DEERE & CO
Form 10-Q
May 28, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2015

Commission file no: 1-4121

DEERE & COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**36-2382580**
(State of incorporation)	(IRS employer identification no.)

One John Deere Place

Moline, Illinois 61265

(Address of principal executive offices)

Telephone Number: **(309) 765-8000**

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

Large Accelerated Filer __X__
Accelerated Filer ______

Non-Accelerated Filer ______
Smaller Reporting Company ______

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ____ No __X__

At April 30, 2015, 333,871,447 shares of common stock, $1 par value, of the registrant were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
DEERE & COMPANY
STATEMENT OF CONSOLIDATED INCOME
For the Three Months Ended April 30, 2015 and 2014
(In millions of dollars and shares except per share amounts) Unaudited

	2015	2014
Net Sales and Revenues		
Net sales	$ 7,398.5	$ 9,246.2
Finance and interest income	576.3	544.1
Other income	195.9	157.6
Total	8,170.7	9,947.9
Costs and Expenses		
Cost of sales	5,694.2	6,871.8
Research and development expenses	341.1	354.1
Selling, administrative and general expenses	740.0	846.5
Interest expense	165.5	165.8
Other operating expenses	212.9	245.9
Total	7,153.7	8,484.1
Income of Consolidated Group before Income Taxes	1,017.0	1,463.8
Provision for income taxes	324.0	479.0
Income of Consolidated Group	693.0	984.8
Equity in loss of unconsolidated affiliates	(2.2)	(3.6)
Net Income	690.8	981.2
Less: Net income attributable to noncontrolling interests	.3	.5
Net Income Attributable to Deere & Company	$ 690.5	$ 980.7
Per Share Data		
Basic	$ 2.05	$ 2.67
Diluted	$ 2.03	$ 2.65
Average Shares Outstanding		
Basic	337.1	366.6
Diluted	339.7	369.8

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
For the Three Months Ended April 30, 2015 and 2014
(In millions of dollars) Unaudited

	2015	2014
Net Income	$ 690.8	$ 981.2
Other Comprehensive Income (Loss), Net of Income Taxes		
Retirement benefits adjustment	20.9	37.6
Cumulative translation adjustment	(66.6)	106.5
Unrealized gain (loss) on derivatives	1.3	(.6)
Unrealized gain (loss) on investments	(4.2)	2.4
Other Comprehensive Income (Loss), Net of Income Taxes	(48.6)	145.9
Comprehensive Income of Consolidated Group	642.2	1,127.1
Less: Comprehensive income attributable to noncontrolling interests	.3	.5
Comprehensive Income Attributable to Deere & Company	$ 641.9	$ 1,126.6

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED INCOME
For the Six Months Ended April 30, 2015 and 2014
(In millions of dollars and shares except per share amounts) Unaudited

	2015	2014
Net Sales and Revenues		
Net sales	$ 13,003.6	$ 16,194.8
Finance and interest income	1,169.9	1,075.6
Other income	380.3	331.6
Total	14,553.8	17,602.0
Costs and Expenses		
Cost of sales	10,114.8	12,067.3
Research and development expenses	674.3	677.8
Selling, administrative and general expenses	1,398.9	1,612.5
Interest expense	345.6	337.5
Other operating expenses	435.5	478.2
Total	12,969.1	15,173.3
Income of Consolidated Group before Income Taxes	1,584.7	2,428.7
Provision for income taxes	494.6	759.6
Income of Consolidated Group	1,090.1	1,669.1
Equity in loss of unconsolidated affiliates	(12.4)	(6.6)
Net Income	1,077.7	1,662.5
Less: Net income attributable to noncontrolling interests	.5	.7
Net Income Attributable to Deere & Company	$ 1,077.2	$ 1,661.8
Per Share Data		
Basic	$ 3.17	$ 4.50
Diluted	$ 3.14	$ 4.46
Average Shares Outstanding		
Basic	340.2	369.2
Diluted	342.8	372.6

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
For the Six Months Ended April 30, 2015 and 2014
(In millions of dollars) Unaudited

	2015	2014
Net Income	$ 1,077.7	$ 1,662.5
Other Comprehensive Income (Loss), Net of Income Taxes		
Retirement benefits adjustment	63.2	87.7
Cumulative translation adjustment	(577.0)	(61.5)
Unrealized gain (loss) on derivatives	(.2)	2.3
Unrealized gain on investments	3.1	1.1
Other Comprehensive Income (Loss), Net of Income Taxes	(510.9)	29.6
Comprehensive Income of Consolidated Group	566.8	1,692.1
Less: Comprehensive income attributable to noncontrolling interests	.2	.7
Comprehensive Income Attributable to Deere & Company	$ 566.6	$ 1,691.4

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET
(In millions of dollars) Unaudited

