

PRAXAIR INC  
Form 10-Q  
October 30, 2013  
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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 September 30, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

PRAXAIR, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation)

1-11037

(Commission File Number)

06-1249050

(IRS Employer Identification No.)

39 OLD RIDGEBURY ROAD, DANBURY, CT

(Address of principal executive offices)

(203) 837-2000

(Registrant's telephone number, including area code)

06810-5113

(Zip Code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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  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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  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 Exchange Act).

Yes  No

At September 30, 2013, 294,363,397 shares of common stock (\$0.01 par value) of the Registrant were outstanding.

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PRAXAIR, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Millions of dollars, except per share data)  
(UNAUDITED)

	Quarter Ended September	
	30,	
	2013	2012
SALES	\$3,013	\$2,774
Cost of sales, exclusive of depreciation and amortization	1,697	1,595
Selling, general and administrative	336	306
Depreciation and amortization	281	248
Research and development	24	24
Venezuela currency devaluation and other charges	9	65
Other income (expense) - net	4	22
OPERATING PROFIT	670	558
Interest expense - net	41	36
INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS	629	522
Income taxes	175	90
INCOME BEFORE EQUITY INVESTMENTS	454	432
Income from equity investments	8	8
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	462	440
Less: noncontrolling interests	(17	) (10
NET INCOME - PRAXAIR, INC.	\$445	\$430
PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS		
Basic earnings per share	\$1.51	\$1.44
Diluted earnings per share	\$1.49	\$1.43
Cash dividends per share	\$0.60	\$0.55
WEIGHTED AVERAGE SHARES OUTSTANDING (000's):		
Basic shares outstanding	295,124	298,416
Diluted shares outstanding	298,357	301,731
The accompanying notes are an integral part of these financial statements.		

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## CONSOLIDATED STATEMENTS OF INCOME

(Millions of dollars, except per share data)

(UNAUDITED)

	Nine Months Ended September 30,	
	2013	2012
SALES	\$8,915	\$8,425
Cost of sales, exclusive of depreciation and amortization	5,045	4,813
Selling, general and administrative	1,017	951
Depreciation and amortization	822	747
Research and development	72	73
Venezuela currency devaluation and other charges	32	65
Other income (expense) - net	8	45
OPERATING PROFIT	1,935	1,821
Interest expense - net	122	106
INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS	1,813	1,715
Income taxes	513	424
INCOME BEFORE EQUITY INVESTMENTS	1,300	1,291
Income from equity investments	29	25
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	1,329	1,316
Less: noncontrolling interests	(48	) (38
NET INCOME - PRAXAIR, INC.	\$1,281	\$1,278
PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS		
Basic earnings per share	\$4.33	\$4.28
Diluted earnings per share	\$4.28	\$4.23
Cash dividends per share	\$1.80	\$1.65
WEIGHTED AVERAGE SHARES OUTSTANDING (000's):		
Basic shares outstanding	295,799	298,793
Diluted shares outstanding	299,077	302,352

The accompanying notes are an integral part of these financial statements.

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PRAXAIR, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Millions of dollars)  
(UNAUDITED)

	Quarter Ended September 30,	
	2013	2012
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	\$462	\$440
OTHER COMPREHENSIVE INCOME		
Translation adjustments:		
Foreign currency translation adjustments	77	243
Income taxes	—	2
Translation adjustments	77	245
Funded status - retirement obligations (Note 11):		
Retirement program remeasurements	5	(14 )
Reclassifications to net income	31	24
Income taxes	(13	) (4 )
Funded status - retirement obligations	23	6
Derivative instruments (Note 6):		
Current quarter unrealized gain (loss)	1	(7 )
Reclassifications to net income	—	—
Income taxes	—	2
Derivative instruments	1	(5 )
TOTAL OTHER COMPREHENSIVE INCOME	101	246
COMPREHENSIVE INCOME (INCLUDING NONCONTROLLING INTERESTS)	563	686
Less: noncontrolling interests	(23	) (22 )
COMPREHENSIVE INCOME - PRAXAIR, INC.	\$540	\$664

The accompanying notes are an integral part of these financial statements.

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PRAXAIR, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Millions of dollars)  
(UNAUDITED)

	Nine Months Ended September	
	30,	
	2013	2012
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	\$1,329	\$1,316
OTHER COMPREHENSIVE INCOME		
Translation adjustments:		
Foreign currency translation adjustments	(354	) (47
Income taxes	19	16
Translation adjustments	(335	) (31
Funded status - retirement obligations (Note 11):		
Retirement program remeasurements	(4	) (22
Reclassifications to net income	76	55
Income taxes	(23	) (11
Funded status - retirement obligations	49	22
Derivative instruments (Note 6):		
Current period unrealized gain	1	—
Reclassifications to net income	—	—
Income taxes	—	—
Derivative instruments	1	—
TOTAL OTHER COMPREHENSIVE LOSS	(285	) (9
COMPREHENSIVE INCOME (INCLUDING NONCONTROLLING INTERESTS)	1,044	1,307
Less: noncontrolling interests	(40	) (41
COMPREHENSIVE INCOME - PRAXAIR, INC.	\$1,004	\$1,266

The accompanying notes are an integral part of these financial statements.

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PRAXAIR, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Millions of dollars)  
 (UNAUDITED)

	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 134	\$ 157
Accounts receivable - net	1,957	1,834
Inventories	519	476
Prepaid and other current assets	367	325
<b>TOTAL CURRENT ASSETS</b>	<b>2,977</b>	<b>2,792</b>
Property, plant and equipment (less accumulated depreciation of \$11,678 in 2013 and \$11,226 in 2012)	12,099	11,453
Goodwill	3,189	2,507
Other intangible assets - net	613	173
Other long-term assets	1,184	1,165
<b>TOTAL ASSETS</b>	<b>\$20,062</b>	<b>\$18,090</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 900	\$ 928
Short-term debt	1,135	638
Current portion of long-term debt	8	39
Other current liabilities	886	874
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,929</b>	<b>2,479</b>
Long-term debt	7,883	6,685
Other long-term liabilities	2,385	2,253
<b>TOTAL LIABILITIES</b>	<b>13,197</b>	<b>11,417</b>
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests (Note 14)	290	252
Praxair, Inc. Shareholders' Equity:		
Common stock \$0.01 par value, authorized - 800,000,000 shares, issued 2013 - 383,221,178 shares and 2012 - 383,073,446 shares	4	4
Additional paid-in capital	3,962	3,889
Retained earnings	10,243	9,534
Accumulated other comprehensive income (loss)	(2,139)	(1,852)
Treasury stock, at cost (2013 - 88,857,781 shares and 2012 - 86,843,966 shares)	(5,860)	(5,511)
<b>Total Praxair, Inc. Shareholders' Equity</b>	<b>6,210</b>	<b>6,064</b>
Noncontrolling interests	365	357
<b>TOTAL EQUITY</b>	<b>6,575</b>	<b>6,421</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$20,062</b>	<b>\$18,090</b>

The accompanying notes are an integral part of these financial statements.



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PRAXAIR, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Millions of dollars)  
(UNAUDITED)

	Nine Months Ended September 30,	
	2013	2012
<b>OPERATIONS</b>		
Net income - Praxair, Inc.	\$1,281	\$1,278
Noncontrolling interests	48	38
Net income (including noncontrolling interests)	1,329	1,316
Adjustments to reconcile net income to net cash provided by operating activities:		
Venezuela currency devaluation and other charges, net of payments	23	52
Depreciation and amortization	822	747
Deferred income taxes	88	202
Share-based compensation	52	52
Accounts receivable	(139	) (107
Inventory	(63	) (30
Prepaid and other current assets	(54	) (106
Payables and accruals	18	(75
Pension contributions	(48	) (112
Long-term assets, liabilities and other	(75	) (66
Net cash provided by operating activities	1,953	1,873
<b>INVESTING</b>		
Capital expenditures	(1,504	) (1,594
Acquisitions, net of cash acquired	(1,311	) (109
Divestitures and asset sales	65	77
Net cash used for investing activities	(2,750	) (1,626
<b>FINANCING</b>		
Short-term debt borrowings (repayments) - net	504	243
Long-term debt borrowings	2,105	1,416
Long-term debt repayments	(939	) (1,076
Issuances of common stock	108	126
Purchases of common stock	(458	) (438
Cash dividends - Praxair, Inc. shareholders	(531	) (492
Excess tax benefit on share-based compensation	31	50
Noncontrolling interest transactions and other	(24	) (55
Net cash (used for) provided by financing activities	796	(226
Effect of exchange rate changes on cash and cash equivalents	(22	) (3
Change in cash and cash equivalents	(23	) 18
Cash and cash equivalents, beginning-of-period	157	90
Cash and cash equivalents, end-of-period	\$134	\$108

The accompanying notes are an integral part of these financial statements.

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PRAXAIR, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Summary of Significant Accounting Policies

Presentation of Condensed Consolidated Financial Statements - In the opinion of Praxair, Inc. (Praxair) management, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation of the results for the interim periods presented and such adjustments are of a normal recurring nature. The accompanying condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements of Praxair, Inc. and subsidiaries in Praxair's 2012 Annual Report on Form 10-K. There have been no material changes to the company's significant accounting policies during 2013.

Accounting Standards Implemented in 2013

The following standards were effective for Praxair in 2013 and their adoption did not have a significant impact on the condensed consolidated financial statements:

Statement of Comprehensive Income - In February 2013, the Financial Accounting Standards Board ("FASB") issued updated disclosure requirements regarding the presentation of other comprehensive income. The adoption of this guidance did not have a significant impact on the consolidated financial statements. Refer to the Consolidated Statements of Comprehensive Income (Loss) following the Consolidated Statements of Income.

Offsetting Assets and Liabilities – In December 2011, the FASB issued updated disclosure requirements related to a company's right or requirement to offset balance sheet items and the related arrangements associated with its financial instruments and derivative instruments. The new guidance requires the disclosure of the gross amounts subject to rights of setoff, amounts offset, and the related net exposure. The adoption of this guidance did not have a significant impact on the consolidated financial statements.

Accounting Standards to be Implemented

Accounting for Cumulative Translation Adjustment – In March 2013, the FASB issued updated guidance on the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity, or as a result of acquisitions achieved in stages. This guidance will be effective for Praxair beginning with the first quarter 2014. Praxair does not expect this requirement to have any impact on the consolidated financial statements.

• Presentation of Unrecognized Tax Benefits – In July 2013, the FASB issued updated guidance on the presentation of unrecognized tax benefits. The new guidance requires an entity to present certain unrecognized tax benefits, or a portion thereof, as a reduction to the related deferred tax asset, primarily for loss and tax credit carryforwards. This guidance will be effective for Praxair beginning with the first quarter 2014. Praxair does not expect this requirement to have a significant impact on the consolidated financial statements.

Reclassifications – Certain prior years' amounts have been reclassified to conform to the current year's presentation.

2. Venezuela Currency Devaluation and Other Charges

2013 and 2012 Pension Settlements

In 2012 and 2011 a number of senior managers retired. These retirees are covered by the U.S. supplemental pension plan which provides for a lump sum benefit payment option. Under certain circumstances, such lump sum payments must be accounted for as a settlement of the related pension obligation, but only when paid. Accordingly, Praxair recorded a settlement charge related to net unrecognized actuarial losses of \$9 million (\$6 million after-tax) in both the third quarter 2013 and 2012, when the cash payments were made to the retirees.

2013 Venezuela Currency Devaluation

On February 8, 2013, Venezuela announced a devaluation of the Venezuelan Bolivar from 4.30 to 6.30 (a 32% devaluation), effective on February 13, 2013. In the first quarter Praxair recorded a \$23 million pre-tax charge (\$23 million after-tax or \$0.08 per diluted share) due primarily to the remeasurement of the local Venezuelan balance sheet to reflect the new official 6.30 exchange rate. The company does not expect the impact of the devaluation on future results of operations to be significant.



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## 2012 Cost Reduction Program

In the third quarter 2012, Praxair recorded pre-tax charges totaling \$56 million (\$38 million after-tax and noncontrolling interest), relating to severance and business restructuring actions primarily in Europe within the industrial gases and surface technologies businesses. The severance costs of \$43 million are for the termination of approximately 410 employees, primarily in Europe (industrial gases and surface technologies). The costs associated with exit or disposal activities of \$13 million include asset write-downs and other costs associated with a decision to eliminate and/or restructure operations and product lines. The actions are substantially completed as of September 30, 2013 and the remaining liability associated with those actions is expected to be paid during the next twelve months. The following table summarizes the activities related to the nine months ended September 30, 2013:

(Millions of dollars)	Severance Costs	Costs Associated with Exit or Disposal Activities	Total Cost Reduction Program
Balance, January 1, 2013	\$30	\$ 4	\$34
Less: Cash payments	(13	) (3	) (16
Less: Non-cash asset write-offs	—	—	—
Foreign currency translation	1	—	1
Balance, September 30, 2013	\$18	\$ 1	\$19

For further details regarding the cost reduction program and other charges, refer to Note 2 to the consolidated financial statements of Praxair's 2012 Annual Report on Form 10-K.

## 3. 2013 Acquisitions

NuCO<sub>2</sub>

On March 1, 2013 Praxair acquired 100% of NuCO<sub>2</sub> Inc. ("NuCO<sub>2</sub>") for \$1,095 million. NuCO<sub>2</sub> is the leading national provider of beverage carbonation solutions in the United States to the restaurant and hospitality industries with 162,000 customer locations and 900 employees, and with 2012 sales of approximately \$230 million. The NuCO<sub>2</sub> micro-bulk beverage carbonation solution is the service model of choice for quick service restaurants and convenience stores offering fountain beverages and represents an extension of Praxair's core industrial gas business.

The acquisition of NuCO<sub>2</sub> was accounted for as a business combination. Following the acquisition date, 100% of NuCO<sub>2</sub>'s results were consolidated in the North America business segment. For the quarter and nine months ended September 30, 2013, Praxair's consolidated income statement includes sales of \$64 million and \$145 million, respectively, related to NuCO<sub>2</sub>. Pro forma results for the quarters and nine months ended September 30, 2013 and 2012 have not been included as the impact of the acquisition is not material to the consolidated statements of income.

The following table summarizes the fair value of identifiable assets acquired and liabilities assumed in the acquisition of NuCO<sub>2</sub> as of the acquisition date. The allocation of the purchase price to identifiable assets and liabilities is final except for those related to income taxes. The potential adjustments are expected to be insignificant and will be recorded when the pre-acquisition tax returns are finalized in the 2014 first quarter.

(Millions of dollars)	March 1, 2013
Trade receivables, net	\$17
Property, plant and equipment	199
Intangible assets	374
Deferred income taxes	(85
Other assets and (liabilities)	) (28
Goodwill	) 618
Purchase price	\$1,095

The identifiable intangible assets primarily consist of customer relationships that will be amortized over their estimated useful life of 25 years. The deferred income taxes relate primarily to property, plant and equipment, intangibles and operating loss carryforwards. The goodwill resulting from the acquisition is attributable to (i) expected growth from market penetration into

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the quick service restaurants, convenience stores and themed restaurant chains in the United States and select international markets as we leverage Praxair's customer and distribution networks worldwide, and (ii) cost synergies related to the procurement of raw materials, distribution-related expenses and administrative costs as we integrate and rationalize administration tasks and leverage Praxair's purchasing scale. The goodwill is not expected to be deductible for income tax purposes.

