%

Price	**(1)%**	(1)%
Acquisitions	**%**	2%
Currency	**1%**	%
Total Electronics and Performance Materials Sales Change	**9%**	(3)%

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2014 vs. 2013

Sales increased 9%, as higher volumes of 9% and favorable currency of 1% were partially offset by lower pricing of 1%. Electronics sales increased 8%, as higher delivery systems equipment sales and materials volumes of 8% and favorable currency of 1% were partially offset by lower pricing of 1%. Performance Materials sales increased 10%, as higher volumes of 11% were partially offset by lower pricing of 1%. The higher volumes were across all product lines and major regions. The lower pricing was primarily due to unfavorable mix impacts.

Operating income of $425.3 increased 32%, or $104.0, primarily from higher volumes of $93, lower operating costs of $31, and favorable currency impacts of $5, partially offset by unfavorable price and mix impacts of $26. Operating margin of 17.4% increased 310 bp, primarily due to improved loading and leverage from the higher volumes and improved cost performance, partially offset by the unfavorable pricing impacts.

2013 vs. 2012

Sales decreased 3%, as lower volumes of 4% and lower pricing of 1% were partially offset by acquisitions of 2%. Electronics sales decreased 8%, as weaker materials volumes and equipment sales were partially offset by the acquisition of DA NanoMaterials. Performance Materials sales increased 2%, as higher volumes of 4% were partially offset by lower pricing of 2%. The increase in volumes was primarily due to strength in the automobile and U.S. housing markets partially offset by weaker volumes to certain construction markets and marine coatings. The lower pricing was primarily due to unfavorable mix impacts.

Operating income of $321.3 decreased 25%, or $104.3, and operating margin of 14.3% decreased 400 bp, as 2012 included a gain on the previously held equity interest in DA NanoMaterials of $85.9. On a non-GAAP basis, operating income of $321.3 decreased 5%, or $18.4, primarily from unfavorable price and mix impacts of $15, lower volumes of $9, and higher operating costs of $4 partially offset by higher acquisitions of $6 and favorable currency of $4. Operating margin decreased 30 bp, primarily due to lower volumes and unfavorable price mix.

Equipment and Energy

	2014	2013	2012
Sales	**$450.4**	$451.1	$420.1
Operating income	**88.2**	65.5	44.6

2014 vs. 2013

Sales of $450.4 were relatively flat as higher liquefied natural gas (LNG) project activity was offset by lower air separation (ASU) project activity. Operating income of $88.2 increased from the higher LNG project activity.

The sales backlog for the Equipment business at 30 September 2014 was $520, compared to $402 at 30 September 2013. The increase was primarily due to new LNG orders as global project development activity remains high. It is expected that approximately $320 of the backlog will be completed during 2015.

2013 vs. 2012

Sales of $451.1 increased primarily from higher LNG project activity. Operating income of $65.5 increased from the higher LNG project activity.

The sales backlog for the Equipment business at 30 September 2013 was $402, compared to $450 at 30 September 2012.

Other

Other operating income (loss) primarily includes other expense and income that cannot be directly associated with the business segments, including foreign exchange gains and losses. Also included are LIFO inventory valuation adjustments, as the business segments use FIFO, and the LIFO pool valuation adjustments are not allocated to the business segments. Other also included stranded costs resulting from discontinued operations, as these costs were not reallocated to the businesses in 2012.

2014 vs. 2013

Other operating loss was $13.5, compared to $4.7 in the prior year. The decrease was primarily due to unfavorable foreign exchange losses of $5 and LIFO adjustments of $4.

2013 vs. 2012

Other operating loss was $4.7, compared to $6.6 in the prior year. The other operating loss in 2013 includes an unfavorable LIFO adjustment versus the prior year of $11. The other operating loss in 2012 included stranded costs from discontinued operations of $10.

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The discussion of our annual results includes comparisons to non-GAAP financial measures, including Adjusted EBITDA. The presentation of non-GAAP measures is intended to enhance the usefulness of financial information by providing measures which our management uses internally to evaluate our operating performance and cash flow.

Definitions of non-GAAP measures may not be comparable to similar definitions used by other companies and are not a substitute for similar GAAP measures. In 2013, we had pension settlement losses of $12.4 ($7.8 after-tax, or $.04 per share). In 2012, our income tax provision was unfavorably impacted by $14.1 ($.07 per share) due to changes in the Chilean tax rate. These impacts were included in non-GAAP operating performance measures in their respective years.

Presented below are reconciliations of the reported GAAP results to the non-GAAP measures.

CONSOLIDATED RESULTS

	Continuing Operations			
	Operating Income	Operating Margin (B)	Income	Diluted EPS
2014 GAAP	**$1,328.2**	**12.7%**	**$987.1**	**$4.59**
2013 GAAP	**1,324.4**	**13.0%**	**1,004.2**	**4.73**
Change GAAP	$3.8	(30bp)	$(17.1)	$(.14)
% Change GAAP	%		(2)%	(3)%
2014 GAAP	$1,328.2	12.7%	$987.1	$4.59
Business restructuring and cost reduction actions (tax impact $4.5)	12.7	.1%	8.2	.04
Pension settlement loss (tax impact $1.9)	5.5	.1%	3.6	.02
Goodwill and intangible asset impairment charge (A)	310.1	3.0%	275.1	1.27
Chilean tax rate change			20.6	.10
Tax election benefit			(51.6)	(.24)
2014 Non-GAAP Measure	**$1,656.5**	**15.9%**	**$1,243.0**	**$5.78**
2013 GAAP	$1,324.4	13.0%	$1,004.2	$4.73
Business restructuring and cost reduction actions (tax impact $73.7)	231.6	2.3%	157.9	.74
Advisory costs (tax impact $3.7)	10.1	.1%	6.4	.03
2013 Non-GAAP Measure	**$1,566.1**	**15.4%**	**$1,168.5**	**$5.50**
Change Non-GAAP Measure	$90.4	50bp	$74.5	$.28
% Change Non-GAAP Measure	6%		6%	5%

(A) Noncontrolling interests impact of $33.7 and tax impact of $1.3.

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	Continuing Operations			
	Operating Income	Operating Margin (B)	Income	Diluted EPS
2013 GAAP	**$1,324.4**	**13.0%**	**$1,004.2**	**$4.73**
2012 GAAP	**1,282.4**	**13.3%**	**999.2**	**4.66**
Change GAAP	$42.0	(30bp)	$5.0	$.07
% Change GAAP	3%		1%	2%
2013 GAAP	$1,324.4	13.0%	$1,004.2	$4.73
Business restructuring and cost reduction actions (tax impact $73.7)	231.6	2.3%	157.9	.74
Advisory costs (tax impact $3.7)	10.1	.1%	6.4	.03
2013 Non-GAAP Measure	**$1,566.1**	**15.4%**	**$1,168.5**	**$5.50**
2012 GAAP	$1,282.4	13.3%	$999.2	$4.66
Business restructuring and cost reduction actions (tax impact $105.0)	327.4	3.5%	222.4	1.03
Customer bankruptcy (tax impact $3.7)	9.8	.1%	6.1	.03
Gain on previously held equity interest (tax impact $31.3)	(85.9)	(.9)%	(54.6)	(.25)
Q1 Spanish tax settlement			43.8	.20
Q2 Spanish tax ruling			(58.3)	(.27)
2012 Non-GAAP Measure	**$1,533.7**	**16.0%**	**$1,158.6**	**$5.40**
Change Non-GAAP Measure	$32.4	(60bp)	$9.9	$.10
% Change Non-GAAP Measure	2%		1%	2%

(B) Operating margin is calculated by dividing operating income by sales.

ELECTRONICS AND PERFORMANCE MATERIALS

	Operating Income	Operating Margin
2013 GAAP	**$ 321.3**	**14.3%**
2012 GAAP	**425.6**	**18.3%**
Change GAAP	$(104.3)	(400bp)
% Change GAAP	(25)%	
2013 GAAP	$321.3	14.3%
2013 Non-GAAP Measure	**$321.3**	**14.3%**
2012 GAAP	$425.6	18.3%
Gain on previously held equity interest	(85.9)	(3.7)%
2012 Non-GAAP Measure	**$339.7**	**14.6%**
Change Non-GAAP Measure	$(18.4)	(30bp)
% Change Non-GAAP Measure	(5)%	

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ADJUSTED EBITDA

We define Adjusted EBITDA as income from continuing operations excluding certain disclosed items, which the Company does not believe to be indicative of ongoing business trends, before interest expense, income tax provision, and depreciation and amortization expense. We believe Adjusted EBITDA provides a useful operational metric for the measurement of our cash flow.

Below is a reconciliation from Income from Continuing Operations to Adjusted EBITDA.

	2014	2013	2012	2011	2010
Income from Continuing Operations[(A)]	**$988.5**	$1,042.5	$1,025.2	$1,171.6	$967.0
Add: Interest expense	**125.1**	141.8	123.7	115.5	121.9
Add: Income tax provision	**366.0**	307.9	287.3	375.3	305.7
Add: Depreciation and amortization	**956.9**	907.0	840.8	834.3	826.8
Add: Business restructuring and cost reduction actions	**12.7**	231.6	327.4		
Add: Pension settlement loss	**5.5**				
Add: Goodwill and intangible asset impairment charge	**310.1**				
Less: Gain on previously held equity interest			85.9		
Add: Customer bankruptcy			9.8		
Add: Advisory costs		10.1			
Add: Net loss on Airgas transaction				48.5	96.0
Adjusted EBITDA	**$2,764.8**	$2,640.9	$2,528.3	$2,545.2	$2,317.4
Change from prior year	**123.9**	112.6	(16.9)	227.8	
% change from prior year	**5%**	4%	(1)%	10%	

(A) Includes net income attributable to noncontrolling interests.

INCOME TAXES

	Effective Tax Rate		
	2014	2013	2012
Income Tax Provision GAAP	**$366.0**	**$307.9**	**$287.3**
Income from continuing operations before taxes GAAP	**$1,354.5**	**$1,350.4**	**$1,312.5**
Effective Tax Rate GAAP	**27.0%**	**22.8%**	**21.9%**
Income Tax Provision GAAP	$366.0	$307.9	$287.3
Business restructuring and cost reduction actions tax impact	4.5	73.7	105.0
Pension settlement loss tax impact	1.9		
Goodwill and intangible asset impairment charge tax impact	1.3		
Customer bankruptcy tax impact			3.7
Gain on previously held equity interest tax impact			(31.3)
Advisory costs tax impact		3.7	
Chilean tax rate change	(20.6)		
Tax election benefit	51.6		
Q1 Spanish tax settlement			(43.8)
Q2 Spanish tax ruling			58.3
Income Tax Provision Non-GAAP Measure	**$404.7**	**$385.3**	**$379.2**
Income from continuing operations before taxes GAAP	$1,354.5	$1,350.4	$1,312.5
Business restructuring and cost reduction actions	12.7	231.6	327.4
Pension settlement loss	5.5		
Goodwill and intangible asset impairment charge	310.1		
Customer bankruptcy			9.8
Gain on previously held equity interest			(85.9)
Advisory costs		10.1	
Income from Continuing Operations Before Taxes Non-GAAP Measure	**$1,682.8**	**$1,592.1**	**$1,563.8**
Effective Tax Rate Non-GAAP Measure	**24.0%**	**24.2%**	**24.2%**

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LIQUIDITY AND CAPITAL RESOURCES

We maintained a strong financial position throughout 2014. We continue to have consistent access to commercial paper markets, and cash flows from operations and financing activities are expected to meet liquidity needs for the foreseeable future.

As of 30 September 2014, we had $330.3 of foreign cash and cash items compared to a total amount of cash and cash items of $336.6. If the foreign cash and cash items are needed for operations in the U.S. or we otherwise elect to repatriate the funds, we may be required to accrue and pay U.S. taxes on a significant portion of these amounts. However, since we have significant current investment plans outside the U.S., it is our intent to permanently reinvest the majority of our foreign cash and cash items outside the U.S. Current financing alternatives do not require the repatriation of foreign funds.

Our cash flows from operating, investing, and financing activities of continuing operations, as reflected in the consolidated statements of cash flows, are summarized in the following table:

	2014	2013	2012
Cash provided by (used for)			
Operating activities	**$2,186.4**	$1,553.1	$1,765.1
Investing activities	**(1,638.0)**	(1,697.0)	(2,435.2)
Financing activities	**(504.3)**	115.4	(78.4)

Operating Activities

For the year ended 2014, cash provided by operating activities was $2,186.4. Income from continuing operations of $987.1 reflected the goodwill and intangible asset impairment charge of $310.1. Income from continuing operations is adjusted for other noncash items that include depreciation and amortization, undistributed earnings of equity affiliates, share-based compensation expense, and noncurrent capital lease receivables. Other adjustments included a source of cash of $143.2 for pension and other postretirement expense, partially offset by a use of cash of $78.2 for pension contributions. The working capital accounts were a use of cash of $246.5. Inventory was a use of cash of $23.5 primarily due to the timing of helium purchases from the U.S. Bureau of Land Management. The reduction of payables and accrued liabilities of $234.8 includes $148.5 for payments associated with projects accounted for as capital leases and $52.5 of payments related to the 2013 business restructuring and cost reduction plan.

For the year ended 2013, cash provided by operating activities was $1,553.1. Income from continuing operations of $1,004.2 reflected the write-down of long-lived assets associated with business restructuring of $100.4. The other adjustments included a use of cash of $300.8 for pension contributions, partially offset by $178.2 of pension and other postretirement expense. The working capital accounts were a use of cash of $207.8. The reduction of accrued liabilities of $130.3 includes $185.8 for payments made in relation to the 2012 business restructuring and cost reduction plans, including the settlement of a long-term take-or-pay silane contract. These payments were partially offset by a $69.7 net increase to accrued liabilities for the 2013 business restructuring and cost reduction plan.

For the year ended 2012, cash provided by operating activities was $1,765.1. Income from continuing operations of $999.2 reflected the noncash gain on the previously held equity interest in DA NanoMaterials of $85.9, the write-down of long-lived assets associated with restructuring and a customer bankruptcy of $80.2, and a noncash tax benefit of $58.3 recognized as a result of the second quarter Spanish tax ruling. The working capital accounts were a source of cash of $100.1. The provision for the business restructuring and cost reduction plans resulted in an increase to accrued liabilities of $223.9, partially offset by a use of cash of $32.9 for payments made in relation to these plans.

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Investing Activities

For the year ended 30 September 2014, cash used for investing activities was $1,638.0, primarily capital expenditures for plant and equipment. For the year ended 30 September 2013, cash used for investing activities was $1,697.0, primarily capital expenditures for plant and equipment and acquisitions. For the year ended 30 September 2012, cash used for investing activities was $2,435.2, primarily capital expenditures for plant and equipment, acquisitions, and investments in unconsolidated affiliates. Refer to the Capital Expenditures section below for additional detail.

Capital Expenditures

Capital expenditures are detailed in the following table:

	2014	2013	2012
Additions to plant and equipment	**$1,684.2**	$1,524.2	$1,521.0
Acquisitions, less cash acquired		224.9	863.4
Investments in and advances to unconsolidated affiliates	**(2.0)**	(1.3)	175.4
Capital Expenditures on a GAAP Basis	**$1,682.2**	$1,747.8	$2,559.8
Capital lease expenditures [(A)]	**202.4**	234.9	212.2
Purchase of noncontrolling interests in a subsidiary [(A)]	**.5**	14.0	6.3
Capital Expenditures on a Non-GAAP Basis	**$1,885.1**	$1,996.7	$2,778.3

(A) We utilize a non-GAAP measure in the computation of capital expenditures and include spending associated with facilities accounted for as capital leases and purchases of noncontrolling interests. Certain contracts associated with facilities that are built to provide product to a specific customer are required to be accounted for as leases, and such spending is reflected as a use of cash within cash provided by operating activities, if the arrangement qualifies as a capital lease. Additionally, the payment for subsidiary shares from noncontrolling interests in a subsidiary is accounted for as an equity transaction and will be reflected as a financing activity in the statement of cash flows. The presentation of this non-GAAP measure is intended to enhance the usefulness of information by providing a measure that our management uses internally to evaluate and manage our expenditures.

Capital expenditures on a GAAP basis in 2014 totaled $1,682.2, compared to $1,747.8 in 2013. The decrease of $65.6 was primarily due to the acquisitions in 2013. Additions to plant and equipment are largely in support of the Merchant Gases and Tonnage Gases businesses. Additions to plant and equipment also included support capital of a routine, ongoing nature, including expenditures for distribution equipment and facility improvements. Spending in 2014 and 2013 included plant and equipment constructed to provide oxygen for coal gasification in China, hydrogen to the global market, and renewable energy in the U.K.

In 2013, we completed three acquisitions with an aggregate cash use, net of cash acquired, of $224.9. In the fourth quarter, we acquired an air separation unit and integrated gases liquefier in Guiyang, China. During the third quarter, we acquired EPCO, the largest independent U.S. producer of liquid carbon dioxide (CO_2), and WCG.

In 2012, we acquired a controlling stake in Indura S.A. for $690 and E.I. DuPont de Nemours and Co., Inc. s 50% interest in our joint venture, DA NanoMaterials for $147. We also purchased a 25% equity interest in Abdullah Hashim Industrial Gases & Equipment Co. Ltd. (AHG), an unconsolidated affiliate, for $155.

Refer to Note 5, Business Combinations, and Note 7, Summarized Financial Information of Equity Affiliates, to the consolidated financial statements for additional details regarding the acquisitions and the investments.

Capital expenditures on a non-GAAP basis in 2014 totaled $1,885.1 compared to $1,996.7 in 2013. Capital lease expenditures of $202.4 decreased by $32.5, reflecting lower project spending.

2015 Outlook

Excluding acquisitions, capital expenditures for new plant and equipment in 2015 on a GAAP basis are expected to be between $1,650 and $1,800, and on a non-GAAP basis are expected to be between $1,700 and $1,900. The non-GAAP capital expenditures include spending associated with facilities accounted for as capital leases, which are expected to be between $50 and $100. A majority of the total capital expenditures is expected to be for new plants. It is anticipated that capital expenditures will be funded principally with cash from continuing operations. In addition, we intend to continue to evaluate acquisition opportunities and investments in equity affiliates.

Financing Activities

For the year ended 2014, cash used by financing activities was $504.3 primarily attributable to cash used to pay dividends of $627.7, which was partially offset by proceeds from stock option exercises of $141.6. Our borrowings (short- and long-term proceeds, net of repayments) were a net source of cash (issuance) of $1.1 and included $148.7 of net commercial paper and other short-term debt issuances, debt proceeds from the issuance of a

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$400 senior fixed-rate 3.35% note on 31 July 2014 and $61.0 of other, primarily international, debt issuances and debt repayments of a 3.75% Eurobond of 300 million ($401.0) in November 2013 and $207.6 of other, primarily international, debt.

For the year ended 2013, cash provided by financing activities was $115.4. Our borrowings (short- and long-term proceeds, net of repayments) were a net source of cash (issuance) of $927.4 and included $437.7 of net commercial paper and other short-term debt issuances and the issuances of a 300 million ($397) 2.0% Eurobond on 7 August 2013, and a $400.0 senior fixed-rate 2.75% note on 4 February 2013, which were partially offset by the repayment of a $300.0 senior fixed-rate 4.15% note on 1 February 2013. Proceeds from stock option exercises provided cash of $226.4. The primary uses of cash were to purchase 5.7 million shares of treasury stock for $461.6 and to pay dividends of $565.6.

For the year ended 2012, cash used for financing activities was $78.4. Our borrowings (short- and long-term proceeds, net of repayments) were a net source of cash (issuance) of $419.6 and included the issuances of a $400.0 senior fixed-rate 3.0% note on 3 November 2011 and a $400.0 senior fixed-rate 1.2% note on 13 September 2012, which were partially offset by the repayment of a 4.25% Eurobond of $400.3 on 10 April 2012. Proceeds from stock option exercises provided an additional $124.3 source of funds. Dividends paid to shareholders were a use of cash of $514.9.

Discontinued Operations

For the year ended 2014, cash used by discontinued operations was $146.6 and primarily included a payment made to The Linde Group for contingent proceeds we were obligated to return from the sale of our Homecare business. For the year ended 2013, cash provided by discontinued operations was $13.1. For the year ended 2012, the sale of our European Homecare business to The Linde Group generated proceeds of $776.6 and included the contingent proceeds that we returned in 2014. Refer to Note 3, Discontinued Operations, to the consolidated financial statements for additional information.

Financing and Capital Structure

Capital needs in 2014 were satisfied primarily with cash from operations. At the end of 2014, total debt outstanding was $6,118.5 compared to $6,273.6 at the end of 2013, and cash and cash items were $336.6 compared to $450.4 at the end of 2013. Total debt at 30 September 2014 and 2013, expressed as a percentage of total capitalization (total debt plus total equity plus redeemable noncontrolling interest), was 43.9% and 45.3%, respectively.

Proceeds from long-term debt were $461.0. This included the issuance of a $400.0 senior fixed-rate 3.35% note on 31 July 2014 that matures on 31 July 2024, which was issued for general corporate purposes. Refer to Note 14, Debt, to the consolidated financial statements for additional information.

During fiscal 2013, we entered into a five-year $2,500.0 revolving credit agreement maturing 30 April 2018 with a syndicate of banks (the 2013 Credit Agreement), under which senior unsecured debt is available to both the Company and certain of its subsidiaries. Effective 30 June 2014, the 2013 Credit Agreement was amended to increase the facility to $2,595.0. The 2013 Credit Agreement provides a source of liquidity for the Company and supports its commercial paper program. This credit facility includes a financial covenant for a maximum ratio of total debt to total capitalization (total debt plus total equity plus redeemable noncontrolling interest) no greater than 70%. No borrowings were outstanding under the 2013 Credit Agreement as of 30 September 2014.

Effective 11 June 2012, we entered into an offshore Chinese Renminbi (RMB) syndicated credit facility of RMB1,000.0 million ($160.9) that was to mature in June 2015. On 20 March 2014, we repaid the outstanding balance of RMB250.0 million ($40.2) and terminated the credit facility. Additional commitments totaling $189.7 are maintained by our foreign subsidiaries, of which $180.6 was borrowed and outstanding at 30 September 2014.

As of 30 September 2014, we are in compliance with all of the financial and other covenants under our debt agreements.

As of 30 September 2014, we classified our 3.875% Eurobond of 300 million ($378.9) maturing in March 2015 as long-term debt because we have the ability to refinance the debt under the 2013 Credit Agreement. Our current intent is to refinance this debt via the U.S. or European public or private placement markets.

On 15 September 2011, the Board of Directors authorized the repurchase of up to $1,000 of our outstanding common stock. During fiscal year 2013, 5.7 million of our outstanding shares were purchased at a cost of $461.6. We did not purchase any of our outstanding shares during fiscal year 2014. At 30 September 2014, $485.3 in share repurchase authorization remains.

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2015 Outlook

Cash flows from operations and financing activities are expected to meet liquidity needs for the foreseeable future. We project a modest need to access the long-term debt markets in 2015, primarily to refinance maturing long-term debt. We expect that we will continue to be in compliance with all of our financial covenants. Also, we anticipate that we will continue to be able to access the commercial paper and other short-term debt markets.

Dividends

Dividends are declared by the Board of Directors and are usually paid during the sixth week after the close of the fiscal quarter. During 2014, the Board of Directors increased the quarterly dividend from $.71 per share to $.77 per share. On 17 July 2014, the Board of Directors declared the fourth quarter dividend which is payable on 10 November 2014 to shareholders of record at the close of business on 1 October 2014.

CONTRACTUAL OBLIGATIONS

We are obligated to make future payments under various contracts, such as debt agreements, lease agreements, unconditional purchase obligations, and other long-term obligations. The following table summarizes our obligations as of 30 September 2014:

		Payments Due by Period					
	Total	2015	2016	2017	2018	2019	Thereafter
Long-term debt obligations							
Debt maturities	$4,890	$444	$411	$425	$449	$423	$2,738
Contractual interest	689	124	114	94	78	77	202
Capital leases	4	1	1	1			1
Operating leases	315	70	48	34	27	19	117
Pension obligations	624	130	90	100	100	100	104
Unconditional purchase obligations	1,548	929	154	81	65	63	256
Total Contractual Obligations	$8,070	$1,698	$818	$735	$719	$682	$3,418

Long-Term Debt Obligations

The long-term debt obligations include the maturity payments of long-term debt, including current portion, and the related contractual interest obligations. Refer to Note 14, Debt, to the consolidated financial statements for additional information on long-term debt.

Contractual interest is the interest we are contracted to pay on the long-term debt obligations without taking into account the interest impact of interest rate swaps related to any of this debt, which at current interest rates would slightly decrease contractual interest. We had $1,168 of long-term debt subject to variable interest rates at 30 September 2014, excluding fixed-rate debt that has been swapped to variable-rate debt. The rate assumed for the variable interest component of the contractual interest obligation was the rate in effect at 30 September 2014. Variable interest rates are primarily determined by interbank offer rates and by U.S. short-term tax-exempt interest rates.