	April 30 2015	October 31 2014	April 30 2014
Assets			
Cash and cash equivalents	$ 4,355.4	$ 3,787.0	$ 3,078.5
Marketable securities	392.9	1,215.1	1,571.7
Receivables from unconsolidated affiliates	46.4	30.2	38.3
Trade accounts and notes receivable - net	4,717.1	3,277.6	5,119.7
Financing receivables - net	24,745.8	27,422.2	25,496.1
Financing receivables securitized - net	4,741.1	4,602.3	4,345.4
Other receivables	873.4	1,500.3	1,194.2
Equipment on operating leases - net	4,195.2	4,015.5	3,203.8
Inventories	4,624.2	4,209.7	5,849.6
Property and equipment - net	5,245.1	5,577.8	5,373.1
Investments in unconsolidated affiliates	299.2	303.2	308.5
Goodwill	737.0	791.2	839.6
Other intangible assets - net	60.4	68.8	71.2
Retirement benefits	313.9	262.0	580.7
Deferred income taxes	2,659.4	2,776.6	2,458.1
Other assets	1,587.5	1,496.9	1,249.2
Assets held for sale			84.7
Total Assets	$ 59,594.0	$ 61,336.4	$ 60,862.4
Liabilities and Stockholders Equity			
Short-term borrowings	$ 8,989.0	$ 8,019.2	$ 8,763.0
Short-term securitization borrowings	4,702.7	4,558.5	4,329.5
Payables to unconsolidated affiliates	130.1	101.0	134.5
Accounts payable and accrued expenses	7,260.2	8,554.1	8,150.3
Deferred income taxes	149.3	160.9	162.0
Long-term borrowings	23,622.8	24,380.7	23,166.9
Retirement benefits and other liabilities	6,563.9	6,496.5	5,438.8
Liabilities held for sale			49.8
Total liabilities	51,418.0	52,270.9	50,194.8
Commitments and contingencies (Note 14)			
Common stock, $1 par value (issued shares at April 30, 2015 536,431,204)	3,745.2	3,675.4	3,621.6
Common stock in treasury	(13,951.2)	(12,834.2)	(11,224.1)
Retained earnings	22,673.4	22,004.4	20,931.3
Accumulated other comprehensive income (loss)	(4,293.6)	(3,783.0)	(2,663.5)
Total Deere & Company stockholders equity	8,173.8	9,062.6	10,665.3
Noncontrolling interests	2.2	2.9	2.3
Total stockholders equity	8,176.0	9,065.5	10,667.6
Total Liabilities and Stockholders Equity	$ 59,594.0	$ 61,336.4	$ 60,862.4

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED CASH FLOWS
For the Six Months Ended April 30, 2015 and 2014
(In millions of dollars) Unaudited

	2015	2014
Cash Flows from Operating Activities		
Net income	$ 1,077.7	$ 1,662.5
Adjustments to reconcile net income to net cash used for operating activities:		
Provision for credit losses	15.1	9.8
Provision for depreciation and amortization	682.9	630.3
Impairment charges		62.3
Share-based compensation expense	28.7	44.7
Undistributed earnings of unconsolidated affiliates	8.8	7.9
Provision (credit) for deferred income taxes	117.8	(138.0)
Changes in assets and liabilities:		
Trade, notes and financing receivables related to sales	(860.8)	(1,692.8)
Insurance receivables	333.4	175.4
Inventories	(932.9)	(1,268.2)
Accounts payable and accrued expenses	(698.3)	(578.7)
Accrued income taxes payable/receivable	(76.3)	86.8
Retirement benefits	186.6	138.0
Other	(37.4)	28.1
Net cash used for operating activities	(154.7)	(831.9)
Cash Flows from Investing Activities		
Collections of receivables (excluding receivables related to sales)	8,332.4	8,344.7
Proceeds from maturities and sales of marketable securities	791.9	611.3
Proceeds from sales of equipment on operating leases	552.3	570.9
Proceeds from sales of businesses, net of cash sold	148.8	307.2
Cost of receivables acquired (excluding receivables related to sales)	(7,426.1)	(8,409.3)
Purchases of marketable securities	(33.9)	(562.8)
Purchases of property and equipment	(324.3)	(426.2)
Cost of equipment on operating leases acquired	(830.2)	(618.1)
Other	(58.9)	(85.1)
Net cash provided by (used for) investing activities	1,152.0	(267.4)
Cash Flows from Financing Activities		
Increase in total short-term borrowings	1,147.0	956.7
Proceeds from long-term borrowings	2,512.2	4,253.8
Payments of long-term borrowings	(2,453.3)	(3,135.5)
Proceeds from issuance of common stock	86.1	108.7
Repurchases of common stock	(1,173.9)	(1,093.4)
Dividends paid	(415.8)	(382.3)
Excess tax benefits from share-based compensation	11.7	24.2
Other	(39.1)	(32.9)
Net cash provided by (used for) financing activities	(325.1)	699.3
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(103.8)	(25.5)
Net Increase (Decrease) in Cash and Cash Equivalents	568.4	(425.5)
Cash and Cash Equivalents at Beginning of Period	3,787.0	3,504.0
Cash and Cash Equivalents at End of Period	$ 4,355.4	$ 3,078.5

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS EQUITY

For the Six Months Ended April 30, 2014 and 2015

(In millions of dollars) Unaudited

	Total Stockholders Equity	Deere & Company Stockholders Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests
Balance October 31, 2013	$ 10,267.7	$ 3,524.2	$ (10,210.9)	$ 19,645.6	$ (2,693.1)	$ 1.9
Net income	1,662.5			1,661.8		.7
Other comprehensive income	29.6				29.6	
Repurchases of common stock	(1,093.4)		(1,093.4)			
Treasury shares reissued	80.2		80.2			
Dividends declared	(376.4)			(376.1)		(.3)
Stock options and other	97.4	97.4				
Balance April 30, 2014	$ 10,667.6	$ 3,621.6	$ (11,224.1)	$ 20,931.3	$ (2,663.5)	$ 2.3
Balance October 31, 2014	$ 9,065.5	$ 3,675.4	$ (12,834.2)	$ 22,004.4	$ (3,783.0)	$ 2.9
Net income	1,077.7			1,077.2		.5
Other comprehensive loss	(510.9)				(510.6)	(.3)
Repurchases of common stock	(1,173.9)		(1,173.9)			
Treasury shares reissued	56.9		56.9			
Dividends declared	(408.9)			(408.0)		(.9)
Stock options and other	69.6	69.8		(.2)		
Balance April 30, 2015	$ 8,176.0	$ 3,745.2	$ (13,951.2)	$ 22,673.4	$ (4,293.6)	$ 2.2

See Condensed Notes to Interim Consolidated Financial Statements.