**Other Acquisitions**

On May 29, 2013 Praxair acquired Dominion Technology Gases ("Dominion"), a leading global supplier of diving, welding, industrial, laboratory and calibration gases and associated equipment to the offshore oil and gas industry based in Aberdeen, Scotland. Dominion provides products and services to the expanding global offshore oil and gas market.

On June 3, 2013 Praxair acquired Volgograd Oxygen Factory ("VOF"), the largest independent industrial gas business in southern Russia, expanding Praxair's production and distribution capabilities in the Volgograd region. Additionally, during the nine-month period ended September 30, 2013, Praxair acquired several smaller independent packaged gas distributors in the United States and a customer contract with operating assets in China.

The results of operations of these acquisitions were consolidated from the respective acquisition dates, primarily in the Europe business segment, and the impact was not significant. The aggregate purchase price for these acquisitions was \$216 million and resulted in the recognition of \$186 million of intangible assets, including \$99 million of goodwill and \$87 million of other intangible assets, which will be amortized over their estimated useful life.

**4. Supplemental Information****Inventories**

The following is a summary of Praxair's consolidated inventories:

(Millions of dollars)	September 30, 2013	December 31, 2012
<b>Inventories</b>		
Raw materials and supplies	\$181	\$164
Work in process	57	56
Finished goods	281	256
Total inventories	\$519	\$476

**Long-term receivables**

Long-term receivables are not material and are largely reserved. Such long-term receivables are included within other long-term assets in the condensed consolidated balance sheets and totaled \$46 million at September 30, 2013 and December 31, 2012. These amounts are net of reserves of \$49 million and \$43 million, respectively. The amounts in both periods relate primarily to government receivables in Brazil and other long-term notes receivable from customers. Collectability is reviewed regularly and uncollectible amounts are written-off as appropriate. The account balance changes during 2013 were primarily the result of currency fluctuations, additional receivables and reserves.

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## 5. Debt

The following is a summary of Praxair's outstanding debt at September 30, 2013 and December 31, 2012:

(Millions of dollars)	September 30, 2013	December 31, 2012
<b>SHORT-TERM</b>		
Commercial paper and U.S. bank borrowings	\$1,002	\$563
Other bank borrowings (primarily international)	133	75
Total short-term debt	1,135	638
<b>LONG-TERM</b>		
U.S. borrowings		
3.95% Notes due 2013 (d, e)	—	350
2.125% Notes due 2013 (a, b, d, e)	—	504
4.375% Notes due 2014 (a, d)	300	299
5.25% Notes due 2014	400	400
4.625% Notes due 2015	500	500
3.25% Notes due 2015 (a, b)	421	431
0.75% Notes due 2016 (c)	400	—
5.375% Notes due 2016	400	400
5.20% Notes due 2017	325	325
1.05% Notes due 2017	400	400
1.20% Notes due 2018 (a, c)	499	—
1.25% Notes due 2018 (b, c)	483	—
4.50% Notes due 2019 (a)	598	598
4.05% Notes due 2021 (a)	498	498
3.00% Notes due 2021 (a)	497	496
2.45% Notes due 2022 (a)	598	598
2.20% Notes due 2022 (a)	499	499
2.70% Notes due 2023 (a, c)	498	—
3.55% Notes due 2042 (a, c)	466	298
Other	5	5
International bank borrowings	94	113
Obligations under capital leases	10	10
	7,891	6,724
Less: current portion of long-term debt	(8	) (39
Total long-term debt	7,883	6,685
Total debt	\$9,026	\$7,362

(a) Amounts are net of unamortized discounts.

(b) September 30, 2013 and December 31, 2012 include a \$30 million and \$36 million fair value increase, respectively, related to hedge accounting. See Note 6 for additional information.

For the nine months ended September 30, 2013, Praxair issued the following notes totaling \$2.1 billion: \$400 million of 0.75% notes due 2016, \$500 million of 2.70% notes due 2023, \$500 million of 1.20% notes due 2018, (c) \$475 million of 1.25% notes due 2018 and \$175 million of 3.55% notes due 2042. The proceeds of all issuances were used for general corporate purposes, including acquisitions, repayment of debt and share repurchases under the Company's share repurchase program.

(d) Classified as long-term because of the Company's intent to refinance this debt on a long-term basis and the availability of such financing under the terms of an existing long-term credit facility, which was increased



from \$1.75 billion to \$2.0 billion in September 2013, per the terms of the agreement.

(e) In June 2013, Praxair repaid \$350 million of 3.95% notes and \$500 million of 2.125% notes that became due.

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## 6. Financial Instruments

In its normal operations, Praxair is exposed to market risks relating to fluctuations in interest rates, foreign currency exchange rates, energy costs and to a lesser extent precious metal prices. The objective of financial risk management at Praxair is to minimize the negative impact of such fluctuations on the company's earnings and cash flows. To manage these risks, among other strategies, Praxair routinely enters into various derivative financial instruments ("derivatives") including interest-rate swap and treasury rate lock agreements, currency-swap agreements, forward contracts, currency options, and commodity-swap agreements. These instruments are not entered into for trading purposes and Praxair only uses commonly traded and non-leveraged instruments.

There are two types of derivatives that the company enters into: (i) those relating to fair-value exposures, and (ii) those relating to cash-flow exposures. Fair-value exposures relate to recognized assets or liabilities, and firm commitments; while cash-flow exposures relate to the variability of future cash flows associated with recognized assets or liabilities, or forecasted transactions.

When a derivative is executed and hedge accounting is appropriate, it is designated as either a fair-value hedge or a cash-flow hedge. Currently, Praxair designates all interest-rate and treasury-rate locks as hedges for accounting purposes; however, currency contracts are generally not designated as hedges for accounting purposes unless they are related to forecasted transactions. Whether designated as hedges for accounting purposes or not, all derivatives are linked to an appropriate underlying exposure. On an ongoing basis, the company assesses the hedge effectiveness of all derivatives designated as hedges for accounting purposes to determine if they continue to be highly effective in offsetting changes in fair values or cash flows of the underlying hedged items. If it is determined that the hedge is not highly effective, then hedge accounting will be discontinued prospectively.

Counterparties to Praxair's derivatives are major banking institutions with credit ratings of investment grade or better and no collateral is required, and there are no significant risk concentrations. Management believes the risk of incurring losses on derivative contracts related to credit risk is remote and any losses would be immaterial.

The following table is a summary of the notional amount and fair value of derivatives outstanding at September 30, 2013 and December 31, 2012:

(Millions of dollars)	Notional Amounts		Fair Value			
	September 30, 2013	December 31, 2012	Assets September 30, 2013	December 31, 2012	Liabilities September 30, 2013	December 31, 2012
Derivatives Not Designated as Hedging Instruments:						
Currency contracts:						
Balance sheet items (a)	\$2,256	\$ 2,515	\$4	\$ 6	\$13	\$ 8
Derivatives Designated as Hedging Instruments:						
Currency contracts:						
Forecasted purchases (a)	\$5	\$ 10	\$—	\$ —	\$—	\$ —
Interest rate contracts:						
Interest rate swaps (b)	875	400	30	32	—	—
Total	\$880	\$ 410	\$30	\$ 32	\$—	\$ —
Total Derivatives	\$3,136	\$ 2,925	\$34	\$ 38	\$13	\$ 8

(a) Assets are recorded in prepaid and other current assets, and liabilities are recorded in other current liabilities.

(b) Assets are recorded in long term assets.

## Currency Contracts

## Balance Sheet Items

Foreign currency contracts related to balance sheet items consist of forward contracts entered into to manage the exposure to fluctuations in foreign-currency exchange rates on recorded balance sheet assets and liabilities denominated in currencies other than the functional currency of the related operating unit. The fair value adjustments

on these contracts are offset by the fair value adjustments recorded on the hedged assets and liabilities.

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## Anticipated Net Income

Historically Praxair has entered into anticipated net income hedge contracts consisting of foreign currency options and forwards related primarily to anticipated net income in Brazil, Europe and Canada. Although there were no anticipated net income hedges outstanding as of September 30, 2013 and December 31, 2012, such derivatives were outstanding during the nine month period ended September 30, 2012. Over the term of the contracts, the fair value adjustments from net-income hedging contracts are largely offset by the impacts on reported net income resulting from currency translation. The accounting rules pertaining to derivatives and hedging do not allow hedges of anticipated net income to be designated as hedging instruments.

## Forecasted Purchases

Foreign currency contracts related to forecasted purchases consist of forward contracts entered into to manage the exposure to fluctuations in foreign-currency exchange rates on forecasted purchases of capital-related equipment and services denominated in currencies other than the functional currency of the related operating units. These forward contracts were designated and accounted for as cash flow hedges.

## Interest Rate Contracts

## Outstanding Interest Rate Swaps

At September 30, 2013, Praxair had \$875 million notional amount of interest-rate swap agreements outstanding related to the \$400 million 3.25% fixed-rate notes that mature in 2015 and to the \$475 million 1.25% notes that mature 2018, which effectively convert fixed-rate interest to variable-rate interest. These swap agreements were designated as fair value hedges with the resulting fair value adjustments recognized in earnings along with an equally offsetting charge / benefit to earnings for the changes in the fair value of the underlying debt instrument. At September 30, 2013, \$30 million was recognized as an increase in the fair value of these notes (\$32 million at December 31, 2012).

## Terminated Interest Rate Swaps

The following table summarizes information related to terminated interest rate swap contracts:

	Year Terminated	Original Gain	Amount of Gain Recognized in Earnings (a)		Amount of Gain Recognized in Earnings (a)		Unrecognized Gain (a)	
			Quarter Ended September 30, 2013	September 30, 2012	Nine Months Ended September 30, 2013	September 30, 2012	September 30, 2013	December 31, 2012
(Millions of dollars)								
<b>Interest Rate Swaps</b>								
Underlying debt instrument (b):								
\$500 million 2.125% fixed-rate notes that mature in 2013	2011	\$18	\$—	\$ 2	\$4	\$ 7	\$—	\$ 4
\$400 million 1.75% fixed-rate notes that mature in 2012	2010	13	—	1	—	4	—	—
\$500 million 6.375% fixed-rate notes that matured in 2012	2002	47	—	—	—	1	—	—
<b>Total</b>		<b>\$78</b>	<b>\$—</b>	<b>\$ 3</b>	<b>\$4</b>	<b>\$ 12</b>	<b>\$—</b>	<b>\$ 4</b>

(a) The unrecognized gain for terminated interest rate swaps is shown as an increase to long-term debt and will be recognized on a straight line basis to interest expense - net over the term of the underlying debt agreements. Upon settlement of the underlying interest rate contract, the cash received is reflected within the Noncontrolling interest transactions and other in the financing section of the condensed consolidated statements of cash flows.

(b) The notional amounts of the interest rate contracts are equal to the underlying debt instruments.

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## Terminated Treasury Rate Locks

The following table summarizes the unrecognized gains (losses) related to terminated treasury rate lock contracts:

(Millions of dollars)	Year Terminated	Original Gain / (Loss)	Unrecognized Gain / (Loss) (a)	
			September 30, 2013	December 31, 2012
Treasury Rate Locks				
Underlying debt instrument:				
\$500 million 2.20% fixed-rate notes that mature in 2022 (b) 2012		\$ (2)	\$ (2)	\$ (2)
\$500 million 3.00% fixed-rate notes that mature in 2021 (b) 2011		(11)	(9)	(10)
\$600 million 4.50% fixed-rate notes that mature in 2019 (b) 2009		16	10	11
\$500 million 4.625% fixed-rate notes that mature in 2015 (b) 2008		(7)	(1)	(2)
Total - pre-tax			\$ (2)	\$ (3)
Less: income taxes			1	1
After- tax amounts			\$ (1)	\$ (2)

The unrecognized gains / (losses) for the treasury rate locks are shown in accumulated other comprehensive income (“AOCI”) and are being recognized on a straight line basis to interest expense – net over the term of the underlying debt agreements. The cash received or paid was reflected within the noncontrolling interest transactions and other (a) in the financing section of the condensed consolidated statements of cash flows. Refer to the table below summarizing the impact on the company’s consolidated statements of income and AOCI for current period gain (loss) recognition.

The notional amount of the treasury rate lock contracts are equal to the underlying debt instrument with the (b) exception of the treasury rate lock contract entered into to hedge the \$600 million 4.50% fixed-rate notes that mature in 2019. The notional amount of this contract was \$500 million.

The following tables summarize the impacts of the company’s derivatives on the consolidated statements of income and AOCI:

(Millions of dollars)	Amount of Pre-Tax Gain (Loss) Recognized in Earnings (a)			
	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Derivatives Not Designated as Hedging Instruments				
Currency contracts:				
Balance sheet items				
Debt-related	\$ (4)	\$ 29	\$ (10)	\$ 47
Other balance sheet items	1	—	(9)	(5)
Anticipated net income	—	—	—	(4)
Total	\$ (3)	\$ 29	\$ (19)	\$ 38
Quarter Ended				
(Millions of dollars)	Amount of Gain (Loss) Recognized in AOCI (b)		Amount of Gain (Loss) Reclassified from AOCI to the Consolidated Statement of Income (c)	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Derivatives Designated as Hedging Instruments				
Currency contracts:				

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Forecasted purchases (b)	\$1	\$1	\$—	\$—
Interest rate contracts:				
Treasury rate locks (b)	—	(8	) —	—
Total - pre tax	\$1	\$(7	) \$—	\$—
Less: income taxes	—	2	—	—
Total - Net of Taxes	\$1	\$(5	) \$—	\$—

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(Millions of dollars)	Nine Months Ended		Amount of Gain (Loss) Reclassified from AOCI to the Consolidated Statement of Income (c)	
	Amount of Gain (Loss) Recognized in AOCI (b)			
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
<b>Derivatives Designated as Hedging Instruments</b>				
<b>Currency contracts:</b>				
Forecasted purchases (b)	\$1	\$1	\$—	\$—
<b>Interest rate contracts:</b>				
Treasury rate locks (b)	—	(1	)	—
Total - pre tax	\$1	\$—	\$—	\$—
Less: income taxes	—	—	—	—
Total - Net of Taxes	\$1	\$—	\$—	\$—

The gains (losses) on balance sheet items are offset by gains (losses) recorded on the underlying hedged assets and liabilities. The gains (losses) for the derivatives and the underlying hedged assets and liabilities related to debt (a) items are recorded in the consolidated statements of income as interest expense-net. Other balance sheet items and anticipated net income gains (losses) are recorded in the consolidated statements of income as other income (expenses)-net.

The gains (losses) on forecasted purchases and treasury rate locks are recorded as a component of AOCI within (b) derivative instruments in the condensed consolidated balance sheets. There was no ineffectiveness for these instruments during 2013 or 2012.

The gains (losses) on forecasted purchases are reclassified to the depreciation and amortization expense on a straight-line basis consistent with the useful life of the underlying asset. The gains (losses) for interest rate (c) contracts are reclassified to earnings as interest expense –net on a straight-line basis over the remaining maturity of the underlying debt. Net losses of less than \$1 million are expected to be reclassified to earnings during the next twelve months.