Leases

Refer to Note 11, Leases, to the consolidated financial statements for additional information on capital and operating leases.

Pension Obligations

The amounts in the table above represent the current estimated cash payments to be made by us that in total equal the recognized pension liabilities. Refer to Note 15, Retirement Benefits, to the consolidated financial statements. These payments are based upon the current valuation assumptions and regulatory environment.

The total accrued liability for pension benefits is impacted by interest rates, plan demographics, actual return on plan assets, continuation or modification of benefits, and other factors. Such factors can significantly impact the amount of the liability and related contributions.

Unconditional Purchase Obligations

Approximately $650 of our long-term unconditional purchase obligations relate to feedstock supply for numerous HyCO (hydrogen, carbon monoxide, and syngas) facilities. The price of feedstock supply is principally related to the price of natural gas. However, long-term take-or-pay sales contracts to HyCO customers are generally matched to the term of the feedstock supply obligations and provide recovery of price increases in the feedstock supply. Due to the matching of most long-term feedstock supply obligations to customer sales contracts, we do not believe these

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purchase obligations would have a material effect on our financial condition or results of operations. Refer to Note 16, Commitments and Contingencies, to the consolidated financial statements for additional information on our unconditional purchase obligations.

The unconditional purchase obligations also include other product supply and purchase commitments and electric power and natural gas supply purchase obligations, which are primarily pass-through contracts with our customers. In addition, purchase commitments to spend approximately $700 for additional plant and equipment are included in the unconditional purchase obligations in 2015.

We also purchase materials, energy, capital equipment, supplies, and services as part of the ordinary course of business under arrangements that are not unconditional purchase obligations. The majority of such purchases are for raw materials and energy, which are obtained under requirements-type contracts at market prices.

Income Tax Liabilities

Noncurrent deferred income tax liabilities as of 30 September 2014 were $995.5. Tax liabilities related to unrecognized tax benefits as of 30 September 2014 were $108.7. These tax liabilities were excluded from the Contractual Obligations table, as it is impractical to determine a cash impact by year given that payments will vary according to changes in tax laws, tax rates, and our operating results. In addition, there are uncertainties in timing of the effective settlement of our uncertain tax positions with respective taxing authorities. Refer to Note 22, Income Taxes, to the consolidated financial statements for additional information.

Put Options

We have an outstanding put option agreement with the largest minority shareholder of our Indura S.A. subsidiary. The put option gives the shareholder the ability to require us to purchase up to a 30.5% equity interest during the two-year period beginning on 1 July 2015 based on pricing terms in the agreement. Refer to Note 16, Commitments and Contingencies, to the consolidated financial statements for additional information. We anticipate that this option will be exercised sometime during the two-year period; however given the uncertainty in timing of exercise; we have excluded the payment from the Contractual Obligations table. As of 30 September 2014, the value of the redeemable noncontrolling interest is $287.2.

PENSION BENEFITS

We sponsor defined benefit pension plans that cover a substantial portion of our worldwide employees. The principal defined benefit pension plans the U.S. salaried pension plan and the U.K. pension plan were closed to new participants in 2005 and were replaced with defined contribution plans. Over the long run, the shift to defined contribution plans is expected to reduce volatility of both plan expense and contributions.

For 2014, the fair market value of pension plan assets for our defined benefit plans as of the measurement date increased to $4,114.6 from $3,800.8 in 2013. The projected benefit obligation for these plans as of the measurement date was $4,738.6 and $4,394.0 in 2014 and 2013, respectively. Refer to Note 15, Retirement Benefits, to the consolidated financial statements for comprehensive and detailed disclosures on our postretirement benefits.

Pension Expense

	2014	2013	2012
Pension expense	**$135.9**	$169.7	$120.4
Special terminations and settlements (included above)	**5.8**	19.8	8.2
Weighted average discount rate	**4.6%**	4.0%	5.0%
Weighted average expected rate of return on plan assets	**7.7%**	7.7%	8.0%
Weighted average expected rate of compensation increase	**3.9%**	3.8%	3.9%

2014 vs. 2013

The decrease in pension expense, excluding special items, was primarily attributable to the 60 bp increase in weighted average discount rate, resulting in lower amortization of actuarial losses. The decrease was partially offset by unfavorable impacts associated with changes in mortality assumptions. Special items of $5.8 primarily included $5.5 for pension settlement losses and $.3 for special termination benefits, a portion of

which relates to the 2013 business restructuring and cost reduction plan.

2013 vs. 2012

The increase in pension expense, excluding special items, was primarily attributable to the 100 bp decrease in weighted average discount rate, resulting in higher amortization of actuarial losses. The increase was partially offset

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by a higher than expected return on plan assets and contributions in 2013. Special items of $19.8 primarily included $12.4 for pension settlement losses and $6.9 for special termination benefits relating to the 2013 business restructuring and cost reduction plan.

2015 Outlook

Pension expense is estimated to be approximately $110 to $115, excluding special items, in 2015, a decrease of $15 to $20 from 2014, resulting primarily from favorable asset experience, partially offset by a decrease in discount rates. Pension settlement losses of $25 to $35 are expected, dependent on the timing of retirements. In 2015, we expect pension expense to include approximately $123 for amortization of actuarial losses compared to $114 in 2014. Net actuarial losses of $104 were recognized in 2014, resulting primarily from an approximately 60 bp decrease in the weighted average discount rate, partially offset by actual asset returns above expected returns. Actuarial gains/losses are amortized into pension expense over prospective periods to the extent they are not offset by future gains or losses. Future changes in the discount rate and actual returns on plan assets, different from expected returns, would impact the actuarial gains/losses and resulting amortization in years beyond 2015.

Pension Funding

Pension funding includes both contributions to funded plans and benefit payments for unfunded plans, which are primarily non-qualified plans. With respect to funded plans, our funding policy is that contributions, combined with appreciation and earnings, will be sufficient to pay benefits without creating unnecessary surpluses.

In addition, we make contributions to satisfy all legal funding requirements while managing our capacity to benefit from tax deductions attributable to plan contributions. With the assistance of third party actuaries, we analyze the liabilities and demographics of each plan, which help guide the level of contributions. During 2014 and 2013, our cash contributions to funded plans and benefit payments for unfunded plans were $78.2 and $300.8, respectively. Contributions for 2013 included voluntary contributions for U.S. plans of $220.0.

For 2015, cash contributions to defined benefit plans are estimated to be $130 to $150. The increase from prior year is driven primarily by benefit payments for unfunded plans, which are dependent upon the timing of retirements and actions to reorganize the business. Actual future contributions will depend on future funding legislation, discount rates, investment performance, plan design, and various other factors. Refer to the Contractual Obligations discussion on page 36 for a projection of future contributions.

ENVIRONMENTAL MATTERS

We are subject to various environmental laws and regulations in the countries in which we have operations. Compliance with these laws and regulations results in higher capital expenditures and costs. 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. Our accounting policy for environmental expenditures is discussed in Note 1, Major Accounting Policies, to the consolidated financial statements, and environmental loss contingencies are discussed in Note 16, Commitments and Contingencies, to the consolidated financial statements.

The amounts charged to income from continuing operations related to environmental matters totaled $35.1, $37.1, and $44.7 in 2014, 2013, and 2012, respectively. These amounts represent an estimate of expenses for compliance with environmental laws and activities undertaken to meet internal Company standards. Future costs are not expected to be materially different from these amounts. Refer to Note 16, Commitments and Contingencies, to the consolidated financial statements for additional information.

Although precise amounts are difficult to determine, we estimate that we spent $5 and $4 in 2014 and 2013, respectively, on capital projects to control pollution. Capital expenditures to control pollution in future years are estimated to be approximately $5 in both 2015 and 2016.

We accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from $86 to a reasonably possible upper exposure of $99 as of 30 September 2014. The consolidated balance sheets at 30 September 2014 and 2013 included an accrual of $86.2 and $86.7, respectively. The accrual for the environmental obligations relating to the Pace, Florida; Piedmont, South Carolina; Paulsboro, New Jersey; and Pasadena, Texas, locations is included in these amounts. Refer to Note 16, Commitments and Contingencies, to the consolidated financial statements for further details on these facilities.

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Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, 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.

Some of our operations are within jurisdictions that have or are developing regulations governing emissions of greenhouse gases (GHG). These include existing and expanding coverage under the European Union Emissions Trading Scheme and California s cap and trade scheme; mandatory reporting and reductions at manufacturing facilities in Alberta, Canada; and mandatory reporting and anticipated constraints on GHG emissions in Ontario, Canada, and South Korea. In addition, the U.S. Environmental Protection Agency is regulating GHG emissions for new construction and major modifications to existing facilities. At the U.S. state level, California s cap and trade program rules have been officially adopted, and our compliance obligation as a hydrogen producer began 1 January 2013. We have been able to mitigate some of the costs through our contractual terms.

Increased public awareness and concern may result in more international, U.S. federal, and/or regional requirements to reduce or mitigate the effects of GHG. Although uncertain, these developments could increase our costs related to consumption of electric power, hydrogen production, and fluorinated gases production. We believe we will be able to mitigate some of the potential costs through our contractual terms, but the lack of definitive legislation or regulatory requirements in some of the jurisdictions where we operate prevents accurate prediction of the long-term impact on us. Any legislation that limits or taxes GHG emissions from our facilities could impact our growth by increasing our operating costs or reducing demand for certain of our products.

Regulation of GHG may also produce new opportunities for us. We continue to develop technologies to help our facilities and our customers lower energy consumption, improve efficiency, and lower emissions. We are also developing a portfolio of technologies that capture carbon dioxide from power and chemical plants before it reaches the atmosphere, enable cleaner transportation fuels, and facilitate alternate fuel source development. In addition, the potential demand for clean coal and our carbon capture solutions could increase demand for oxygen, one of our main products, and our proprietary technology for delivering low-cost oxygen.

OFF-BALANCE SHEET ARRANGEMENTS

We have entered into certain guarantee agreements as discussed in Note 16, Commitments and Contingencies, to the consolidated financial statements. We are not a primary beneficiary in any material variable interest entity. Our 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

Our principal related parties are equity affiliates operating primarily in the industrial gas business. We 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.

INFLATION

We operate in many countries that experience volatility in inflation and foreign exchange rates. The ability to pass on inflationary cost increases is an uncertainty due to general economic conditions and competitive situations. It is estimated that the cost of replacing our plant and equipment today is greater than its historical cost. Accordingly, depreciation expense would be greater if the expense were stated on a current cost basis.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Note 1, Major Accounting Policies, to the consolidated financial statements describes our major accounting policies. Judgments and estimates of uncertainties are required in applying our accounting policies in many areas. However, application of the critical accounting policies discussed below requires management s significant judgments, often as the result of the need to make estimates of matters that are inherently uncertain. If actual results were to differ materially from the estimates made, the reported results could be materially affected. Our management has reviewed these critical accounting policies and estimates and related disclosures with our audit committee.

Depreciable Lives of Plant and Equipment

Net plant and equipment at 30 September 2014 totaled $9,532.1, and depreciation expense totaled $914.8 during 2014. Plant and equipment is recorded at cost and depreciated using the straight-line method, which deducts equal amounts of the cost of each asset from earnings every year over its estimated economic useful life.

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Economic useful life is the duration of time an asset is expected to be productively employed by us, which may be less than its physical life. Assumptions on the following factors, among others, affect the determination of estimated economic useful life: wear and tear, obsolescence, technical standards, contract life, market demand, competitive position, raw material availability, and geographic location.

The estimated economic useful life of an asset is monitored to determine its appropriateness, especially in light of changed business circumstances. For example, changes in technology, changes in the estimated future demand for products, or excessive wear and tear may result in a shorter estimated useful life than originally anticipated. In these cases, we would depreciate the remaining net book value over the new estimated remaining life, thereby increasing depreciation expense per year on a prospective basis. Likewise, if the estimated useful life is increased, the adjustment to the useful life decreases depreciation expense per year on a prospective basis.

We have numerous long-term customer supply contracts, particularly in the gases on-site business within the Tonnage Gases segment. These contracts principally have initial contract terms of 15 to 20 years. There are also long-term customer supply contracts associated with the tonnage gases business within the Electronics and Performance Materials segment. These contracts principally have initial terms of 10 to 15 years. Additionally, we have several customer supply contracts within the Equipment and Energy segment with contract terms that are primarily five to 10 years. The depreciable lives of assets within this segment can be extended to 20 years for certain redeployable assets. Depreciable lives of the production assets related to long-term contracts are matched to the contract lives. Extensions to the contract term of supply frequently occur prior to the expiration of the initial term. As contract terms are extended, the depreciable life of the remaining net book value of the production assets is adjusted to match the new contract term, as long as it does not exceed the physical life of the asset.

The depreciable lives of production facilities within the Merchant Gases segment are principally 15 years. Customer contracts associated with products produced at these types of facilities typically have a much shorter term. The depreciable lives of production facilities within the Electronics and Performance Materials segment, where there is not an associated long-term supply agreement, range from 10 to 15 years. These depreciable lives have been determined based on historical experience combined with judgment on future assumptions such as technological advances, potential obsolescence, competitors actions, etc. Management monitors its assumptions and may potentially need to adjust depreciable life as circumstances change.

A change in the depreciable life by one year for production facilities within the Merchant Gases and Electronics and Performance Materials segments for which there is not an associated long-term customer supply agreement would impact annual depreciation expense as summarized below:

	Decrease Life By 1 Year	Increase Life By 1 Year
Merchant Gases	$32	$(24)
Electronics and Performance Materials	$12	$(11)

Impairment of Assets

Plant and Equipment

Plant and equipment held for use is grouped for impairment testing at the lowest level for which there is identifiable cash flows. Impairment testing of the asset group occurs whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Such circumstances would include a significant decrease in the market value of a long-lived asset grouping, a significant adverse change in the manner in which the asset grouping is being used or in its physical condition, a history of operating or cash flow losses associated with the use of the asset grouping, or changes in the expected useful life of the long-lived assets.

If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by that asset group is compared to the carrying value to determine whether impairment exists. If an asset group is determined to be impaired, the loss is measured based on the difference between the asset group s fair value and its carrying value. An estimate of the asset group s fair value is based on the discounted value of its estimated cash flows. Assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

The assumptions underlying cash flow projections represent management s best estimates at the time of the impairment review. Factors that management must estimate include industry and market conditions, sales volume and prices, costs to produce, inflation, etc. Changes in key assumptions or actual conditions that differ from estimates could result in an impairment charge. We use reasonable and supportable assumptions when performing

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impairment reviews and cannot predict the occurrence of future events and circumstances that could result in impairment charges.

We tested the recoverability of Latin America long-lived assets and concluded that they were recoverable from expected future undiscounted cash flows.

Goodwill

The acquisition method of accounting for business combinations requires us to make use of estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the net tangible and identifiable intangible assets. Goodwill represents the excess of the aggregate purchase price over the fair value of identifiable net assets of an acquired entity. Goodwill was $1,237.3 as of 30 September 2014. Disclosures related to goodwill are included in Note 9, Goodwill, to the consolidated financial statements.

We review goodwill for impairment annually in the fourth quarter of the fiscal year and whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. The tests are done at the reporting unit level, which is defined as one level below the operating segment for which discrete financial information is available and whose operating results are reviewed by segment managers regularly. As of 30 September 2014, we had four business segments and thirteen reporting units. Reporting units are primarily based on products and geographic locations within each business segment. The majority of our goodwill is assigned to reporting units within the Merchant Gases and Electronics and Performance Materials segments.

As part of the goodwill impairment testing, we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If we choose not to complete a qualitative assessment for a given reporting unit, or if the initial assessment indicates that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, a two-step quantitative test is required. We chose to bypass the qualitative assessment and conduct quantitative testing, as further described below.

The first step of the quantitative test requires that we compare the fair value of our reporting units to their carrying value, including assigned goodwill. To determine the fair value of a reporting unit, we initially use an income approach valuation model, representing the present value of estimated future cash flows. Our valuation model uses a discrete growth period and an estimated exit trading multiple. The income approach is an appropriate valuation method due to our capital-intensive nature, the long-term contractual nature of our business, and the relatively consistent cash flows generated by our reporting units. The principal assumptions utilized in our income approach valuation model include revenue growth rates, operating profit margins, discount rate, and exit multiple. Projected revenue growth rates and operating profit assumptions are consistent with those utilized in our operating plan and long-term financial planning process. The discount rate assumption is calculated based on an estimated market-participant risk-adjusted weighted-average cost of capital, which includes factors such as the risk-free rate of return, cost of debt, and expected equity premiums. The exit multiple is determined from comparable industry transactions and where appropriate, reflects expected long-term growth rates. If our initial review under the income approach indicates there may be impairment, we incorporate results under the market approach to further evaluate the existence of impairment. When the market approach is utilized, fair value is estimated based on market multiples of revenue and earnings derived from comparable publicly-traded industrial gases companies engaged in the same or similar lines of business as the reporting unit, adjusted to reflect differences in size and growth prospects. When both the income and market approach are utilized, we review relevant facts and circumstances and make a qualitative assessment to determine the proper weighting. Management judgment is required in the determination of each assumption utilized in the valuation model, and actual results could differ from the estimates.

If the estimated fair value of the reporting unit is less than the carrying value, we perform the second step of the impairment test to measure the amount of impairment loss, if any. In the second step, the reporting unit s fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in an analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit were being acquired in a business combination. If the implied fair value of the reporting unit s goodwill is less than the carrying value, the difference is recorded as an impairment loss.

We conducted our annual goodwill impairment testing in the fourth quarter. Other than our Latin America reporting unit within the Merchant Gases segment, we determined that the fair value of each of our reporting units substantially exceeded its carrying value, and therefore there were no indications of impairment. The Latin America reporting unit is composed predominately of our Indura business, with assets and goodwill associated with operations in Chile and other Latin American countries. Recently, economic conditions in Latin America, including

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the impact of tax legislation in Chile, have been less favorable due to increasing inflation, a decline in Chilean manufacturing growth, and weaker export demand for many commodities. As a result, we lowered growth projections for our Latin America reporting unit and determined that the associated goodwill was impaired. In the fourth quarter, we recorded a noncash impairment charge of $305.2. Refer to Note 9, Goodwill, to the consolidated financial statements for additional information.

Other than Latin America, the excess of fair value over carrying value for our reporting units ranged from approximately 35% to approximately 175%. In order to evaluate the sensitivity of the fair value calculation on the goodwill impairment test, we applied a hypothetical 10% decrease to the fair value of these reporting units. In this scenario, the fair value of our reporting units continued to exceed their carrying value by a range of approximately 20% to 150%.

Due to the reorganization of our business effective as of 1 October 2014, we conducted an additional impairment test on our existing reporting units as of 30 September 2014. The fair value of all of our reporting units except Latin America substantially exceeded their carrying value at 30 September 2014. The fair value of the Latin America reporting unit at 30 September was estimated based on a similar outlook and assumptions as those used for the 1 July 2014 testing, and the fair value of the reporting unit exceeded its carrying value due primarily to depreciation and amortization and the impact of the Chilean tax rate change. As of 30 September 2014, the carrying value of Latin America goodwill was $232.7. If economic conditions in the Latin America operating environment deteriorate further or the business fails to perform as expected, an additional review of goodwill recoverability may be warranted.

Future events that could have a negative impact on the level of excess fair value over carrying value of the reporting units include, but are not limited to: decline in market share, pricing pressures, inability to successfully implement cost improvement measures, increases to our cost of capital, and changes to the structure of our business as a result of future reorganizations or divestitures of assets or businesses. Negative changes in one or more of these factors, among others, could result in additional impairment charges.

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, such as significant adverse changes in business climate or operating results or changes in management s business outlook or strategy. We will conduct goodwill impairment testing in the first quarter of 2015 under our new reporting structure.

Intangible Assets

Intangible assets with determinable lives at 30 September 2014 totaled $541.2 and consisted primarily of customer relationships, purchased patents and technology, and land use rights. These intangible assets are tested for impairment as part of the long-lived asset grouping impairment tests. Impairment testing of the asset group occurs whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. See the impairment discussion above under Plant and Equipment for a description of how impairment losses are determined.

Indefinite-lived intangible assets at 30 September 2014 totaled $74.6 and consisted of trade names and trademarks. Indefinite-lived intangibles are subject to impairment testing at least annually or more frequently if events or changes in circumstances indicate that potential impairment exists. The impairment test for indefinite-lived intangible assets encompasses calculating the fair value of the indefinite-lived intangible assets and comparing the fair value to their carrying value. If the fair value is less than the carrying value, the difference is recorded as an impairment loss. To determine fair value, we utilize the royalty savings method, a form of the income approach. This method values an intangible asset by estimating the royalties avoided through ownership of the asset.

In the fourth quarter of 2014, we conducted our annual impairment test and determined that our indefinite-lived intangible assets were impaired. Refer to Note 10, Intangible Assets, to the consolidated financial statements for additional information.

Equity Investments

Investments in and advances to equity affiliates totaled $1,257.9 at 30 September 2014. The majority of our investments are non-publicly traded ventures with other companies in the industrial gas business. Summarized financial information of equity affiliates is included in Note 7, Summarized Financial Information of Equity Affiliates, to the consolidated financial statements. Equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

In the event that a decline in fair value of an investment occurs, and the decline in value is considered to be other than temporary, an impairment loss would be recognized. Management s estimate of fair value of an investment is

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based on estimated discounted future cash flows expected to be generated by the investee. Changes in key assumptions about the financial condition of an investee or actual conditions that differ from estimates could result in an impairment charge.

Income Taxes

We account for income taxes under the liability method. Under this method, deferred tax assets and liabilities are recognized for the tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities measured using the enacted tax rate. At 30 September 2014, accrued income taxes and net deferred tax liabilities amounted to $78.0 and $806.1, respectively. Tax liabilities related to uncertain tax positions as of 30 September 2014 were $108.7, excluding interest and penalties. Income tax expense for the year ended 30 September 2014 was $366.0. Disclosures related to income taxes are included in Note 22, Income Taxes, to the consolidated financial statements.

Management judgment is required concerning the ultimate outcome of tax contingencies and the realization of deferred tax assets.

Actual income taxes paid may vary from estimates, depending upon changes in income tax laws, actual results of operations, and the final audit of tax returns by taxing authorities. Tax assessments may arise several years after tax returns have been filed. We believe that our recorded tax liabilities adequately provide for these assessments.

Deferred tax assets are recorded for operating losses and tax credit carryforwards. However, when we do not expect sufficient sources of future taxable income to realize the benefit of the operating losses or tax credit carryforwards, these deferred tax assets are reduced by a valuation allowance. A valuation allowance is recognized if, based on the weight of available evidence, it is considered more likely than not that some portion or all of the deferred tax asset will not be realized. The factors used to assess the likelihood of realization include forecasted future taxable income and available tax planning strategies that could be implemented to realize or renew net deferred tax assets in order to avoid the potential loss of future tax benefits. The effect of a change in the valuation allowance is reported in the income tax expense.

A 1% point increase/decrease in our effective tax rate would decrease/increase net income by approximately $14.

Pension and Other Postretirement Benefits

The amounts recognized in the consolidated financial statements for pension and other postretirement benefits are determined on an actuarial basis utilizing numerous assumptions. The discussion that follows provides information on the significant assumptions and expense associated with the defined benefit plans.

Actuarial models are used in calculating the expense and liability related to the various defined benefit plans. These models have an underlying assumption that the employees render service over their service lives on a relatively consistent basis; therefore, the expense of benefits earned should follow a similar pattern.

Several assumptions and statistical variables are used in the models to calculate the expense and liability related to the plans. We determine assumptions about the discount rate, the expected rate of return on plan assets, and the rate of compensation increase. Note 15, Retirement Benefits, to the consolidated financial statements includes disclosure of these rates on a weighted-average basis for both the domestic and international plans. The actuarial models also use assumptions about demographic factors such as retirement age, mortality, and turnover rates. We believe the actuarial assumptions are reasonable. However, actual results could vary materially from these actuarial assumptions due to economic events and different rates of retirement, mortality, and turnover. Our mortality assumptions are currently aligned with the IRS mortality assumption used to determine funding valuations. In October 2014, the Society of Actuaries published new mortality tables. While the IRS is not expected to adopt the new tables until 2017, we have begun to evaluate the potential impact of these tables on future periods.

One of the assumptions used in the actuarial models is the discount rate. This rate reflects the prevailing market rate for high-quality, fixed-income debt instruments with maturities corresponding to the expected timing of benefit payments as of the annual measurement date for each of the various plans. The timing and amount of the expected benefit payments are matched against the returns of high-quality corporate bonds over the same time period to determine an overall effective discount rate. The rate is used to discount the future cash flows of benefit obligations back to the measurement date. This rate will change from year-to-year based on market conditions that affect corporate bond yields. A higher discount rate decreases the present value of the benefit obligations and results in lower pension expense. A 50 bp increase/decrease in the discount rate decreases/increases pension expense by approximately $21 per year.