Condensed Notes to Interim Consolidated Financial Statements (Unaudited)

(1) The information in the notes and related commentary are presented in a format which includes data grouped as follows:

Equipment Operations - Includes the Company s agriculture and turf operations and construction and forestry operations with financial services reflected on the equity basis.

Financial Services - Includes primarily the Company s financing operations.

Consolidated - Represents the consolidation of the equipment operations and financial services. References to Deere & Company or the Company refer to the entire enterprise.

(2) The consolidated financial statements of Deere & Company and consolidated subsidiaries have been prepared by the Company, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted as permitted by such rules and regulations. All adjustments, consisting of normal recurring adjustments, have been included. Management believes that the disclosures are adequate to present fairly the financial position, results of operations and cash flows at the dates and for the periods presented. It is suggested that these interim financial statements be read in conjunction with the consolidated financial statements and the notes thereto appearing in the Company s latest annual report on Form 10-K. Results for interim periods are not necessarily indicative of those to be expected for the fiscal year.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Cash Flow Information

All cash flows from the changes in trade accounts and notes receivable are classified as operating activities in the Statement of Consolidated Cash Flows as these receivables arise from sales to the Company s customers. Cash flows from financing receivables that are related to sales to the Company s customers are also included in operating activities. The remaining financing receivables are related to the financing of equipment sold by independent dealers and are included in investing activities.

The Company had the following non-cash operating and investing activities that were not included in the Statement of Consolidated Cash Flows. The Company transferred inventory to equipment on operating leases of approximately $276 million and $272 million in the first six months of 2015 and 2014, respectively. The Company also had accounts payable related to purchases of property and equipment of approximately $39 million and $44 million at April 30, 2015 and 2014, respectively.

(3) New accounting standards to be adopted are as follows:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In April 2015, the FASB issued a proposed ASU to defer the effective date by one year. If the proposed ASU is finalized, the effective date will be the first quarter of fiscal year 2019 with early adoption permitted in the first quarter of fiscal year 2018. The adoption will use one of two retrospective application methods. The Company has not determined the potential effects on the consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, which amends ASC 718, Compensation - Stock Compensation. This ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Therefore, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. The total compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The effective date will be the first quarter of fiscal year 2017. The adoption will not have a material effect on the Company s consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which amends ASC 835-30, Interest - Imputation of Interest. This ASU requires that debt issuance costs related to borrowings be presented in the balance sheet as a direct deduction from the carrying amount of the borrowing. This treatment is consistent with debt discounts. The ASU does not affect the amount or timing of expenses for debt issuance costs. The effective date will be the first quarter of fiscal year 2017 and will be applied retrospectively. The adoption will not have a material effect on the Company s consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, Customer s Accounting for Fees Paid in a Cloud Computing Arrangement, which amends ASC 350-40, Intangibles-Goodwill and Other-Internal-Use Software. This ASU provides guidance to customers about whether a cloud computing arrangement includes a software license. If an arrangement includes a software license, the accounting for the license will be consistent with licenses of other intangible assets. If the arrangement does not include a license, the arrangement will be accounted for as a service contract. The effective date will be the first quarter of fiscal year 2017 and can be adopted prospectively or retrospectively. The Company has not determined the potential effects on the consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), which amends ASC 820, Fair Value Measurement. This ASU removes the requirement to categorize within the fair value hierarchy investments without readily determinable fair values in entities that elect to measure fair value using net asset value per share or its equivalent. The ASU requires that these investments continue to be shown in the investment disclosure amount to allow the disclosure to reconcile to the investment amount presented in the balance sheet. The effective date will be the first quarter of fiscal year 2017 and will be applied retrospectively with early adoption permitted. The Company is evaluating early adoption. The adoption will not have a material effect on the Company s consolidated financial statements.

(4) The after-tax changes in accumulated other comprehensive income (loss) in millions of dollars follow:

	Retirement Benefits Adjustment	Cumulative Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Unrealized Gain (Loss) on Investments	Total Accumulated Other Comprehensive Income (Loss)
Balance October 31, 2014	$ (3,493)	$ (303)		$ 13	$ (3,783)
Other comprehensive income (loss) items before reclassification	(20)	(577)	$ (2)	5	(594)
Amounts reclassified from accumulated other comprehensive income	83		2	(2)	83
Net current period other comprehensive income (loss)	63	(577)		3	(511)
Balance April 30, 2015	$ (3,430)	$ (880)		$ 16	$ (4,294)
Balance October 31, 2013	$ (2,809)	$ 113	$ (3)	$ 6	$ (2,693)
Other comprehensive income (loss) items before reclassification	12	(62)	(7)	1	(56)
Amounts reclassified from accumulated other comprehensive income	76		9		85
Net current period other comprehensive income (loss)	88	(62)	2	1	29
Balance April 30, 2014	$ (2,721)	$ 51	$ (1)	$ 7	$ (2,664)

Following are amounts recorded in and reclassifications out of other comprehensive income (loss), and the income tax effects, in millions of dollars:

Three Months April 30, 2015	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment:	$ (67)		$ (67)
Unrealized gain (loss) on derivatives:			
Reclassification of realized (gain) loss to:			
Interest rate contracts Interest expense	3	$ (2)	1
Foreign exchange contracts Other operating expense	(1)	1	
Net unrealized gain (loss) on derivatives	2	(1)	1
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	(5)	2	(3)
Reclassification of realized (gain) loss Other income	(2)	1	(1)
Net unrealized gain (loss) on investments	(7)	3	(4)
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss)	(17)	6	(11)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	55	(20)	35
Prior service (credit) cost	6	(3)	3
Health care and life insurance			
Net actuarial gain (loss)	(12)	3	(9)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	23	(8)	15
Prior service (credit) cost	(19)	7	(12)
Net unrealized gain (loss) on retirement benefits adjustments	36	(15)	21
Total other comprehensive income (loss)	$ (36)	$ (13)	$ (49)