## 7. Fair Value Disclosures

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

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes assets and liabilities measured at fair value on a recurring basis:

(Millions of dollars)	Fair Value Measurements Using					
	Level 1		Level 2		Level 3	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
<b>Assets</b>						
Derivatives	—	—	\$34	\$38	—	—
<b>Liabilities</b>						
Derivatives	—	—	\$13	\$8	—	—

The fair values of the derivative assets and liabilities are based on market prices obtained from independent brokers or determined using quantitative models that use as their basis readily observable market parameters that are actively



quoted and can be validated through external sources, including third-party pricing services, brokers and market transactions.

The fair values of cash and cash equivalents, short-term debt, accounts receivable-net, and accounts payable approximate carrying amounts because of the short maturities of these instruments. The fair value of long-term debt is estimated based on the quoted market prices for similar issues, which is deemed a level 2 measurement. At September 30, 2013, the estimated fair value of Praxair's long-term debt portfolio was \$7,948 million versus a carrying value of \$7,891 million. At December 31, 2012, the estimated fair value of Praxair's long-term debt portfolio was \$7,131 million versus a carrying value of \$6,724 million. Differences from carrying amounts are attributable to interest-rate changes subsequent to when the debt was issued.

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## 8. Earnings Per Share – Praxair, Inc. Shareholders

Basic earnings per share is computed by dividing Net income – Praxair, Inc. for the period by the weighted average number of Praxair common shares outstanding. Diluted earnings per share is computed by dividing Net income – Praxair, Inc. for the period by the weighted average number of Praxair common shares outstanding and dilutive common stock equivalents, as follows:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Numerator (Millions of dollars)				
Net income - Praxair, Inc.	\$445	\$430	\$1,281	\$1,278
Denominator (Thousands of shares)				
Weighted average shares outstanding	294,595	297,843	295,271	298,224
Shares earned and issuable under compensation plans	529	573	528	569
Weighted average shares used in basic earnings per share	295,124	298,416	295,799	298,793
Effect of dilutive securities				
Stock options and awards	3,233	3,315	3,278	3,559
Weighted average shares used in diluted earnings per share	298,357	301,731	299,077	302,352
Basic Earnings Per Share	\$1.51	\$1.44	\$4.33	\$4.28
Diluted Earnings Per Share	\$1.49	\$1.43	\$4.28	\$4.23

There were no antidilutive shares for the quarter ended September 30, 2013. 780 stock options were antidilutive and therefore excluded in the computation of diluted earnings per share for the nine months ended September 30, 2013.

Stock options of 1,601,765 and 1,594,165 were antidilutive and therefore excluded in the computation of diluted earnings per share for the quarter and nine months ended September 30, 2012.

## 9. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended September 30, 2013 were as follows:

(Millions of dollars)	North America	South America	Europe	Asia	Surface Technologies	Total	
Balance, December 31, 2012	\$1,499	\$195	\$645	\$25	\$143	\$2,507	
Acquisitions (Note 3)	624	—	93	—	—	717	
Purchase adjustments & other	(7	) —	—	—	—	(7	)
Foreign currency translation	(6	) (19	) (3	) —	—	(28	)
Balance, September 30, 2013	\$2,110	\$176	\$735	\$25	\$143	\$3,189	

Praxair has performed its goodwill impairment tests annually during the second quarter of each year, and historically has determined that the fair value of each of its reporting units was substantially in excess of its carrying value. For the 2013 test Praxair applied the FASB's updated accounting guidance (refer to Note 1 to the consolidated financial statements of Praxair's 2012 Annual Report on Form 10-K) which allows the Company to first assess qualitative factors to determine the extent of additional quantitative analysis, if any, that may be required to test goodwill for impairment. Based on the qualitative assessments performed, Praxair concluded that it was more likely than not that the fair value of each reporting unit substantially exceeded its carrying value and therefore, further quantitative analysis was not required. As a result, no impairment was recorded. There were no indicators of impairment through September 30, 2013.

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Changes in the carrying amounts of other intangibles for the nine months ended September 30, 2013 were as follows:

(Millions of dollars)	Customer & License/Use Agreements	Non-compete Agreements	Patents & Other	Total
Cost:				
Balance, December 31, 2012	\$232	\$37	\$20	\$289
Additions (Note 3)	428	3	30	461
Foreign currency translation	2	—	—	2
Other *	6	(10	) (7	) (11
Balance, September 30, 2013	\$668	\$30	\$43	\$741
Less: Accumulated amortization				
Balance, December 31, 2012	\$(89	) \$(20	) \$(7	) \$(116
Amortization expense	(23	) (4	) (2	) (29
Foreign currency translation	—	—	—	—
Other *	2	10	5	17
Balance, September 30, 2013	\$(110	) \$(14	) \$(4	) \$(128
Net Balance at September 30, 2013	\$558	\$16	\$39	\$613

\* Other primarily relates to the write-off of fully amortized assets and purchase accounting adjustments.

There are no expected residual values related to these intangible assets. The remaining weighted-average amortization period for intangible assets is approximately 19 years.

Total estimated annual amortization expense is as follows:

(Millions of dollars)	
Remaining 2013	\$13
2014	46
2015	46
2016	43
2017	37
Thereafter	428
	\$613

#### 10. Share-Based Compensation

Share-based compensation of \$18 million (\$12 million after-tax) and \$17 million (\$12 million after-tax) was recognized during the quarters ended September 30, 2013 and 2012, respectively. Share-based compensation of \$52 million (\$35 million after-tax) and \$52 million (\$36 million after-tax) was recognized for the nine months ended September 30, 2013 and 2012, respectively. The expense was recorded primarily in selling, general and administrative expenses. There was no share-based compensation cost that was capitalized. For further details regarding Praxair's share-based compensation arrangements and prior year grants, refer to Note 15 to the consolidated financial statements of Praxair's 2012 Annual Report on Form 10-K.

#### Stock Options

The weighted-average fair value of options granted during the nine months ended September 30, 2013 was \$16.31 (\$17.43 in 2012) based on the Black-Scholes Options-Pricing model. The decrease in grant date fair value year-over-year is primarily attributable to the impacts of volatility and dividend yield.

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The following weighted-average assumptions were used for grants in 2013 and 2012 :

	Nine Months Ended September 30,		
	2013	2012	
Dividend yield	2.2	% 2.0	%
Volatility	21.7	% 22.5	%
Risk-free interest rate	0.76	% 0.86	%
Expected term years	5	5	

The following table summarizes option activity under the plans as of September 30, 2013 and changes during the nine months period then ended (averages are calculated on a weighted basis; life in years; intrinsic value expressed in millions):

	Number of Options (000's)	Average Exercise Price	Average Remaining Life	Aggregate Intrinsic Value
Outstanding at January 1, 2013	12,281	\$74.05		
Granted	1,308	110.58		
Exercised	(1,625)	) 58.86		
Cancelled or Expired	(48)	) 104.27		
Outstanding at September 30, 2013	11,916	80.00	5.6	\$479
Exercisable at September 30, 2013	9,056	\$71.20	4.6	\$444

The aggregate intrinsic value represents the difference between the company's closing stock price of \$120.21 as of September 30, 2013 and the exercise price multiplied by the number of options outstanding as of that date. The total intrinsic value of stock options exercised during the quarter and nine months ended September 30, 2013 was \$25 million and \$93 million, respectively (\$15 million and \$129 million during the same time periods in 2012, respectively).

Cash received from option exercises under all share-based payment arrangements for the quarter and nine months ended September 30, 2013 was \$29 million and \$96 million (\$15 million and \$113 million for the same time periods in 2012, respectively). The cash tax benefit realized from share-based compensation totaled \$9 million and \$44 million for the quarter and nine months ended September 30, 2013, of which \$31 million in excess tax benefits was classified as financing cash flows for the nine months ended September 30, 2013 (\$7 million and \$68 million tax benefit for the same periods in 2012 of which \$50 million represented excess tax benefit for the nine months ended September 30, 2012).

As of September 30, 2013, \$27 million of unrecognized compensation cost related to non-vested stock options is expected to be recognized over a weighted-average period of approximately 1 year.

#### Performance-Based and Restricted Stock Awards

During the nine months ended September 30, 2013, the company granted performance-based stock units to employees which vest on the third anniversary of their grant date. The actual number of shares issued in settlement of a vested award can range from zero to 200 percent of the target number of shares granted based upon the company's attainment of specified performance targets at the end of a three year period. Compensation expense related to these awards is recognized over the three-year performance period based on the fair value of the closing market price of the company's common stock on the date of the grant and the estimated performance that will be achieved. Compensation expense will be adjusted during the three-year performance period based upon the estimated performance levels that will be achieved.

During the nine months ended September 30, 2013, the company also granted restricted stock units to employees. The majority of the restricted stock units vest at the end of a three year service period. Compensation expense related to the restricted stock units is recognized on a straight-line basis over the vesting period.

The weighted-average fair value of performance-based stock and restricted stock units granted during the nine months ended September 30, 2013 was \$103.46 and \$105.53, respectively, (\$103.13 and \$103.81 for the same periods in 2012). This is based on the closing market price of Praxair's common stock on the grant date adjusted for dividends

that will not be paid during the vesting period.

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The following table summarizes non-vested performance-based and restricted stock award activity as of September 30, 2013 and changes during the nine months then ended (shares based on target amounts, averages are calculated on a weighted basis):

	Performance-Based		Restricted Stock	
	Number of Shares (000's)	Average Grant Date Fair Value	Number of Shares (000's)	Average Grant Date Fair Value
Non-vested at January 1, 2013	840	\$88.83	368	\$89.89
Granted (a)	416	103.46	116	105.53
Vested	(371)	) 70.91	(131)	) 76.31
Cancelled	(12)	) 101.16	(6)	) 98.83
Non-vested at September 30, 2013	873	\$99.57	347	\$100.22

(a) Performance-based stock unit grants during 2013 include 98 thousand shares relating to the actual payout of the 2010 PSU grants in 2013.

As of September 30, 2013, based on current estimates of future performance, \$38 million of unrecognized compensation cost related to performance-based awards is expected to be recognized through the first quarter of 2016 and \$17 million of unrecognized compensation cost related to the restricted stock awards is expected to be recognized primarily through the fourth quarter of 2017.

#### 11. Retirement Programs

The components of net pension and postretirement benefits other than pensions ("OPEB") costs for the quarters and nine months ended September 30, 2013 and 2012 are shown below:

(Millions of dollars)	Quarter Ended September 30,				Nine Months Ended September 30,			
	Pensions		OPEB		Pensions		OPEB	
	2013	2012	2013	2012	2013	2012	2013	2012
Service cost	\$14	\$12	\$1	\$1	\$42	\$37	\$3	\$3
Interest cost	28	30	3	3	86	91	9	9
Expected return on plan assets	(38)	) (38)	) —	) —	(114)	) (116)	) —	) —
Net amortization and deferral	23	17	(1)	) (2)	) 70	51	(3)	) (5)
Net periodic benefit cost before pension settlement charge	27	21	3	2	84	63	9	7
Pension settlement charge (Note 2)	9	9	—	—	9	9	—	—
Net periodic benefit cost	\$36	\$30	\$3	\$2	\$93	\$72	\$9	\$7

Praxair estimates that 2013 contributions to its pension plans will be in the area of \$50 million, of which \$48 million have been made through September 30, 2013.

#### 12. Commitments and Contingencies

##### Contingent Liabilities

Praxair is subject to various lawsuits and government investigations that arise from time to time in the ordinary course of business. These actions are based upon alleged environmental, tax, antitrust and personal injury claims, among others. Praxair has strong defenses in these cases and intends to defend itself vigorously. It is possible that the company may incur losses in connection with some of these actions in excess of accrued liabilities. Management does not anticipate that in the aggregate such losses would have a material adverse effect on the company's consolidated financial position or liquidity; however, it is possible that the final outcomes could have a significant impact on the company's reported results of operations in any given period (see Note 17 to the consolidated financial statements of Praxair's 2012 Annual Report on Form 10-K).

Among such matters are:

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Claims by the Brazilian taxing authorities against several of the company's Brazilian subsidiaries relating to non-income and income tax matters.

During May 2009, the Brazilian government published Law 11941/2009 instituting a new voluntary amnesty program ("Refis Program") which allowed Brazilian companies to settle certain federal tax disputes at reduced amounts. During the 2009 third quarter, Praxair decided that it was economically beneficial to settle many of its outstanding federal tax disputes and these disputes were enrolled in the Refis Program and settled. The final settlement related to the Refis

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Program is subject to final calculation and review by the Brazilian federal government and, although the timing is very difficult to estimate, it is possible that this review could be concluded during the next year. Any differences from amounts recorded will be adjusted to income at that time.

After enrollment in the amnesty programs, at September 30, 2013 the most significant remaining claims relate to state VAT tax matters associated with procedural issues and a federal income tax matter where the taxing authorities are challenging the tax rate that should be applied to income generated by a subsidiary company. The total estimated exposure relating to such claims, including interest and penalties, as appropriate, is approximately \$192 million. Praxair has not recorded any liabilities related to such claims based on management judgments, after considering judgments and opinions of outside counsel. Because litigation in Brazil historically takes many years to resolve, it is very difficult to estimate the timing of resolution of these matters; however, it is possible that certain of these matters may be resolved within the near term. The company is vigorously defending against the proceedings.

On September 1, 2010, CADE (Brazilian Administrative Council for Economic Defense) announced alleged anticompetitive activity on the part of five industrial gas companies in Brazil and imposed fines on all five companies. Originally, CADE imposed a civil fine of R\$2.2 billion Brazilian reais (US\$986 million) against White Martins, the Brazil-based subsidiary of Praxair, Inc. In response to a motion for clarification, the fine was reduced to R\$1.7 billion Brazilian reais (US\$762 million) due to a calculation error made by CADE. The amount of the fine is subject to indexation using SELIC. On September 2, 2010, Praxair issued a press release and filed a report on Form 8-K rejecting all claims and stating that the fine represents a gross and arbitrary disregard of Brazilian law.

On October 19, 2010, White Martins filed an annulment petition (“appeal”) with the Federal Court in Brasilia seeking to have the fine against White Martins entirely overturned. In order to suspend payment of the fine pending the completion of the appeal process, Brazilian law required that the company tender a form of guarantee in the amount of the fine as security. Currently, 50% of the guarantee is satisfied by letters of credit with a financial institution and 50% of the guarantee is satisfied by equity of a Brazilian subsidiary.

Praxair strongly believes that the allegations are without merit and that the fine will be entirely overturned during the appeal process. The company further believes that it has strong defenses and will vigorously defend against the allegations and related fine up to such levels of the Federal Courts in Brazil as may be necessary. Because appeals in Brazil historically take many years to resolve, it is very difficult to estimate when the appeal will be finally decided. Based on management judgments, after considering judgments and opinions of outside counsel, no reserve has been recorded for this proceeding as management does not believe that a loss is probable.

Contractual Obligations Update

The following table sets forth an update to Praxair’s material unconditional purchase obligations as of September 30, 2013:

(Millions of dollars)	Expiring through December 31,						Total
	2013 Remaining	2014	2015	2016	2017	Thereafter	
Unconditional Purchase Obligations	\$167	\$511	\$435	\$416	\$399	\$3,830	\$5,758

Unconditional purchase obligations represent contractual commitments under various long- and short-term take-or-pay arrangements with suppliers and are not included on Praxair's balance sheet. These obligations are primarily minimum-purchase commitments for helium, electricity, natural gas, and feedstock used to produce atmospheric and process gases. A significant portion of these obligations is passed on to customers through similar take-or-pay or other contractual arrangements. Purchase obligations that are not passed along to customers through such contractual arrangements are subject to market conditions, but do not represent a material risk to Praxair.