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The expected rate of return on plan assets represents the average rate of return to be earned by plan assets over the period that the benefits included in the benefit obligation are to be paid. The expected return on plan assets assumption is based on a weighted average of estimated long-term returns of major asset classes and the historical performance of plan assets. In determining asset class returns, we take into account historical long-term returns and the value of active management, as well as the interest rate environment. Asset allocation is determined based on long-term return, volatility and correlation characteristics of the asset classes, the profiles of the plans liabilities, and acceptable levels of risk. Lower returns on the plan assets result in higher pension expense. A 50 bp increase/decrease in the estimated rate of return on plan assets decreases/increases pension expense by approximately $17 per year.

We use a market-related valuation method for recognizing certain investment gains or losses for our significant pension plans. Investment gains or losses are the difference between the expected and actual return based on plan assets. The expected return on plan assets is determined based on a market-related value of plan assets, which is a calculated value that recognizes investment gains and losses in fair value related to equities over a five-year period from the year in which they occur, which reduces year-to-year volatility. The market-related value for fixed income investments is the actual fair value. Expense in future periods will be impacted as gains or losses are recognized in the market-related value of assets.

The expected rate of compensation increase is another key assumption. We determine this rate based on review of the underlying long-term salary increase trend characteristic of labor markets and historical experience, as well as comparison to peer companies. A 50 bp increase/decrease in the expected rate of compensation increases/decreases pension expense by approximately $5 per year.

Loss Contingencies

In the normal course of business we encounter contingencies, i.e., situations involving varying degrees of uncertainty as to the outcome and effect on us. We accrue a liability for loss contingencies when it is considered probable that a liability has been incurred and the amount of loss can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued.

Contingencies include those associated with litigation and environmental matters, for which our accounting policy is discussed in Note 1, Major Accounting Policies, to the consolidated financial statements, and particulars are provided in Note 16, Commitments and Contingencies, to the consolidated financial statements. Significant judgment is required in both determining probability and whether the amount of loss associated with a contingency can be reasonably estimated. These determinations are made based on the best available information at the time. As additional information becomes available, we reassess probability and estimates of loss contingencies. Revisions in the estimates associated with loss contingencies could have a significant impact on our results of operations in the period in which an accrual for loss contingencies is recorded or adjusted. For example, due to the inherent uncertainties related to environmental exposures, a significant increase to environmental liabilities could occur if a new site is designated, the scope of remediation is increased, or our proportionate share is increased. Similarly, a future charge for regulatory fines or damage awards associated with litigation could have a significant impact on our net income in the period in which it is recorded.

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NEW ACCOUNTING GUIDANCE

See Note 2, New Accounting Guidance, to the consolidated financial statements for information concerning the implementation and impact of new accounting guidance.

FORWARD-LOOKING STATEMENTS

This Management s Discussion and Analysis contains forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements about earnings guidance and business outlook. These forward-looking statements are based on management s reasonable expectations and assumptions as of the date of this release. 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, weakening or reversal of global or regional economic recovery; future financial and operating performance of major customers; unanticipated contract terminations or customer cancellations or postponement of projects and sales; the impact of competitive products and pricing; unexpected changes in raw material supply and markets; unanticipated asset impairments or losses; the impact of price fluctuations in natural gas; the ability to recover unanticipated increased energy and raw material costs from customers; costs and outcomes of litigation or regulatory investigations; the impact of management and organizational changes, including pension settlement and other associated costs; the success of cost reduction efforts; the timing, impact, and other uncertainties of future acquisitions or divestitures; significant fluctuations in interest rates and foreign currencies from that currently anticipated; political risks, including the risks of unanticipated government actions that may result in project delays, cancellations or expropriations; the impact of changes in environmental, tax or other legislation and regulations in jurisdictions in which the Company and its affiliates operate; the impact on the effective tax rate of changes in the mix of earnings among our U.S. and international operations; and other risk factors described in Section 1A, Risk Factors. 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We address these financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. Counterparties to all derivative contracts are major financial institutions, thereby minimizing the risk of credit loss. All instruments are entered into for other than trading purposes. For details on the types and use of these derivative instruments and the major accounting policies, see Note 1, Major Accounting Policies, and Note 12, Financial Instruments, to the consolidated financial statements, for additional information. Additionally, we mitigate adverse energy price impacts through our cost pass-through contracts with customers and price increases.

Our derivative and other financial instruments consist of long-term debt (including current portion), interest rate swaps, cross currency interest rate swaps, and foreign exchange-forward contracts. The net market value of these financial instruments combined is referred to below as the net financial instrument position and is disclosed in Note 13, Fair Value Measurements, to the consolidated financial statements.

At 30 September 2014 and 2013, the net financial instrument position was a liability of $5,044.9 and $5,719.5, respectively. The decrease in the net financial instrument position was due primarily to repayment of a 3.75% Eurobond of 300 million ($401.0) in November 2013 and a stronger U.S. dollar which reduced the translated value of foreign currency debt.

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

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Interest Rate Risk

Our debt portfolio as of 30 September 2014, including the effect of currency swap agreements, primarily comprised debt denominated in U.S. dollars (54%) and Euros (22%). This debt portfolio is composed of 50% fixed-rate debt and 50% variable-rate debt. Changes in interest rates have different impacts on the fixed- and variable-rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows but does not impact the net financial instrument position.

The sensitivity analysis related to the interest rate risk on the fixed portion of our debt portfolio assumes an instantaneous 100 bp move in interest rates from the level at 30 September 2014, with all other variables held constant. A 100 bp increase in market interest rates would result in a decrease of $173 and $143 in the net liability position of financial instruments at 30 September 2014 and 2013, respectively. A 100 bp decrease in market interest rates would result in an increase of $188 and $154 in the net liability position of financial instruments at 30 September 2014 and 2013, respectively.

Based on the variable-rate debt included in our debt portfolio, including the interest rate swap agreements, a 100 bp increase in interest rates would result in an additional $31 and $29 of interest incurred per year at the end of 30 September 2014 and 2013, respectively. A 100 bp decline in interest rates would lower interest incurred by $31 and $29 per year at 30 September 2014 and 2013, respectively.

Foreign Currency Exchange Rate Risk

The sensitivity analysis related to foreign currency exchange rates assumes an instantaneous 10% change in the foreign currency exchange rates from their levels at 30 September 2014 and 2013, with all other variables held constant. A 10% strengthening or weakening of the functional currency of an entity versus all other currencies would result in a decrease or increase, respectively, of $419 and $295 in the net liability position of financial instruments at 30 September 2014 and 2013, respectively. The change in the sensitivity analysis from September 2013 to September 2014 is driven primarily by an increase in the notional amount of intercompany loan currency hedges.

The primary currencies for which we have exchange rate exposure are the U.S. dollar versus the Euro and the Euro versus the Pound Sterling. Foreign currency debt, cross currency interest rate swaps, and foreign exchange-forward contracts are used in countries where we do business, thereby reducing our net asset exposure. Foreign exchange-forward contracts and cross currency interest rate swaps are also used to hedge our firm and highly anticipated foreign currency cash flows. Thus, there is either an asset/liability or cash flow exposure related to all of the financial instruments in the above sensitivity analysis for which the impact of a movement in exchange rates would be in the opposite direction and materially equal to the impact on the instruments in the analysis.

The majority of the Company s sales are derived from outside of the United States and denominated in foreign currencies. Financial results therefore will be affected by changes in foreign currency rates. The Euro represents the largest exposure in terms of our foreign earnings. We estimate that a 10% reduction in the Euro versus the U.S. dollar would lower our annual operating income by approximately $20.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Air Products management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting, which is defined in the following sentences, is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting can only provide reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, the effectiveness of our internal control over financial reporting may vary over time. Our processes contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Management has evaluated the effectiveness of its internal control over financial reporting based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that, as of 30 September 2014, the Company s internal control over financial reporting was effective.

KPMG LLP, an independent registered public accounting firm, has issued their opinion on the Company s internal control over financial reporting as of 30 September 2014 as stated in their report which appears herein.

/s/ Seifi Ghasemi
Seifi Ghasemi
Chairman, President, and
Chief Executive Officer
24 November 2014

/s/ M. Scott Crocco
M. Scott Crocco
Senior Vice President and
Chief Financial Officer
24 November 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Air Products and Chemicals, Inc. and Subsidiaries (the Company) as of 30 September 2014 and 2013, and the related consolidated income statements, consolidated comprehensive income statements, consolidated statements of cash flows, and equity for each of the years in the three-year period ended 30 September 2014. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule referred to in Item 15(a)(2) in this Form 10-K. We have audited the Company s internal control over financial reporting as of 30 September 2014, based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Air Products and Chemicals, Inc. and Subsidiaries as of 30 September 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended 30 September 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, Air Products and Chemicals, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of 30 September 2014, based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Philadelphia, Pennsylvania

24 November 2014

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The Consolidated Financial Statements

Air Products and Chemicals, Inc. and Subsidiaries

CONSOLIDATED INCOME STATEMENTS

Year ended 30 September (Millions of dollars, except for share data)	**2014**	2013	2012
Sales	**$10,439.0**	$10,180.4	$9,611.7
Cost of sales	**7,634.6**	7,472.1	7,051.9
Selling and administrative	**1,059.3**	1,066.3	946.8
Research and development	**141.4**	133.7	126.4
Business restructuring and cost reduction actions	**12.7**	231.6	327.4
Pension settlement loss	**5.5**	12.4	
Goodwill and intangible asset impairment charge	**310.1**		
Gain on previously held equity interest			85.9
Customer bankruptcy			9.8
Advisory costs		10.1	
Other income (expense), net	**52.8**	70.2	47.1
Operating Income	**1,328.2**	1,324.4	1,282.4
Equity affiliates income	**151.4**	167.8	153.8
Interest expense	**125.1**	141.8	123.7
Income from Continuing Operations before Taxes	**1,354.5**	1,350.4	1,312.5
Income tax provision	**366.0**	307.9	287.3
Income from Continuing Operations	**988.5**	1,042.5	1,025.2
Income (Loss) from Discontinued Operations, net of tax	**4.6**	(10.0)	168.1
Net Income	**993.1**	1,032.5	1,193.3
Less: Net Income Attributable to Noncontrolling Interests	**1.4**	38.3	26.0
Net Income Attributable to Air Products	**$991.7**	$994.2	$1,167.3
Net Income Attributable to Air Products			
Income from continuing operations	**$987.1**	$1,004.2	$999.2
Income (loss) from discontinued operations	**4.6**	(10.0)	168.1
Net Income Attributable to Air Products	**$991.7**	$994.2	$1,167.3
Basic Earnings Per Common Share Attributable to Air Products			
Income from continuing operations	**$4.64**	$4.79	$4.73
Income (loss) from discontinued operations	**.02**	(.05)	.80
Net Income Attributable to Air Products	**$4.66**	$4.74	$5.53
Diluted Earnings Per Common Share Attributable to Air Products			
Income from continuing operations	**$4.59**	$4.73	$4.66
Income (loss) from discontinued operations	**.02**	(.05)	.78
Net Income Attributable to Air Products	**$4.61**	$4.68	$5.44
Weighted Average of Common Shares Outstanding (in millions)	**212.7**	209.7	211.2
Weighted Average of Common Shares Outstanding Assuming Dilution (in millions)	**215.2**	212.3	214.7

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

Year ended 30 September (Millions of dollars)	**2014**	2013	2012
Net Income	**$993.1**	$1,032.5	$1,193.3
Other Comprehensive Income (Loss), net of tax:			
Translation adjustments, net of tax of $36.5, ($44.8), and $8.9	**(213.1)**	(25.0)	84.6
Net gain (loss) on derivatives, net of tax of ($13.6), $14.5, and ($9.8)	**(15.2)**	35.0	(21.8)
Pension and postretirement benefits, net of tax of ($28.0), $154.8, and ($124.6)	**(74.2)**	231.9	(246.0)
Reclassification adjustments:			
Currency translation adjustment		.6	13.3
Derivatives, net of tax of ($1.9), ($5.5), and $5.0	**(9.1)**	(20.2)	12.4
Pension and postretirement benefits, net of tax of $40.0, $55.9, and $36.5	**84.7**	104.9	67.0
Total Other Comprehensive Income (Loss)	**(226.9)**	327.2	(90.5)
Comprehensive Income	**766.2**	1,359.7	1,102.8
Net Income Attributable to Noncontrolling Interests	**1.4**	38.3	26.0
Other Comprehensive Income (Loss) Attributable to Noncontrolling Interests	**(5.6)**	(1.0)	4.9
Comprehensive Income Attributable to Air Products	**$770.4**	$1,322.4	$1,071.9

The accompanying notes are an integral part of these statements.

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Air Products and Chemicals, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

30 September (Millions of dollars, except for share data)	**2014**	2013
Assets		
Current Assets		
Cash and cash items	**$336.6**	$450.4
Trade receivables, net	**1,486.0**	1,544.3
Inventories	**706.0**	706.1
Contracts in progress, less progress billings	**155.4**	182.3
Prepaid expenses	**87.8**	121.1
Other receivables and current assets	**523.0**	432.4
Current assets of discontinued operations		2.5
Total Current Assets	**3,294.8**	3,439.1
Investment in net assets of and advances to equity affiliates	**1,257.9**	1,195.5
Plant and equipment, net	**9,532.1**	8,974.0
Goodwill, net	**1,237.3**	1,653.8
Intangible assets, net	**615.8**	717.3
Noncurrent capital lease receivables	**1,414.9**	1,476.9
Other noncurrent assets	**426.3**	393.5
Total Noncurrent Assets	**14,484.3**	14,411.0
Total Assets	**$17,779.1**	$17,850.1
Liabilities and Equity		
Current Liabilities		
Payables and accrued liabilities	**$1,591.0**	$1,944.9
Accrued income taxes	**78.0**	63.0
Short-term borrowings	**1,228.7**	709.9
Current portion of long-term debt	**65.3**	507.4
Current liabilities of discontinued operations		2.4
Total Current Liabilities	**2,963.0**	3,227.6
Long-term debt	**4,824.5**	5,056.3
Other noncurrent liabilities	**1,187.5**	1,164.3
Deferred income taxes	**995.5**	827.2
Total Noncurrent Liabilities	**7,007.5**	7,047.8
Total Liabilities	**9,970.5**	10,275.4
Commitments and Contingencies See Note 16		
Redeemable Noncontrolling Interest	**287.2**	375.8
Air Products Shareholders Equity		
Common stock (par value $1 per share; issued 2014 and 2013 249,455,584 shares)	**249.4**	249.4
Capital in excess of par value	**842.0**	799.2
Retained earnings	**9,993.2**	9,646.4
Accumulated other comprehensive loss	**(1,241.9)**	(1,020.6)
Treasury stock, at cost (2014 35,917,440 shares; 2013 38,276,327 shares)	**(2,476.9)**	(2,632.3)
Total Air Products Shareholders Equity	**7,365.8**	7,042.1
Noncontrolling Interests	**155.6**	156.8
Total Equity	**7,521.4**	7,198.9
Total Liabilities and Equity	**$17,779.1**	$17,850.1

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

Year ended 30 September (Millions of dollars)	**2014**	2013	2012
Operating Activities			
Net Income	**$993.1**	$1,032.5	$1,193.3
Less: Net income attributable to noncontrolling interests	**1.4**	38.3	26.0
Net income attributable to Air Products	**991.7**	994.2	1,167.3
(Income) Loss from discontinued operations	**(4.6)**	10.0	(168.1)
Income from continuing operations attributable to Air Products	**987.1**	1,004.2	999.2
Adjustments to reconcile income to cash provided by operating activities:			
Depreciation and amortization	**956.9**	907.0	840.8
Deferred income taxes	**125.5**	12.8	65.2
Benefit from Spanish tax ruling			(58.3)
Gain on previously held equity interest			(85.9)
Undistributed earnings of unconsolidated affiliates	**(76.0)**	(59.2)	(53.6)
Loss (Gain) on sale of assets and investments	**4.3**	(20.0)	(8.4)
Share-based compensation	**44.0**	43.5	43.8
Noncurrent capital lease receivables	**20.0**	(151.4)	(282.5)
Goodwill and intangible asset impairment charge	**310.1**		
Write-down of long-lived assets associated with restructuring / customer bankruptcy		100.4	80.2
Other adjustments	**61.0**	(76.4)	124.5
Working capital changes that provided (used) cash, excluding effects of acquisitions and divestitures:			
Trade receivables	**(2.7)**	4.8	(55.1)
Inventories	**(23.5)**	75.0	1.3
Contracts in progress, less progress billings	**(5.4)**	(16.2)	(42.9)
Other receivables	**(33.0)**	(77.0)	(18.3)
Payables and accrued liabilities	**(234.8)**	(130.3)	249.7
Other working capital	**52.9**	(64.1)	(34.6)
Cash Provided by Operating Activities	**2,186.4**	1,553.1	1,765.1
Investing Activities			
Additions to plant and equipment	**(1,684.2)**	(1,524.2)	(1,521.0)
Acquisitions, less cash acquired		(224.9)	(863.4)
Investment in and advances to unconsolidated affiliates	**2.0**	1.3	(175.4)
Proceeds from sale of assets and investments	**45.6**	52.8	52.5
Change in restricted cash			76.1
Other investing activities	**(1.4)**	(2.0)	(4.0)
Cash Used for Investing Activities	**(1,638.0)**	(1,697.0)	(2,435.2)
Financing Activities			
Long-term debt proceeds	**461.0**	927.2	900.4
Payments on long-term debt	**(608.6)**	(437.5)	(490.6)
Net increase in commercial paper and short-term borrowings	**148.7**	437.7	9.8
Dividends paid to shareholders	**(627.7)**	(565.6)	(514.9)
Purchase of treasury shares		(461.6)	(53.1)
Proceeds from stock option exercises	**141.6**	226.4	124.3
Excess tax benefit from share-based compensation	**28.3**	37.9	31.0
Payment for subsidiary shares from noncontrolling interests	**(.5)**	(14.0)	(58.4)
Other financing activities	**(47.1)**	(35.1)	(26.9)
Cash (Used for) Provided by Financing Activities	**(504.3)**	115.4	(78.4)
Discontinued Operations			
Cash provided by operating activities	**.7**	14.3	33.6
Cash provided by (used for) investing activities	**9.8**	(1.2)	765.4
Cash (used for) financing activities	**(157.1)**		

Cash (Used for) Provided by Discontinued Operations	**(146.6)**	13.1	799.0
Effect of Exchange Rate Changes on Cash	**(11.3)**	11.4	(18.6)
(Decrease) Increase in Cash and Cash Items	**(113.8)**	(4.0)	31.9
Cash and Cash Items Beginning of Year	**450.4**	454.4	422.5
Cash and Cash Items End of Period	**$336.6**	$450.4	$454.4

The accompanying notes are an integral part of these statements.

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Air Products and Chemicals, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EQUITY

Year ended 30 September (Millions of dollars)	Common Stock	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Air Products Shareholders Equity	Non-controlling Interests	Total Equity
Balance 30 September 2011	**$249.4**	**$805.6**	**$8,599.5**	**$(1,253.4)**	**$(2,605.3)**	**$5,795.8**	**$142.9**	**$5,938.7**
Net Income			1,167.3			1,167.3	28.4	1,195.7
Other comprehensive income (loss)				(95.4)		(95.4)	4.9	(90.5)
Cash dividends ($2.50 per share)			(529.0)			(529.0)		(529.0)
Share-based compensation expense		43.4				43.4		43.4
Purchase of treasury shares					(53.1)	(53.1)		(53.1)
Issuance of treasury shares for stock option and award plans		(74.6)			190.0	115.4		115.4
Tax benefit of stock option and award plans		38.6				38.6		38.6
Indura business combination							14.8	14.8
Dividends to noncontrolling interests							(26.7)	(26.7)
Purchase of noncontrolling interests		(4.4)				(4.4)	(1.9)	(6.3)
Other		1.9	(3.3)			(1.4)	(16.3)	(17.7)
Balance 30 September 2012	**$249.4**	**$810.5**	**$9,234.5**	**$(1,348.8)**	**$(2,468.4)**	**$6,477.2**	**$146.1**	**$6,623.3**
Net Income			994.2			994.2	30.2	1,024.4
Other comprehensive income (loss)				328.2		328.2	(1.0)	327.2
Cash dividends ($2.77 per share)			(579.6)			(579.6)		(579.6)
Share-based compensation expense		43.5				43.5		43.5
Purchase of treasury shares					(461.6)	(461.6)		(461.6)
Issuance of treasury shares for stock option and award plans		(87.4)			297.7	210.3		210.3
Tax benefit of stock option and award plans		35.5				35.5		35.5
Dividends to noncontrolling interests							(18.4)	(18.4)
Purchase of noncontrolling interests		(2.9)				(2.9)		(2.9)
Other			(2.7)			(2.7)	(.1)	(2.8)
Balance 30 September 2013	**$249.4**	**$799.2**	**$9,646.4**	**$(1,020.6)**	**$(2,632.3)**	**$7,042.1**	**$156.8**	**$7,198.9**
Net Income			991.7			991.7	28.8	1,020.5
Other comprehensive income (loss)				(221.3)		(221.3)	(5.6)	(226.9)
Cash dividends ($3.02 per share)			(641.8)			(641.8)		(641.8)
Share-based compensation expense		44.0				44.0		44.0
Issuance of treasury shares for stock option and award plans		(30.0)			155.4	125.4		125.4
Tax benefit of stock option and award plans		29.3				29.3		29.3
Dividends to noncontrolling interests							(24.4)	(24.4)
Purchase of noncontrolling interests		(.5)				(.5)		(.5)
Other			(3.1)			(3.1)		(3.1)
Balance 30 September 2014	**$249.4**	**$842.0**	**$9,993.2**	**$(1,241.9)**	**$(2,476.9)**	**$7,365.8**	**$155.6**	**$7,521.4**

The accompanying notes are an integral part of these statements.

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1. MAJOR ACCOUNTING POLICIES

Basis of Presentation and Consolidation Principles

The accompanying consolidated financial statements of Air Products and Chemicals, Inc. were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of Air Products and Chemicals, Inc. and those of its controlled subsidiaries (we, our, us, the Company, Air Products, or registrant), which are generally majority owned. Intercom transactions and balances are eliminated in consolidation.

We consolidate all entities that we control. The general condition for control is ownership of a majority of the voting interests of an entity. Control may also exist in arrangements where we are the primary beneficiary of a variable interest entity (VIE). An entity that has both the power to direct the activities that most significantly impact the economic performance of a VIE and the obligation to absorb the losses or receive the benefits significant to the VIE is considered the primary beneficiary of that entity. We have determined that we are not a primary beneficiary in any material VIE.

Certain prior year information has been reclassified to conform to the 2014 presentation.

Estimates and Assumptions

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Revenue from product sales is recognized as risk and title to the product transfer to the customer (which generally occurs at the time shipment is made), the sales price is fixed or determinable, and collectability is reasonably assured. Sales returns and allowances are not a business practice in the industry.

Revenue from equipment sale contracts is recorded primarily using the percentage-of-completion method. Under this method, revenue from the sale of major equipment, such as liquefied natural gas (LNG) heat exchangers and large

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air separation units, is recognized primarily based on labor hours incurred to date compared with total estimated labor hours. Changes to total estimated labor hours and anticipated losses, if any, are recognized in the period determined.

Certain contracts associated with facilities that are built to provide product to a specific customer are required to be accounted for as leases. In cases where operating lease treatment is necessary, there is no difference in revenue recognition over the life of the contract as compared to accounting for the contract as product sales. In cases where capital lease treatment is necessary, the timing of revenue and expense recognition is impacted. Revenue and expense are recognized up front for the sale of equipment component of the contract as compared to revenue recognition over the life of the arrangement under contracts not qualifying as capital leases. Additionally, a portion of the revenue representing interest income from the financing component of the lease receivable is reflected as sales over the life of the contract. Allowances for credit losses associated with capital lease receivables are recorded using the specific identification method. As of 30 September 2014, the credit quality of capital lease receivables did not require a material allowance for credit losses.

If an arrangement involves multiple deliverables, the delivered items are considered separate units of accounting if the items have value on a stand-alone basis. Revenues are allocated to each deliverable based upon relative selling prices derived from company specific evidence.

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

Amounts billed for sales and use taxes, value-added taxes, and certain excise and other specific transactional taxes imposed on revenue-producing transactions are presented on a net basis and excluded from sales in the consolidated income statements. We record a liability until remitted to the respective taxing authority.

Cost of Sales

Cost of sales predominantly represents the cost of tangible products sold. These costs include labor, raw materials, plant engineering, power, depreciation, production supplies and materials packaging costs, and maintenance costs. Costs incurred for shipping and handling are also included in cost of sales.

Depreciation

Depreciation is recorded using the straight-line method, which deducts equal amounts of the cost of each asset from earnings every year over its expected economic useful life. The principal lives for major classes of plant and equipment are summarized in Note 8, Plant and Equipment, net.