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

Six Months Ended April 30, 2015	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment:	$ (575)	$ (2)	$ (577)
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(4)	2	(2)
Reclassification of realized (gain) loss to:			
Interest rate contracts Interest expense	6	(2)	4
Foreign exchange contracts Other operating expense	(2)		(2)
Net unrealized gain (loss) on derivatives			
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	8	(3)	5
Reclassification of realized (gain) loss Other income	(4)	2	(2)
Net unrealized gain (loss) on investments	4	(1)	3
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss)	(17)	6	(11)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	110	(40)	70
Prior service (credit) cost	12	(5)	7
Settlements/curtailments	1		1
Health care and life insurance			
Net actuarial gain (loss)	(12)	3	(9)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	46	(17)	29
Prior service (credit) cost	(38)	14	(24)
Net unrealized gain (loss) on retirement benefits adjustments	102	(39)	63
Total other comprehensive income (loss)	$ (469)	$ (42)	$ (511)

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

Three Months April 30, 2014	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment:	$ 107		$ 107
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(5)	$ 1	(4)
Reclassification of realized (gain) loss to:			
Interest rate contracts Interest expense	3	(1)	2
Foreign exchange contracts Other operating expense	1		1
Net unrealized gain (loss) on derivatives	(1)		(1)
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	4	(2)	2
Net unrealized gain (loss) on investments	4	(2)	2
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss)	(39)	15	(24)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	43	(16)	27
Prior service (credit) cost	6	(3)	3
Settlements/curtailments	4	(1)	3
Health care and life insurance			
Net actuarial gain (loss)	39	(15)	24
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	8	(3)	5
Prior service (credit) cost	(1)	1	
Net unrealized gain (loss) on retirement benefits adjustments	60	(22)	38
Total other comprehensive income (loss)	$ 170	$ (24)	$ 146

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

In the second quarter of 2015 and 2014, the noncontrolling interests comprehensive income was $.3 million and $.5 million, respectively, which consisted of net income of $.3 million in 2015 and $.5 million in 2014.

Six Months Ended April 30, 2014	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment:	$ (63)	$ 1	$ (62)
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(10)	3	(7)
Reclassification of realized (gain) loss to:			
Interest rate contracts Interest expense	8	(3)	5
Foreign exchange contracts Other operating expense	6	(2)	4
Net unrealized gain (loss) on derivatives	4	(2)	2
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	1		1
Net unrealized gain (loss) on investments	1		1
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss)	(20)	8	(12)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	86	(31)	55
Prior service (credit) cost	12	(5)	7
Settlements/curtailments	6	(2)	4
Health care and life insurance			
Net actuarial gain (loss)	39	(15)	24
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	17	(6)	11
Prior service (credit) cost	(2)	1	(1)
Net unrealized gain (loss) on retirement benefits adjustments	138	(50)	88
Total other comprehensive income (loss)	$ 80	$ (51)	$ 29

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

In the first six months of 2015, the noncontrolling interests comprehensive income was $.2 million, which consisted of net income of $.5 million and cumulative translation adjustments of $(.3) million. In the first six months of 2014, the noncontrolling interests comprehensive income was $.7 million, which consisted of net income of $.7 million.

(5) Dividends declared and paid on a per share basis were as follows:

	Three Months Ended April 30		Six Months Ended April 30	
	2015	2014	2015	2014
Dividends declared	$ .60	$ .51	$ 1.20	$ 1.02
Dividends paid	$ .60	$ .51	$ 1.20	$ 1.02

(6) A reconciliation of basic and diluted net income per share attributable to Deere & Company follows in millions, except per share amounts:

	Three Months Ended April 30		Six Months Ended April 30	
	2015	2014	2015	2014
Net income attributable to Deere & Company	$ 690.5	$ 980.7	$ 1,077.2	$ 1,661.8
Less income allocable to participating securities	.3	.4	.4	.6
Income allocable to common stock	$ 690.2	$ 980.3	$ 1,076.8	$ 1,661.2
Average shares outstanding	337.1	366.6	340.2	369.2
Basic per share	$ 2.05	$ 2.67	$ 3.17	$ 4.50
Average shares outstanding	337.1	366.6	340.2	369.2
Effect of dilutive share-based compensation	2.6	3.2	2.6	3.4
Total potential shares outstanding	339.7	369.8	342.8	372.6
Diluted per share	$ 2.03	$ 2.65	$ 3.14	$ 4.46

During the second quarter and first six months of 2015 and 2014, 3.0 million shares and 2.4 million shares, respectively, in both periods were excluded from the above diluted per share computation because the incremental shares under the treasury stock method would have been antidilutive.

(7) The Company has several defined benefit pension plans and defined postretirement health care and life insurance plans covering its U.S. employees and employees in certain foreign countries.

The worldwide components of net periodic pension cost consisted of the following in millions of dollars:

	Three Months Ended April 30		Six Months Ended April 30	
	2015	2014	2015	2014
Service cost	$ 69	$ 62	$ 142	$ 123
Interest cost	119	120	238	239
Expected return on plan assets	(192)	(193)	(385)	(386)
Amortization of actuarial loss	55	43	110	86
Amortization of prior service cost	6	6	12	12
Settlements/curtailments		4	1	6
Net cost	$ 57	$ 42	$ 118	$ 80

The worldwide components of net periodic postretirement benefits cost (health care and life insurance) consisted of the following in millions of dollars:

	Three Months Ended April 30		Six Months Ended April 30	
	2015	2014	2015	2014
Service cost	$ 12	$ 11	$ 23	$ 22
Interest cost	64	65	129	131
Expected return on plan assets	(14)	(17)	(28)	(35)
Amortization of actuarial loss	23	8	46	17
Amortization of prior service credit	(19)	(1)	(38)	(2)
Net cost	$ 66	$ 66	$ 132	$ 133

During the first six months of 2015, the Company contributed approximately $40 million to its pension plans and $17 million to its other postretirement benefit plans. The Company presently anticipates contributing an additional $35 million to its pension plans and $10 million to its other postretirement benefit plans during the remainder of fiscal year 2015. These contributions include payments from Company funds to either increase plan assets or make direct payments to plan participants.