\$3,881 million of these purchase obligations relate to power and are intended to secure the uninterrupted supply of electricity and feedstock to our plants in order for Praxair to reliably satisfy customer product supply obligations, and extend through 2030. Certain of the power contracts contain various cancellation provisions requiring supplier agreement which the company believes could reduce the reported obligation significantly, if desired, and many are subject to annual escalations based on local inflation factors. The purchase obligations also include a multi-year



contract for silane, with a total purchase obligation of \$168 million at September 30, 2013. Since this contract was signed, the market for silane has not developed as expected and prices have decreased due to lower demand from photovoltaics and consumer electronics markets, primarily in Asia. At September 30, 2013, Praxair's current selling prices and estimated future demand for silane are in excess of its contractual purchase obligations under the contract, as amended. The company is continuously monitoring market developments.

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## 13. Segments

Sales and operating profit by segment for the quarters and nine months ended September 30, 2013 and 2012 are shown below. For a description of Praxair's operating segments, refer to Note 18 to the consolidated financial statements of Praxair's 2012 Annual Report on Form 10-K.

(Millions of dollars)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
SALES <sup>(a)</sup>				
North America	\$1,588	\$1,391	\$4,597	\$4,182
Europe	386	352	1,138	1,111
South America	494	516	1,561	1,598
Asia	385	358	1,131	1,040
Surface Technologies	160	157	488	494
Total sales	\$3,013	\$2,774	\$8,915	\$8,425
(Millions of dollars)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
OPERATING PROFIT				
North America	\$406	\$374	\$1,145	\$1,098
Europe	64	60	195	196
South America	115	112	352	337
Asia	67	52	191	177
Surface Technologies	27	25	84	78
Segment operating profit	679	623	1,967	1,886
Venezuela currency devaluation and other charges (Note 2)	(9	) (65	) (32	) (65
Total operating profit	\$670	\$558	\$1,935	\$1,821

(a) Intersegment sales, primarily from North America to other segments, were not significant for the quarters and nine months ended September 30, 2013 and 2012.

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## 14. Equity and Redeemable Noncontrolling Interests

## Equity

A summary of the changes in total equity for the quarters and nine months ended September 30, 2013 and 2012 is provided below:

(Millions of dollars)	Quarter Ended September 30,			2012		
	2013			2012		
Activity	Praxair, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity	Praxair, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, beginning of period	\$5,928	\$ 357	\$6,285	\$5,615	\$ 279	\$5,894
Net income (a)	445	12	457	430	5	435
Other comprehensive income	96	5	101	239	7	246
Noncontrolling interests:						
Additions (reductions)	—	—	—	—	45	45
Dividends and other capital changes	—	(9	) (9	) —	(5	) (5
Redemption value adjustments	(27	) —	(27	) (5	) —	(5
Dividends to Praxair, Inc. common stock holders (\$0.60 per share in 2013 and \$0.55 per share in 2012)	(176	) —	(176	) (164	) —	(164
Issuances of common stock:						
For the dividend reinvestment and stock purchase plan	2	—	2	3	—	3
For employee savings and incentive plans	32	—	32	20	—	20
Purchases of common stock	(115	) —	(115	) (146	) —	(146
Tax benefit from share-based compensation	7	—	7	6	—	6
Share-based compensation	18	—	18	17	—	17
Balance, end of period	\$6,210	\$ 365	\$6,575	\$6,015	\$ 331	\$6,346

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(Millions of dollars)	Nine Months Ended September 30,						
	2013			2012			
Activity	Praxair, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity	Praxair, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity	
Balance, beginning of period	\$6,064	\$ 357	\$6,421	\$5,488	\$ 309	\$5,797	
Net income (a)	1,281	31	1,312	1,278	23	1,301	
Other comprehensive loss	(287	) 2	(285	) (7	) (2	) (9	)
Noncontrolling interests:							
Additions (reductions)	—	—	—	—	45	45	
Dividends and other capital changes	—	(25	) (25	) —	(44	) (44	)
Redemption value adjustments	(40	) —	(40	) (11	) —	(11	)
Dividends to Praxair, Inc. common stock holders (\$1.80 per share in 2013 and \$1.65 per share in 2012)	(531	) —	(531	) (492	) —	(492	)
Issuances of common stock:							
For the dividend reinvestment and stock purchase plan	5	—	5	6	—	6	
For employee savings and incentive plans	92	—	92	108	—	108	
Purchases of common stock	(458	) —	(458	) (459	) —	(459	)
Tax benefit from share-based compensation	32	—	32	52	—	52	
Share-based compensation	52	—	52	52	—	52	
Balance, end of period	\$6,210	\$ 365	\$6,575	\$6,015	\$ 331	\$6,346	

Net income for noncontrolling interests excludes Net income related to redeemable noncontrolling interests of \$5 million and \$17 million for the quarter and nine months ended September 30, 2013 (\$5 million and \$15 million for (a) the same time periods in 2012, respectively), which is not part of total equity (see redeemable noncontrolling interests section below).

The components of AOCI are as follows:

(Millions of dollars)	September 30, 2013	December 31, 2012	
Cumulative translation adjustment (a)			
North America	\$(283	) \$(178	)
South America	(1,061	) (837	)
Europe	(81	) (93	)
Asia	6	23	
Surface Technologies	27	30	
	(1,392	) (1,055	)
Derivatives - net of taxes	(4	) (5	)
Pension / OPEB funded status obligation - net of taxes	(743	) (792	)
	\$(2,139	) \$(1,852	)

(a) Includes \$13 million and \$11 million in 2013 and 2012, respectively, attributable to noncontrolling interests.

#### Redeemable Noncontrolling Interests

Noncontrolling interests with redemption features, such as put/sell options, that are not solely within the Company's control ("redeemable noncontrolling interests") are reported separately in the consolidated balance sheets at the greater of carrying value or redemption value. For redeemable noncontrolling interests that are not yet exercisable, Praxair

calculates the redemption value by accreting the carrying value to the redemption value over the period until exercisable. If the redemption value is greater than the carrying value, any increase is adjusted directly to retained earnings and does not impact net income.

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The following is a summary of the changes in redeemable noncontrolling interests for the nine months ended September 30, 2013 and 2012:

(Millions of dollars)	2013	2012	
Balance, January 1,	\$252	\$220	
Net income	17	15	
Distributions to noncontrolling interest	(9	) (8	)
Redemption value adjustments/accretion	40	11	
Foreign currency translation and other	(10	) 5	
Balance, September 30,	\$290	\$243	

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

Consolidated Results

Sales grew 9% in the 2013 third quarter from the prior-year period. Underlying sales growth from higher volumes and higher pricing was 7%, reflecting growth in all geographic segments. Overall volume growth was driven by new project start-ups in North America and Asia and higher volumes in South America due to stronger economic activity as compared to the prior year. Overall volumes in Europe were flat as compared to the prior-year. Acquisitions in North America and Europe contributed 3% sales growth. Reported operating profit grew 20% year-over-year primarily due to the charges in the 2012 third quarter for the cost reduction program. Excluding these charges, adjusted operating profit grew 9% year-over-year primarily from higher volumes, pricing, and acquisitions. Reported net income and diluted earnings per share ("EPS") were 3% and 4% above the prior year, respectively. This growth was lower than the growth in operating profit due to an income tax benefit in the 2012 third quarter. Excluding this benefit, adjusted net income and EPS grew 8% and 9%, in line with the growth in operating profit, as higher interest expense was offset by a lower share count.

Sales grew 6% in the nine months ended September 30, 2013. Underlying sales increased 4% driven by project start-ups primarily in North and South America and Asia, and from higher pricing. Reported operating profit grew 6% from the prior-year. Excluding \$32 million of charges for the Venezuela currency devaluation and pension settlement in the 2013 period, and \$65 million of charges for the cost reduction program and pension settlement in the 2012 nine-month period, adjusted operating profit grew 4% from the prior year from higher volumes and higher pricing, partially offset by higher depreciation and amortization expense and SG&A expense due to plant start-ups and acquisitions. Reported net income was comparable to the prior-year period and EPS grew 1%. On an adjusted basis, net income grew 3% and EPS 5%.

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The following table provides summary data for the quarters and nine months ended September 30, 2013 and 2012:

(Dollar amounts in millions, except per share data)	Quarter Ended September 30,			Nine Months Ended September 30,				
	2013	2012	Variance	2013	2012	Variance		
<b>Reported Amounts</b>								
Sales	\$3,013	\$2,774	9	% \$8,915	\$8,425	6	%	
Cost of sales, exclusive of depreciation and amortization	\$1,697	\$1,595	6	% \$5,045	\$4,813	5	%	
Gross margin	\$1,316	\$1,179	12	% \$3,870	\$3,612	7	%	
As a percent of sales	43.7	% 42.5	%	43.4	% 42.9	%		
Selling, general and administrative	\$336	\$306	10	% \$1,017	\$951	7	%	
As a percent of sales	11.2	% 11.0	%	11.4	% 11.3	%		
Depreciation and amortization	\$281	\$248	13	% \$822	\$747	10	%	
Venezuela currency devaluation and other charges (a)	\$9	\$65		\$32	\$65			
Other income (expense) - net	\$4	\$22		\$8	\$45			
Operating profit	\$670	\$558	20	% \$1,935	\$1,821	6	%	
As a percent of sales	22.2	% 20.1	%	21.7	% 21.6	%		
Interest expense - net	\$41	\$36	14	% \$122	\$106	15	%	
Effective tax rate	27.8	% 17.2	%	28.3	% 24.7	%		
Income from equity investments	\$8	\$8	—	% \$29	\$25	16	%	
Noncontrolling interests	\$(17 )	\$(10 )	70	% \$(48 )	\$(38 )	26	%	
Net income - Praxair, Inc.	\$445	\$430	3	% \$1,281	\$1,278	—	%	
Diluted earnings per share	\$1.49	\$1.43	4	% \$4.28	\$4.23	1	%	
Diluted shares outstanding	298,357	301,731	(1 )	% 299,077	302,352	(1 )	%	
<b>Adjusted Amounts (a)</b>								
Operating profit	\$679	\$623	9	% \$1,967	\$1,886	4	%	
As a percent of sales	22.5	% 22.5	%	22.1	% 22.4	%		
Effective tax rate	27.9	% 27.9	%	28.0	% 28.0	%		
Net income - Praxair, Inc.	451	\$419	8	% \$1,310	\$1,267	3	%	
Diluted earnings per share	\$1.51	\$1.39	9	% \$4.38	\$4.19	5	%	

The adjusted amounts are non-GAAP measures that supplement an understanding of the company's financial information by presenting information that investors, financial analysts and management use to help evaluate the company's performance and ongoing business trends on a comparable basis. The non-GAAP adjustments for 2013 relate to the impact of the first-quarter Venezuela currency devaluation of \$23 million (\$23 million net of tax) and (a) third-quarter pension settlement charge of \$9 million (\$6 million net of tax). The non-GAAP adjustments for 2012 relate to the third quarter cost reduction program and other charges of \$65 million (\$44 million net of tax) and a tax benefit of \$55 million related to the divestiture of the U.S. Homecare business (See Note 2 to the condensed consolidated financial statements). A reconciliation of reported amounts to adjusted amounts can be found in the "Non-GAAP Financial Measures" section of this MD&A.



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## Results of Operations

The changes in consolidated sales and operating profit compared to the prior year is attributable to the following:

Factors Contributing to Changes	Quarter Ended September 30, 2013 vs. 2012		Nine Months Ended September 30, 2013 vs. 2012		
	Sales	Operating Profit	Sales	Operating Profit	
Volume	5	% 9	% 2	% 1	%
Price	2	% 9	% 2	% 9	%
Cost pass-through	—	% —	% 1	% —	%
Currency	(1	)% (2	)% (1	)% (1	)%
Acquisitions/divestitures	3	% 4	% 2	% 3	%
Other	—	% —	% —	% (6	)%
Reported	9	% 20	% 6	% 6	%
Venezuela currency devaluation and other charges - net	—	% (11	)% —	% (2	)%
Adjusted	9	% 9	% 6	% 4	%

The following tables provide sales by end-market and distribution method:

Sales by End Markets	Quarter Ended September 30,			Nine Months Ended September 30,			
	% of Sales 2013	2012	% Change Organic Sales*	% of Sales 2013	2012	% Change Organic Sales*	
Manufacturing	23	% 25	% 1	% 24	% 25	% 2	%
Metals	17	% 17	% 7	% 18	% 18	% 6	%
Energy	13	% 12	% 17	% 12	% 11	% 9	%
Chemicals	11	% 10	% 10	% 10	% 10	% 9	%
Electronics	8	% 9	% (5	)% 8	% 9	% (3	)%
Healthcare	8	% 8	% 2	% 8	% 8	% 4	%
Food & Beverage	8	% 7	% 4	% 8	% 6	% 1	%
Aerospace	3	% 3	% 12	% 3	% 3	% 5	%
Other	9	% 9	% 1	% 9	% 10	% (2	)%
	100	% 100	%	100	% 100	%	

\*Excludes impact of currency, natural gas/precious metals cost pass-through and acquisitions/divestitures.

Sales by Distribution Method	Quarter Ended September 30,		Nine Months Ended September 30,		
	% of Sales 2013	2012	% of Sales 2013	2012	
On- Site	28	% 26	% 27	% 25	%
Merchant	32	% 32	% 32	% 31	%
Packaged Gas	27	% 28	% 27	% 29	%
Other	13	% 14	% 14	% 15	%
	100	% 100	% 100	% 100	%

Sales grew \$239 million, or 9%, in the third quarter ended September 30, 2013 versus the respective 2012 period.

Underlying sales grew 7% from higher pricing and volume growth driven by higher on-site volumes from new project

start-ups primarily in North America and Asia, and volume growth in South America. By end-market, sales growth was strongest to energy, metals

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and chemicals customers, as compared to the prior-year quarter. For the nine-month period sales grew \$490 million, or 6%. Underlying sales growth of 4% came from higher pricing, and volume growth in North and South America and Asia. Acquisitions, including NuCO<sub>2</sub> and Dominion Technology Gases, contributed 3% and 2% to sales growth in the quarter and nine-month periods, respectively. The impacts of foreign currency translation and cost pass-through in both periods was not material.

Gross margin in 2013 increased \$137 million, or 12%, for the quarter and increased \$258 million, or 7%, for the nine months ended September 30, 2013 versus the respective 2012 periods primarily due to higher pricing and volumes. Higher pricing contributed to an increase in the gross margin as a percentage of sales for the quarter and nine-months versus the respective prior-year periods.

Selling, general and administrative expenses ("SGA") increased \$30 million, or 10%, in the quarter and \$66 million, or 7%, for the nine months ended September 30, 2013 versus the respective 2012 periods. The increase in the third quarter was due primarily to increased pension and other benefit costs of \$30 million, and \$13 million related to acquisitions, partially offset by benefits from cost reduction and currency impacts of \$13 million. The increase in the nine-month period was due primarily to increased pension and other benefit costs of \$56 million, and \$42 million related to acquisitions, partially offset by benefits from cost reduction and currency impacts of \$32 million. SGA as a percent of sales was relatively flat as compared to the prior year in both the quarter and nine-month periods.