Selling and Administrative

The principal components of selling and administrative expenses are salaries, advertising, and promotional costs.

Postemployment Benefits

When termination benefits provided to employees as part of a cost reduction plan, such as that discussed in Note 4, Business Restructuring and Cost Reduction Actions, meet the definition of an ongoing benefit arrangement, a liability is recognized for termination benefits when probable and estimable. These criteria are met when management, with the appropriate level of authority, approves and commits to its plan of action for termination; the plan identifies the employees to be terminated and their related benefits; and the plan is to be completed within one year. During periods of operations where terminations are made on an as-needed basis, absent a detailed committed plan, terminations are accounted for on an individual basis and a liability is recognized when probable and estimable. We have severance policies and plans for eligible employees.

Fair Value Measurements

We are required to measure certain assets and liabilities at fair value, either upon initial measurement or for subsequent accounting or reporting. For example, fair value is used in the initial measurement of net assets acquired in a business combination; on a recurring basis in the measurement of derivative financial instruments; and on a nonrecurring basis when long-lived assets are written down to fair value when held for sale or determined to be impaired. Refer to Note 13, Fair Value Measurements, for information on the methods and assumptions used in our fair value measurements.

Financial Instruments

We address certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. The types of derivative financial instruments permitted for such risk management programs are specified in policies set by management. Refer to Note 12, Financial Instruments, for further detail on the types and use of derivative instruments into which we enter.

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Major financial institutions are counterparties to all of these derivative contracts. We have established counterparty credit guidelines and only enter into transactions with financial institutions of investment grade or better. Management believes the risk of incurring losses related to credit risk is remote, and any losses would be immaterial to the consolidated financial results, financial condition, or liquidity.

We recognize derivatives on the balance sheet at fair value. On the date the derivative instrument is entered into, we generally designate the derivative as either (1) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), (2) a hedge of a net investment in a foreign operation (net investment hedge), or (3) a hedge of the fair value of a recognized asset or liability (fair value hedge).

The following details the accounting treatment of our cash flow, fair value, net investment, and non-designated hedges:

Changes in the fair value of a derivative that is designated as and meets the cash flow hedge criteria are recorded in Accumulated Other Comprehensive Income (AOCI) to the extent effective and then recognized in earnings when the hedged items affect earnings.

Changes in the fair value of a derivative that is designated as and meets all the required criteria for a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings.

Changes in the fair value of a derivative, foreign currency debt, and qualifying intercompany loans that are related to an outstanding borrowing from a third party that are designated as and meet all the required criteria for a hedge of a net investment are recorded as translation adjustments in AOCI.

Changes in the fair value of a derivative that is not designated as a hedge are recorded immediately in earnings.

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

Foreign Currency

Since we do business in many foreign countries, fluctuations in currency exchange rates affect our financial position and results of operations.

In most of our foreign operations, local currency is considered the functional currency. Foreign subsidiaries translate their assets and liabilities into U.S. dollars at current exchange rates in effect at the end of the fiscal period. The gains or losses that result from this process are shown as translation adjustments in AOCI in the equity section of the balance sheet.

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

Environmental Expenditures

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. Remediation costs are capitalized if the costs improve the Company s property as compared with the condition of the property when originally constructed or acquired, or if the costs prevent environmental contamination from future operations. We expense environmental costs related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible. The amounts charged to income from continuing operations related to environmental matters totaled $35.1 in fiscal 2014, $37.1 in 2013, and $44.7 in 2012.

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

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

Given inherent uncertainties in evaluating environmental exposures, actual costs to be incurred at identified sites in future periods may vary from the estimates. Refer to Note 16, Commitments and Contingencies, for additional information on the Company s environmental loss contingencies.

The accruals for environmental liabilities are reflected in the consolidated balance sheets, primarily as part of other noncurrent liabilities.

Litigation

In the normal course of business, we are involved in legal proceedings. We accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency includes estimates of potential damages and other directly related costs expected to be incurred. Refer to Note 16, Commitments and Contingencies, for additional information on our current legal proceedings.

Share-Based Compensation

We have various share-based compensation programs, which include stock options, deferred stock units, and restricted stock. We expense the grant-date fair value of these awards over the vesting period during which employees perform related services. Expense recognition is accelerated for retirement-eligible individuals who would meet the requirements for vesting of awards upon their retirement. We utilize a Black Scholes model to value stock option awards. Refer to Note 18, Share-Based Compensation, for further detail.

Income Taxes

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

A tax benefit for an uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination based on its technical merits. This position is measured as the largest amount of tax benefit that is greater than 50% likely of being realized. Interest and penalties related to unrecognized tax benefits are recognized as a component of income tax expense. For additional information regarding our income taxes, refer to Note 22, Income Taxes.

Cash and Cash Items

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

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Trade Receivables, net

Trade receivables comprise amounts owed to us through our operating activities and are presented net of allowances for doubtful accounts. The allowances for doubtful accounts represent estimated uncollectible receivables associated with potential customer defaults on contractual obligations. A provision for customer defaults is made on a general formula basis when it is determined that the risk of some default is probable and estimable but cannot yet be associated with specific customers. The assessment of the likelihood of customer defaults is based on various factors, including the length of time the receivables are past due, historical experience, and existing economic conditions. The allowance also includes amounts for certain customers where a risk of default has been specifically identified, considering factors such as the financial condition of the customer and customer disputes over contractual terms and conditions. Allowance for doubtful accounts were $60.1 and $101.7 as of fiscal year end 30 September 2014 and 2013, respectively. Provisions to the allowance for doubtful accounts charged against income were $16.4, $27.6 and $36.8 in 2014, 2013, and 2012, respectively.

Inventories

Inventories are stated at the lower of cost or market. We write down our inventories for estimated obsolescence or unmarketable inventory based upon assumptions about future demand and market conditions.

We utilize the last-in, first-out (LIFO) method for determining the cost of inventories in the Merchant Gases, Tonnage Gases, and Electronics and Performance Materials segments in the United States. Inventories for these segments outside of the United States are accounted for on the first-in, first-out (FIFO) method, as the LIFO method is not generally permitted in the foreign jurisdictions where these segments operate. The inventories of the Equipment and Energy segment on a worldwide basis, as well as all other inventories, are accounted for on the FIFO basis.

At the business segment level, inventories are recorded at FIFO and the LIFO pool adjustments are not allocated to the business segments. Refer to Note 6, Inventories, for further detail.

Equity Investments

The equity method of accounting is used when we exercise significant influence but do not have operating control, generally assumed to be 20% 50% ownership. Under the equity method, original investments are recorded at cost and adjusted by our share of undistributed earnings or losses of these companies. Equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Refer to Note 7, Summarized Financial Information of Equity Affiliates, for further detail.

Plant and Equipment

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

Fully depreciated assets are retained in the gross plant and equipment and accumulated depreciation accounts until they are removed from service. In the case of disposals, assets and related depreciation are removed from the accounts, and the net amounts, less proceeds from disposal, are included in income. Refer to Note 8, Plant and Equipment, net, for further detail.

Computer Software

We capitalize costs incurred to purchase or develop software for internal use. Capitalized costs include purchased computer software packages, payments to vendors/consultants for development and implementation or modification to a purchased package to meet our requirements, payroll and related costs for employees directly involved in development, and interest incurred while software is being developed. Capitalized computer software costs are included in the balance sheet classification plant and equipment, net and depreciated over the estimated useful life of the software, generally a period of three to ten years.

Capitalized Interest

As we build new plant and equipment, we include in the cost of these assets a portion of the interest payments we make during the year. The amount of capitalized interest was $33.0, $25.8, and $30.2 in 2014, 2013, and 2012, respectively.

Impairment of Long-Lived Assets

Long-lived assets are grouped for impairment testing at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other assets and liabilities and are evaluated for impairment

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

Government Grants

We receive government grants that primarily relate to research and development projects. Government grants are recognized when there is reasonable assurance that the grant will be received and that we have complied with the conditions of the grant. Government grants related to assets are included in the balance sheet as a reduction of the cost of the asset and result in reduced depreciation expense over the useful life of the asset. Government grants that relate to expenses are recognized in the income statement as a reduction of the related expense or as a component of other income (expense), net.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred. The fair value of the liability is measured using discounted estimated cash flows and is adjusted to its present value in subsequent periods as accretion expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset s useful life. Our asset retirement obligations are primarily associated with Tonnage Gases on-site long-term supply contracts, under which we have built a facility on land owned by the customer and are obligated to remove the facility at the end of the contract term. Our asset retirement obligations totaled $94.0 and $89.8 at 30 September 2014 and 2013, respectively.

Goodwill

Business combinations are accounted for using the acquisition method. The purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair market values. Any excess purchase price over the fair market value of the net assets acquired, including identified intangibles, is recorded as goodwill. Preliminary purchase price allocations are made at the date of acquisition and finalized when information needed to affirm underlying estimates is obtained, within a maximum allocation period of one year.

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. Refer to Note 9, Goodwill, for further detail.

Intangible Assets

Intangible assets with determinable lives primarily consist of customer relationships, purchased patents and technology, and land use rights. The cost of intangible assets with determinable lives is amortized on a straight-line basis over the estimated period of economic benefit. No residual value is estimated for these intangible assets. Indefinite-lived intangible assets consist of trade names and trademarks. Indefinite-lived intangibles are subject to impairment testing at least annually. In addition, intangible assets are tested more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists.

Customer relationships are generally amortized over periods of five to twenty-five years. Purchased patents and technology and other are generally amortized over periods of five to twenty years. Land use rights, which are included in other intangibles, are generally amortized over a period of fifty years. Amortizable lives are adjusted whenever there is a change in the estimated period of economic benefit. Refer to Note 10, Intangible Assets, for further detail.

Retirement Benefits

The cost of pension benefits is recognized over the employees service period. We are required to use actuarial methods and assumptions in the valuation of defined benefit obligations and the determination of expense. Differences between actual and expected results or changes in the value of obligations and plan assets are not recognized in earnings as they occur but, rather, systematically and gradually over subsequent periods. Refer to Note 15, Retirement Benefits, for disclosures related to our pension and other postretirement benefits.

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2. NEW ACCOUNTING GUIDANCE

Accounting Guidance Implemented in 2014

Amounts Reclassified Out Of Accumulated Other Comprehensive Income

In February 2013, the Financial Accounting Standards Board (FASB) issued disclosure guidance to improve the transparency of items reclassified out of accumulated other comprehensive income to net income. The guidance requires an entity to present, in a single location, information about the amounts reclassified out of accumulated other comprehensive income, by component, including the income statement line items affected by the reclassification. This disclosure guidance was effective for us beginning in the first quarter of fiscal year 2014 and did not have a material impact on our consolidated financial statements. Refer to Note 19, Accumulated Other Comprehensive Loss, for the required disclosures.

Cumulative Translation Adjustment

In March 2013, the FASB issued an update to clarify existing guidance for the release of cumulative translation adjustments into net income when a parent sells all or a part of its investment in a foreign entity or achieves a business combination of a foreign entity in stages. We adopted this guidance at the beginning of fiscal year 2014. This guidance did not have an impact on our consolidated financial statements.

New Accounting Guidance to Be Implemented

Unrecognized Tax Benefits

In July 2013, the FASB issued guidance to require standard presentation of an unrecognized tax benefit when a carryforward related to net operating losses or tax credits exists. This guidance will be applied prospectively and is effective for us beginning in the first quarter of fiscal year 2015, with early adoption permitted. We do not expect this guidance to have a significant impact on our consolidated financial statements.

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.

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.

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3. DISCONTINUED OPERATIONS

During the second quarter of 2012, the Board of Directors authorized the sale of our Homecare business, which had previously been reported as part of the Merchant Gases operating segment. This business 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). The sale proceeds included 110 million ($144) that was contingent on the outcome of certain retender arrangements. These proceeds were reflected in payables and accrued liabilities on our consolidated balance sheet as of 30 September 2013. Based on the outcome of the retenders, we were contractually required to return proceeds to The Linde Group. In the fourth quarter of 2014, we made a payment to settle this liability and recognized a gain of $1.5.

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. Refer to Note 16, Commitments and Contingencies, for additional information.

The results of discontinued operations are summarized below:

	2014	2013	2012
Sales	**$8.5**	$52.3	$258.0
Income before taxes	**$.7**	$3.8	$68.1
Income tax provision		.2	20.8
Income from operations of discontinued operations	**.7**	3.6	47.3
Gain (Loss) on sale of business and impairment/write-down, net of tax	**3.9**	(13.6)	120.8
Income (Loss) from Discontinued Operations, net of tax	**$4.6**	$(10.0)	$168.1

The assets and liabilities classified as discontinued operations for the Homecare business at 30 September 2013 consisted of $2.5 in trade receivables, net, and $2.4 in payables and accrued liabilities. As of 30 September 2014, no assets or liabilities were classified as discontinued operations.

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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.

2014 Charge

On 18 September 2014, we announced plans to reorganize the Company, including realignment of our businesses in new reporting segments and organizational changes, effective as of 1 October 2014. Refer to Note 25, Business Segment and Geographic Information, for additional details. As a result of this initiative, 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 businesses at the segment level as follows: $4.4 in Merchant Gases, $4.1 in Tonnage Gases, $2.4 in Electronics and Performance Materials, and $1.8 in Equipment and Energy.

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 business due to continued weakness in the photovoltaic (PV) and light-emitting diode (LED) markets. The severance and other contractual benefits primarily impacted our Merchant Gases business 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 associated with severance were completed in the first quarter of 2015.

The 2013 charges relate to the businesses at the segment level as follows: $61.0 in Merchant Gases, $28.6 in Tonnage Gases, $141.0 in Electronics and Performance Materials, and $1.0 in Equipment and Energy.

The following table summarizes the carrying amount of the accrual for the 2013 plan at 30 September 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**

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2012 Plans

In 2012, we recorded an expense of $327.4 ($222.4 after-tax, or $1.03 per share) for business restructuring and cost reduction plans in our Polyurethane Intermediates (PUI), Electronics, and European Merchant businesses.

During the second quarter of 2012, we recorded an expense of $86.8 ($60.6 after-tax, or $.28 per share) for actions to remove stranded costs resulting from our decision to exit the Homecare business, the reorganization of the Merchant business, and actions to right-size our European cost structure in light of the challenging economic outlook. The charge related to the businesses at the segment level as follows: $77.3 in Merchant Gases, $3.8 in Tonnage Gases, and $5.7 in Electronics and Performance Materials. As of 30 September 2013, the planned actions were completed.

During the fourth quarter of 2012, we took actions to exit the PUI business to improve costs, resulting in a net expense of $54.6 ($34.8 after-tax, or $.16 per share). We sold certain assets and the rights to a supply contract for $32.7 in cash at closing. In connection with these actions, we recognized an expense of $26.6, for the net book value of assets sold and those committed to be disposed of other than by sale. The remaining charge was primarily related to contract terminations and an environmental liability. Dismantlement of our PUI production facility in Pasadena, Texas, was completed in fiscal year 2014. The costs to dismantle were expensed as incurred and reflected in continuing operations in the Tonnage Gases business segment.

During the fourth quarter of 2012, we completed an assessment of our position in the PV market, resulting in $186.0 of expense ($127.0 after-tax, or $.59 per share) primarily related to the Electronics and Performance Materials segment. Included in the charge was an accrual of $93.5 for an offer that we made to terminate a long-term take-or-pay contract to purchase silane. A final settlement was reached with the supplier in the fourth quarter of 2013.

The following table summarizes the carrying amount of the accrual for the 2012 plans at 30 September 2014:

	Severance and Other Benefits	Asset Actions	Contract Actions	Other Costs	Total
Second quarter charge- Cost reduction plan	$80.8	$6.0	$	$	$86.8
Fourth quarter charge- PUI business actions [(A)]	2.7	26.6	6.5	18.8	54.6
Fourth quarter charge- PV market actions [(B)]		34.7	93.5	57.8	186.0
2012 Charge	$83.5	$67.3	$100.0	$76.6	$327.4
Amount reflected in environmental liability [(C)]				(9.0)	(9.0)
Amount reflected in pension liability	(7.5)				(7.5)
Noncash expenses	(.4)	(67.3)		(19.3)	(87.0)
Cash expenditures	(32.8)			(.1)	(32.9)
Currency translation adjustment	(1.6)				(1.6)
30 September 2012	$41.2	$	$100.0	$48.2	$189.4
Cash expenditures	(40.4)		(98.1)	(47.3)	(185.8)
Currency translation adjustment	.3				.3
30 September 2013	$1.1	$	$1.9	$.9	$3.9
Cash expenditures	(1.1)		(1.9)	(.9)	(3.9)
30 September 2014	**$**	**$**	**$**	**$**	**$**

(A) Charge is net of $32.7 in proceeds received in cash at closing for certain PUI assets and the rights to a supply contract.

(B) Other includes the write-down of inventory to its net realizable value, the write-down of accounts receivable, and expected losses on purchase commitments.

(C) Reflected in accrual for environmental obligations. See Note 16, Commitments and Contingencies.

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5. BUSINESS COMBINATIONS

2013 Business Combinations

We completed three acquisitions in 2013. The acquisitions were accounted for as business combinations, and their results of operations were consolidated within their respective segments after the acquisition dates. The aggregate purchase price, net of cash acquired, for these acquisitions was $233.

On 30 August 2013, we acquired an air separation unit and integrated gases liquefier in Guiyang, China. This acquisition included a long-term sale of gas contract within our Tonnage Gases segment and provided our Merchant Gases segment with additional liquid capacity in the region. On 31 May 2013, we acquired EPCO Carbondioxide Products, Inc. (EPCO), the largest independent U.S. producer of liquid carbon dioxide (CO_2). This acquisition expanded our North American offerings of bulk industrial process gases in the Merchant Gases segment. On 1 April 2013, we acquired Wuxi Chem-Gas Company, Ltd. (WCG). This acquisition provided our Merchant Gases segment with additional gases presence in the Jiangsu Province of China.

2012 Business Combinations

Indura S.A.

In July 2012, we acquired a 64.8% controlling equity interest in the outstanding shares of Indura S.A. We paid cash consideration in Chilean pesos (CLP) of 345.5 billion ($690) and assumed debt of CLP113.8 billion ($227) for these interests. Prior to the acquisition, Indura S.A. was the largest independent industrial gas company in South America. Indura S.A. s integrated gas and retail business comprises packaged gases and hard goods, liquid bulk, healthcare, and on-sites.

Under the purchase agreement, the largest minority shareholder has a right to exercise a put option to require Air Products 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 fair market value (subject to a minimum price based upon the acquisition date value escalated by an inflation factor). Refer to Note 16, Commitments and Contingencies, and Note 20, Noncontrolling Interests, for additional information. As of 30 September 2014, we hold a 67.3% interest in Indura S.A.

The acquisition of Indura S.A. was accounted for as a business combination. Following the acquisition date, 100% of the Indura S.A. results were consolidated in our Merchant Gases business segment. The portion of the business that is not owned by the Company is recorded as noncontrolling interests. Identifiable assets acquired, liabilities assumed, and resulting goodwill were recorded at fair value on the acquisition date. This acquisition resulted in $626.2 of goodwill, none of which was deductible for income tax purposes upon acquisition, and $92.6 of indefinite-lived intangibles for trade names and trademarks.

DA NanoMaterials LLC

On 2 April 2012, we acquired E.I. DuPont de Nemours and Co. Inc. s 50% interest in our joint venture, DuPont Air Products NanoMaterials LLC (DA NanoMaterials), for $158 ($147 net of cash acquired of $11). The transaction was accounted for as a business combination, and beginning in the third quarter of 2012, the results of DA NanoMaterials were consolidated within our Electronics and Performance Materials business segment.

Prior to the acquisition, we accounted for our 50% interest in DA NanoMaterials as an equity-method investment. The acquisition-date fair value of the previously held equity interest was valued at $120 and was determined using a discounted cash flow analysis under the income approach. The income approach required estimating a number of factors, including projected revenue growth, customer attrition rates, profit margin, and discount rate. The year ended 30 September 2012 includes a gain of $85.9 ($54.6 after-tax, or $.25 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.

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6. INVENTORIES

The components of inventories are as follows:

30 September	**2014**	2013
Inventories at FIFO cost		
Finished goods	**$493.9**	$527.3
Work in process	**34.1**	38.7
Raw materials, supplies and other	**283.4**	234.9
	811.4	800.9
Less: Excess of FIFO cost over LIFO cost	**(105.4)**	(94.8)
	$706.0	$706.1

Inventories valued using the LIFO method comprised 38.1% and 36.4% of consolidated inventories before LIFO adjustment at 30 September 2014 and 2013, respectively. Liquidation of LIFO inventory layers in 2014, 2013, and 2012 did not materially affect the results of operations.

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.

7. SUMMARIZED FINANCIAL INFORMATION OF EQUITY AFFILIATES

The summarized financial information below is on a combined 100% basis and has been compiled based on the unaudited financial statements of the companies accounted for by the equity method. The amounts presented include the accounts of the following equity affiliates:

Abdullah Hashim Industrial Gases & Equipment Co., Ltd. (25%);
Air Products South Africa (Proprietary) Limited (50%);
Bangkok Cogeneration Company Limited (49%);
Bangkok Industrial Gases Co., Ltd. (49%);
Chengdu Air & Gas Products Ltd. (50%);
Daido Air Products Electronics, Inc. (20%);
Helap S.A. (50%);
High-Tech Gases (Beijing) Co., Ltd. (50%);
INFRA Group (40%);
INOX Air Products Limited (50%);
Kulim Industrial Gases Sdn. Bhd. (50%);
Sapio Produzione Idrogeno Ossigeno S.r.l. (49%);
SembCorp Air Products (HyCo) Pte. Ltd. (40%);
Tecnologia en Nitrogeno S. de R.L. de C.V. (50%);
Tyczka Industrie-Gases GmbH (50%);
WuXi Hi-Tech Gas Co., Ltd. (50%);
and principally, other industrial gas producers.

30 September	**2014**	2013
Current assets	**$1,440.0**	$1,307.9
Noncurrent assets	**2,464.6**	2,396.1
Current liabilities	**745.2**	795.2
Noncurrent liabilities	**743.0**	648.6

Year Ended 30 September	**2014**	2013	2012
Net sales	**$2,808.7**	$2,845.9	$2,675.3
Sales less cost of sales	**984.7**	1,003.3	937.0
Operating income	**542.9**	547.3	529.7
Net income	**359.5**	360.5	347.6

On 29 May 2012, we purchased 25% of the outstanding shares of Abdullah Hashim Industrial Gases & Equipment Co. Ltd. (AHG) for SAR581.3 million ($155). AHG is a company of the privately-owned Abdullah Hashim Group, based in the Kingdom of Saudi Arabia. AHG is the largest private industrial gases company in Saudi Arabia. It comprises three businesses, including industrial gases, equipment and consumables and refrigerants. The transaction was recorded as an investment in net assets of and advances to equity affiliates in the Merchant Gases segment.

Dividends received from equity affiliates were $75.4, $108.6, and $89.0 in 2014, 2013, and 2012, respectively.

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The investment in net assets of and advances to equity affiliates as of 30 September 2014 and 2013 included investment in foreign affiliates of $1,254.7 and $1,191.3, respectively.

As of 30 September 2014 and 2013, the amount of investment in companies accounted for by the equity method included goodwill in the amount of $120.2 and $126.4, respectively.

8. PLANT AND EQUIPMENT, NET

The major classes of plant and equipment are as follows:

30 September	Useful Life in years	**2014**	2013
Land		**$236.6**	$240.5
Buildings	30	**1,105.0**	1,076.3
Production facilities [(A)]			
Merchant Gases	15	**4,034.4**	4,109.1
Tonnage Gases	15 to 20	**6,757.8**	6,769.3
Electronics and Performance Materials	10 to 15	**2,057.1**	2,193.9
Equipment and Energy	5 to 20	**94.4**	172.4
Total production facilities		**12,943.7**	13,244.7
Distribution and other machinery and equipment[(B)]	5 to 25	**4,175.3**	3,674.4
Construction in progress		**1,762.9**	1,294.0
Plant and equipment, at cost		**20,223.5**	19,529.9
Less: accumulated depreciation		**10,691.4**	10,555.9
Plant and equipment, net		**$9,532.1**	$8,974.0

(A) Depreciable lives of production facilities related to long-term customer supply contracts are matched to the contract lives.

(B) The depreciable lives for various types of distribution equipment are 10 to 25 years for cylinders, depending on the nature and properties of the product; 20 years for tanks; 7.5 years for customer stations; and 5 to 15 years for tractors and trailers.

Depreciation expense was $914.8, $864.7, and $813.7 in 2014, 2013, and 2012, respectively.