(8) The Company s unrecognized tax benefits at April 30, 2015 were $228 million, compared to $213 million at October 31, 2014. The liability at April 30, 2015 consisted of approximately $72 million, which would affect the effective tax rate if it was recognized. The remaining

liability was related to tax positions for which there are offsetting tax receivables, or the uncertainty was only related to timing. The changes in the unrecognized tax benefits for the first six months of 2015 were not significant. The Company expects that any reasonably possible change in the amounts of unrecognized tax benefits in the next 12 months would not be significant.

(9) Worldwide net sales and revenues, operating profit and identifiable assets by segment in millions of dollars follow:

	Three Months Ended April 30			Six Months Ended April 30		
	2015	2014	% Change	2015	2014	% Change
Net sales and revenues:						
Agriculture and turf	$ 5,766	$ 7,646	-25	$ 9,847	$ 13,242	-26
Construction and forestry	1,633	1,600	+2	3,157	2,953	+7
Total net sales	7,399	9,246	-20	13,004	16,195	-20
Financial services	653	572	+14	1,301	1,159	+12
Other revenues	119	130	-8	249	248	
Total net sales and revenues	$ 8,171	$ 9,948	-18	$ 14,554	$ 17,602	-17
Operating profit: *						
Agriculture and turf	$ 639	$ 1,229	-48	$ 907	$ 2,026	-55
Construction and forestry	189	132	+43	335	226	+48
Financial services	265	229	+16	498	411	+21
Total operating profit	1,093	1,590	-31	1,740	2,663	-35
Reconciling items **	(79)	(130)	-39	(168)	(241)	-30
Income taxes	(324)	(479)	-32	(495)	(760)	-35
Net income attributable to Deere & Company	$ 690	$ 981	-30	$ 1,077	$ 1,662	-35
Intersegment sales and revenues:						
Agriculture and turf net sales	$ 12	$ 23	-48	$ 25	$ 42	-40
Construction and forestry net sales					1	
Financial services	56	59	-5	106	105	+1
Equipment operations outside the U.S. and Canada:						
Net sales	$ 2,628	$ 3,672	-28	$ 4,502	$ 6,280	-28
Operating profit	231	341	-32	308	552	-44

	April 30 2015	October 31 2014	
Identifiable assets:			
Agriculture and turf	$ 9,252	$ 9,442	-2
Construction and forestry	3,565	3,405	+5
Financial services	41,398	42,784	-3
Corporate	5,379	5,705	-6
Total assets	$ 59,594	$ 61,336	-3

* Operating profit is income from continuing operations before corporate expenses, certain external interest expense, certain foreign exchange gains and losses and income taxes. Operating profit of the financial services segment includes the effect of interest expense and foreign exchange gains and losses.

** Reconciling items are primarily corporate expenses, certain external interest expense, certain foreign exchange gains and losses and net income attributable to noncontrolling interests.

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(10) Past due balances of financing receivables still accruing finance income represent the total balance held (principal plus accrued interest) with any payment amounts 30 days or more past the contractual payment due date. Non-performing financing receivables represent loans for which the Company has ceased accruing finance income. These receivables are generally 120 days delinquent and the estimated uncollectible amount, after charging the dealer s withholding account, if any, has been written off to the allowance for credit losses. Finance income for non-performing receivables is recognized on a cash basis. Accrual of finance income is generally resumed when the receivable becomes contractually current and collections are reasonably assured.

An age analysis of past due financing receivables that are still accruing interest and non-performing financing receivables in millions of dollars follows:

	April 30, 2015			
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail Notes:				
Agriculture and turf	$ 108	$ 55	$ 49	$ 212
Construction and forestry	57	24	12	93
Other:				
Agriculture and turf	32	13	20	65
Construction and forestry	14	6	2	22
Total	$ 211	$ 98	$ 83	$ 392

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$ 212	$ 96	$ 18,543	$ 18,851
Construction and forestry	93	18	2,511	2,622
Other:				
Agriculture and turf	65	16	7,051	7,132
Construction and forestry	22	7	1,016	1,045
Total	$ 392	$ 137	$ 29,121	29,650
Less allowance for credit losses				163
Total financing receivables - net				$ 29,487

	October 31, 2014			
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail Notes:				
Agriculture and turf	$ 93	$ 34	$ 28	$ 155
Construction and forestry	54	16	7	77
Other:				
Agriculture and turf	23	12	2	37
Construction and forestry	12	3	4	19
Total	$ 182	$ 65	$ 41	$ 288

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$ 155	$ 107	$ 19,966	$ 20,228
Construction and forestry	77	17	2,462	2,556
Other:				
Agriculture and turf	37	15	8,208	8,260
Construction and forestry	19	2	1,134	1,155
Total	$ 288	$ 141	$ 31,770	32,199
Less allowance for credit losses				175
Total financing receivables - net				$ 32,024

	April 30, 2014			
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail Notes:				
Agriculture and turf	$ 89	$ 31	$ 28	$ 148
Construction and forestry	57	19	12	88
Other:				
Agriculture and turf	24	13	17	54
Construction and forestry	15	5	3	23
Total	$ 185	$ 68	$ 60	$ 313