Depreciation and amortization expense increased \$33 million, or 13%, for the third quarter and increased \$75 million, or 10%, for the nine months ended September 30, 2013 versus the respective 2012 periods. Depreciation and amortization increased \$13 million and \$34 million in the quarter and nine-month periods, respectively, due to new project start-ups in all geographic segments. Acquisitions in North America and Europe increased depreciation and amortization \$13 million and \$30 million in the quarter and nine-month periods, respectively. The remaining variances of \$7 million and \$11 million in the quarter and nine-month periods related to other items none of which were significant.

Other income (expense) – net was a \$4 million benefit in the third quarter, compared to \$22 million in the prior-year quarter. The 2012 quarter included a gain on asset sale in North America. For the year-to date period, other income was an \$8 million benefit, compared to a \$45 million benefit in the prior-year. The 2012 year-to-date period included a gain on an asset sale in Korea, and a litigation settlement in South America, partially offset by severance and business restructuring charges in South America.

Reported operating profit increased \$112 million, or 20%, for the third quarter of 2013 primarily due to the cost reduction program and other charges of \$65 million included in the 2012 third quarter. Excluding these charges, adjusted operating profit increased \$56 million, or 9%. The increase in operating profit was driven by higher pricing, volumes, acquisitions, and productivity gains, partially offset by higher depreciation and amortization and SGA expense, as discussed above. Reported operating profit increased \$114 million, or 6%, for the nine months ended September 30, 2013 versus the respective 2012 period. The nine-month period includes \$32 million of charges related to the Venezuela currency devaluation and pension settlement versus \$65 million of charges in the 2012 period primarily related to the cost reduction program (see Note 2 to the condensed consolidated financial statements). In the nine-month period, adjusted operating profit increased \$81 million, or 4%, from higher pricing, volumes, acquisitions and productivity gains, partially offset by higher costs. A discussion of operating profit by segment is included in the segment discussion that follows.

Interest expense-net increased \$5 million, or 14%, for the quarter and \$16 million, or 15%, for the nine months ended September 30, 2013 versus the respective periods in 2012. The increase in debt levels, primarily to support acquisitions and capital expenditures, increased interest expense by approximately \$13 million and \$35 million for the quarter and nine month periods ended September 30, 2013, respectively. Interest rates reduced expense by approximately \$8 million and \$17 million for the quarter and nine months ended September 30, 2013 respectively. Capitalized interest had an immaterial impact on interest expense for the quarter. For the nine-month period higher capitalized interest, due to higher capital expenditures, reduced interest expense by approximately \$3 million.

The reported effective tax rate for the quarter and nine months ended September 30, 2013 was 27.8% and 28.3%, respectively, and 17.2% and 24.7% for the 2012 periods. The 2012 periods include a tax benefit of \$55 million related

to the divestiture of the U.S. Homecare business. The adjusted effective tax rate for the quarter and nine months ended September 30, 2013 and 2012 was approximately 28%.

Praxair's significant sources of equity income are in China, Italy, and the Middle East. Income from equity investments in the quarter was comparable to the prior year and increased \$4 million for the nine months ended September 30, 2013 versus the respective 2012 periods, due primarily to higher earnings in China resulting from stronger volumes.

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At September 30, 2013, non-controlling interests consisted primarily of non-controlling shareholders' investments in Asia (primarily China and India), Europe (primarily Italy and Scandinavia), and North America (primarily within the US packaged gas business). Non-controlling interests increased \$7 million for the quarter and increased \$10 million for the nine months ended September 30, 2013 versus the respective periods in 2012 due to higher earnings of these entities.

Reported net income-Praxair, Inc. increased \$15 million, or 3%, for the quarter versus 2012 and Adjusted net income-Praxair, Inc. increased \$32 million, or 8%, for the quarter versus 2012. The increases in both periods are due primarily to higher operating profit partially offset by increased interest expense. Reported net income-Praxair, Inc. increased \$3 million, for the nine months ended September 30, 2013 versus the respective 2012 period and Adjusted net income-Praxair, Inc. increased \$43 million, or 3% for the nine months ended September 30, 2013 versus 2012. The increases in both periods are due to higher operating profit partially offset by increased interest expense.

Reported EPS increased \$0.06 and \$0.05 in the third quarter and nine months ended September 30, 2013, respectively, versus the respective periods in 2012. Adjusted EPS increased \$0.12 and \$0.19 in the third quarter and nine months ended September 30, 2013, respectively, versus the comparative periods in 2012. The increase in reported and adjusted EPS in both periods is attributable to higher net income - Praxair, Inc. during the quarter and the reduction in the number of diluted shares outstanding as a result of the company's net repurchases of common stock.

#### Other Comprehensive Income

Other comprehensive income for the third quarter of \$101 million includes positive currency translation adjustments of \$77 million, a positive adjustment of \$23 million related to the funded status of retirement obligations and a positive adjustment of \$1 million related to derivative instruments. The translation adjustments reflect the impact of translating local currency foreign subsidiary financial statements to U.S. dollars (see "Currency" section of the MD&A for exchange rates). The positive translation adjustment primarily resulted from currency movements in Europe (\$47 million), Asia (\$27 million primarily related to Korea) and Surface Technologies (\$13 million primarily related to Europe). These positive impacts were offset with a negative currency adjustment of \$17 million in South America, primarily related to Brazil and Argentina. The positive pension funded status impact is primarily related to required reclassifications of net actuarial losses to net income (see note 11 to the Condensed Consolidated Financial Statements). Other comprehensive loss for the nine months ended September 30, 2013 of \$285 million includes negative translation adjustments of \$335 million, a positive adjustment of \$49 million related to the funded status of retirement obligations and a positive adjustment of \$1 million related to derivative instruments. The negative translation adjustment primarily resulted from currency movements in North America (\$105 million primarily related to Mexico and Canada), South America (\$224 million related primarily to Brazil and Argentina), and Asia (\$17 million related primarily to India). These negative impacts were offset with a positive currency adjustment in Europe (\$12 million primarily related to Germany).

Other comprehensive income for the third quarter September 30, 2012 of \$246 million primarily related to a positive translation adjustments of \$245 million. The positive translation adjustment primarily resulted from currency movements in North America (\$153 million primarily related to Mexico and Canada), Europe (\$39 million), Asia (\$42 million primarily related to Korea and India) and Surface Technologies (\$11 million primarily related to Europe). These positive impacts were offset with a negative currency adjustment of \$7 million in South America, primarily related to Brazil. Other comprehensive loss for the nine months ended September 30, 2012 of \$9 million includes negative translation adjustments of \$31 million and a positive adjustment of \$22 million related to the funded status of retirement obligations. The negative translation adjustment primarily resulted from currency movements in South America (\$160 million related primarily to Brazil). These negative impacts were offset with a positive currency adjustment in North America (\$117 million primarily related to Mexico and Canada), Asia (\$13 million primarily related to Korea).



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## Segment Discussion

The following summary of sales and operating profit by segment provides a basis for the discussion that follows.

(Dollar amounts in millions)	Quarter Ended September 30,			Nine Months Ended September 30,			
	2013	2012	Variance	2013	2012	Variance	
<b>SALES</b>							
North America	\$1,588	\$1,391	14	% \$4,597	\$4,182	10	%
Europe	386	352	10	% 1,138	1,111	2	%
South America	494	516	(4)	)% 1,561	1,598	(2)	)%
Asia	385	358	8	% 1,131	1,040	9	%
Surface Technologies	160	157	2	% 488	494	(1)	)%
	\$3,013	\$2,774		\$8,915	\$8,425		
<b>OPERATING PROFIT</b>							
North America	\$406	\$374	9	% \$1,145	\$1,098	4	%
Europe	64	60	7	% 195	196	(1)	)%
South America	115	112	3	% 352	337	4	%
Asia	67	52	29	% 191	177	8	%
Surface Technologies	27	25	8	% 84	78	8	%
Segment operating profit	679	623		1,967	1,886		
Venezuela currency devaluation and other charges (Note 2)	(9	) (65	)	(32	) (65	)	
Total operating profit	\$670	\$558		\$1,935	\$1,821		

## North America

	Quarter Ended September 30,			Nine Months Ended September 30,			
	2013	2012	Variance	2013	2012	Variance	
Sales	\$1,588	\$1,391	14	% \$4,597	\$4,182	10	%
Cost of sales, exclusive of depreciation and amortization	850	743		2,465	2,226		
Gross margin	738	648		2,132	1,956		
Operating expenses	186	149		569	487		
Depreciation and amortization	146	125		418	371		
Operating profit	\$406	\$374	9	% \$1,145	\$1,098	4	%
Margin %	25.6	% 26.9	%	24.9	% 26.3	%	

Factors Contributing to Changes	Quarter Ended September 30, 2013 vs. 2012		Nine Months Ended September 30, 2013 vs. 2012	
	% Change		% Change	
	Sales	Operating Profit	Sales	Operating Profit
Volume	5	% 9	% 1	% —
Price	2	% 9	% 2	% 10
Cost pass-through	1	% —	% 2	% —
Currency	—	% —	% —	% —
Acquisitions/divestitures	6	% 5	% 5	% 4
Other	—	% (14	)% —	% (10
	14	% 9	% 10	% 4





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The following tables provide sales by end-market and distribution method:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	% of Sales 2013	2012	% Change Organic Sales	% of Sales 2013	2012	% Change Organic Sales
<b>Sales by End Markets</b>						
Manufacturing	29	% 32	% 3	% 30	% 32	% 3
Metals	12	% 13	% 3	% 13	% 14	% 1
Energy	18	% 17	% 19	% 18	% 16	% 9
Chemicals	10	% 10	% 7	% 10	% 11	% 6
Electronics	6	% 5	% (8)	)% 5	% 5	% 1
Healthcare	7	% 7	% (1)	)% 7	% 7	% —
Food & Beverage	9	% 5	% —	% 8	% 5	% (1)
Aerospace	1	% 1	% 37	% 1	% 1	% 17
Other	8	% 10	% 3	% 8	% 9	% (4)
	100	% 100	%	100	% 100	%

	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales 2013	2012	% of Sales 2013	2012
<b>Sales by Distribution Method</b>				
On- Site	30	% 27	% 27	% 27
Merchant	34	% 33	% 34	% 32
Packaged Gas	30	% 34	% 32	% 34
Other	6	% 6	% 7	% 7
	100	% 100	% 100	% 100

North America segment sales increased \$197 million, or 14%, in the quarter as compared to the prior year. Underlying sales growth was 7% driven primarily by higher on-site volumes from new project start-ups for hydrogen supply to refinery customers in the United States and merchant sales to oil well services customers and higher pricing. Strong sales growth to the energy end-market was primarily due to these project start-ups. Acquisitions, primarily NuCO<sub>2</sub>, added 6% sales growth. Higher cost pass-through, primarily higher natural gas prices passed through to hydrogen customers, increased sales by 1%. For the year-to-date period, sales grew \$415 million, or 10%. Underlying sales growth of 3% came primarily from higher pricing and higher volumes driven by the new project start-ups. Acquisitions added 5% growth, and cost-pass-through 2%. Packaged gas sales were higher in the quarter primarily due to growth in the U.S. business. However, primarily due to the impact of new projects on on-site sales and NuCO<sub>2</sub> on merchant sales, packaged gas sales have decreased as a percentage of total sales for the segment.

North America segment operating profit increased \$32 million, or 9%, for the quarter ended September 30, 2013 versus the respective 2012 period. Higher volumes from project start-ups, higher pricing, acquisitions and a contract settlement for \$23 million in the United States drove operating profit growth versus the prior year. The growth was partially offset by higher operating costs driven by acquisitions and the impact of a gain on asset sale in the prior year. Depreciation and amortization increased \$21 million for the quarter primarily due to acquisitions and the new project start-ups. Operating profit increased \$47 million, or 4%, for the nine months ended September 30, 2013 versus the respective 2012 period primarily due to higher pricing, acquisitions and the impact of the contract settlement which were partially offset by higher operating costs driven by acquisitions and the impact of a gain on asset sale in the prior year. Depreciation and amortization increased \$47 million for the nine-month period primarily due to acquisitions.



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## Europe

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance %	2013	2012	Variance %
Sales	\$386	\$352	10 %	\$1,138	\$1,111	2 %
Cost of sales, exclusive of depreciation and amortization	224	204		653	634	
Gross margin	162	148		485	477	
Operating expenses	55	52		165	170	
Depreciation and amortization	43	36		125	111	
Operating profit	\$64	\$60	7 %	\$195	\$196	(1) %
Margin %	16.6 %	17.0 %		17.1 %	17.6 %	

	Quarter Ended September 30, 2013 vs. 2012		Nine Months Ended September 30, 2013 vs. 2012	
	% Change	% Change	% Change	% Change
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume	—	(10) %	(1) %	(17) %
Price	1	6 %	—	7 %
Cost pass-through	(2)	— %	(1) %	— %
Currency	6	5 %	2 %	3 %
Acquisitions/divestitures	5	6 %	2 %	2 %
Other	—	— %	—	4 %
	10	7 %	2 %	(1) %

The following tables provide sales by end-market and distribution method:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	% of Sales 2013	2012	% Change Organic Sales	% of Sales 2013	2012	% Change Organic Sales
Sales by End Markets						
Manufacturing	22	22 %	— %	22 %	23 %	(5) %
Metals	15	16 %	— %	16 %	16 %	— %
Energy	7	4 %	— %	5 %	3 %	9 %
Chemicals	16	16 %	4 %	17 %	17 %	— %
Electronics	7	8 %	(6) %	7 %	8 %	— %
Healthcare	11	12 %	(7) %	11 %	11 %	(1) %
Food & Beverage	10	10 %	7 %	9 %	9 %	— %
Aerospace	1	1 %	— %	1 %	1 %	— %
Other	11	11 %	(3) %	12 %	12 %	(6) %
	100	100 %	%	100	100 %	%

	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales 2013	2012	% of Sales 2013	2012
Sales by Distribution Method				
On- Site	19	19 %	19 %	20 %
Merchant	33	33 %	33 %	33 %
Packaged Gas	40	42 %	41 %	42 %

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Other	8	% 6	% 7	% 5	%
	100	% 100	% 100	% 100	%

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Europe segment sales of \$386 million increased \$34 million, or 10%, from the prior-year quarter. Cost pass-through reduced sales in the quarter by 2%. Excluding the effects of lower cost pass-through and the positive effects of currency translation, sales grew 6%, primarily from acquisitions. Overall volumes were comparable to the prior year, as volume growth from project starts in Russia was offset by lower base business volumes, primarily packaged gases in Spain and Italy. For the nine-month period sales increased \$27 million, or 2% from the prior year, to \$1,138 million. The positive impact of currency was offset by the lower cost pass-through noted above, and lower volumes in most European countries with the exception of Russia, Germany and Scandinavia.

Europe segment operating profit increased by \$4 million, or 7%, for the third quarter. The volume impact was more than offset by higher pricing, acquisitions and currency translation. Cost reductions and productivity benefits outpaced inflation in most markets. For the nine month period, operating profit decreased 1% from prior year due to lower volumes, primarily packaged gas and refrigerants, in Spain and Italy, respectively. The impact of lower volumes was partially offset by the favorable impact of higher pricing and lower costs.