9. GOODWILL

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

	Merchant Gases	Tonnage Gases	Electronics and Performance Materials	Total
Goodwill, net at 30 September 2012	$1,138.6	$14.7	$445.1	$1,598.4
Acquisitions and adjustments	73.3		2.0	75.3
Currency translation and other	(19.9)	.5	(.5)	(19.9)
Goodwill, net at 30 September 2013	$1,192.0	$15.2	$446.6	$1,653.8
Impairment loss	(305.2)			(305.2)
Currency translation and other	(105.6)	(1.9)	(3.8)	(111.3)
Goodwill, net at 30 September 2014	**$781.2**	**$13.3**	**$442.8**	**$1,237.3**

30 September	**2014**	2013	2012
Goodwill, gross	**$1,522.1**	$1,653.8	$1,598.4

Accumulated impairment losses [(A)]	**(284.8)**		
Goodwill, net	**$1,237.3**	$1,653.8	$1,598.4

[(A)] Amount is attributable to the Merchant Gases segment and includes currency translation of $20.4.

Merchant Gases goodwill decreased during 2014, primarily due to the impairment charge taken during the fourth quarter in the Latin American reporting unit as discussed further below. Merchant Gases goodwill increased during 2013, primarily due to the acquisitions of EPCO and WCG. Refer to Note 5, Business Combinations, for further details on these acquisitions.

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We conduct goodwill impairment testing in the fourth quarter of each fiscal year and whenever events and changes in circumstances indicate that the carrying value of goodwill might not be recoverable. Our goodwill impairment test involves a two-step process. In the first step, we estimate the fair value of each reporting unit and compare it to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than its carrying value, we perform a second step to determine the amount of goodwill impairment loss, if any. In the second step, the reporting unit s fair value is allocated to the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in an analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit were being acquired in a business combination. If the implied fair value of the reporting unit s goodwill is less than its carrying value, the difference is recorded as a goodwill impairment charge.

In the fourth quarter of 2014, we determined that the fair value of each reporting unit exceeded its carrying value, with the exception of the Latin America reporting unit within the Merchant Gases segment. The Latin America reporting unit is composed predominately of our Indura business with assets and goodwill associated with operations in Chile and other Latin American countries. Recently, economic conditions in Latin America, including the impact of tax legislation in Chile, have been less favorable due to increasing inflation, a decline in Chilean manufacturing growth, and weaker export demand for many commodities. As a result, we lowered our growth projections for this reporting unit and determined that the associated goodwill was impaired. We recorded a noncash goodwill impairment charge of $305.2 to write down goodwill to its implied fair value as of 1 July 2014. This impairment is reflected on our consolidated income statements within Goodwill and intangible assets impairment charge. As of 30 September 2014, accumulated impairment losses were $284.8, due to the currency impact on the loss recorded as of 1 July 2014. For additional information on our acquisition of Indura S.A, refer to Note 5, Business Combinations.

We estimated the fair value of the Latin America reporting unit based on the income and market approaches, which were driven principally by our expectations for the Indura business. Under the income approach, we estimated the fair value of the reporting unit based on the present value of estimated future cash flows. Cash flow projections were based on management s estimates of revenue growth rates and operating margins, taking into consideration business and market conditions for the Latin American countries in which we operate. We calculated the discount rate based on a market-participant, risk-adjusted weighted-average cost of capital, which considers industry required rates of return on debt and equity capital for a target industry capital structure adjusted for risks associated with size and geography. For the market approach, fair value was estimated based on market multiples of revenue and earnings derived from publicly-traded industrial gases companies engaged in the same or similar lines of business as that of Latin America. We adjusted the market multiples of the comparable companies to reflect differences in size and growth prospects between Latin America and the comparable companies. We weighted the results of the income and market approaches equally in determining the fair value of Latin America. Management judgment is required in the determination of each assumption utilized in the valuation model, and actual results could differ from the estimates.

Prior to completing the goodwill impairment test, we tested the recoverability of the Latin America long-lived assets and concluded that they were not impaired.

10. INTANGIBLE ASSETS

The table below provides details of acquired intangible assets:

	30 September 2014			30 September 2013		
	Gross	**Accumulated Amortization/ Impairment**	**Net**	Gross	Accumulated Amortization/ Impairment	Net
Customer relationships	**$577.8**	**$(119.0)**	**$458.8**	$629.2	$(97.3)	$531.9
Patents and technology	**82.4**	**(52.2)**	**30.2**	91.3	(52.1)	39.2
Other	**84.7**	**(32.5)**	**52.2**	91.5	(35.9)	55.6
Total finite-lived intangibles	**744.9**	**(203.7)**	**541.2**	812.0	(185.3)	626.7
Trade names and trademarks, indefinite-lived	**79.3**	**(4.7)**	**74.6**	90.6		90.6
Total Intangible Assets	**$824.2**	**$(208.4)**	**$615.8**	$902.6	$(185.3)	$717.3

Refer to Note 1, Major Accounting Policies, for amortization periods associated with our intangible assets.

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Amortization expense for intangible assets was $42.1, $42.3, and $27.1 in 2014, 2013, and 2012, respectively.

In the fourth quarter of 2014, we conducted our annual impairment test of indefinite-lived intangibles utilizing the royalty savings method, a form of the income approach. We determined that the carrying value of trade names and trademarks were in excess of their fair value, and as a result, we recorded an impairment charge of $4.9, to reduce these assets to their fair value. This impairment is reflected within Goodwill and intangible impairment asset charge on our consolidated income statements. These trade names and trademarks are included in our Merchant Gases segment. Refer to Note 5, Business Combinations, for additional information.

Projected annual amortization expense for intangible assets as of 30 September 2014 is as follows:

2015	$38.8
2016	36.2
2017	35.3
2018	33.6
2019	32.1
Thereafter	365.2
Total	$541.2

11. LEASES

Lessee Accounting

Capital leases, primarily for the right to use machinery and equipment, are included with owned plant and equipment on the consolidated balance sheet in the amount of $17.0 and $19.8 at 30 September 2014 and 2013, respectively. Related amounts of accumulated depreciation are $7.2 and $8.5, respectively.

Operating leases principally relate to real estate and also include aircraft, distribution equipment, and vehicles. Certain leases include escalation clauses, renewal, and/or purchase options. Rent expense is recognized on a straight-line basis over the minimum lease term. Rent expense under operating leases, including month-to-month agreements, was $100.7 in 2014, $98.6 in 2013, and $91.1 in 2012.

At 30 September 2014, minimum payments due under leases are as follows:

	Capital Leases	Operating Leases
2015	$.6	$70.3
2016	.5	47.9
2017	.5	34.2
2018	.3	27.2
2019	.1	19.1
Thereafter	1.7	116.3
Total	$3.7	$315.0

Lessor Accounting

As discussed under Revenue Recognition in Note 1, Major Accounting Policies, certain contracts associated with facilities that are built to provide product to a specific customer are required to be accounted for as leases. Lease receivables, net, were included principally in noncurrent capital lease receivables on our consolidated balance sheets, with the remaining balance in other receivables and current assets.

The components of lease receivables were as follows:

30 September	**2014**	2013

Gross minimum lease payments receivable	**$2,423.3**	$2,253.2
Unearned interest income	**(940.6)**	(709.1)
Lease Receivables, net	**$1,482.7**	$1,544.1

Lease payments collected in 2014, 2013, and 2012 were $134.4, $120.0, and $103.0, respectively. These payments reduced the lease receivable balance by $72.7, $61.1, and $51.7 in 2014, 2013, and 2012, respectively.

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At 30 September 2014, minimum lease payments expected to be collected are as follows:

2015	$145.6
2016	187.4
2017	186.0
2018	184.7
2019	179.1
Thereafter	1,540.5
Total	$2,423.3

12. 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. This 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 30 September 2014 is 3.3 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.

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:

	2014		2013	
30 September	**US$ Notional**	**Years Average Maturity**	US$ Notional	Years Average Maturity
Forward Exchange Contracts				
Cash flow hedges	**$2,965.5**	**.7**	$2,653.4	.6
Net investment hedges	**685.9**	**2.9**	1,231.8	2.4
Not designated	**381.5**	**.1**	751.9	.1
Total Forward Exchange Contracts	**$4,032.9**	**1.0**	$4,637.1	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 879.3 million ($1,110.6) and

Chinese Renminbi 900.9 million ($146.8) at 30 September 2014 and 908.3 million ($1,228.4) at 30 September 2013. The designated foreign currency-denominated debt is located on the balance sheet in the long-term debt and short-term borrowings line items.

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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 30 September 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 .4 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 which 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.

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

	30 September 2014				30 September 2013			
	US$ Notional	**Pay %**	**Average Receive %**	**Years Average Maturity**	US$ Notional	Pay %	Average Receive %	Years Average Maturity
Interest rate swaps (fair value hedge)	**$600.0**	**LIBOR**	**2.77%**	**4.3**	$300.0	LIBOR	3.61%	5.9
Cross currency interest rate swaps (net investment hedge)	**$404.5**	**3.70%**	**1.15%**	**2.7**	$310.8	3.87%	.72%	2.4
Interest rate swaps (cash flow hedge)	**$431.7**	**2.36%**	**.71%**	**.4**	$52.8	6.84%	5.64%	1.4
Cross currency interest rate swaps (cash flow hedge)	**$446.3**	**3.39%**	**2.86%**	**4.2**	$169.3	3.48%	2.53%	4.8
Cross currency interest rate swaps (not designated)	**$15.4**	**3.62%**	**.05%**	**.8**				

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

	Balance Sheet Location	30 September **2014**	30 September 2013	Balance Sheet Location	30 September **2014**	30 September 2013
Derivatives Designated as Hedging Instruments:						
Forward exchange contracts	Other receivables	**$78.9**	$52.2	Accrued liabilities	**$61.8**	$22.5
Interest rate management contracts	Other receivables	**21.1**		Accrued liabilities	**18.8**	3.5
Forward exchange contracts	Other noncurrent assets	**10.5**	28.7	Other noncurrent liabilities	**3.1**	7.7
Interest rate management contracts	Other noncurrent assets	**54.6**	35.4	Other noncurrent liabilities	**.3**	6.1
Total Derivatives Designated as Hedging Instruments		**$165.1**	$116.3		**$84.0**	$39.8
Derivatives Not Designated as Hedging Instruments:						
Forward exchange contracts	Other receivables	**$4.0**	$9.6	Accrued liabilities	**$1.9**	$1.5
Interest rate management contracts	Other receivables	**2.6**		Accrued liabilities		
Total Derivatives Not Designated as Hedging Instruments		**$6.6**	$9.6		**$1.9**	$1.5
Total Derivatives		**$171.7**	$125.9		**$85.9**	$41.3

Refer to Note 13, Fair Value Measurements, which defines fair value, describes the method for measuring fair value, and provides additional disclosures regarding fair value measurements.

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:

	Year Ended 30 September							
	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)	**$(4.5)**	$24.6	**$**	$	**$(10.7)**	$10.4	**$(15.2)**	$35.0
Net (gain) loss reclassified from OCI to sales/cost of sales (effective portion)	**.7**	1.0					**.7**	1.0
Net (gain) loss reclassified from OCI to other income, net (effective portion)	**1.7**	(23.9)			**(9.5)**	2.4	**(7.8)**	(21.5)
Net (gain) loss reclassified from OCI to interest expense (effective portion)	**(1.4)**	(.4)			**.3**	.7	**(1.1)**	.3
Net (gain) loss reclassified from OCI to other income, net (ineffective portion)	**(.9)**						**(.9)**	
Fair Value Hedges:								
Net gain (loss) recognized in interest expense [B]	**$**	$	**$**	$	**$(5.0)**	$(19.8)	**$(5.0)**	$(19.8)
Net Investment Hedges, net of tax:								
Net gain (loss) recognized in OCI	**$17.1**	$(15.3)	**$51.5**	$(37.7)	**$17.0**	$1.8	**$85.6**	$(51.2)
Derivatives Not Designated as Hedging Instruments:								
Net gain (loss) recognized in other income, net [C]	**$(7.2)**	$5.3	**$**	$	**$1.5**	$	**$(5.7)**	$5.3

[A] Other includes the impact on other comprehensive income (OCI) and earnings primarily related to 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 30 September 2014 that are expected to be reclassified to earnings in the next twelve months is not material.

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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 $2.1 as of 30 September 2014 and $10.0 as of 30 September 2013. 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 $107.8 as of 30 September 2014 and $80.6 as of 30 September 2013. No financial institution is required to post collateral at this time, as all have credit ratings at or above the threshold.

13. 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 12, 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.

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

30 September	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Assets				
Derivatives				
Forward exchange contracts	**$93.4**	**$93.4**	$90.5	$90.5
Interest rate management contracts	**78.3**	**78.3**	35.4	35.4
Liabilities				
Derivatives				
Forward exchange contracts	**$66.8**	**$66.8**	$31.7	$31.7
Interest rate management contracts	**19.1**	**19.1**	9.6	9.6
Long-term debt, including current portion	**4,889.8**	**5,130.7**	5,563.7	5,804.1

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.

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

	30 September 2014				30 September 2013			
	Total	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
Assets at Fair Value								
Derivatives								
Forward exchange contracts	**$93.4**	**$**	**$93.4**	**$**	$90.5	$	$90.5	$
Interest rate management contracts	**78.3**		**78.3**		35.4		35.4	
Total Assets at Fair Value	**$171.7**	**$**	**$171.7**	**$**	$125.9	$	$125.9	$
Liabilities at Fair Value								
Derivatives								
Forward exchange contracts	**$66.8**	**$**	**$66.8**	**$**	$31.7	$	$31.7	$
Interest rate management contracts	**19.1**		**19.1**		9.6		9.6	
Total Liabilities at Fair Value	**$85.9**	**$**	**$85.9**	**$**	$41.3	$	$41.3	$

During the fourth quarter ended 30 September 2014, we recognized a goodwill impairment charge of $305.2 and an intangible asset impairment charge of $4.9. Refer to Note 9, Goodwill, and Note 10, Intangible Assets, for more information related to these charges and the associated fair value measurements, which were classified as Level 3 since unobservable inputs were used in the valuation.

The following is a tabular presentation of nonrecurring fair value measurements along with the level within the fair value hierarchy in which the fair value measurement in its entirety falls:

		30 September 2013				2013
		Total	Level 1	Level 2	Level 3	Loss
Long-lived assets	Cost reduction plan[(A)]	$10.8	$	$	$10.8	$11.9
Long-lived assets	Discontinued operations[(B)]					18.7

(A) In conjunction with the 2013 business restructuring and cost reduction plan, long-lived assets held for sale were written down to fair value using a market approach based on prices for other market transactions and our assessment of value considering our knowledge of the markets. For additional information, see Note 4, Business Restructuring and Cost Reduction Actions.

(B) During 2013, an impairment charge was recorded for the remaining assets of the Homecare business to reflect their estimated net realizable value. For additional information, see Note 3, Discontinued Operations. We utilized a market approach to determine the fair value based on our current assessment of the markets for these assets.

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14. DEBT

The tables below summarize our outstanding debt at 30 September 2014 and 2013:

Total Debt

30 September	**2014**	2013
Short-term borrowings	**$1,228.7**	$709.9
Current portion of long-term debt	**65.3**	507.4
Long-term debt	**4,824.5**	5,056.3
Total Debt	**$6,118.5**	$6,273.6

Short-term Borrowings

30 September	**2014**	2013
Bank obligations	**$320.7**	$218.9
Commercial paper	**908.0**	491.0
Total Short-term Borrowings	**$1,228.7**	$709.9

The weighted average interest rate of short-term borrowings outstanding at 30 September 2014 and 2013 was 1.5% and 1.8%, respectively.

Cash paid for interest, net of amounts capitalized, was $132.4 in 2014, $136.1 in 2013, and $127.6 in 2012.

Long-term Debt

30 September	Fiscal Year Maturities	**2014**	2013
Payable in U.S. Dollars			
Debentures			
8.75%	2021	**$18.4**	$18.4
Medium-term Notes (weighted average rate)			
Series D 7.3%	2016	**32.1**	32.1
Series E 7.6%	2026	**17.2**	17.2
Senior Notes			
Note 2.0%	2016	**350.0**	350.0
Note 1.2%	2018	**400.0**	400.0
Note 4.375%	2019	**400.0**	400.0
Note 3.0%	2022	**400.0**	400.0
Note 2.75%	2023	**400.0**	400.0
Note 3.35%	2024	**400.0**	
Other (weighted average rate)			
Variable-rate industrial revenue bonds 0.04%	2021 to 2050	**917.1**	917.1
Commercial Paper 0.1%	2014		400.0
Other 2.5%	2015 to 2020	**25.3**	46.8
Payable in Other Currencies			
Eurobonds 3.75%	2014		405.7
Eurobonds 3.875%	2015	**378.9**	405.7
RMB Syndicated Credit Facility 4.05%	2014		40.9
Eurobonds 4.625%	2017	**378.9**	405.7
Eurobonds 2.0%	2020	**378.9**	405.7
CLP Series E bonds 6.3%	2030	**143.1**	163.8
Other 5.6%	2015 to 2022	**253.1**	358.7
Capital Lease Obligations			
United States 5.0%	2018	**1.0**	1.3

Foreign 9.2%	2017 to 2021	**1.5**	.3
Less: Unamortized Discount		**(5.7)**	(5.7)
Total Long-term Debt		**4,889.8**	5,563.7
Less: Current portion of long-term debt		**(65.3)**	(507.4)
Long-term Debt		**$4,824.5**	$5,056.3

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Maturities of long-term debt in each of the next five years and beyond are as follows:

2015	$444.2
2016	410.5
2017	424.8
2018	448.5
2019	422.5
Thereafter	2,739.3
Total	**$4,889.8**

A $400.0 senior fixed-rate 3.35% note was issued on 31 July 2014 that matures on 31 July 2024.

Various debt agreements to which we are a party also include financial covenants and other restrictions, including restrictions pertaining to the ability to create property liens and enter into certain sale and leaseback transactions. As of 30 September 2014, we are in compliance with all the financial and other covenants under our debt agreements.

On 30 April 2013, we entered into a five-year $2,500.0 revolving credit agreement with a syndicate of banks (the 2013 Credit Agreement), under which senior unsecured debt is available to us and certain of our subsidiaries until maturity on 30 April 2018. The 2013 Credit Agreement provides us with a source of liquidity and supports our commercial paper program. This credit facility includes a financial covenant for a maximum ratio of total debt to total capitalization (total debt plus total equity plus redeemable noncontrolling interest) no greater than 70%. On 30 June 2014, we amended the 2013 Credit Agreement to exercise our option to increase the facility to $2,595.0. All other terms remain unchanged from the original agreement. No borrowings were outstanding under the 2013 Credit Agreement as of 30 September 2014.

As of 30 September 2014, we have classified a 3.875% Eurobond for 300 million ($378.9) maturing in March 2015 as long-term debt because we have the ability to refinance the debt on a long-term basis under the 2013 Credit Agreement. Our current intent is to refinance this debt via the U.S. or European public or private placement markets.

Effective 11 June 2012, we entered into an offshore Chinese Renminbi (RMB) syndicated credit facility of RMB1,000.0 million ($160.9), that was to mature in June 2015. On 20 March 2014, we repaid the outstanding balance of RMB250.0 million ($40.2) and terminated the credit facility.

Additional commitments totaling $189.7 are maintained by our foreign subsidiaries, of which $180.6 was borrowed and outstanding at 30 September 2014.

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15. RETIREMENT BENEFITS

The Company and certain of its subsidiaries sponsor defined benefit pension plans and defined contribution plans that cover a substantial portion of its worldwide employees. The principal defined benefit pension plans are the U.S. salaried pension plan and the U.K. pension plan. These plans were closed to new participants in 2005 and were replaced with defined contribution plans. The principal defined contribution plan is the Retirement Savings Plan, in which a substantial portion of the U.S. employees participate; a similar plan is offered to U.K. employees. We also provide other postretirement benefits consisting primarily of healthcare benefits to U.S. retirees who meet age and service requirements.

Defined Benefit Pension Plans

Pension benefits earned are generally based on years of service and compensation during active employment. The cost of our defined benefit pension plans included the following components:

	2014		2013		2012	
	U.S.	**International**	U.S.	International	U.S.	International
Service cost	**$42.6**	**$36.0**	$51.8	$31.5	$45.1	$24.1
Interest cost	**130.7**	**67.2**	117.1	57.3	124.2	62.3
Expected return on plan assets	**(187.8)**	**(78.1)**	(185.4)	(71.2)	(178.2)	(66.7)
Amortization						
Net actuarial loss	**78.3**	**36.1**	116.0	27.0	78.6	17.4
Prior service cost	**2.9**	**.2**	2.9	.2	2.7	.5
Settlement loss	**4.8**	**.7**	11.5	.9		1.4
Special termination benefits	**.2**	**.1**	1.2	6.2	4.6	2.2
Other		**2.0**		2.7		2.2
Net Periodic Pension Cost	**$71.7**	**$64.2**	$115.1	$54.6	$77.0	$43.4

Our U.S. supplemental pension plan provides for a lump sum benefit payment option at the time of retirement, or for corporate officers, six months after the retirement date. Pension settlements are recognized when cash payments exceed the sum of the service and interest cost components of net periodic pension cost of the plan for the fiscal year. We recognized $5.5 and $12.4 of settlement losses in 2014 and 2013, respectively. Special termination benefits for 2014, 2013, and 2012 are primarily related to the cost reduction plans initiated in their respective years.

We calculate net periodic pension cost for a given fiscal year based on assumptions developed at the end of the previous fiscal year. The following table sets forth the weighted average assumptions used in the calculation of net periodic pension cost:

	2014		2013		2012	
	U.S.	**International**	U.S.	International	U.S.	International
Discount rate	**4.8%**	**4.3%**	3.9%	4.3%	4.9%	5.5%
Expected return on plan assets	**8.3%**	**6.5%**	8.3%	6.5%	8.8%	6.6%
Rate of compensation increase	**4.0%**	**3.7%**	4.0%	3.4%	4.0%	3.8%

The projected benefit obligation (PBO) is the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future salary increases. The following table sets forth the weighted average assumptions used in the calculation of the PBO:

	2014		2013	
	U.S.	**International**	U.S.	International
Discount rate	**4.3%**	**3.6%**	4.8%	4.3%
Rate of compensation increase	**3.5%**	**3.6%**	4.0%	3.7%

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The following table reflects the change in the PBO and the change in the fair value of plan assets based on the plan year measurement date, as well as the amounts recognized in the consolidated balance sheets:

	2014		2013	
	U.S.	**International**	U.S.	International
Change in Projected Benefit Obligation				
Obligation at beginning of year	**$2,809.0**	**$1,585.0**	$3,077.9	$1,408.6
Service cost	**42.6**	**36.0**	51.8	31.5
Interest cost	**130.7**	**67.2**	117.1	57.3
Amendments	**1.0**	**(.1)**	2.6	(4.4)
Actuarial (gain) loss	**135.4**	**130.3**	(318.5)	113.5
Settlement (gain) loss	**5.9**	**(1.9)**	8.9	(2.8)
Special termination benefits	**.2**	**.1**	1.2	6.2
Participant contributions		**2.4**		2.3
Benefits paid	**(123.1)**	**(50.1)**	(131.4)	(45.2)
Currency translation/other	**1.2**	**(33.2)**	(.6)	18.0
Obligation at End of Year	**$3,002.9**	**$1,735.7**	$2,809.0	$1,585.0
Change in Plan Assets				
Fair value at beginning of year	**$2,534.2**	**$1,266.6**	$2,099.8	$1,139.3
Actual return on plan assets	**317.6**	**116.3**	313.4	117.5
Company contributions	**17.5**	**60.7**	252.4	48.4
Participant contributions		**2.4**		2.3
Benefits paid	**(123.1)**	**(50.1)**	(131.4)	(45.2)
Settlements		**(1.9)**		(2.8)
Currency translation/other		**(25.6)**		7.1
Fair Value at End of Year	**$2,746.2**	**$1,368.4**	$2,534.2	$1,266.6
Funded Status at End of Year	**$(256.7)**	**$(367.3)**	$(274.8)	$(318.4)
Amounts Recognized				
Noncurrent assets	**$22.7**	**$.2**	$19.4	$1.1
Accrued liabilities	**(37.7)**		(14.7)	
Noncurrent liabilities	**(241.7)**	**(367.5)**	(279.5)	(319.5)
Net Amount Recognized	**$(256.7)**	**$(367.3)**	$(274.8)	$(318.4)

The changes in plan assets and benefit obligation that have been recognized in other comprehensive income on a pretax basis during 2014 and 2013 consist of the following:

	2014		2013	
	U.S.	**International**	U.S.	International
Net actuarial (gain) loss arising during the period	**$11.5**	**$92.9**	$(437.6)	$67.2
Amortization of net actuarial loss	**(83.1)**	**(36.8)**	(127.5)	(27.9)
Prior service cost (credit) arising during the period	**.9**	**(.1)**	2.6	(4.4)
Amortization of prior service cost	**(2.9)**	**(.2)**	(2.9)	(.2)
Total	**$(73.6)**	**$55.8**	$(565.4)	$34.7

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The net actuarial (gain) loss represents the actual changes in the estimated obligation and plan assets that have not yet been recognized in the consolidated income statement and are included in accumulated other comprehensive loss. Actuarial losses arising during 2014 are primarily attributable to lower discount rates, partially offset by higher than expected actual returns on plan assets. Actuarial gains and losses are not recognized immediately, but instead are accumulated as a part of the unrecognized net loss balance and amortized into net periodic pension cost over the average remaining service period of participating employees as certain thresholds are met.