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$ 148	$ 102	$ 19,027	$ 19,277
Construction and forestry	88	14	2,113	2,215
Other:				
Agriculture and turf	54	17	7,335	7,406
Construction and forestry	23	4	1,088	1,115
Total	$ 313	$ 137	$ 29,563	30,013
Less allowance for credit losses				171
Total financing receivables - net				$ 29,842

An analysis of the allowance for credit losses and investment in financing receivables in millions of dollars during the periods follows:

	Three Months Ended April 30, 2015			
	Retail Notes	Revolving Charge Accounts	Other	Total
Allowance:				
Beginning of period balance	$ 104	$ 41	$ 23	$ 168
Provision	5	8	1	14
Write-offs	(6)	(11)	(2)	(19)
Recoveries	2	3	1	6
Translation adjustments	(6)			(6)
End of period balance *	$ 99	$ 41	$ 23	$ 163
	Six Months Ended April 30, 2015			
Allowance:				
Beginning of period balance	$ 109	$ 41	$ 25	$ 175
Provision	5	8	2	15
Write-offs	(9)	(15)	(2)	(26)
Recoveries	4	7		11
Translation adjustments	(10)		(2)	(12)
End of period balance *	$ 99	$ 41	$ 23	$ 163
Financing receivables:				
End of period balance	$ 21,473	$ 2,345	$ 5,832	$ 29,650
Balance individually evaluated **	$ 19			$ 19

	Three Months Ended April 30, 2014			
	Retail Notes	Revolving Charge Accounts	Other	Total
Allowance:				
Beginning of period balance	$ 97	$ 40	$ 30	$ 167
Provision (credit)	7	2	(4)	5
Write-offs	(5)	(6)		(11)
Recoveries	2	4		6
Translation adjustments	4			4
End of period balance *	$ 105	$ 40	$ 26	$ 171
	Six Months Ended April 30, 2014			
Allowance:				
Beginning of period balance	$ 101	$ 41	$ 31	$ 173
Provision (credit)	8	3	(4)	7
Write-offs	(8)	(11)		(19)
Recoveries	4	7		11
Translation adjustments			(1)	(1)
End of period balance *	$ 105	$ 40	$ 26	$ 171
Financing receivables:				

End of period balance	$	21,492	$	2,215	$	6,306	$	30,013
Balance individually evaluated **	$	21	$	3	$	11	$	35

* Individual allowances were not significant.

** Remainder is collectively evaluated.

Financing receivables are considered impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms. Receivables reviewed for impairment generally include those that are either past due, or have provided bankruptcy notification, or require significant collection efforts. Receivables that are impaired are generally classified as non-performing.

An analysis of the impaired financing receivables in millions of dollars follows:

	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment
April 30, 2015 *				
Receivables with specific allowance **	$ 3	$ 3	$ 2	$ 6
Receivables without a specific allowance **	12	11		12
Total	$ 15	$ 14	$ 2	$ 18
Agriculture and turf	$ 9	$ 8	$ 2	$ 12
Construction and forestry	$ 6	$ 6		$ 6
October 31, 2014 *				
Receivables with specific allowance **	$ 9	$ 9	$ 2	$ 10
Receivables without a specific allowance **	6	6		7
Total	$ 15	$ 15	$ 2	$ 17
Agriculture and turf	$ 12	$ 12	$ 2	$ 13
Construction and forestry	$ 3	$ 3		$ 4
April 30, 2014*				
Receivables with specific allowance ***	$ 10	$ 10	$ 2	$ 11
Receivables without a specific allowance **	6	6		7
Total	$ 16	$ 16	$ 2	$ 18
Agriculture and turf	$ 14	$ 14	$ 2	$ 16
Construction and forestry	$ 2	$ 2		$ 2

* Finance income recognized was not material.
** Primarily retail notes.
*** Primarily operating loans.

A troubled debt restructuring is generally the modification of debt in which a creditor grants a concession it would not otherwise consider to a debtor that is experiencing financial difficulties. These modifications may include a reduction of the stated interest rate, an extension of the maturity dates, a reduction of the face amount or maturity amount of the debt, or a reduction of accrued interest. During the first six months of 2015, the Company identified 50 financing receivable contracts, primarily retail notes, as troubled debt restructurings with aggregate balances of $1.5 million pre-modification and $1.1 million post-modification. During the first six months of 2014, there were 20 financing receivable contracts, primarily retail notes, as troubled debt restructurings with aggregate balances of $1.0 million pre-modification and $.8 million post-modification. During these same periods, there were no significant troubled debt restructurings that subsequently defaulted and were written off. At April 30, 2015, the Company had no commitments to lend additional funds to borrowers whose accounts were modified in troubled debt restructurings.

(11) Securitization of financing receivables:

The Company, as a part of its overall funding strategy, periodically transfers certain financing receivables (retail notes) into variable interest entities (VIEs) that are special purpose entities (SPEs), or a non-VIE banking operation, as part of its asset-backed securities programs (securitizations). The structure of these transactions is such that the transfer of the retail notes does not meet the criteria of sales of receivables, and is, therefore, accounted for as a secured borrowing. SPEs utilized in securitizations of retail notes differ from other entities included in the Company s consolidated statements because the assets they hold are legally isolated. Use of the assets held by the SPEs or the non-VIE is restricted by terms of the documents governing the securitization transactions.