## South America

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance	2013	2012	Variance
Sales	494	516	(4 )%	1,561	1,598	(2 )%
Cost of sales, exclusive of depreciation and amortization	271	294		867	921	
Gross margin	223	222		694	677	
Operating expenses	65	65		205	201	
Depreciation and amortization	43	45		137	139	
Operating profit	115	112	3 %	352	337	4 %
Margin %	23.3 %	21.7 %		22.5 %	21.1 %	
	Quarter Ended September 30, 2013 vs. 2012			Nine Months Ended September 30, 2013 vs. 2012		
	% Change		% Change	% Change		% Change
	Sales		Operating Profit	Sales		Operating Profit
Factors Contributing to Changes						
Volume	3	% 8		% 4	% 6	%
Price	3	% 15		% 2	% 11	%
Cost pass-through	—	% —		% —	% —	%
Currency	(10	)% (11	)%	(8	)% (9	)%
Acquisitions/divestitures	—	% —		% —	% —	%
Other	—	% (9	)%	—	% (4	)%
	(4	)% 3		% (2	)% 4	%

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The following tables provide sales by end-market and distribution method:

	Quarter Ended September 30,			Nine Months Ended September 30,			
	% of Sales 2013	2012	% Change Organic Sales	% of Sales 2013	2012	% Change Organic Sales	
<b>Sales by End Markets</b>							
Manufacturing	21	% 22	% 1	% 22	% 23	% 2	%
Metals	28	% 28	% 8	% 29	% 28	% 8	%
Energy	2	% 4	% (10)	% 2	% 4	% —	%
Chemicals	9	% 6	% 21	% 9	% 6	% 18	%
Electronics	—	% —	% —	% —	% —	% —	%
Healthcare	17	% 17	% 9	% 17	% 16	% 10	%
Food & Beverage	12	% 11	% 10	% 11	% 12	% 6	%
Aerospace	—	% —	% —	% —	% —	% —	%
Other	11	% 12	% (1)	% 10	% 11	% —	%
	100	% 100	%	100	% 100	%	

	Quarter Ended September 30,		Nine Months Ended September 30,		
	% of Sales 2013	2012	% of Sales 2013	2012	%
<b>Sales by Distribution Method</b>					
On- Site	24	% 23	% 24	% 22	%
Merchant	39	% 38	% 38	% 38	%
Packaged Gas	25	% 25	% 26	% 27	%
Other	12	% 14	% 12	% 13	%
	100	% 100	% 100	% 100	%

South America segment sales in the third quarter decreased \$22 million or 4% versus the prior year. Excluding unfavorable currency translation impacts, sales grew 6% from higher volumes primarily to merchant and packaged gas customers and higher overall pricing. Sales growth came from most major end-markets including metals, manufacturing, chemicals, healthcare and food and beverage. For the nine month period sales decreased \$37 million, or 2% from 2012. Underlying sales growth excluding negative currency impact and cost pass-through was 6% due to higher volumes and higher pricing.

South America segment operating profit increased \$3 million, or 3%, in the third quarter and 14% excluding currency effects from higher volumes and higher pricing. For the nine months operating profit grew 13% excluding unfavorable currency impacts. The favorable operating leverage was due to volume growth and higher pricing across the region. Depreciation and amortization was comparable to the prior year as the start up of new on-site production facilities was more than offset by currency impacts.

	Quarter Ended September 30,			Nine Months Ended September 30,			
	2013	2012	Variance	2013	2012	Variance	
Sales	\$385	\$358	8	% \$1,131	\$1,040	9	%
Cost of sales, exclusive of depreciation and amortization	249	249		745	707		
Gross margin	136	109		386	333		
Operating expenses	30	27		84	63		
Depreciation and amortization	39	30		111	93		
Operating profit	\$67	\$52	29	% \$191	\$177	8	%
Margin %	17.4	% 14.5	%	16.9	% 17.0	%	



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	Quarter Ended September 30, 2013 vs. 2012		Nine Months Ended September 30, 2013 vs. 2012	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume	10	% 39	% 10	% 21
Price	(1)	)% (3	)% (1	)% (3
Cost pass-through	(1)	)% —	% —	% —
Currency	—	% —	% —	% —
Acquisitions/divestitures	—	% —	% —	% —
Other	—	% (7	)% —	% (10
	8	% 29	% 9	% 8

The following tables provide sales by end-market and distribution method:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	% of Sales 2013	2012	% Change Organic Sales	% of Sales 2013	2012	% Change Organic Sales
Sales by End Markets						
Manufacturing	10	% 11	% (5	)% 11	% 12	% 5
Metals	28	% 24	% 18	% 27	% 25	% 17
Energy	3	% —	% **	2	% —	% **
Chemicals	14	% 11	% 21	% 13	% 11	% 27
Electronics	33	% 39	% (3	)% 34	% 38	% (2
Healthcare	1	% 1	% 32	% 1	% 1	% 26
Food & Beverage	2	% 3	% (17	)% 2	% 3	% (17
Aerospace	—	% —	% —	% —	% —	% —
Other	9	% 11	% (4	)% 10	% 10	% 8
	100	% 100	%	100	% 100	%

\*\* - not meaningful as base year is zero

	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales 2013	2012	% of Sales 2013	2012
Sales by Distribution Method				
On- Site	47	% 42	% 46	% 41
Merchant	28	% 29	% 29	% 29
Packaged Gas	11	% 11	% 11	% 12
Other	14	% 18	% 14	% 18
	100	% 100	% 100	% 100

Asia segment sales increased \$27 million, or 8%, in the third quarter as compared to the prior year. The strong volume growth of 10% was driven by new on-site plant start-ups in China, India and Korea as well as stronger demand from existing customers in the metals, energy and chemicals markets. For the year-to-date period, sales increased \$91 million, or 9%, for the same reasons discussed above.

Asia segment operating profit increased \$15 million, or 29% for the third quarter 2013 as compared to the prior year. Strong on-site volume growth and a settlement of a prior-year receivable for \$8 million (\$3 million after-tax and noncontrolling interest) in China, partially offset by the impact of lower pricing, contributed to the growth in operating profit. Operating expenses are \$3 million higher than the prior year quarter primarily due to inflationary increases in salary and other benefit costs. Depreciation and amortization expense increased \$9 million as compared to the prior year quarter primarily due to new plant start-ups. Operating profit increased \$14 million, or 8%, for the nine months ended September 30, 2013 as compared to the prior year. Higher volumes and the impact of the China contract



settlement, resulted in a 21% increase for the nine months ended September 30, 2013. This increase was partially offset by a 3% decrease due to lower pricing, primarily liquid argon in China and electronic gas customers and the impact of inflationary increases in salary and other benefit costs and a prior year

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gain on land sale in Korea. In addition, Depreciation and amortization expense increased \$18 million as compared to the prior year primarily due from additional depreciation from new plant start-ups.

## Surface Technologies

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance	2013	2012	Variance
Sales	\$160	\$157	2	\$488	\$494	(1)
Cost of sales, exclusive of depreciation and amortization	103	105		315	325	
Gross margin	57	52		173	169	
Operating expenses	20	17		58	59	
Depreciation and amortization	10	10		31	32	
Operating profit	\$27	\$25	8	\$84	\$78	8
Margin %	16.9	% 15.9	%	17.2	% 15.8	%

	Quarter Ended September 30, 2013 vs. 2012		Nine Months Ended September 30, 2013 vs. 2012	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume/Price	1	% 6	% —	% —
Cost pass-through	—	% —	% —	% —
Currency	1	% —	% (1)	% —
Acquisitions/divestitures	—	% —	% —	% —
Other	—	% 2	% —	% 8
	2	% 8	% (1)	% 8

The following table provides sales by end-market:

Sales by End Markets	Quarter Ended September 30, % of Sales			Nine Months Ended September 30, % of Sales		
	2013	2012	% Change Organic Sales	2013	2012	% Change Organic Sales
Manufacturing	14	% 14	% (1)	% 13	% 14	% (4)
Metals	8	% 8	% 6	% 8	% 8	% 3
Energy	28	% 28	% (3)	% 28	% 28	% —
Chemicals	2	% 3	% (24)	% 2	% 3	% (16)
Electronics	1	% 1	% —	% 1	% 1	% —
Healthcare	—	% —	% —	% —	% —	% —
Food & Beverage	2	% 2	% 3	% 3	% 3	% (7)
Aerospace	35	% 35	% 2	% 34	% 34	% —
Other	10	% 9	% 11	% 11	% 9	% (1)
	100	% 100	%	100	% 100	%

Surface Technologies segment sales increased \$3 million, or 2%, in the quarter versus the prior-year period. Sales increased due to 1% organic growth and 1% positive currency impact due primarily to the strong Euro partially offset by the weaker Yen versus the U.S. Dollar. For the nine month period, underlying sales, excluding currency, were comparable to the prior-year period. Lower industrial coating volumes were partially offset by aviation and energy. Surface Technologies segment operating profit increased \$2 million, or 8%, in the third quarter and \$6 million, or 8%, for the nine months ended September 30, 2013 versus the respective 2012 periods. The impact of higher pricing and lower costs primarily due to the prior year cost reduction program in Europe, offset the impact of lower overall volumes for both the quarter and year-to-date periods.



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## Currency

The results of Praxair's non-U.S. operations are translated to the company's reporting currency, the U.S. dollar, from the functional currencies used in the countries in which the company operates. For most foreign operations, Praxair uses the local currency as its functional currency. There is inherent variability and unpredictability in the relationship of these functional currencies to the U.S. dollar and such currency movements may materially impact Praxair's results of operations in any given period.

To help understand the reported results, the following is a summary of the significant currencies underlying Praxair's consolidated results and the exchange rates used to translate the financial statements (rates of exchange expressed in units of local currency per U.S. dollar):

Currency	Percentage of YTD 2013 Consolidated Sales (a)	Exchange Rate for Income Statement		Exchange Rate for Balance Sheet	
		Year-To-Date Average		September 30,	December 31,
		2013	2012	2013	2012
Brazil real	14	% 2.11	1.91	2.23	2.04
Euro	13	% 0.76	0.78	0.74	0.76
Canada dollar	8	% 1.02	1.01	1.03	0.99
Mexico peso	7	% 12.67	13.32	13.09	13.05
China yuan	5	% 6.18	6.31	6.12	6.29
Korea won	3	% 1,105	1,144	1,075	1,073
India rupee	2	% 57.18	53.17	62.62	54.85
Singapore dollar	1	% 1.25	1.26	1.26	1.22
Argentina peso	1	% 5.27	4.46	5.79	4.91
Colombia peso	<1%	1,853	1,794	1,908	1,768
Taiwan dollar	<1%	29.73	29.79	29.63	29.04
Thailand bhat	<1%	30.36	31.22	31.24	30.64
Venezuela bolivar (b)	<1%	5.87	4.30	6.30	4.30

(a) Certain Surface Technologies segment sales are included in European, Indian and Brazilian sales.

On February 8, 2013, the Venezuelan government announced a devaluation of the Venezuelan Bolivar from an

(b) exchange rate of 4.30 to 6.30 effective February 13, 2013. See Note 2 to the condensed consolidated financial statements for a more detailed description of this item.

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## Liquidity, Capital Resources and Other Financial Data

The following selected cash flow information provides a basis for the discussion that follows:

(Millions of dollars)	Nine Months Ended September 30,	
	2013	2012
<b>NET CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
Net income - Praxair, Inc. plus depreciation and amortization	\$2,103	\$2,025
Noncontrolling interests	48	38
Net income plus depreciation and amortization (including noncontrolling interests)	2,151	2,063
Adjustments to reconcile net income to net cash provided by operating activities:		
Venezuela currency devaluation and other charges (a)	23	52
Deferred income taxes	88	202
Working capital:		
Accounts receivable	(139	) (107
Inventory	(63	) (30
Prepaid and other current assets	(54	) (106
Payables and accruals	18	(75
Pension contributions	(48	) (112
Long-term assets, liabilities and other	(23	) (14
Net cash provided by operating activities	\$1,953	\$1,873
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(1,504	) (1,594
Acquisitions, net of cash acquired	(1,311	) (109
Divestitures and asset sales	65	77
Net cash used for investing activities	\$(2,750	) \$(1,626
<b>FINANCING ACTIVITIES</b>		
Debt increases (reductions) - net	1,670	583
Issuances (purchases) of common stock - net	(350	) (312
Cash dividends - Praxair, Inc. shareholders	(531	) (492
Excess tax benefit on share-based compensation	31	50
Noncontrolling interest transactions and other	(24	) (55
Net cash (used for) provided by financing activities	\$796	\$(226

(a) See Note 2 to the condensed consolidated financial statements.

**Cash Flow from Operations**

Cash provided by operations of \$1,953 million for the nine months ended September 30, 2013 increased \$80 million versus 2012. The increase was primarily due to lower working capital requirements and pension contributions compared to the prior-year period, partially offset by lower deferred taxes primarily due to the timing of estimated tax payments.

Praxair estimates that total 2013 contributions to its pension plans will be in the area of \$50 million, of which \$48 million have been made through September 30, 2013. At a minimum, Praxair contributes to its pension plans to comply with local regulatory requirements (e.g., ERISA in the United States). Discretionary contributions in excess of the local minimum requirements are made based on many factors, including long-term projections of the plans' funded status, the economic environment, potential risk of overfunding, pension insurance costs and alternative uses of the cash. Changes to these factors can impact the amount and timing of discretionary contributions from year to year.



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## Investing

Net cash used for investing of \$2,750 million for the nine months ended September 30, 2013 increased \$1,124 million versus 2012 primarily due to acquisitions of NuCO<sub>2</sub> and Dominion Technology Gases (see Note 3 to the condensed consolidated financial statements).

## Financing

Cash provided by financing activities was \$796 million for the nine-month period. Net debt increased by \$1,670 million primarily to fund acquisitions and capital expenditures. Cash dividends increased \$39 million due to an increase in dividends per share from \$1.65 to \$1.80.

In February 2013, Praxair issued \$400 million of 0.75% notes due 2016 and \$500 million of 2.70% notes due 2023. In March 2013, Praxair issued \$500 million of 1.20% notes due 2018. In April 2013, Praxair issued \$475 million of 1.25% notes due 2018 and \$175 million of 3.55% notes due 2042. In June 2013, Praxair repaid \$350 million of 3.95% notes and \$500 million of 2.125% notes that became due.

## Other Financial Data

Praxair's debt to capital ratio was 56.4% at September 30, 2013 versus 51.9% at December 31, 2012. This increase is attributable to higher debt levels, primarily to fund acquisitions and capital expenditures.

After-tax return on capital ("ROC") decreased to 12.8% for the four-quarter trailing period ended September 30, 2013 versus 14.2% for the 2012 period. This decrease reflects capital expenditures for plants that have not yet started or are just beginning to ramp-up, as well as the acquisition expenditures, primarily NuCO<sub>2</sub> (see Note 3 to the condensed consolidated financial statements).

Return on equity ("ROE") for the four-quarter trailing period ended September 30, 2013 remained strong at 28.4%.

See the "Non-GAAP Financial Measures" section below for definitions and reconciliations of these non-GAAP measures to reported GAAP amounts.

## Legal Proceedings

See Note 12 to the condensed consolidated financial statements.