The components recognized in accumulated other comprehensive loss on a pretax basis at 30 September consisted of:

	2014		2013	
	U.S.	**International**	U.S.	International
Net actuarial loss	**$798.2**	**$597.9**	$869.8	$541.8
Prior service cost	**11.7**	**1.1**	13.7	1.4
Net transition liability		**.4**		.4
Total	**$809.9**	**$599.4**	$883.5	$543.6

The amount of accumulated other comprehensive loss at 30 September 2014 that is expected to be recognized as a component of net periodic pension cost during fiscal year 2015, excluding amounts that may be recognized through settlement losses, is as follows:

	U.S.	International
Net actuarial loss	$79.7	$43.2
Prior service cost	2.6	.2

The accumulated benefit obligation (ABO) is the actuarial present value of benefits attributed to employee service rendered to a particular date, based on current salaries. The ABO for all defined benefit pension plans was $4,360.0 and $3,990.7 at the end of 2014 and 2013, respectively.

The following table provides information on pension plans where the benefit liability exceeds the value of plan assets:

	30 September 2014		30 September 2013	
	U.S.	**International**	U.S.	International
Pension Plans with PBO in Excess of Plan Assets:				
PBO	**$2,786.6**	**$1,723.9**	$2,607.6	$1,558.7
Fair value of plan assets	**2,507.3**	**1,356.6**	2,313.4	1,239.4
Pension Plans with ABO in Excess of Plan Assets:				
ABO	**$131.4**	**$1,553.9**	$139.3	$1,401.3
Fair value of plan assets		**1,318.4**		1,205.8

Included in the tables above are several pension arrangements that are not funded because of jurisdictional practice. The ABO and PBO related to these plans for 2014 were $136.7 and $147.7, respectively.

Pension Plan Assets

Our pension plan investment strategy is to invest in diversified portfolios to earn a long-term return consistent with acceptable risk in order to pay retirement benefits and meet regulatory funding requirements while minimizing company cash contributions over time. The plans invest primarily in passive and actively managed equity and debt securities. Equity investments are diversified geographically and by investment style and market capitalization. Company stock is only included in plan assets as a component of index funds. Fixed income investments include sovereign, corporate and asset-backed securities generally denominated in the currency of the plan.

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Asset allocation targets are established based on the long-term return, volatility and correlation characteristics of the asset classes, the profiles of the plans liabilities, and acceptable levels of risk. Actual allocations vary from target due to market changes and are reviewed regularly. Assets are routinely rebalanced through contributions, benefit payments, and otherwise as deemed appropriate. The actual and target allocations at the measurement date are as follows:

	2014 Target Allocation		2014 Actual Allocation		2013 Actual Allocation	
Asset Category	**U.S.**	**International**	**U.S.**	**International**	U.S.	International
Equity securities	**60 80%**	**55 66%**	**70%**	**61%**	71%	61%
Debt securities	**20 30%**	**33 44%**	**25%**	**37%**	23%	36%
Real estate/other	**0 10%**	**0 2%**	**5%**	**1%**	5%	1%
Cash			**0%**	**1%**	1%	2%
Total			**100%**	**100%**	100%	100%

The 8.3% expected return for U.S. plan assets is based on a weighted average of estimated long-term returns of major asset classes and the historical performance of plan assets. The estimated long-term return for equity, debt securities, and real estate is 9.2%, 5.6%, and 7.3%, respectively. In determining asset class returns, we take into account historical long-term returns and the value of active management, as well as other economic and market factors.

The 6.5% expected rate of return for international plan assets is based on a weighted average return for plans outside the U.S., which vary significantly in size, asset structure and expected returns. The expected asset return for the U.K. plan, which represents over 75% of the assets of our International plans, is 7.0% and can be derived from expected equity and debt security returns of 7.6% and 4.6%, respectively.

The following table summarizes pension plan assets measured at fair value by asset class (see Note 14, Fair Value Measurements, for definition of the levels):

	30 September 2014				30 September 2013			
	Total	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
U.S. Qualified Pension Plans								
Cash and cash equivalents	**$9.9**	**$9.9**	**$**	**$**	$10.1	$10.1	$	$
Equity securities	**724.5**	**724.5**			764.3	764.3		
Equity mutual funds	**535.0**	**535.0**			487.0	487.0		
Equity pooled funds	**651.6**		**651.6**		561.4		561.4	
Fixed income:								
Bonds (government and corporate)	**636.8**		**636.8**		12.5		12.5	
Mortgage and asset-backed securities	**12.8**		**12.8**		14.7		14.7	
Mutual funds	**25.4**	**25.4**			24.0	24.0		
Pooled funds					527.4		527.4	
Real estate pooled funds	**150.2**			**150.2**	132.8			132.8
Total U.S. Qualified Pension Plans	**$2,746.2**	**$1,294.8**	**$1,301.1**	**$150.2**	$2,534.2	$1,285.4	$1,116.0	$132.8
International Pension Plans								
Cash and cash equivalents	**$11.0**	**$11.0**	**$**	**$**	$16.9	$16.9	$	$
Equity pooled funds	**837.2**		**837.2**		776.0		776.0	
Fixed income pooled funds	**440.9**		**440.9**		385.3		385.3	
Other pooled funds	**19.6**		**10.3**	**9.3**	20.1		10.7	9.4
Insurance contracts	**59.7**			**59.7**	68.3			68.3
Total International Pension Plans	**$1,368.4**	**$11.0**	**$1,288.4**	**$69.0**	$1,266.6	$16.9	$1,172.0	$77.7

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The following table summarizes changes in fair value of the pension plan assets classified as Level 3, by asset class:

	Real Estate Pooled Funds	Other Pooled Funds	Insurance Contracts	Total
30 September 2012	$115.0	$8.7	$63.5	$187.2
Actual return on plan assets:				
Assets held at end of year	17.8	1.6	5.6	25.0
Assets sold during the period		.2		.2
Purchases, sales, and settlements, net		(1.1)	(.8)	(1.9)
30 September 2013	$132.8	$9.4	$68.3	$210.5
Actual return on plan assets:				
Assets held at end of year	17.4	(.9)		16.5
Assets sold during the period		1.2		1.2
Purchases, sales, and settlements, net		(.4)	(8.6)	(9.0)
30 September 2014	**$150.2**	**$9.3**	**$59.7**	**$219.2**

The descriptions and fair value methodologies for the U.S. and International pension plan assets are as follows:

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term maturity.

Equity Securities

Equity securities are valued at the closing market price reported on a U.S. exchange where the security is actively traded and are therefore classified as Level 1 assets.

Mutual Funds

Shares of mutual funds are valued at their published closing net asset value (NAV) and are classified as Level 1 assets.

Pooled Funds

Securities are valued at the NAV of the shares held at year end, which is based on the fair value of the underlying investments, and are classified as Level 2 assets.

Corporate and Government Bonds

Corporate and government bonds are classified as Level 2 assets, as they are either valued at quoted market prices from observable pricing sources at the reporting date or valued based upon comparable securities with similar yields and credit ratings.

Mortgage and Asset-Backed Securities

Securities are classified as Level 2 assets, as they are either valued at quoted market prices from observable pricing sources at the reporting date or valued based upon comparable securities with similar yields, credit ratings, and purpose of the underlying loan.

Real Estate Pooled Funds

Funds are classified as Level 3 assets, as they are carried at the estimated fair value of the underlying properties. Estimated fair value is calculated utilizing a combination of key inputs, such as revenue and expense growth rates, terminal capitalization rates, and discount rates. These key inputs are consistent with practices prevailing within the real estate investment management industry.

Other Pooled Funds

Securities classified as Level 2 assets are valued at the NAV of the shares held at year end, which is based on the fair value of the underlying investments. Securities and interests classified as Level 3 are carried at the estimated fair value of the underlying investments. The underlying investments are valued based on bids from brokers or other third-party vendor sources that utilize expected cash flow streams and other uncorroborated data, including counterparty credit quality, default risk, discount rates, and the overall capital market liquidity.

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Insurance Contracts

Insurance contracts are classified as Level 3 assets, as they are carried at contract value, which approximates the estimated fair value. The estimated fair value is based on the fair value of the underlying investment of the insurance company.

Contributions and Projected Benefit Payments

Pension contributions for fiscal year 2014 were $78.2. These contributions resulted from an assessment of long-term funding requirements of the plans and tax planning. We anticipate contributing $130 to $150 to the defined benefit pension plans in 2015. The increase from prior year is driven primarily by benefit payments for unfunded plans, which are dependent upon timing of retirements and actions to reorganize the business.

Projected benefit payments, which reflect expected future service, are as follows:

	U.S.	International
2015	$122.5	$51.8
2016	129.0	54.6
2017	138.6	55.4
2018	145.4	16.5
2019	154.0	16.3
2020 2024	899.2	111.6

These estimated benefit payments are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

Defined Contribution Plans

We maintain a nonleveraged employee stock ownership plan (ESOP) which forms part of the Air Products and Chemicals, Inc. Retirement Savings Plan (RSP). The ESOP was established in May of 2002. The balance of the RSP is a qualified defined contribution plan including a 401(k) elective deferral component. A substantial portion of U.S. employees are eligible and participate.

We treat dividends paid on ESOP shares as ordinary dividends. Under existing tax law, we may deduct dividends which are paid with respect to shares held by the plan. Shares of the Company s common stock in the ESOP totaled 3,617,114 as of 30 September 2014.

We match a portion of the participants contributions to the RSP and other various worldwide defined contribution plans. Our contributions to the RSP include a Company core contribution for certain eligible employees who do not receive their primary retirement benefit from the defined benefit pension plans, with the core contribution based on a percentage of pay that is dependent on years of service. For the RSP, we also make matching contributions on overall employee contributions as a percentage of the employee contribution and include an enhanced contribution for certain eligible employees that do not participate in the defined benefit pension plans. Worldwide contributions expensed to income in 2014, 2013, and 2012 were $45.2, $40.6, and $33.9, respectively.

Other Postretirement Benefits

We provide other postretirement benefits consisting primarily of healthcare benefits to certain U.S. retirees who meet age and service requirements. The healthcare benefit is a continued medical benefit until the retiree reaches age 65. Healthcare benefits are contributory, with contributions adjusted periodically. The retiree medical costs are capped at a specified dollar amount, with the retiree contributing the remainder.

The cost of our other postretirement benefit plans includes the following components:

	2014	2013	2012
Service cost	**$3.3**	$4.3	$4.5
Interest cost	**2.3**	1.9	3.9

Amortization of net actuarial loss	**1.7**	2.3	2.9
Net Periodic Postretirement Cost	**$7.3**	$8.5	$11.3

We calculate net periodic postretirement cost for a given fiscal year based on assumptions developed at the end of the previous fiscal year. The discount rate assumption used in the calculation of net periodic postretirement cost for 2014, 2013, and 2012 was 2.4%, 1.9%, and 3.7%, respectively.

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We measure the other postretirement benefits as of 30 September. The discount rate assumption used in the calculation of the accumulated postretirement benefit obligation was 2.6% and 2.4% for 2014 and 2013, respectively.

The following table reflects the change in the accumulated postretirement benefit obligation and the amounts recognized in the consolidated balance sheets:

	2014	2013
Obligation at beginning of year	**$99.9**	$119.9
Service cost	**3.3**	4.3
Interest cost	**2.3**	1.9
Actuarial gain	**(3.0)**	(14.5)
Benefits paid	**(9.0)**	(11.7)
Obligation at End of Year	**$93.5**	$99.9
Amounts Recognized		
Accrued liabilities	**$10.7**	$10.9
Noncurrent liabilities	**82.8**	89.0

The changes in benefit obligation that have been recognized in other comprehensive income on a pretax basis during 2014 and 2013 for our other postretirement benefit plans consist of the following:

	2014	2013
Net actuarial gain arising during the period	**$(3.0)**	$(14.5)
Amortization of net actuarial loss	**(1.7)**	(2.3)
Total	**$(4.7)**	$(16.8)

The net actuarial loss recognized in accumulated other comprehensive loss on a pretax basis was $15.0 at 30 September 2014 and $19.7 at 30 September 2013. Of the 30 September 2014 net actuarial loss, it is estimated that $1.1 will be amortized into net periodic postretirement cost during fiscal year 2015.

The assumed healthcare trend rates are as follows:

	2014	2013
Healthcare trend rate	**7%**	7.5%
Ultimate trend rate	**5%**	5%
Year the ultimate trend rate is reached	**2019**	2019

The effect of a change in the healthcare trend rate is tempered by a cap on the average retiree medical cost. The impact of a one percentage point change in the assumed healthcare cost trend rate on net periodic postretirement cost and the obligation is not material.

Projected benefit payments are as follows:

2015	$10.9
2016	11.0
2017	10.8
2018	10.6
2019	10.3
2020 2024	42.9

These estimated benefit payments are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

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16. COMMITMENTS AND CONTINGENCIES

Litigation

We are involved in various legal proceedings, including commercial, 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 $73 at 30 September 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.

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 $73 at 30 September 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 30 September 2014 and 2013 included an accrual of $86.2 and $86.7, 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 $86 to a reasonably possible upper exposure of $99 as of 30 September 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 30 September 2014, $32.0 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 $42.0 as a component of income from

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discontinued operations and recorded an environmental accrual of $42.0 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, Florida 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.

Piedmont

At 30 September 2014, $18.8 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 $24.0 as a component of income from discontinued operations and recorded an environmental liability of $24.0 in continuing operations on the consolidated balance sheets. There has been no change to the estimated exposure.

Paulsboro

At 30 September 2014, $4.4 of the environmental accrual was related to the Paulsboro site.

During the first quarter of 2009, management committed to a plan to sell the production facility in Paulsboro, New Jersey, and recognized a $16.0 environmental liability associated with this site. In December 2009, we completed the sale of this facility. We are required by state and federal law to investigate and, if contaminated, remediate a site upon its sale. The change in the liability balance since it was established is a result of spending and better definition of our exposure gained through the site remedial investigation process. We estimate that it will take several years to complete the remediation efforts at this site.

Pasadena

At 30 September 2014, $12.3 of the environmental accrual was related to the Pasadena site.

During the fourth quarter of 2012, management committed to permanently shutting down our PUI production facility in Pasadena, Texas. In shutting down and dismantling the facility, we will undertake 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 $13.0. There has been no change to the estimated exposure.

Asset Retirement Obligations

Our asset retirement obligations are primarily associated with Tonnage Gases on-site long-term supply contracts, under which we have built a facility on land owned by the customer and are obligated to remove the facility at the end of the contract term. The retirement of assets includes the contractually required removal of a long-lived asset from service, and encompasses the sale, removal, abandonment, recycling, or disposal of the assets as required at the end of the contract terms. The timing and/or method of settlement of these obligations are conditional on a future event that may or may not be within our control.

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Changes to the carrying amount of our asset retirement obligations are as follows:

Balance at 30 September 2012	$76.7
Additional accruals	12.9
Liabilities settled	(3.6)
Accretion expense	3.4
Currency translation adjustment	.4
Balance at 30 September 2013	$89.8
Additional accruals	5.6
Liabilities settled	(4.9)
Accretion expense	5.2
Currency translation adjustment	(1.7)
Balance at 30 September 2014	**$94.0**

These obligations are primarily reflected in other noncurrent liabilities on the consolidated balance sheets.

Guarantees and Warranties

We are party to an equity support agreement and operations guarantee related to an air separation facility constructed in Trinidad for a venture in which we own 50%. At 30 September 2014, maximum potential payments under joint and several guarantees were $42.4. Exposures under the guarantee decline over time and will be completely extinguished by 2024.

During the first quarter of 2014, we sold the remaining portion of our Homecare business and entered into an operations guarantee related to obligations under certain homecare contracts assigned in connection with the transaction. Our maximum potential payment under the guarantee is £20 million (approximately $32 at 30 September 2014), and our exposure will be extinguished by 2020.

To date, no equity contributions or payments have been required since the inception of these guarantees. The fair value of the above guarantees is not material.

We, in the normal course of business operations, have issued product warranties in our Equipment business. Also, contracts often contain standard terms and conditions which typically include a warranty and indemnification to the buyer that the goods and services purchased do not infringe on third-party intellectual property rights. The provision for estimated future costs relating to warranties is not material to the consolidated financial statements.

We do not expect that any sum we may have to pay in connection with guarantees and warranties will have a material adverse effect on our consolidated financial condition, liquidity, or results of operations.

Put Option Agreements

In 2002, we entered into a put option agreement as part of the purchase of an additional interest in Air Products San Fu Company, Ltd. (San Fu), an industrial gas company in Taiwan. Currently, we have an ownership interest of 74% in San Fu. Put options were issued which give other shareholders the right to sell San Fu stock to us at market price when exercised. The options are effective through January 2015 and required six months notice to allow for the sale of all stock owned by other shareholders to us. We have not received notice of exercise under the terms of the agreement. As such, this put option is no longer considered an obligation of the Company.

In July 2012, we entered into an agreement that provides the largest minority shareholder of Indura S.A. a right to exercise a put option to require Air Products to purchase up to a 30.5% equity interest (approximately 16.3 million shares) during the two-year period beginning on 1 July 2015. We determined that the put option is embedded within minority interest shares that are subject to the put option. Therefore, the put option is accounted for within Redeemable Noncontrolling Interest in our consolidated balance sheets. Refer to Note 5, Business Combinations, and Note 20, Noncontrolling Interests, for further details.

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Unconditional Purchase Obligations

We are obligated to make future payments under unconditional purchase obligations as summarized below:

2015	$929
2016	154
2017	81
2018	65
2019	63
Thereafter	256
Total	$1,548

Approximately $650 of our long-term unconditional purchase obligations relate to feedstock supply for numerous HyCO (hydrogen, carbon monoxide, and syngas) facilities. The price of feedstock supply is principally related to the price of natural gas. However, long-term take-or-pay sales contracts to HyCO customers are generally matched to the term of the feedstock supply obligations and provide recovery of price increases in the feedstock supply. Due to the matching of most long-term feedstock supply obligations to customer sales contracts, we do not believe these purchase obligations would have a material effect on our financial condition or results of operations.

The unconditional purchase obligations also include other product supply and purchase commitments and electric power and natural gas supply purchase obligations, which are primarily pass-through contracts with our customers. In addition, purchase commitments to spend approximately $700 for additional plant and equipment are included in the unconditional purchase obligations in 2015.

17. CAPITAL STOCK

Common Stock

Authorized common stock consists of 300 million shares with a par value of $1 per share. As of 30 September 2014, 249 million shares were issued, with 214 million outstanding.

On 15 September 2011, the Board of Directors authorized the repurchase of up to $1,000 of our outstanding common stock. We repurchase shares pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended, through repurchase agreements established with several brokers. We did not purchase any of our outstanding shares during fiscal year 2014. At 30 September 2014, $485.3 in share repurchase authorization remains.

The following table reflects the changes in common shares:

Year ended 30 September	**2014**	2013	2012
Number of Common Shares Outstanding			
Balance, beginning of year	**211,179,257**	212,475,880	210,185,256
Purchase of treasury shares		(5,721,017)	(594,916)
Issuance of treasury shares for stock option and award plans	**2,358,887**	4,424,394	2,885,540
Balance, end of year	**213,538,144**	211,179,257	212,475,880

Preferred Stock

Authorized preferred stock consists of 25 million shares with a par value of $1 per share, of which 2.5 million were designated as Series A Junior Participating Preferred Stock in accordance with the Shareholder Rights Plan discussed below. The plan expired in the fourth quarter of 2014; however, the shares remain designated. At 30 September 2014, no shares of the preferred stock were issued or outstanding.

Shareholder Rights Plan

On 24 July 2013, the Board of Directors unanimously adopted a limited duration Shareholder Rights Plan under which common stockholders received an associated right to purchase one one-thousandth (1/1,000) of a share of Series A Junior Participating Preferred Stock. These rights

would have been exercisable if a person or group acquired beneficial ownership of 10 percent (or 20 percent in the case of institutional investors filing on Schedule 13G) or more of our common stock in a transaction not approved by our Board of Directors. There were no shares issued under the plan and it expired on 24 July 2014.

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18. SHARE-BASED COMPENSATION

We have various share-based compensation programs, which include stock options, deferred stock units, 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 exercise of stock options, the payout of deferred stock units, and the issuance of restricted stock awards. As of 30 September 2014, there were 5,591,547 shares available for future grant under our Long-Term Incentive Plan, which is shareholder approved.

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

	2014	2013	2012
Before-Tax Share-Based Compensation Cost	**$44.0**	$43.5	$43.8
Income tax benefit	**(15.6)**	(15.7)	(15.7)
After-Tax Share-Based Compensation Cost	**$28.4**	$27.8	$28.1

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 2014, 2013, and 2012 was not material.

Total before-tax share-based compensation cost by type of program was as follows:

	2014	2013	2012
Stock options	**$21.6**	$21.5	$22.1
Deferred stock units	**20.2**	19.6	19.5
Restricted stock	**2.2**	2.4	2.2
Before-Tax Share-Based Compensation Cost	**$44.0**	$43.5	$43.8

Stock Options

We have granted awards of options to purchase common stock to executives and selected employees. The exercise price of stock options equals the market price of our stock on the date of the grant. Options generally vest incrementally over three years, and remain exercisable for ten years from the date of grant.

Fair values of stock options were estimated using a Black Scholes model that used the assumptions noted in the table below. Expected volatility and expected dividend yield are based on actual historical experience of our stock and dividends over the historical period equal to the expected life. The expected life represents the period of time that options granted are expected to be outstanding based on an analysis of Company-specific historical exercise data. The range given below results from certain groups of employees exhibiting different behavior. Groups of employees that have similar historical exercise behavior were considered separately for valuation purposes. The risk-free rate is based on the U.S. Treasury Strips with terms equal to the expected time of exercise as of the grant date.

	2014	2013	2012
Expected volatility	**29.8% 31.1%**	28.6% 30.4%	29.0% 30.4%
Expected dividend yield	**2.4% 2.9%**	2.4%	2.3%
Expected life (in years)	**6.5 8.4**	7.3 9.1	7.3 9.0
Risk-free interest rate	**2.0% 2.7%**	1.2% 1.5%	1.7% 2.1%

The weighted average grant-date fair value of options granted during 2014, 2013, and 2012 was $29.10, $19.85, and $21.43, per option, respectively.

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A summary of stock option activity is presented below:

Stock Options	Shares (000)	Weighted Average Exercise Price
Outstanding at 30 September 2013	8,612	$75.69
Granted	933	111.26
Exercised	(2,181)	65.29
Forfeited	(80)	94.90
Outstanding at 30 September 2014	**7,284**	**$83.14**
Exercisable at 30 September 2014	**5,346**	**$78.64**

Stock Options	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value
Outstanding at 30 September 2014	**5.6**	**$343**
Exercisable at 30 September 2014	**4.5**	**$276**

The aggregate intrinsic value represents the amount by which our closing stock price of $130.18 as of 30 September 2014 exceeds the exercise price multiplied by the number of in-the-money options outstanding or exercisable.

The total intrinsic value of stock options exercised during 2014, 2013, and 2012 was $125.3, $170.4, and $110.6, respectively.

Compensation cost is generally recognized over the stated vesting period consistent with the terms of the arrangement (i.e., either on a straight-line or graded-vesting basis). Expense recognition is accelerated for retirement-eligible individuals who would meet the requirements for vesting of awards upon their retirement. As of 30 September 2014, there was $13.6 of unrecognized compensation cost related to nonvested stock options, which is expected to be recognized over a weighted average period of 2.2 years.

Cash received from option exercises during 2014 was $141.6. The total tax benefit realized from stock option exercises in 2014 was $43.4, of which $23.6 was the excess tax benefit.

Deferred Stock Units and Restricted Stock

The grant-date fair value of deferred stock units and restricted stock is estimated on the date of grant based on the market price of the stock, and compensation cost is generally amortized to expense on a straight-line basis over the vesting period during which employees perform related services. Expense recognition is accelerated for retirement-eligible individuals who would meet the requirements for vesting of awards upon their retirement.

Deferred Stock Units

We have granted deferred stock units to executives, selected employees, and outside directors. These deferred stock units entitle the recipient to one share of common stock upon vesting, which is conditioned, for employee recipients, on continued employment during the deferral period and may also be conditioned on achieving certain performance targets. The deferral period for some units ends after death, disability, or retirement. The deferral period for other performance-based deferred stock units ends at the end of the performance period (one to three years). Additionally, we have granted deferred stock units, subject to a two- to five-year deferral period. Deferred stock units issued to directors are paid after service on the Board of Directors ends at the time elected by the director (not to exceed 10 years after service ends).