In securitizations of retail notes related to secured borrowings, the retail notes are transferred to certain SPEs or to a non-VIE banking operation, which in turn issue debt to investors. The resulting secured borrowings are recorded as Short-term securitization borrowings on the balance sheet. The securitized retail notes are recorded as Financing receivables securitized net on the balance sheet. The total restricted assets on the balance sheet related to these securitizations include the financing receivables securitized less an allowance for credit losses, and other assets primarily representing restricted cash. For those securitizations in which retail notes are transferred into SPEs, the SPEs supporting the secured borrowings are consolidated unless the Company does not have both the power to direct the activities that most significantly impact the SPEs economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the SPEs. No additional support to these SPEs beyond what was previously contractually required has been provided during the reporting periods.

In certain securitizations, the Company consolidates the SPEs since it has both the power to direct the activities that most significantly impact the SPEs economic performance through its role as servicer of all the receivables held by the SPEs, and the obligation through variable interests in the SPEs to absorb losses or receive benefits that could potentially be significant to the SPEs. The restricted assets (retail notes securitized, allowance for credit losses and other assets) of the consolidated SPEs totaled $3,083 million, $3,011 million and $2,843 million at April 30, 2015, October 31, 2014 and April 30, 2014, respectively. The liabilities (short-term securitization borrowings and accrued interest) of these SPEs totaled $3,007 million, $2,942 million and $2,777 million at April 30, 2015, October 31, 2014 and April 30, 2014, respectively. The credit holders of these SPEs do not have legal recourse to the Company s general credit.

In certain securitizations, the Company transfers retail notes to a non-VIE banking operation, which is not consolidated since the Company does not have a controlling interest in the entity. The Company s carrying values and interests related to the securitizations with the unconsolidated non-VIE were restricted assets (retail notes securitized, allowance for credit losses and other assets) of $228 million, $368 million and $350 million at April 30, 2015, October 31, 2014 and April 30, 2014, respectively. The liabilities (short-term securitization borrowings and accrued interest) were $218 million, $351 million and $337 million at April 30, 2015, October 31, 2014 and April 30, 2014, respectively.

In certain securitizations, the Company transfers retail notes into bank-sponsored, multi-seller, commercial paper conduits, which are SPEs that are not consolidated. The Company does not service a significant portion of the conduits receivables, and, therefore, does not have the power to direct the activities that most significantly impact the conduits economic performance. These conduits provide a funding source to the Company (as well as other transferors into the conduit) as they fund the retail notes through the issuance of commercial paper. The Company s carrying values and variable interests related to these conduits were restricted assets (retail notes securitized, allowance for credit losses and other assets) of $1,545 million, $1,331 million and $1,267 million at April 30, 2015, October 31, 2014 and April 30, 2014, respectively. The liabilities (short-term securitization borrowings and accrued interest) related to these conduits were $1,480 million, $1,267 million and $1,217 million at April 30, 2015, October 31, 2014 and April 30, 2014, respectively.

The Company s carrying amount of the liabilities to the unconsolidated conduits, compared to the maximum exposure to loss related to these conduits, which would only be incurred in the event of a complete loss on the restricted assets, was as follows in millions of dollars:

	April 30, 2015
Carrying value of liabilities	$ 1,480
Maximum exposure to loss	1,545

The total assets of unconsolidated VIEs related to securitizations were approximately $47 billion at April 30, 2015.

The components of consolidated restricted assets related to secured borrowings in securitization transactions follow in millions of dollars:

	April 30 2015	October 31 2014	April 30 2014
Financing receivables securitized (retail notes)	$ 4,755	$ 4,616	$ 4,355
Allowance for credit losses	(14)	(14)	(10)
Other assets	115	108	115
Total restricted securitized assets	$ 4,856	$ 4,710	$ 4,460

The components of consolidated secured borrowings and other liabilities related to securitizations follow in millions of dollars:

	April 30 2015	October 31 2014	April 30 2014
Short-term securitization borrowings	$ 4,703	$ 4,559	$ 4,330
Accrued interest on borrowings	2	1	1
Total liabilities related to restricted securitized assets	$ 4,705	$ 4,560	$ 4,331

The secured borrowings related to these restricted securitized retail notes are obligations that are payable as the retail notes are liquidated. Repayment of the secured borrowings depends primarily on cash flows generated by the restricted assets. Due to the Company s short-term credit rating, cash collections from these restricted assets are not required to be placed into a restricted collection account until immediately prior to the time payment is required to the secured creditors. At April 30, 2015, the maximum remaining term of all restricted securitized retail notes was approximately six years.

(12) Most inventories owned by Deere & Company and its U.S. equipment subsidiaries and certain foreign equipment subsidiaries are valued at cost on the last-in, first-out (LIFO) method. If all of the Company s inventories had been valued on a first-in, first-out (FIFO) method, estimated inventories by major classification in millions of dollars would have been as follows:

	April 30 2015	October 31 2014	April 30 2014
Raw materials and supplies	$ 1,675	$ 1,724	$ 2,024
Work-in-process	630	654	956

Finished goods and parts		3,831		3,360		4,389
Total FIFO value		6,136		5,738		7,369
Less adjustment to LIFO value		1,512		1,528		1,519
Inventories	$	4,624	$	4,210	$	5,850

(13) The changes in amounts of goodwill by operating segments were as follows in millions of dollars:

	Agriculture and Turf	Construction and Forestry	Total
Balance October 31, 2013:			
Goodwill	$ 302	$ 603	$ 905
Less accumulated impairment losses	60		60
Goodwill-net	242	603	845
Reclassification to assets held for sale	(60)		(60)
Translation adjustments	1	(6)	(5)
Balance April 30, 2014:			
Goodwill	243	597	840
Less accumulated impairment losses *			
Goodwill-net	$ 243	$ 597	$ 840
Balance October 31, 2014:			
Goodwill	$ 235	$ 556	$ 791
Less accumulated impairment losses *			
Goodwill - net	235	556	791
Translation adjustments	(13)	(41)	(54)
Balance April 30, 2015:			
Goodwill-net	$ 222	$ 515	$ 737

* Accumulated impairment losses were reduced by $60 million related to the divestiture of the Water operations, which occurred in May 2014 (see Note 18).