## Non-GAAP Financial Measures

The following non-GAAP measures are intended to supplement investors' understanding of the company's financial information by providing measures which investors, financial analysts and management use to help evaluate the company's financial leverage, return on net assets employed and operating performance. Special items which the company does not believe to be indicative of on-going business trends are excluded from these calculations so that investors can better evaluate and analyze historical and future business trends on a consistent basis. Definitions of these non-GAAP measures may not be comparable to similar definitions used by other companies and are not a substitute for similar GAAP measures.

The following are the non-GAAP measures presented in the MD&A:

(Dollar amounts in millions, except per share data)	September 30,		
	2013	2012	
Debt-to-capital	56.4	% 51.9	% <sup>1</sup>
After-tax return on capital	12.8	% 14.2	%
Return on equity	28.4	% 29.2	%
Debt-to-adjusted EBITDA	2.2	1.9	

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	Quarter Ended September 30,		Nine Months Ended September 30,		
	2013	2012	2013	2012	
Adjusted amounts: <sup>2</sup>					
Operating profit	\$679	623	\$1,967	1,886	
As a percent of sales	22.5	% 22.5	% 22.1	% 22.4	%
Effective tax rate	27.9	% 27.9	% 28.0	% 28.0	%
Net income - Praxair, Inc.	\$451	419	\$1,310	1,267	
Diluted earnings per share	\$1.51	1.39	\$4.38	4.19	

<sup>1</sup> As of December 31, 2012.

The adjusted amounts for 2013 do not include the impact of the first quarter Venezuela currency devaluation of \$23 million (\$23 million net of tax) and the third-quarter pension settlement charge of \$9 million (\$6 million net of tax).

<sup>2</sup> The non-GAAP adjustments for 2012 relate to the third-quarter cost reduction program and other charges of \$65 million (\$44 million net of tax) and a tax benefit of \$55 million related to the divestiture of the U.S. Homecare business (See Note 2 to the condensed consolidated financial statements).

**Debt-to-Capital Ratio**

The debt-to-capital ratio is a measure used by investors, financial analysts and management to provide a measure of financial leverage and insights into how the company is financing its operations.

	September 30, 2013	December 31, 2012	
(Dollar amounts in millions)			
Debt	\$9,026	\$7,362	
Less: cash and cash equivalents	(134)	(157)	)
Net debt	8,892	7,205	)
Equity and redeemable noncontrolling interests			
Redeemable noncontrolling interests	290	252	
Praxair, Inc. shareholders' equity	6,210	6,064	
Noncontrolling interests	365	357	
Total equity and redeemable noncontrolling interests	6,865	—6,673	
Capital	\$15,757	\$13,878	
DEBT-TO-CAPITAL RATIO	56.4	% 51.9	%



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## After-tax Return on Capital (ROC)

After-tax return on capital is a measure used by investors, financial analysts and management to evaluate the return on net assets employed in the business. ROC measures the after-tax operating profit that the company was able to generate with the investments made by all parties in the business (debt, noncontrolling interests and Praxair, Inc. shareholders' equity).

	2013			2012		
	Four Quarter Trailing	Nine Months Ended September 30, 2013	Three Months Ended December 31, 2012	Four Quarter Trailing	Nine Months Ended September 30, 2012	Three Months Ended December 31, 2011
(Dollar amounts in millions)						
Adjusted operating profit (see below)	\$2,583	\$1,967	\$616	\$2,505	\$1,886	\$619
Less: adjusted income taxes (see below)	(678 )	(516 )	(162 )	(660 )	(498 )	(162 )
Less: tax benefit on interest expense*	(43 )	(33 )	(10 )	(40 )	(29 )	(11 )
Add: equity income	38	29	9	32	25	7
Net operating profit after-tax (NOPAT)	\$1,900	\$1,447	\$453	\$1,837	\$1,384	\$453
Capital:						
September 30th, 2013 & 2012	\$15,757			\$13,617		
June 30th, 2013 & 2012	\$15,548			\$13,017		
March 31st, 2013 & 2012	\$15,344			\$13,248		
December 31st, 2012 & 2011	\$13,878			\$12,489		
September 30th, 2012 & 2011	\$13,617			\$12,306		
Five-quarter average	\$14,829			\$12,935		
After-tax ROC	12.8	%		14.2	%	

\* Tax benefit on interest expense is computed using the effective rate. The effective tax rate used was 28% for 2013 and 2012.

## Return on Praxair, Inc. Shareholders' Equity (ROE)

Return on Praxair, Inc. shareholders' equity is a measure used by investors, financial analysts and management to evaluate operating performance from a Praxair shareholder perspective. ROE measures the net income attributable to Praxair, Inc. that the company was able to generate with the money shareholders have invested.

	2013			2012		
	Four Quarter Trailing	Nine Months Ended September 30, 2013	Three Months Ended December 31, 2012	Four Quarter Trailing	Nine Months Ended September 30, 2012	Three Months Ended December 31, 2011
(Dollar amounts in millions)						
Adjusted Net income - Praxair, Inc. (see below)	\$1,724	\$1,310	\$414	\$1,681	\$1,267	\$414
Praxair, Inc. shareholders' equity						
September 30th, 2013 & 2012	\$6,210			\$6,015		
June 30th, 2013 & 2012	\$5,928			\$5,615		

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March 31st, 2013 & 2012	\$6,169		\$5,940	
December 31st, 2012 & 2011	\$6,064		\$5,488	
September 30th, 2012 & 2011	\$6,015		\$5,753	
Five-quarter average	\$6,077		\$5,762	
ROE	28.4	%	29.2	%

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## Adjusted EBITDA and Debt-to-Adjusted EBITDA Ratio

These measures are used by investors, financial analysts and management to assess a company's ability to meet its financial obligations.

	2013			2012		
	Four Quarter Trailing	Nine Months Ended September 30, 2013	Three Months Ended December 31, 2012	Four Quarter Trailing	Nine Months Ended September 30, 2012	Three Months Ended December 31, 2011
(Dollar amounts in millions)						
Adjusted net income - Praxair, Inc. (see below)	\$1,724	\$1,310	\$414	\$1,681	\$1,267	\$414
Add: adjusted noncontrolling interest (see below)	62	48	14	52	40	12
Add: interest expense - net	157	122	35	144	106	38
Add: adjusted income taxes (see below)	678	516	162	660	498	162
Add: depreciation and amortization	1,076	822	254	996	747	249
Adjusted EBITDA	\$3,697	\$2,818	\$879	\$3,533	\$2,658	\$875
Net Debt:						
September 30th, 2013 & 2012	\$8,892			\$7,028		
June 30th, 2013 & 2012	\$9,004			\$6,891		
March 31st, 2013 & 2012	\$8,563			\$6,749		
December 31st, 2012 & 2011	\$7,205			\$6,472		
September 30th, 2012 & 2011	\$7,028			\$6,185		
Five-quarter average	\$8,138			\$6,665		
DEBT-TO-ADJUSTED EBITDA RATIO	2.2			1.9		

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## Adjusted Amounts

Adjusted amounts for the quarter ended September 30, 2013 exclude the impact of a pension settlement charge. Additionally adjusted amounts for the nine months ended September 30, 2013 exclude the impact of the Venezuela currency devaluation in the first quarter. Adjusted amounts for the quarter and nine month period ended September 30, 2012 exclude the impact of the pension settlement charge, cost reduction program and income tax benefit. The company does not believe these items are indicative of on-going business trends and, accordingly, the impact is excluded from the reported amounts so that investors can better evaluate and analyze historical and future business trends on a consistent basis. Amounts for the fourth quarter 2012 and 2011 have been included for reference purposes and to facilitate the calculations contained herein.

	Quarter Ended September 30,		Nine Months Ended September 30,		Quarter Ended December 31,	Quarter Ended December 31,
	2013	2012	2013	2012	2012	2011
(Dollar amounts in millions, except per share data)						
Adjusted Operating Profit						
Reported operating profit	\$670	\$558	\$1,935	\$1,821	\$616	\$618
Add: Venezuela currency devaluation	—	—	23	—	—	—
Add: Pension settlement charge	9	9	9	9	—	—
Add: Cost reduction program	—	56	—	56	—	40
Less: Gain on acquisition	—	—	—	—	—	(39)
Total adjustments	9	65	32	65	—	1
Adjusted operating profit	\$679	\$623	\$1,967	\$1,886	\$616	\$619
Reported percent change	20	%	6	%		
Adjusted percent change	9	%	4	%		
Adjusted Income Taxes and Effective Tax Rate						
Reported income taxes	\$175	\$90	\$513	\$424	\$162	\$156
Add: Venezuela currency devaluation	—	—	—	—	—	—
Add: Pension settlement charge	3	3	3	3	—	—
Add: Income tax benefit	—	55	—	55	—	—
Add: Cost reduction program	—	16	—	16	—	9
Less: Gain on acquisition	—	—	—	—	—	(3)
Total adjustments	3	74	3	74	—	6
Adjusted income taxes	\$178	\$164	\$516	\$498	\$162	\$162

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(Dollar amounts in millions, except per share data)	Quarter Ended September 30,		Nine Months Ended September 30,		Quarter Ended December 31,	Quarter Ended December 31,
	2013	2012	2013	2012	2012	2011
Adjusted Effective Tax Rate						
Reported income before income taxes and equity investments	\$629	\$522	\$1,813	\$1,715	\$581	\$580
Add: Venezuela currency devaluation	—	—	23	—	—	—
Add: Pension settlement charge	9	9	9	9	—	—
Add: Cost reduction program	—	56	—	56	—	40
Less: Gain on acquisition	—	—	—	—	—	(39 )
Total adjustments	9	65	32	65	—	1
Adjusted income before income taxes and equity investments	\$638	\$587	\$1,845	\$1,780	\$581	\$581
Adjusted effective tax rate	27.9	% 27.9	% 28.0	% 28.0	% 27.9	% 27.9
Adjusted Noncontrolling Interests						
Reported noncontrolling interests	\$17	\$10	\$48	\$38	\$14	\$11
Add: Cost reduction program	—	2	—	2	—	—
Add: Gain on acquisition	—	—	—	—	—	1
Total adjustments	—	2	—	2	—	1
Adjusted Noncontrolling Interests	\$17	\$12	\$48	\$40	\$14	\$12
Adjusted Net Income - Praxair, Inc.						
Reported net income - Praxair, Inc.	\$445	\$430	\$1,281	\$1,278	\$414	\$420
Add: Venezuela currency devaluation	—	—	23	—	—	—
Add: Pension settlement charge	6	6	6	6	—	—
Less: Income tax benefit	—	(55 )	—	(55 )	—	—
Add: Cost reduction program	—	38	—	38	—	31
Less: Gain on acquisition	—	—	—	—	—	(37 )
Total adjustments	6	(11 )	29	(11 )	—	(6 )
Adjusted net income - Praxair, Inc.	\$451	\$419	\$1,310	\$1,267	\$414	\$414
Reported percent change	3	%	—	%		
Adjusted percent change	8	%	3	%		
Adjusted Diluted Earnings Per Share						
Reported diluted earnings per share	\$1.49	\$1.43	\$4.28	\$4.23	1.38	\$1.38
	—	—	0.08	—	—	—

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Add: Venezuela currency devaluation						
Add: Pension settlement charge	0.02	0.02	0.02	0.02	—	—
Less: Income tax benefit	—	(0.18)	) —	(0.18)	) —	—
Add: Cost reduction program	—	0.12	—	0.12	—	0.10
Less: Gain on acquisition	—	—	—	—	—	(0.12)
Total adjustments	0.02	(0.04)	) 0.10	(0.04)	) —	(0.02)
Adjusted diluted earnings per share	\$1.51	\$1.39	\$4.38	\$4.19	\$1.38	\$1.36
Reported percent change	4	%	1	%		
Adjusted percent change	9	%	5	%		

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## Adjusted Full Year 2013 Diluted EPS Guidance

	Full Year 2013	
	Low	High
Diluted EPS guidance - GAAP	End	End
	\$5.80	\$5.85
Non-GAAP adjustments:		
Add: Venezuela currency devaluation	0.08	0.08
Add: Pension settlement	\$0.02	\$0.02
Adjusted diluted EPS - Non-GAAP	\$5.90	\$5.95

## Contractual Obligations Update

Refer to Note 12 to the condensed consolidated financial statements.

## New Accounting Standards

Refer to Note 1 of the condensed consolidated financial statements.

## Outlook

Diluted earnings per share for the fourth quarter of 2013 are expected to be in the range of \$1.52 to \$1.57.

Reported diluted earnings per share for the full year 2013 are expected to be in the range of \$5.80 to \$5.85.

Non-GAAP adjusted diluted earnings per share for the full year 2013 are expected to be in the range of \$5.90 to \$5.95 which excludes the impact of the Venezuela currency devaluation in the first quarter and the pension settlement charge recorded in the third quarter and assumes an adjusted effective tax rate of about 28%.

For the full year of 2013, Praxair expects sales in the area of \$12.0 billion. Full-year capital expenditures are expected to be approximately \$1.9 billion.

The company's core business is to build, own, and operate industrial gas plants in order to supply atmospheric and process gases to customers. As such, Praxair believes that its backlog is an indicator of future sales growth. At September 30, 2013, Praxair's backlog of 35 large projects under construction was \$2 billion. This represents the total estimated capital cost of large plants under construction. About 40% of this project backlog is in North America and another 40% is in Asia, which includes projects in China, India and Korea. The rest is in Europe, primarily Russia, and South America. The projects will serve customers in the energy, chemical, manufacturing, electronics and metals markets.

Praxair provides quarterly updates on operating results, material trends that may affect financial performance, and financial earnings guidance via quarterly earnings releases and investor teleconferences. These updates are available on the company's website, [www.praxair.com](http://www.praxair.com), but are not incorporated herein.

## Forward-looking Statements

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's reasonable expectations and assumptions as of the date the statements are made but involve risks and uncertainties. These risks and uncertainties include, without limitation: the performance of stock markets generally; developments in worldwide and national economies and other international events and circumstances; changes in foreign currencies and in interest rates; the cost and availability of electric power, natural gas and other raw materials; the ability to achieve price increases to offset cost increases; catastrophic events including natural disasters, epidemics and acts of war and terrorism; the ability to attract, hire, and retain qualified personnel; the impact of changes in financial accounting standards; the impact of changes in pension plan liabilities; the impact of tax, environmental, healthcare and other legislation and government regulation in jurisdictions in which the company operates; the cost and outcomes of investigations, litigation and regulatory proceedings; continued timely development and market acceptance of new products and applications; the impact of competitive products and pricing; future financial and operating performance of major customers and industries served; the impact of information technology system failures, network disruptions and breaches in data security; and the effectiveness and speed of integrating new acquisitions into the business. These risks and uncertainties may cause actual future results or circumstances to differ materially from the projections or estimates contained in the forward-looking statements. The company assumes no obligation to update or provide revisions to any

forward-looking statement in response to changing circumstances. The above listed risks and uncertainties are further described in Item 1A (Risk Factors) in

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this report which should be reviewed carefully. Please consider the company's forward-looking statements in light of those risks.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to Item 7A. to Part II of Praxair's 2012 Annual Report on Form 10-K for discussion.