Deferred Stock Units	Shares (000)	Weighted Average Grant-Date Fair Value
Outstanding at 30 September 2013	1,264	$75.64
Granted	229	108.54
Paid out	(289)	78.13
Forfeited/adjustments	(68)	85.51

Outstanding at 30 September 2014	**1,136**	**$81.03**

Cash payments made for deferred stock units were $2.1, $1.9, and $1.8 in 2014, 2013, and 2012, respectively. As of 30 September 2014, there was $22.6 of unrecognized compensation cost related to deferred stock units. The cost is

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expected to be recognized over a weighted average period of 2.4 years. The total fair value of deferred stock units paid out during 2014, 2013, and 2012, including shares vested in prior periods, was $31.8, $32.3, and $22.0, respectively.

Restricted Stock

We have issued shares of restricted stock to certain officers. Participants are entitled to cash dividends and to vote their respective shares. Restrictions on shares lift in one to four years or upon earlier retirement, death, or disability. The shares are nontransferable while subject to forfeiture.

Restricted Stock	Shares (000)	Weighted Average Grant-Date Fair Value
Outstanding at 30 September 2013	124	$78.51
Granted	50	123.77
Vested	(98)	77.33
Forfeited	(3)	82.41
Outstanding at 30 September 2014	**73**	**$110.75**

As of 30 September 2014, there was $5.5 of unrecognized compensation cost related to restricted stock awards. The cost is expected to be recognized over a weighted average period of 2.9 years. The total fair value of restricted stock vested during 2014, 2013, and 2012 was $12.1, $4.4, and $2.0, respectively.

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

The table below summarizes changes in accumulated other comprehensive loss (AOCL), net of tax, attributable to Air Products:

	Net loss on derivatives qualifying as hedges	Foreign currency translation adjustments	Pension and postretirement benefits	Total
Balance at 30 September 2011	**$(9.5)**	**$(130.9)**	**$(1,113.0)**	**$(1,253.4)**
Other comprehensive income (loss) before reclassifications	(21.8)	84.6	(246.0)	(183.2)
Amounts reclassified from AOCL	12.4	13.3	67.0	92.7
Net current period other comprehensive income (loss)	$(9.4)	$97.9	$(179.0)	$(90.5)
Amount attributable to noncontrolling interest		5.8	(.9)	4.9
Balance at 30 September 2012	**$(18.9)**	**$(38.8)**	**$(1,291.1)**	**$(1,348.8)**
Other comprehensive income (loss) before reclassifications	35.0	(25.0)	231.9	241.9
Amounts reclassified from AOCL	(20.2)	.6	104.9	85.3
Net current period other comprehensive income (loss)	$14.8	$(24.4)	$336.8	$327.2
Amount attributable to noncontrolling interest		(1.7)	.7	(1.0)
Balance at 30 September 2013	**$(4.1)**	**$(61.5)**	**$(955.0)**	**$(1,020.6)**
Other comprehensive income (loss) before reclassifications	(15.2)	(213.1)	(74.2)	(302.5)
Amounts reclassified from AOCL	(9.1)		84.7	75.6
Net current period other comprehensive income (loss)	$(24.3)	$(213.1)	$10.5	$(226.9)
Amount attributable to noncontrolling interest	.1	(5.9)	.2	(5.6)
Balance at 30 September 2014	**$(28.5)**	**$(268.7)**	**$(944.7)**	**$(1,241.9)**

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

	2014	2013	2012
(Gain) Loss on Cash Flow Hedges, net of tax			
Sales/cost of sales	**$.7**	$1.0	$1.3
Other income/expense, net	**(8.7)**	(21.5)	9.9
Interest expense	**(1.1)**	.3	1.2
Total (Gain) Loss on Cash Flow Hedges, net of tax	**$(9.1)**	$(20.2)	$12.4
Pension and Postretirement Benefits, net of tax[A]	**$84.7**	$104.9	$67.0
Currency Translation Adjustment[B]	**$**	$.6	$13.3

(A) The components include prior service cost amortization, actuarial loss amortization, and settlements and are reflected in net periodic benefit cost. Refer to Note 15, Retirement Benefits.

(B) The impact is reflected in Income from Discontinued Operations, net of tax.

20. NONCONTROLLING INTERESTS

INDURA S.A.

Redeemable Noncontrolling Interest

In 2012, we purchased a 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.

The following is a summary of the changes in redeemable noncontrolling interest for the year ended 30 September:

	2014	2013
Balance at beginning of year	**$375.8**	$392.5
Net income (loss) [A]	**(27.4)**	8.1
Dividends	**(4.7)**	(1.1)
Currency translation adjustment	**(56.5)**	(23.7)
Balance at 30 September	**$287.2**	$375.8

(A) The 2014 net loss includes $32.5 for the goodwill and intangible asset impairment charge. Refer to Note 9, Goodwill, and Note 10, Intangible Assets, to the consolidated financial statements for additional details.

As redeemable noncontrolling interest is not part of total equity, the impacts above are excluded from our consolidated statements of equity.

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21. EARNINGS PER SHARE

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

30 September	**2014**	2013	2012
Numerator			
Income from continuing operations	**$987.1**	$1,004.2	$999.2
Income (Loss) from discontinued operations	**4.6**	(10.0)	168.1
Net Income Attributable to Air Products	**$991.7**	$994.2	$1,167.3
Denominator (in millions)			
Weighted average common shares Basic	**212.7**	209.7	211.2
Effect of dilutive securities			
Employee stock option and other award plans	**2.5**	2.6	3.5
Weighted average common shares Diluted	**215.2**	212.3	214.7
Basic EPS Attributable to Air Products			
Income from continuing operations	**$4.64**	$4.79	$4.73
Income (Loss) from discontinued operations	**.02**	(.05)	.80
Net Income Attributable to Air Products	**$4.66**	$4.74	$5.53
Diluted EPS Attributable to Air Products			
Income from continuing operations	**$4.59**	$4.73	$4.66
Income (Loss) from discontinued operations	**.02**	(.05)	.78
Net Income Attributable to Air Products	**$4.61**	$4.68	$5.44

Diluted EPS attributable to Air Products reflects the potential dilution that could occur if stock options or other share-based awards were exercised or converted into common stock. The dilutive effect is computed using the treasury stock method, which assumes all share-based awards are exercised and the hypothetical proceeds from exercise are used by the Company to purchase common stock at the average market price during the period. The incremental shares (difference between shares assumed to be issued versus purchased), to the extent they would have been dilutive, are included in the denominator of the diluted EPS calculation. Options on .6 million shares, 2.1 million shares, and 3.6 million shares were antidilutive and therefore excluded from the computation of diluted EPS for 2014, 2013, and 2012, respectively.

22. INCOME TAXES

The following table summarizes the income of U.S. and foreign operations before taxes:

	2014	2013	2012
Income from Continuing Operations before Taxes			
United States	**$555.9**	$428.5	$518.6
Foreign	**647.2**	754.1	640.1
Income from equity affiliates	**151.4**	167.8	153.8
Total	**$1,354.5**	$1,350.4	$1,312.5

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The following table shows the components of the provision for income taxes:

	2014	2013	2012
Current Tax Provision			
Federal	**$17.2**	$97.6	$43.1
State	**12.8**	6.5	9.6
Foreign	**210.5**	191.0	173.9
	240.5	295.1	226.6
Deferred Tax Provision			
Federal	**98.2**	27.7	76.5
State	**(2.7)**	(7.8)	4.0
Foreign	**30.0**	(7.1)	(19.8)
	125.5	12.8	60.7
Income Tax Provision	**$366.0**	$307.9	$287.3

A reconciliation of the differences between the United States federal statutory tax rate and the effective tax rate is as follows:

(Percent of income before taxes)	**2014**	2013	2012
U.S. federal statutory tax rate	**35.0%**	35.0%	35.0%
State taxes, net of federal benefit	**.5**	.5	.7
Income from equity affiliates	**(3.9)**	(4.3)	(4.0)
Foreign taxes and credits	**(10.0)**	(6.9)	(8.6)
Domestic production activities	**(.7)**	(.6)	(.9)
Tax audit settlements and adjustments			(1.1)
Non-deductible goodwill impairment charge	**8.0**		
Non-U.S. subsidiary tax election	**(3.8)**		
Other [(A)]	**1.9**	(.9)	.8
Effective Tax Rate	**27.0%**	22.8%	21.9%

(A) Other includes the impact of Chilean tax rate changes of 1.5% in 2014 and 1.1% in 2012.

Income tax payments, net of refunds, were $160.6 in 2014, $325.5 in 2013, and $255.7 in 2012.

In 2014, the effective tax rate was impacted by losses from transactions and a tax election made with respect to a non-U.S. subsidiary resulting in an income tax benefit of $51.6. This benefit was partially offset by income tax expense of $20.6 related to the recent tax reform legislation enacted in Chile. The effective tax rate was also impacted by the goodwill impairment charge of $305.2 that was not deductible for tax purposes. See Note 9, Goodwill, for additional information regarding the impairment charge.

The significant components of deferred tax assets and liabilities are as follows:

30 September	**2014**	2013
Gross Deferred Tax Assets		
Retirement benefits and compensation accruals	**$348.9**	$347.2
Tax loss carryforwards	**125.0**	53.3
Tax credits and other tax carryforwards	**78.1**	66.6
Reserves and accruals	**80.1**	140.3
Currency losses		34.8
Other	**46.1**	40.1
Valuation allowance	**(103.8)**	(44.7)
Deferred Tax Assets	**574.4**	637.6

Gross Deferred Tax Liabilities		
Plant and equipment	**1,089.5**	1,066.4
Currency gains	**18.2**	
Unremitted earnings of foreign entities	**100.0**	80.6
Intangible assets	**150.0**	135.5
Other	**22.8**	17.8
Deferred Tax Liabilities	**1,380.5**	1,300.3
Net Deferred Income Tax Liability	**$806.1**	$662.7

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Deferred tax assets and liabilities are included within the consolidated financial statements as follows:

	2014	2013
Deferred Tax Assets		
Other receivables and current assets	**$136.0**	$115.3
Other noncurrent assets	**56.6**	53.1
Total Deferred Tax Assets	**192.6**	168.4
Deferred Tax Liabilities		
Payables and accrued liabilities	**3.2**	3.9
Deferred income taxes	**995.5**	827.2
Total Deferred Tax Liabilities	**998.7**	831.1
Net Deferred Income Tax Liability	**$806.1**	$662.7

Gross federal loss and tax credit carryforwards as of 30 September 2014 were $156.9 and $30.1, respectively. The federal loss carryforward is primarily a capital loss due to the tax election related to a non-U.S. subsidiary. This capital loss expires in 2019. The federal tax credit carryforwards have expiration periods between 2023 and 2033. Gross state loss and tax credit carryforwards as of 30 September 2014 were $372.2 and $4.0, respectively. The state tax carryforwards have expiration periods between 2015 and 2034. Gross foreign loss and tax credit carryforwards as of 30 September 2014 were $228.3 and $44.0, respectively. Foreign tax carryforwards of $162.5 have expiration periods between 2015 and 2030; the remainder have unlimited carryforward periods.

The valuation allowance as of 30 September 2014 primarily related to the tax benefit of the federal capital loss carryforward of $53.9 and the foreign loss carryforwards of $40.6. The increase in the valuation allowance was primarily due to the capital loss generated from the tax election related to a non-U.S. subsidiary. If events warrant the reversal of the $103.8 valuation allowance, it would result in a reduction of tax expense. We believe it is more likely than not that future earnings and reversal of deferred tax liabilities will be sufficient to utilize our deferred tax asset, net of existing valuation allowance, at 30 September 2014.

We record U.S. income taxes on the undistributed earnings of our foreign subsidiaries and corporate joint ventures unless those earnings are permanently reinvested outside of the U.S. These cumulative undistributed earnings that are considered to be permanently reinvested in foreign subsidiaries and corporate joint ventures are included in retained earnings on the consolidated balance sheets and amounted to $5,894.2 as of 30 September 2014. An estimated $1,466.2 in U.S. income and foreign withholding taxes would be due if these earnings were remitted as dividends after payment of all deferred taxes. As more than 80% of the undistributed earnings are in countries with a statutory tax rate of 24% or higher, we do not generate a disproportionate amount of taxable income in countries with very low tax rates.

A reconciliation of the beginning and ending amount of the unrecognized tax benefits is as follows:

Unrecognized Tax Benefits	**2014**	2013	2012
Balance at beginning of year	**$124.3**	$110.8	$126.4
Additions for tax positions of the current year	**8.1**	12.7	44.5
Additions for tax positions of prior years	**4.9**	9.0	2.3
Reductions for tax positions of prior years	**(14.6)**	(.5)	(46.9)
Settlements		(1.4)	(11.0)
Statute of limitations expiration	**(14.0)**	(8.0)	(3.7)
Foreign currency translation		1.7	(.8)
Balance at End of Year	**$108.7**	$124.3	$110.8

At 30 September 2014 and 2013, we had $108.7 and $124.3 of unrecognized tax benefits, excluding interest and penalties, of which $66.5 and $63.1, respectively, would impact the effective tax rate if recognized.

Interest and penalties related to unrecognized tax benefits are recorded as a component of income tax expense and totaled $1.2 in 2014, $2.4 in 2013, and $(26.1) in 2012. Our accrued balance for interest and penalties was $9.3 and $8.1 in 2014 and 2013, respectively.

We were challenged by the Spanish tax authorities over income tax deductions taken by certain of our Spanish subsidiaries during fiscal years 2005 2011. In November 2011, we reached a settlement with the Spanish tax

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authorities for 41.3 million ($56) in resolution of all tax issues under examination. This settlement increased our income tax expense for the fiscal year ended 30 September 2012 by $43.8 ($.20 per share) and had a 3.3% impact on our effective tax rate. As a result of this settlement, we recorded a reduction in unrecognized tax benefits of $6.4 for tax positions taken in prior years and $11.0 for settlements.

On 25 January 2012, the Spanish Supreme Court released its decision in favor of our Spanish subsidiary related to certain tax transactions for years 1991 and 1992, a period before we controlled this subsidiary. As a result, in the second quarter of 2012, we recorded a reduction in income tax expense of $58.3 ($.27 per share), resulting in a 4.4% reduction in our effective tax rate for the fiscal year ended 30 September 2012. As a result of this ruling, we recorded a reduction in unrecognized tax benefits of $38.3 for tax positions taken in prior years.

During the third quarter of 2012, our unrecognized tax benefits increased $33.3 as a result of certain tax positions taken in conjunction with the disposition of our Homecare business. When resolved, these benefits will be recognized in Income from discontinued operations, net of tax on our consolidated income statements and will not impact our effective tax rate. For additional information, see Note 3, Discontinued Operations.

We are also currently under examination in a number of tax jurisdictions, some of which may be resolved in the next twelve months. As a result, it is reasonably possible that a change in the unrecognized tax benefits may occur during the next twelve months. However, quantification of an estimated range cannot be made at this time.

We generally remain subject to examination in the following major tax jurisdictions for the years indicated below:

Major Tax Jurisdiction	Open Tax Years
North America	
United States	2011 2014
Canada	2012 2014
Europe	
France	2009 2014
Germany	2009 2014
Netherlands	2009 2014
Poland	2009 2014
Spain	2010 2014
United Kingdom	2010 2014
Asia	
China	2009 2014
Singapore	2009 2014
South Korea	2009 2014
Taiwan	2009 2014
Latin America	
Brazil	2009 2014
Chile	2011 2014

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23. SUPPLEMENTAL INFORMATION

Other Receivables and Current Assets

30 September	**2014**	2013
Deferred tax assets	**$136.0**	$115.3
Derivative instruments	**106.6**	61.8
Other receivables	**200.0**	174.1
Current capital lease receivables	**67.8**	67.2
Other	**12.6**	14.0
	$523.0	$432.4

Other Noncurrent Assets

30 September	**2014**	2013
Derivative instruments	**$65.1**	$64.1
Other long-term receivables	**35.1**	38.2
Deferred financing cost, net	**25.5**	27.0
Prepaid tax	**31.3**	34.1
Deferred tax assets	**56.6**	53.1
Pension benefits	**22.9**	20.5
Deposits	**51.0**	8.7
Other	**138.8**	147.8
	$426.3	$393.5

Payables and Accrued Liabilities

30 September	**2014**	2013
Trade creditors	**$740.6**	$1,025.5
Customer advances	**172.1**	162.7
Accrued payroll and employee benefits	**155.0**	133.5
Pension and postretirement benefits	**48.4**	25.6
Dividends payable	**164.1**	150.0
Outstanding payments in excess of certain cash balances	**28.0**	10.5
Accrued interest expense	**46.9**	54.1
Derivative instruments	**82.5**	27.5
Contingent proceeds related to Homecare retenders		148.1
Severance and other costs associated with business restructuring and cost reduction actions	**20.6**	65.2
Other	**132.8**	142.2
	$1,591.0	$1,944.9

Other Noncurrent Liabilities

30 September	**2014**	2013
Pension benefits	**$609.2**	$599.0
Postretirement benefits	**82.8**	89.0
Other employee benefits	**107.6**	114.3
Contingencies related to uncertain tax positions	**111.6**	94.2
Advance payments	**57.6**	31.0
Environmental liabilities	**78.4**	79.6
Derivative instruments	**3.4**	13.8
Asset retirement obligations	**94.0**	86.0
Other	**42.9**	57.4
	$1,187.5	$1,164.3

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Other Income (Expense), Net

30 September	2014	2013	2012
Technology and royalty income	**$26.8**	$23.4	$22.9
Interest income	**9.4**	6.4	5.4
Foreign exchange	**(7.7)**	(3.2)	1.1
Sale of assets and investments	**9.7**	20.0	8.4
Government grants	**1.1**	6.8	15.2
Other	**13.5**	16.8	(5.9)
	$52.8	$70.2	$47.1

Advisory Costs

During the fourth quarter of 2013, we incurred legal and other advisory fees of $10.1 ($6.4 after-tax, or $.03 per share) in connection with our response to the rapid acquisition of a large position in shares of our common stock by Pershing Square Capital Management LLC and its affiliates (Pershing Square). These fees, which are reflected on the consolidated income statements as Advisory Costs, include costs incurred before and after Pershing Square s disclosure of its holdings and cover advisory services related to the adoption of the Shareholders Rights Plan, preparation for a potential proxy solicitation campaign, and entering into an agreement with Pershing Square.

Customer Bankruptcy

As a result of events which occurred during the fourth quarter of 2012, we recognized a charge of $9.8 ($6.1 after-tax, or $.03 per share) primarily related to the write-off of on-site assets due to a customer bankruptcy and mill shutdown. The customer, which primarily received products from the Tonnage Gases segment, filed for bankruptcy in May 2012. Sales and operating income associated with this customer are not material to the Tonnage Gases segment s results. We do not expect to recognize additional charges related to this customer.

24. SUMMARY BY QUARTER (UNAUDITED)

These tables summarize the unaudited results of operations for each quarter of 2014 and 2013:

2014	First	Second	Third	Fourth	Total
Sales	**$2,545.5**	**$2,581.9**	**$2,634.6**	**$2,677.0**	**$10,439.0**
Gross profit	**679.6**	**664.3**	**715.9**	**744.6**	**2,804.4**
Business restructuring and cost reduction actions [A]				**12.7**	**12.7**
Pension settlement loss [B]				**5.5**	**5.5**
Goodwill and intangible asset impairment charge [C]				**310.1**	**310.1**
Operating income	**385.6**	**384.7**	**413.8**	**144.1**	**1,328.2**
Net income	**299.1**	**291.5**	**323.5**	**79.0**	**993.1**
Net Income attributable to Air Products					
Income from continuing operations	**287.1**	**283.5**	**314.0**	**102.5**	**987.1**
Income from discontinued operations	**3.1**			**1.5**	**4.6**
Net Income attributable to Air Products	**290.2**	**283.5**	**314.0**	**104.0**	**991.7**
Basic EPS attributable to Air Products					
Income from continuing operations	**1.36**	**1.33**	**1.47**	**.48**	**4.64**
Income from discontinued operations	**.01**			**.01**	**.02**
Net income per common share	**1.37**	**1.33**	**1.47**	**.49**	**4.66**
Diluted EPS attributable to Air Products					
Income from continuing operations	**1.34**	**1.32**	**1.46**	**.47**	**4.59**
Income from discontinued operations	**.01**			**.01**	**.02**
Net income per common share	**1.35**	**1.32**	**1.46**	**.48**	**4.61**
Dividends declared per common share	**.71**	**.77**	**.77**	**.77**	**3.02**
Market price per common share: High					
	113.99	**124.40**	**131.48**	**137.45**	
	102.23	**102.73**	**114.28**	**126.82**	

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2013		First	Second	Third	Fourth	Total
Sales		$2,562.4	$2,484.2	$2,547.3	$2,586.5	$10,180.4
Gross profit		662.3	670.6	671.8	703.6	2,708.3
Business restructuring and cost reduction actions [A]					231.6	231.6
Pension settlement loss [B]				4.5	7.9	12.4
Advisory costs [D]					10.1	10.1
Operating income		372.4	389.7	383.1	179.2	1,324.4
Net income		287.2	299.6	298.4	147.3	1,032.5
Net Income attributable to Air Products						
Income from continuing operations		276.9	289.3	287.8	150.2	1,004.2
Income (Loss) from discontinued operations		1.4	1.1	.6	(13.1)	(10.0)
Net Income attributable to Air Products		278.3	290.4	288.4	137.1	994.2
Basic EPS attributable to Air Products						
Income from continuing operations		1.32	1.38	1.38	.71	4.79
Income (Loss) from discontinued operations		.01	.01		(.06)	(.05)
Net income per common share		1.33	1.39	1.38	.65	4.74
Diluted EPS attributable to Air Products						
Income from continuing operations		1.30	1.37	1.36	.70	4.73
Income (Loss) from discontinued operations		.01	.01		(.06)	(.05)
Net income per common share		1.31	1.38	1.36	.64	4.68
Dividends declared per common share		.64	.71	.71	.71	2.77
Market price per common share:	High	86.31	90.34	97.12	114.75	
	Low	76.78	84.15	84.04	90.12	

[A] For additional information, see Note 4, Business Restructuring and Cost Reduction Actions.

[B] For additional information, see Note 15, Retirement Benefits.

[C] For additional information, see Note 9, Goodwill and Note 10, Intangible Assets.

[D] For additional information, see Note 23, Supplemental Information.

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25. BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

Our segments are organized based on differences in product and/or type of customer. We have four business segments consisting of Merchant Gases, Tonnage Gases, Electronics and Performance Materials, and Equipment and Energy.

Merchant Gases

The Merchant Gases segment sells atmospheric gases such as oxygen, nitrogen, and argon (primarily recovered by the cryogenic distillation of air); process gases such as hydrogen and helium (purchased or refined from crude helium); and medical and specialty gases, along with certain services and equipment, throughout the world to customers in many industries, including those in metals, glass, chemical processing, food processing, healthcare, general manufacturing, and petroleum and natural gas industries. The principal types of products are liquid bulk, packaged gases and hard goods, and small on-site plants. Most merchant product is delivered via bulk supply, in liquid or gaseous form, by tanker or tube trailer. Smaller quantities of industrial and specialty gases are delivered in cylinders and dewars as packaged gases, or through small on-sites (cryogenic or noncryogenic generators). Electricity is the largest cost component in the production of atmospheric gases. Natural gas is also an energy source at a number of our Merchant Gases facilities. We mitigate energy and natural gas prices through pricing formulas and surcharges. The Merchant Gases segment also includes 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. Merchant Gases competes worldwide against global industrial gas companies and several regional sellers. Competition in industrial gases is based primarily on price, reliability of supply, and the development of industrial gas applications.

Tonnage Gases

Tonnage Gases provides hydrogen, carbon monoxide, nitrogen, oxygen, and syngas principally to the energy production and refining, chemical, and metallurgical industries worldwide. For large-volume, or tonnage industrial gas users, we either construct a gas plant adjacent to or near the customer s facility hence the term on-site or deliver product through a pipeline from a nearby location. We are the world s largest provider of hydrogen, which is used by refiners to lower the sulfur content of gasoline and diesel fuels to reduce smog and ozone depletion. 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 price changes through long-term cost pass-through type contracts. Tonnage Gases competes against global industrial gas companies, as well as regional competitors. Competition is based primarily on price, reliability of supply, the development of applications that use industrial gases and, in some cases, provision of other services or products such as power and steam generation. We also derive a competitive advantage in regions where we have pipeline networks, which enable us to provide reliable and economic supply of products to customers.

Electronics and Performance Materials

The Electronics and Performance Materials segment employs applications technology to provide solutions to a broad range of global industries through expertise in chemical synthesis, analytical technology, process engineering, and surface science. This segment provides specialty and tonnage 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 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. The Electronics and Performance Materials segment faces competition on a product-by-product basis against competitors ranging from niche suppliers with a single product to large, vertically integrated companies. Competition is principally conducted on the basis of price, quality, product performance, reliability of product supply, technical innovation, service, and global infrastructure.