The components of other intangible assets were as follows in millions of dollars:

	Useful Lives * (Years)	April 30 2015	October 31 2014	April 30 2014
Amortized intangible assets:				
Customer lists and relationships	15	$ 19	$ 20	$ 20
Technology, patents, trademarks and other	18	90	90	87
Total at cost		109	110	107
Less accumulated amortization **		49	45	40
Total		60	65	67
Unamortized intangible assets:				
Licenses ***			4	4
Other intangible assets-net		$ 60	$ 69	$ 71

* Weighted-averages

** Accumulated amortization at April 30, 2015, October 31, 2014 and April 30, 2014 for customer lists and relationships totaled $10 million, $9 million and $8 million, respectively, and technology, patents, trademarks and other totaled $39 million, $36 million and $32 million, respectively.

*** Licenses were reduced by $4 million related to the divestiture of the Crop Insurance operations, which occurred in March 2015 (see Note 19).

The amortization of other intangible assets in the second quarter and the first six months of 2015 was $2 million and $5 million and for 2014 was $3 million and $5 million, respectively. The estimated amortization expense for the next five years is as follows in millions of dollars: remainder of 2015 - $8, 2016 - $10, 2017 - $9, 2018 - $5 and 2019 - $5.

(14) Commitments and contingencies:

The Company generally determines its total warranty liability by applying historical claims rate experience to the estimated amount of equipment that has been sold and is still under warranty based on dealer inventories and retail sales. The historical claims rate is primarily determined by a review of five-year claims costs and current quality developments.

The premiums for extended warranties are primarily recognized in income in proportion to the costs expected to be incurred over the contract period. These unamortized extended warranty premiums (deferred revenue) included in the following table totaled $428 million and $378 million at April 30, 2015 and 2014, respectively.

A reconciliation of the changes in the warranty liability and unearned premiums in millions of dollars follows:

	Three Months Ended April 30		Six Months Ended April 30	
	2015	2014	2015	2014
Beginning of period balance	$ 1,217	$ 1,172	$ 1,234	$ 1,164
Payments	(165)	(177)	(343)	(366)
Amortization of premiums received	(41)	(32)	(82)	(59)
Accruals for warranties	189	182	370	366
Premiums received	47	49	92	95
Foreign exchange	(5)	2	(29)	(4)
End of period balance	$ 1,242	$ 1,196	$ 1,242	$ 1,196

At April 30, 2015, the Company had approximately $199 million of guarantees issued primarily to banks outside the U.S. and Canada related to third-party receivables for the retail financing of John Deere equipment. The Company may recover a portion of any required payments incurred under these agreements from repossession of the equipment collateralizing the receivables. At April 30, 2015, the Company had accrued losses of approximately $6 million under these agreements. The maximum remaining term of the receivables guaranteed at April 30, 2015 was approximately five years.

At April 30, 2015, the Company had commitments of approximately $209 million for the construction and acquisition of property and equipment. Also, at April 30, 2015, the Company had restricted assets of $100 million, primarily as collateral for borrowings and restricted other assets. See Note 11 for additional restricted assets associated with borrowings related to securitizations.

The Company also had other miscellaneous contingent liabilities totaling approximately $43 million at April 30, 2015, for which it believes the probability for payment is substantially remote. The accrued liability for these contingencies was not material at April 30, 2015.

The Company is subject to various unresolved legal actions which arise in the normal course of its business, the most prevalent of which relate to product liability (including asbestos related liability), retail credit, software licensing, patent, trademark and environmental matters. The Company believes the reasonably possible range of losses for these unresolved legal actions in addition to the amounts accrued would not have a material effect on its consolidated financial statements.

(15) The fair values of financial instruments that do not approximate the carrying values in millions of dollars follow:

	April 30, 2015		October 31, 2014		April 30, 2014	
	Carrying Value	Fair Value *	Carrying Value	Fair Value *	Carrying Value	Fair Value *
Financing receivables - net	$ 24,746	$ 24,632	$ 27,422	$ 27,337	$ 25,496	$ 25,383
Financing receivables securitized - net	4,741	4,716	4,602	4,573	4,345	4,308
Short-term securitization borrowings	4,703	4,707	4,559	4,562	4,330	4,333
Long-term borrowings due within one year:						
Equipment operations	$ 280	$ 264	$ 243	$ 233	$ 130	$ 128
Financial services	4,884	4,871	4,730	4,743	4,391	4,405
Total	$ 5,164	$ 5,135	$ 4,973	$ 4,976	$ 4,521	$ 4,533
Long-term borrowings:						
Equipment operations	$ 4,489	$ 4,994	$ 4,643	$ 5,095	$ 4,817	$ 5,181
Financial services	19,134	19,265	19,738	19,886	18,350	18,548
Total	$ 23,623	$ 24,259	$ 24,381	$ 24,981	$ 23,167	$ 23,729

* Fair value measurements above were Level 3 for all financing receivables and Level 2 for all borrowings.

Fair values of financing receivables that were issued long-term were based on the discounted values of their related cash flows at interest rates currently being offered by the Company for similar financing receivables. The fair values of the remaining financing receivables approximated the carrying amounts.

Fair values of long-term borrowings and short-term securitization borrowings were based on current market quotes for identical or similar borrowings and credit risk, or on the discounted values of their related cash flows at current market interest rates. Certain long-term borrowings have been swapped to current variable interest rates. The carrying values of these long-term borrowings included adjustments related to fair value hedges.

Assets and liabilities measured at fair value on a recurring basis in millions of dollars follow:

	April 30 2015*	October 31 2014*	April 30 2014*
Marketable securities			
Equity fund	$ 47		