Item 4. Controls and Procedures

Based on an evaluation of the effectiveness of Praxair's disclosure controls and procedures, which was made under the supervision and with the participation of management, including Praxair's principal executive officer and principal financial officer, the principal executive officer and principal financial officer have each concluded that, (a) as of the end of the quarterly period covered by this report, such disclosure controls and procedures are effective in ensuring that information required to be disclosed by Praxair in reports that it files under the Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and accumulated and communicated to management including Praxair's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

There were no changes in Praxair's internal control over financial reporting that occurred during the quarterly (b) period covered by this report that have materially affected, or are reasonably likely to materially affect, Praxair's internal control over financial reporting.

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PART II - OTHER INFORMATION

Praxair, Inc. and Subsidiaries

Item 1. Legal Proceedings

See Note 12 to the condensed consolidated financial statements for a description of current legal proceedings.

Item 1A. Risk Factors

Due to the size and geographic reach of the company's operations, a wide range of factors, many of which are outside of the company's control, could materially affect the company's future operations and financial performance.

Management believes the following risks may significantly impact the company:

**General Economic Conditions** - Weakening economic conditions in markets in which the company does business may adversely impact the company's financial results and/or cash flows.

Praxair serves approximately 25 diverse industries across more than 50 countries, which generally leads to financial stability through various business cycles. However, a broad decline in general economic or business conditions in the industries served by its customers could adversely affect the demand for Praxair's products and impair the ability of our customers to satisfy their obligations to the company, resulting in uncollected receivables and/or unanticipated contract terminations or project delays. In addition, many of the company's customers are in businesses that are cyclical in nature, such as the chemicals, electronics, metals and refining industries. Downturns in these industries may adversely impact the company during these cycles. Additionally, such conditions could impact the utilization of the company's manufacturing capacity which may require the company to recognize impairment losses on tangible assets such as property, plant and equipment as well as intangible assets such as intellectual property or goodwill.

**Cost and Availability of Raw Materials and Energy** - Increases in the cost of energy and raw materials and/or disruption in the supply of these materials could result in lost sales or reduced profitability.

Energy is the single largest cost item in the production and distribution of industrial gases. Most of Praxair's energy requirements are in the form of electricity, natural gas and diesel fuel for distribution. Praxair attempts to minimize the financial impact of variability in these costs through the management of customer contracts. Large customer contracts typically have escalation and pass-through clauses to recover energy and feedstock costs. Such attempts may not successfully mitigate cost variability which could negatively impact its financial condition or results of operations.

The supply of energy has not been a significant issue in the geographic areas where it conducts business. However, regional energy conditions are unpredictable and may pose future risk.

For carbon dioxide, carbon monoxide, helium, hydrogen, specialty gases and surface technologies, raw materials are largely purchased from outside sources. Praxair has contracts or commitments for, or readily available sources of, most of these raw materials; however, their long-term availability and prices are subject to market conditions. A disruption in supply of such raw materials could impact the company's ability to meet contractual supply commitments.

**International Events and Circumstances** - The company's international operations are subject to the risks of doing business abroad and international events and circumstances may adversely impact its business, financial condition or results of operations.

Praxair has substantial international operations which are subject to risks including devaluations in currency exchange rates, transportation delays and interruptions, political and economic instability and disruptions, restrictions on the transfer of funds, the imposition of duties and tariffs, import and export controls, changes in governmental policies, labor unrest, possible nationalization and/or expropriation of assets, domestic and international tax laws and compliance with governmental regulations. These events could have an adverse effect on the international operations in the future by reducing the demand for its products, decreasing the prices at which it can sell its products, reducing the U.S. dollar value of revenue from international operations or otherwise having an adverse effect on its business. In particular, due to government actions related to business and currency regulations, there is considerable risk associated with operations in Venezuela. At September 30, 2013, Praxair's sales and net assets in Venezuela were less than 1% of Praxair's consolidated amounts. Also, the Company is monitoring developments regarding the collectability of government receivables from healthcare sales to public hospitals in Spain and Italy where economic conditions remain challenging and uncertain. Historically, collection of such government receivables has extended well beyond the

contractual terms of sale; however, payment has always been received. At September 30, 2013, government receivables in Spain and Italy totaled about \$110 million.

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Global Financial Markets Conditions - Macroeconomic factors may impact the company's ability to obtain financing or increase the cost of obtaining financing which may adversely impact the company's financial results and/or cash flows.

Volatility and disruption in the U.S. and global credit and equity markets, from time to time, could make it more difficult for Praxair to obtain financing for its operations and/or could increase the cost of obtaining financing. In addition, the company's borrowing costs can be affected by short and long-term debt ratings assigned by independent rating agencies which are based, in significant part, on the company's performance as measured by certain criteria such as interest coverage and leverage ratios. A decrease in these debt ratings could increase the cost of borrowing or make it more difficult to obtain financing. While the impact of volatility in the global credit markets cannot be predicted with certainty, the company believes that it has sufficient operating flexibility, cash reserves, and funding sources to maintain adequate amounts of liquidity to meet its business needs around the world.

Competitor Actions - The inability to effectively compete could adversely impact results of operations.

Praxair operates within a highly competitive environment worldwide. Competition is based on price, product quality, delivery, reliability, technology and service to customers. Competitors' behavior related to these areas could potentially have significant impacts on the company's financial results.

Governmental Regulations - The company is subject to a variety of United States and foreign government regulations. Changes in these regulations could have an adverse impact on the business, financial position and results of operations.

The company is subject to regulations in the following areas, among others:

Environmental protection;

Domestic and international tax laws and currency controls;

Safety;

Securities laws (e.g., SEC and generally accepted accounting principles in the United States);

Trade and import/ export restrictions;

Antitrust matters;

Global anti-bribery laws;

Healthcare reimbursement regulations; and

Conflict minerals

Changes in these or other regulatory areas may impact the company's profitability, may require the company to spend additional resources to comply with the regulations, or may restrict the company's ability to compete effectively in the marketplace. Noncompliance with such laws and regulations could result in penalties or sanctions that could have an adverse impact on the company's financial results. Environmental protection and healthcare reimbursement legislation are discussed further below.

Praxair is subject to various environmental and occupational health and safety laws and regulations, including those governing the discharge of pollutants into the air or water, the storage, handling and disposal of chemicals, hazardous substances and wastes, the remediation of contamination, the regulation of greenhouse gas emissions, and other potential climate change initiatives. Violations of these laws could result in substantial penalties, third party claims for property damage or personal injury, or sanctions. The company may also be subject to liability for the investigation and remediation of environmental contamination at properties that it owns or operates and at other properties where Praxair or its predecessors have operated or arranged for the disposal of hazardous wastes.

Although management does not believe that any such liabilities will have a material adverse impact on its financial position and results of operations, management cannot provide assurance that such costs will not increase in the future or will not become material. See the section captioned "Management's Discussion and Analysis – Environmental Matters" in Item 7 of Praxair's 2012 Annual Report on Form 10-K.

Catastrophic Events - Catastrophic events could disrupt the operations of the company and/or its customers and suppliers and may have a significant adverse impact on the results of operations.

The occurrence of catastrophic events or natural disasters such as hurricanes, health epidemics, acts of war or terrorism, could disrupt or delay the company's ability to produce and distribute its products to customers and could potentially expose the company to third-party liability claims. In addition, such events could impact the company's

customers and suppliers resulting

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in temporary or long-term outages and/or the limitation of supply of energy and other raw materials used in normal business operations. These situations are outside the company's control and may have a significant adverse impact on the company's financial results.

**Retaining Qualified Personnel** - The inability to attract and retain qualified personnel may adversely impact the company's business.

If Praxair fails to attract, hire and retain qualified personnel, the company may not be able to develop, market or sell its products or successfully manage its business. Praxair is dependent upon its highly skilled, experienced and efficient workforce to be successful. Much of Praxair's competitive advantage is based on the expertise and experience of its key personnel regarding its marketing, technology, manufacturing and distribution infrastructure, systems and products. The inability to attract and hire qualified individuals or the loss of key employees in very skilled areas could have a negative effect on the company's financial results.

**Technological Advances** - If the company fails to keep pace with technological advances in the industry or if new technology initiatives do not become commercially accepted, customers may not continue to buy the company's products and results of operations could be adversely affected.

Praxair's research and development is directed toward developing new and improved methods for the production and distribution of industrial gases and the development of new markets and applications for the use of these gases. This results in the frequent introduction of new industrial gas applications and the development of new advanced air separation process technologies. The company also conducts research and development for its surface technologies to improve the quality and durability of coatings and the use of specialty powders for new applications and industries. As a result of these efforts, the company develops new and proprietary technologies and employs necessary measures to protect such technologies within the global geographies in which the company operates. These technologies help Praxair to create a competitive advantage and to provide a platform for the company to grow its business at greater percentages than the rate of industrial production growth in such geographies. If Praxair's research and development activities do not keep pace with competitors or if it does not create new technologies that benefit customers, future results of operations could be adversely affected.

**Litigation and Governmental Investigations** - The outcomes of litigation and governmental investigations may affect the company's financial results.

Praxair is subject to various lawsuits and governmental investigations arising out of the normal course of business that may result in adverse outcomes. These actions are based upon alleged environmental, tax, antitrust and personal injury claims, among others. Adverse outcomes in some or all of the claims pending may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct business. While management currently believes that resolving all of these matters, individually or in the aggregate, will not have a material adverse impact on the company's financial position or liquidity, the litigation and other claims Praxair faces are subject to inherent uncertainties and management's view of these matters may change in the future. There exists the possibility of a material adverse impact on the company's results of operations for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

**Tax Liabilities** - Potential tax liabilities could adversely impact the company's financial position and results of operations.

Praxair is subject to income and other taxes in both the United States and numerous foreign jurisdictions. The determination of the company's worldwide provision for income taxes and other tax liabilities requires judgment and is based on diverse legislative and regulatory structures that exist in the various jurisdictions where the company operates. Although management believes its estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in its financial statements and may materially affect the company's financial results for the period when such determination is made. See Notes 5 and 17 to the consolidated financial statements of Praxair's 2012 Annual Report on Form 10-K.

**Pension Liabilities** - Risks related to our pension benefit plans may adversely impact our results of operations and cash flows.

Pension benefits represent significant financial obligations that will be ultimately settled in the future with employees who meet eligibility requirements. Because of the uncertainties involved in estimating the timing and amount of future

payments and asset returns, significant estimates are required to calculate pension expense and liabilities related to the company's plans. The company utilizes the services of independent actuaries, whose models are used to facilitate these calculations. Several key assumptions are used in the actuarial models to calculate pension expense and liability amounts recorded in the consolidated financial statements. In particular, significant changes in actual investment returns on pension assets, discount rates, or legislative or regulatory changes could impact future results of operations and required pension contributions. For information regarding the potential impacts regarding significant assumptions used to estimate pension expense, including discount rates and the expected long-term rates of return on plan assets. See "Critical Accounting Policies - Pension Benefits" included in



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“Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of Praxair’s 2012 Annual Report on Form 10-K.

Operational Risks - Operational risks may adversely impact the company’s business or results of operations.

Praxair’s operating results are dependent on the continued operation of its production facilities and its ability to meet customer contract requirements and other needs. Insufficient or excess capacity threatens the company’s ability to generate competitive profit margins and may expose the company to liabilities related to contract commitments.

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. Failure to do so may expose the business to loss of revenue, potential litigation and loss of business reputation.

Also inherent in the management of the company’s production facilities and delivery systems, including storage, vehicle transportation and pipelines, are operational risks that require continuous training, oversight and control.

Material operating failures at production, storage facilities or pipelines, including fire, toxic release and explosions, or the occurrence of vehicle transportation accidents could result in loss of life, damage to the environment, loss of production and/or extensive property damage, all of which may negatively impact the company’s financial results.

Information Technology Systems – The Company may be subject to information technology system failures, network disruptions and breaches in data security.

Praxair relies on IT systems and networks for business and operational activities, and also stores and processes sensitive business and proprietary information in these systems and networks. These systems are susceptible to outages due to fire, floods, power loss, telecommunications failures, viruses, break-ins and similar events, or breaches of security. Management has taken steps to address these risks and concerns by implementing advanced security technologies, internal controls, network and data center resiliency and recovery processes. Despite these steps, however, operational failures and breaches of security from increasingly sophisticated cyber threats could lead to the loss or disclosure of confidential information, result in regulatory actions and have a material adverse impact on Praxair's operations, reputation and financial results.

Acquisitions and Joint Ventures - The inability to effectively integrate acquisitions or collaborate joint venture partners could adversely impact the company’s financial position and results of operations.

Praxair has evaluated, and expects to continue to evaluate, a wide array of potential strategic acquisitions and joint ventures. Many of these acquisitions, if consummated, could be material to its financial condition and results of operations. In addition, the process of integrating an acquired company, business or group of assets may create unforeseen operating difficulties and expenditures. Although historically the company has been successful with its acquisition strategy and execution, the areas where the company may face risks include:

- The need to implement or remediate controls, procedures and policies appropriate for a larger public company at companies that prior to the acquisition lacked these controls, procedures and policies;
- Diversion of management time and focus from operating existing business to acquisition integration challenges;
- Cultural challenges associated with integrating employees from the acquired company into the existing organization;
- The need to integrate each company’s accounting, management information, human resource and other administrative systems to permit effective management;
- Difficulty with the assimilation of acquired operations and products;
- Failure to achieve targeted synergies; and
- Inability to retain key employees and business relationships of acquired companies.

Foreign acquisitions and joint ventures involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries. Also, the anticipated benefit of the company’s acquisitions may not materialize. Future acquisitions or dispositions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or impairments of goodwill, any of which could adversely impact the company’s financial results.

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## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities- Certain information regarding purchases made by or on behalf of the company or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of its common stock during the quarter ended September 30, 2013 is provided below:

Period	Total Number of Shares Purchased (Thousands)	Average Price Paid Per Share	Total Numbers of Shares Purchased as Part of Publicly Announced Program (1) (Thousands)	Maximum Number (or approximate dollar value) of Shares that May Yet be Purchased Under the Program (2) (Millions)
July 2013	221	\$ 116.93	221	\$ 621
August 2013	550	\$ 118.53	550	\$ 556
September 2013	204	\$ 119.73	204	\$ 532
Third Quarter 2013	975	\$ 118.42	975	\$ 532

(1) On January 24, 2012, the company's board of directors approved the repurchase of an additional \$1.5 billion of its common stock (2012 program) which could take place from time to time on the open market (which could include the use of 10b5-1 trading plans) or through negotiated transactions, subject to market and business conditions. The 2012 program does not have any stated expiration date.

(2) As of September 30, 2013, the Company purchased \$968 million of its common stock pursuant to the 2012 program, leaving an additional \$532 million remaining authorized under the 2012 program.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

10.01	Commitment Increase Agreement, dated as of September 30, 2013, among the Company, the lenders party thereto, the issuing lenders referred to therein and Bank of America, N.A., as Administrative Agent, was filed as Exhibit 10.1 to the Company's current report on Form 8-K dated October 2, 2013 and is incorporated herein by reference.
12.01	Computation of Ratio of Earnings to Fixed Charges.
31.01	Rule 13a-14(a) Certification
31.02	Rule 13a-14(a) Certification
32.01	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
32.02	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
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

\* Indicates a management contract or compensatory plan or arrangement.

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SIGNATURE

Praxair, Inc. and Subsidiaries

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

PRAXAIR, INC.

(Registrant)

Date: October 30, 2013

By: /s/ Elizabeth T. Hirsch

Elizabeth T. Hirsch  
Vice President and Controller  
(On behalf of the Registrant  
and as Chief Accounting Officer)