Equipment and Energy

The Equipment and Energy segment designs and manufactures cryogenic and gas processing equipment for air separation, hydrocarbon recovery and purification, natural gas liquefaction (LNG), and helium distribution, and serves energy markets in a variety of ways. 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. Energy markets are served through our operation and partial ownership of cogeneration and flue gas desulfurization facilities. In addition, we are developing hydrogen as an energy carrier, energy-from-waste facilities to produce electricity, carbon capture technologies for a variety of industrial and power applications, and oxygen-based technologies to serve energy markets in the future. Equipment and Energy competes with a large

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number of firms for all of its offerings except LNG heat exchangers, for which there are fewer competitors due to the limited market size and proprietary technologies. Competition is based primarily on technological performance, service, technical know-how, price, and performance guarantees.

Other

Other operating income (loss) includes other expense and income that cannot be directly associated with the business segments, including foreign exchange gains and losses and costs previously allocated to businesses now reported as discontinued operations. Also included are LIFO inventory adjustments, as the business segments use FIFO and the LIFO pool adjustments are not allocated to the business segments.

Other assets include cash, deferred tax assets, pension assets, financial instruments, and corporate assets previously allocated to businesses now reported as discontinued operations.

Customers

We do not have a homogeneous customer base or end market, and no single customer accounts for more than 10% of our consolidated revenues.

Accounting Policies

The accounting policies of the segments are the same as those described in Note 1, Major Accounting Policies. We evaluate the performance of segments based upon reported segment operating income. Operating income of the business segments includes general corporate expenses. Intersegment sales are not material and are recorded at selling prices that approximate market prices. Equipment manufactured for our industrial gas business is generally transferred at cost and not reflected as an intersegment sale.

Business Segment

Sales to External Customers	**2014**	2013	2012
Merchant Gases	**$4,250.7**	$4,098.6	$3,662.4
Tonnage Gases	**3,288.9**	3,387.3	3,206.7
Electronics and Performance Materials	**2,449.0**	2,243.4	2,322.5
Equipment and Energy	**450.4**	451.1	420.1
Segment and Consolidated Totals	**$10,439.0**	$10,180.4	$9,611.7

Operating Income	**2014**	2013	2012
Merchant Gases	**$671.6**	$680.5	$644.0
Tonnage Gases	**484.9**	515.9	512.0
Electronics and Performance Materials [(A)]	**425.3**	321.3	425.6
Equipment and Energy	**88.2**	65.5	44.6
Segment total	**$1,670.0**	$1,583.2	$1,626.2
Business restructuring and cost reduction actions [(B)]	**(12.7)**	(231.6)	(327.4)
Pension settlement loss	**(5.5)**	(12.4)	
Goodwill and intangible asset impairment charge [(C)]	**(310.1)**		
Customer bankruptcy			(9.8)
Advisory costs		(10.1)	
Other	**(13.5)**	(4.7)	(6.6)
Consolidated Total	**$1,328.2**	$1,324.4	$1,282.4

(A) The gain on remeasuring our previously held equity interest in DA NanoMaterials is included in 2012. For additional information, see Note 5, Business Combinations.

(B)

Information about how the charges related to the businesses at the segment level is discussed in Note 4, Business Restructuring and Cost Reduction Actions.

(C) For additional information, see Note 9, Goodwill, and Note 10, Intangible Assets.

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Depreciation and Amortization	**2014**	2013	2012
Merchant Gases	**$461.1**	$409.5	$363.2
Tonnage Gases	**310.8**	314.8	320.4
Electronics and Performance Materials	**171.8**	173.4	144.1
Equipment and Energy	**12.4**	8.3	12.2
Segment total	**$956.1**	$906.0	$839.9
Other	**.8**	1.0	.9
Consolidated Total	**$956.9**	$907.0	$840.8

Equity Affiliates Income	**2014**	2013	2012
Merchant Gases	**$140.1**	$145.0	$137.1
Other segments	**11.3**	22.8	16.7
Segment and Consolidated Totals	**$151.4**	$167.8	$153.8

Total Assets	**2014**	2013	2012
Merchant Gases	**$7,350.4**	$7,742.2	$7,411.9
Tonnage Gases	**5,620.5**	5,528.2	5,192.2
Electronics and Performance Materials	**2,832.5**	2,891.5	2,969.6
Equipment and Energy	**1,039.0**	695.1	399.9
Segment total	**$16,842.4**	$16,857.0	$15,973.6
Other	**936.7**	990.6	925.4
Discontinued Operations		2.5	42.8
Consolidated Total	**$17,779.1**	$17,850.1	$16,941.8

Investment in Net Assets of and Advances to Equity Affiliates	**2014**	2013	2012
Merchant Gases	**$1,074.1**	$1,012.3	$983.4
Other segments	**183.8**	183.2	192.3
Segment and Consolidated Totals	**$1,257.9**	$1,195.5	$1,175.7

Identifiable Assets	**2014**	2013	2012
Merchant Gases	**$6,276.3**	$6,729.9	$6,428.5
Tonnage Gases	**5,487.7**	5,397.0	5,059.8
Electronics and Performance Materials	**2,798.0**	2,859.4	2,930.3
Equipment and Energy	**1,022.5**	675.2	379.3
Segment total	**$15,584.5**	$15,661.5	$14,797.9
Other	**936.7**	990.6	925.4
Discontinued Operations		2.5	42.8
Consolidated Total	**$16,521.2**	$16,654.6	$15,766.1

Expenditures for Long-Lived Assets [(A)]	**2014**	2013	2012
Merchant Gases	**$587.9**	$558.7	$523.6
Tonnage Gases	**556.6**	448.0	630.7
Electronics and Performance Materials	**139.9**	226.8	280.8
Equipment and Energy	**399.8**	290.7	85.9
Consolidated Total	**$1,684.2**	$1,524.2	$1,521.0

(A) Includes plant and equipment.

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Geographic Information

Sales to External Customers	**2014**	2013	2012
United States	**$4,507.6**	$4,258.4	$4,114.5
Canada	**311.4**	275.5	267.6
Europe	**2,628.0**	2,602.1	2,588.5
Asia, excluding China	**1,389.4**	1,320.1	1,349.9
China	**981.0**	1,008.3	954.1
Latin America	**621.6**	716.0	337.1
	$10,439.0	$10,180.4	$9,611.7

Long-Lived Assets [(A)]	**2014**	2013	2012
United States	**$3,756.0**	$3,632.1	$3,534.4
Canada	**518.0**	522.3	571.3
Europe	**2,245.4**	2,068.8	1,760.1
Asia, excluding China	**989.9**	962.3	948.1
China	**1,582.7**	1,281.7	918.5
Latin America	**440.1**	506.8	508.2
	$9,532.1	$8,974.0	$8,240.6

(A) Long-lived assets include plant and equipment, net.

Geographic information is based on country of origin. Included in United States revenues are export sales to third-party customers of $378.7 in 2014, $410.3 in 2013, and $521.1 in 2012. The Europe region operates principally in France, Germany, the Netherlands, Poland, Spain, and the U.K. The Asia region operates principally in China, Singapore, South Korea, and Taiwan. The Latin America region operates principally in Brazil and Chile.

Segment Reorganization

On 18 September 2014, we announced a major company reorganization that includes the geographic alignment of our gases businesses and the decentralization of our organization and is effective as of 1 October 2014. We will report our results under the following seven reporting segments beginning in the first quarter of fiscal year 2015:

Industrial Gases Americas

Industrial Gases EMEA (Europe, Middle East and Africa)

Industrial Gases Asia

Industrial Gases Global

Materials Technologies

Energy-from-Waste

Corporate

Our three regional Industrial Gases segments will include Air Separation Units (ASUs), Hydrogen/HyCO Plants (hydrogen, carbon monoxide, and syngas), and the current Merchant Gases segment. The Global Industrial Gases segment will include our sale of equipment businesses, such as ASUs and noncryogenic generators. Our Materials Technologies segment will include the Electronics Materials and Performance Materials businesses and will continue to operate as a global business. Our Energy-from-Waste segment will include the Tees Valley projects in the U.K. The Corporate segment will include two global businesses (LNG and Helium containers) and corporate supporting functions.

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

Not applicable

ITEM 9A. CONTROLS AND PROCEDURES

Under the supervision of the Chief Executive Officer and Chief Financial Officer, the Company s management conducted an evaluation of the effectiveness of the Company s disclosure controls and procedures as of 30 September 2014. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the annual period covered by this report, the disclosure controls and procedures have been effective. There has been no change in the Company s internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) as of 30 September 2014 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Management s Report on Internal Control over Financial Reporting is provided under Item 8 appearing above. The report of KPMG LLP, the Company s independent registered public accounting firm, regarding the Company s internal control over financial reporting, is also provided under Item 8 appearing above.

ITEM 9B. OTHER INFORMATION

The Description of Common Stock set forth in Exhibit 99.1 is being filed for the purpose of providing a current description of our common stock. The Description of Common Stock set forth in Exhibit 99.1 is incorporated by reference herein, modifies and supercedes any prior description of our common stock in any registration statement or report filed with the SEC and will be available for incorporation by reference into certain of our filings with the SEC pursuant to the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended, and the rules and forms promulgated thereunder.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item relating to the Company s directors and nominees is incorporated herein by reference to the section captioned The Board of Directors in the Proxy Statement for the Annual Meeting of Shareholders to be held on 22 January 2015. The information required by this item relating to the Company s executive officers is set form in Item1 of Part 1 of this report.

The information required by this item relating to the Company s Audit Committee and its Audit Committee Financial Expert is incorporated herein by reference to the sections captioned Standing Committees Of The Board and Audit Committee in the Proxy Statement for the Annual Meeting of Shareholders to be held on 22 January 2015.

The information required by this item relating to the Company s procedures regarding the consideration of candidates recommended by shareholders and a procedure for submission of such candidates is incorporated herein by reference to the section captioned Selection of Directors in the Proxy Statement for the Annual Meeting of Shareholders to be held on 22 January 2015.

The information required by the item relating to Section 16(a) Beneficial Ownership Reporting Compliance is incorporated herein by reference to the section captioned Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement for the Annual Meeting of Shareholders to be held on 22 January 2015.

The Company has adopted a Code of Conduct that applies to all employees, including the Chief Executive Officer, the Chief Financial Officer, and the Controller. The Code of Conduct can be found at our Internet website at www.airproducts.com/codeofconduct.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the sections captioned Compensation of Executive Officers and Compensation of Directors in the Proxy Statement for the Annual Meeting of Shareholders to be held on 22 January 2015.

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

Securities Authorized for Issuance Under Equity Compensation Plans.

Equity Compensation Plan Information

The following table provides information as of 30 September 2014 about Company stock that may be issued upon the exercise of options, warrants, and rights granted to employees or members of the Board under the Company s existing equity compensation plans, including plans approved by shareholders and plans that have not been approved by shareholders in reliance on the NYSE s former treasury stock exception or other applicable exception to the Exchange s listing requirements.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column [a])
Equity compensation plans approved by security holders	8,418,242 [1]	$83.14	5,591,547 [2]
Equity compensation plans not approved by security holders	88,025 [3]	$	
Total	8,506,267	$83.14	5,591,547

[1] Represents Long-Term Incentive Plan outstanding stock options and deferred stock units that have been granted. Deferred stock units entitle the recipient to one share of Company common stock upon vesting, which is conditioned on continued employment during a deferral period and may also be conditioned on earn-out against certain performance targets.

[2] Represents authorized shares that were available for future grants as of 30 September 2014. These shares may be used for options, deferred stock units, restricted stock, and other stock-based awards to officers, directors, and key employees. Full value awards such as restricted stock are limited to 20% of cumulative awards after 1 October 2001.

[3] This number represents deferred stock units issued under the Deferred Compensation Plan, which are purchased for the fair market value of the underlying shares of stock with eligible deferred compensation.

The Deferred Compensation Plan was not approved by shareholders. It does not require shareholder approval because participants forego compensation equal to the full market value of any share units credited under the plans.

Deferred Compensation Plan The Company s Deferred Compensation Plan is an unfunded employee retirement benefit plan available to certain of the Company s U.S.-based management and other highly compensated employees (and those of its subsidiaries) who receive awards under the Company s Annual Incentive Plan, which is the annual cash bonus plan for executives and key salaried employees of the Company and its subsidiaries. Because participants forego current compensation to purchase deferred stock units for full value under the Plan, it is not required to be approved by shareholders under the NYSE listing standards. Under the Plan, participants may defer a portion of base salary (elective deferrals) which cannot be contributed to the Company s Retirement Savings Plan, a 401(k) and profit-sharing plan offered to all salaried employees (RSP), because of tax limitations and earn matching contributions from the Company that they would have received if their elective deferrals had been contributed to the RSP (matching credits). In addition, participants in the Plan may defer all or a portion of their bonus awards under the Annual Incentive Plan (bonus deferrals) under the Deferred Compensation Plan. Finally, certain participants under the Plan who participate in the profit-sharing component of the RSP rather than the Company s salaried pension plans receive contribution credits under the Plan which are a percentage ranging from 4%-6%, based on their years of service, of their salary in excess of tax limitations and their bonus awards under the Annual Incentive Plan (contribution credits). The dollar amount of elective deferrals, matching credits, bonus deferrals, and

contribution credits is initially credited to an unfunded account, which earns interest credits. Participants are periodically permitted while employed by the Company to irrevocably convert all or a portion of their interest-bearing account to deferred stock units in a Company stock account. Upon conversion, the Company stock account is credited with deferred stock units based on the fair market value of a share of Company stock on the date of crediting. Dividend equivalents corresponding to the number of units are credited quarterly to the interest-bearing account. Deferred stock units generally are paid after termination of employment in shares of Company stock.

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The Deferred Compensation Plan was formerly known as the Supplementary Savings Plan. The name was changed in 2006 when the deferred bonus program, previously administered under the Annual Incentive Plan, was merged into this Plan.

Certain information required by this item regarding the beneficial ownership of the Company s common stock is incorporated herein by reference to the sections captioned Persons Owning More than 5% of Air Products Stock as of September 30, 2014 and Air Products Stock Beneficially Owned by Officers and Directors in the Proxy Statement for the Annual Meeting of Shareholders to be held on 22 January 2015.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the sections captioned Director Independence and Transactions with Related Persons in the Proxy Statement for the Annual Meeting of Shareholders to be held on 22 January 2015.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the section captioned Independent Registered Public Accountant in the Proxy Statement for the Annual Meeting of Shareholders to be held on 22 January 2015.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

(1) The Company s 2014 consolidated financial statements and the Report of the Independent Registered Public Accounting Firm are included in Part II, Item 8.

(2) Financial Statement Schedules the following additional information should be read in conjunction with the consolidated financial statements in the Company s 2014 consolidated financial statements.

Schedule II Valuation and Qualifying Accounts for the three fiscal years ended 30 September 2014 107

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

(3) Exhibits The exhibits filed as a part of this Annual Report on Form 10-K are listed in the Index to Exhibits located on page 108 of this Report.

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SIGNATURES

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

AIR PRODUCTS AND CHEMICALS, INC.

(Registrant)

By: /s/ M. Scott Crocco
M. Scott Crocco

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: 24 November 2014

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

Signature and Title	Date
/s/ Seifi Ghasemi (Seifi Ghasemi) Director, Chairman, President, and Chief Executive Officer (Principal Executive Officer)	24 November 2014
/s/ M. Scott Crocco (M. Scott Crocco) Senior Vice President and Chief Financial Officer (Principal Accounting Officer)	24 November 2014
* (Susan K. Carter) Director	24 November 2014
* (William L. Davis, III) Director	24 November 2014
* (Chad C. Deaton)	24 November 2014

Director

*	24 November 2014
(Evert Henkes)	

Director

*	24 November 2014
(David H. Y. Ho)	

Director

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* (Margaret G. McGlynn) Director	24 November 2014
* (Edward L. Monser) Director	24 November 2014
* (Matthew H. Paull) Director	24 November 2014
* (Lawrence S. Smith) Director	24 November 2014

* Mary T. Afflerbach, Corporate Secretary and Chief Governance Officer, by signing her name hereto, does sign this document on behalf of the above noted individuals, pursuant to a power of attorney duly executed by such individuals, which is filed with the Securities and Exchange Commission herewith.

/s/ Mary T. Afflerbach
Mary T. Afflerbach

Attorney-in-Fact

Date: 24 November 2014

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SCHEDULE II

CONSOLIDATED

AIR PRODUCTS AND CHEMICALS, INC. AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended 30 September 2014, 2013, and 2012

	Balance at Beginning of Period	Additions Charged to Expense	Additions Charged to Other Accounts	Other Changes [A]	Balance at End of Period
			(in millions of dollars)		
Year Ended 30 September 2014					
Allowance for doubtful accounts	$102	$8	$8	$(58)	$60
Allowance for deferred tax assets [B]	45	58	1		104
Year Ended 30 September 2013					
Allowance for doubtful accounts	$104	$9	$19	$(30)	$102
Allowance for deferred tax assets	37	8			45
Year Ended 30 September 2012					
Allowance for doubtful accounts	$78	$21	$16	$(11)	$104
Allowance for deferred tax assets	28	9			37

(A) Primarily write-offs of uncollectible trade receivable accounts. Includes impact of foreign currency translation adjustments.

(B) The increase in the valuation allowance was primarily due to the capital loss generated from the tax election related to a non-U.S. subsidiary.

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INDEX TO EXHIBITS

Exhibit No.	Description
(3)	Articles of Incorporation and By-Laws.
3.1	Amended and Restated By-Laws of the Company. (Filed as Exhibit 3.1 to the Company s Form 8-K Report dated 21 November 2014.)*
3.2	Restated Certificate of Incorporation of the Company. (Filed as Exhibit 3.2 to the Company s Form 10-K Report for the fiscal year ended 30 September 1987.)*
3.3	Amendment to the Restated Certificate of Incorporation of the Company dated 25 January 1996. (Filed as Exhibit 3.3 to the Company s Form 10-K Report for the fiscal year ended 30 September 1996.)*
3.4	Amendment to the Restated Certificate of Incorporation of the Company dated 28 January 2014. (Filed as Exhibit 10.2 to the Company s Form 10-Q Report for the quarter ended 30 June 2014.)*
(4)	Instruments defining the rights of security holders, including indentures. Upon request of the Securities and Exchange Commission, the Company hereby undertakes to furnish copies of the instruments with respect to its long-term debt.
4.1	Indenture, dated as of January 18, 1985, between the Company and The Chase Manhattan Bank (National Association), as Trustee. (Filed as Exhibit 4(a) to the Company s Registration Statement No. 33-36974.)*
4.2	Indenture, dated as of January 10, 1995, between the Company and The Bank of New York Trust Company, N.A. (formerly Wachovia Bank, National Association and initially First Fidelity Bank Company, National Association), as Trustee. (Filed as Exhibit 4(a) to the Company s Registration Statement No. 33-57357.)*
(10)	Material Contracts
10.1	1990 Deferred Stock Plan of the Company, as amended and restated effective 1 October 1989. (Filed as Exhibit 10.1 to the Company s Form 10-K Report for the fiscal year ended 30 September 1989.)*
10.2	Stock Option Program for Directors of the Company, formerly known as the Stock Option Plan for Directors. Effective 23 January 2003, this Plan was combined with the Long-Term Incentive Plan and offered as a program thereunder. (Filed as Exhibit 10.5 to the Company s Form 10-K Report for the fiscal year ended 30 September 2004.)*
10.3	Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Defined Benefit Pension Plans dated as of 1 August 1999. (Filed as Exhibit 10.13 to the Company s Form 10-K Report for the fiscal year ended 30 September 1999.)*
10.3(a)	Amendment No. 1 to the Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Defined Benefit Pension Plans, adopted 1 January 2000. (Filed as Exhibit 10.13(a) to the Company s Form 10-K Report for the fiscal year ended 30 September 2000.)*
10.3(b)	Amendment No. 2 to the Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Defined Benefit Pension Plans, adopted 11 April 2007. (Filed as Exhibit 10.7(b) to the Company s Form 10-K Report for the fiscal year ended 30 September 2007.)*
10.4	Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Supplementary Savings Plan dated as of 1 August 1999. (Filed as Exhibit 10.14 to the Company s Form 10-K Report for the fiscal year ended 30 September 1999.)*
10.4(a)	Amendment No. 1 to the Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Supplementary Savings Plan, adopted 1 January 2000. (Filed as Exhibit 10.14(a) to the Company s Form 10-K Report for the fiscal year ended 30 September 2000.)*

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10.4(b)	Amendment No. 2 to the Amended and Restated Trust Agreement by and between the Company and PNC Bank, N.A. relating to the Defined Contribution Plans, adopted 11 April 2007. (Filed as Exhibit 10.8(b) to the Company s Form 10-K Report for the fiscal year ended 30 September 2007.)*
10.5	Annual Incentive Plan as Amended and Restated Effective 1 October 2008. (Filed as Exhibit 10.7 to the Company s Form 10-Q Report for the quarter ended 31 March 2009.)*
10.6	Stock Incentive Program of the Company effective 1 October 1996. (Filed as Exhibit 10.21 to the Company s Form 10-K Report for the fiscal year ended 30 September 2002.)*
10.7	Amended and Restated Deferred Compensation Program for Directors, effective 1 October 2005. (Filed as Exhibit 10.26 to the Company s Form 10-K Report for the fiscal year ended 30 September 2005.)*
10.8	Amended and Restated Long-Term Incentive Plan of the Company effective 1 October 2014. (Filed as Exhibit 10.1 to the Company s Form 8-K filed on 23 September 2014.)*
10.8(a)	Form of Award Agreement under the Long-Term Incentive Plan of the Company used for the FY 2005 awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 December 2004.)*
10.8(b)	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY 2006 awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 December 2005.)*
10.8(c)	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY 2007 awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 December 2006.)*
10.8(d)	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY 2008 awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 December 2007.)*
10.8(e)	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY 2009 Awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 December 2008.)*
10.8(f)	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY2010 awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 December 2009.)*
10.8(g)	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY2011 awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 December 2010.)*
10.8(h)	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY2012 awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 March 2012.)*
10.8(i)	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY2013 awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 December 2012.)*
10.8(j)	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for FY2014 awards. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 31 December 2013.)*
10.9	Air Products and Chemicals, Inc. Retirement Savings Plan as amended and restated effective 1 October 2013. (Filed as Exhibit 10.2 to the Company s Form 10-Q Report for the quarter ended 31 December 2013)*

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10.10	Supplementary Pension Plan of Air Products and Chemicals, Inc. as Amended and Restated Effective August 1, 2014.
10.11	Deferred Compensation Plan as Amended and Restated effective August 1, 2014.
10.12	Revolving Credit Facility dated as of 30 April 2013 for $2,500,000,000. (Filed as Exhibit 10.1 to the Company s Form 10-Q Report for the quarter ended 30 June 2013.)*
10.12(a)	Amendment No.1 dated as of 22 July 2013, to the Revolving Credit Agreement dated as of 30 April 2013. (Filed as Exhibit 10.19(a) to the Company s Form 10-K Report for the fiscal year ended 30 September 2013.)*
10.12(b)	Amendment No. 2 dated as of 30 June 2014, to the Revolving Credit Agreement dated as of 30 April 2013. (Filed as Exhibit 10.1 to the Company s Form 10-Q for the quarter ended 30 June 2014)*
10.13	Air Products and Chemicals, Inc. Corporate Executive Committee Separation Program as amended effective as of 1 December 2013. (Filed as Exhibit 10.1 to the Company s Form 8-K Report dated 8 January 2014.)*
10.14	Form of Change in Control Severance Agreement for an Executive Officer. (Filed as Exhibit 10.21 to the Company s Form 10-K Report for the fiscal year ended 30 September 2011.)*
10.15	Compensation Program for Directors effective 1 October 2013. (Filed as Exhibit 10.19(a) to the Company s Form 10-K Report for the fiscal year ended 30 September 2013)*
10.16	Air Products and Chemicals, Inc. Corporate Executive Committee Retention Agreements effective as of 10 January 2014. (Filed as Exhibit 10.1 to the Company s Form 8-K Report dated 15 January 2014.)*
10.17	Employment Agreement for an Executive Officer. (Filed as Exhibit 10.1 to the Company s Form 8-K filed on 18 June 2014)*
12	Computation of Ratios of Earnings to Fixed Charges.
14	Code of Conduct revised on 17 May 2012. (Filed as Exhibit 14 to the Company s Form 8-K Report filed on 23 May 2012.)*
21	Subsidiaries of the registrant.
(23)	Consents of Experts and Counsel.
23.1	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney.
(31)	Rule 13a-14(a)/15d-14(a) Certifications.
31.1	Certification by the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)	Section 1350 Certifications.
32.1	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.
99.1	Description of Common Stock
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

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

The certification attached as Exhibit 32.1 that accompanies this Annual Report on Form 10-K, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Air Products and Chemicals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.