UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from to

Commission file number 1-11037

Praxair, Inc.

Praxair, Inc.	
39 Old Ridgebury Road	State of incorporation: Delaware
Danbury, Connecticut 06810-5113	IRS identification number: 06-124 9050
Tel. (203) 837-2000	
Securities registered pursuant to Section 12(b) of the Act:	
Title of each class:	Registered on:
Common Stock ($0.01 par value)	New York Stock Exchange

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

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

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

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 þ 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 þ No ¨

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

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 þ Accelerated filer ¨ Non- accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

The aggregate market value of the voting and non-voting common stock held by non-affiliates as of June 30, 2014, was approximately $39 billion (based on the closing sale price of the stock on that date as reported on the New York Stock Exchange).

At January 31, 2015, 288,789,175 shares of common stock of Praxair, Inc. were outstanding.

Documents incorporated by reference:

Portions of the Proxy Statement of Praxair, Inc., for its 2015 Annual Meeting of Shareholders, are incorporated in Part III of this report.

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PRAXAIR, INC.
ANNUAL REPORT ON FORM 10-K
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Praxair, Inc. and Subsidiaries

PART I

ITEM 1. BUSINESS

General

Praxair, Inc. (Praxair or the company) was founded in 1907 and became an independent publicly traded company in 1992. Praxair was the first company in the United States to produce oxygen from air using a cryogenic process and continues to be a major technological innovator in the industrial gases industry.

Praxair is the largest industrial gas supplier in North and South America, is rapidly growing in Asia, and has strong, well-established businesses in Europe. Praxair's primary products in its industrial gases business are atmospheric gases (oxygen, nitrogen, argon, rare gases) and process gases (carbon dioxide, helium, hydrogen, electronic gases, specialty gases, acetylene). The company also designs, engineers, and builds equipment that produces industrial gases primarily for internal use. The company's surface technologies segment, operated through Praxair Surface Technologies, Inc., supplies wear-resistant and high-temperature corrosion-resistant metallic and ceramic coatings and powders. Praxair's sales were $12,273 million, $11,925 million, and $11,224 million for 2014, 2013, and 2012, respectively. Refer to Note 18 to the consolidated financial statements for additional information related to Praxair's reportable segments.

Praxair serves a diverse group of industries including healthcare, petroleum refining, computer-chip manufacturing, beverage carbonation, fiber-optics, steel making, aerospace, chemicals and water treatment. In 2014, 94% of sales were generated in four geographic segments (North America, Europe, South America and Asia) primarily from the sale of industrial gases, with the balance generated from the surface technologies segment. Praxair provides a competitive advantage to its customers by continuously developing new products and applications, which allow them to improve their productivity, energy efficiency and environmental performance.

Industrial Gases Products and Manufacturing Processes

Atmospheric gases are the highest volume products produced by Praxair. Using air as its raw material, Praxair produces oxygen, nitrogen and argon through several air separation processes of which cryogenic air separation is the most prevalent. As a pioneer in the industrial gases industry, Praxair is a leader in developing a wide range of proprietary and patented applications and supply systems technology. Praxair also led the development and commercialization of non-cryogenic air separation technologies for the production of industrial gases. These technologies open important new markets and optimize production capacity for the company by lowering the cost of supplying industrial gases. These technologies include proprietary vacuum pressure swing adsorption ("VPSA") and membrane separation to produce gaseous oxygen and nitrogen, respectively. Praxair also manufactures precious metal and ceramic sputtering targets used primarily in the production of semiconductors.

Process gases, including carbon dioxide, hydrogen, carbon monoxide, helium, specialty gases and acetylene are produced by methods other than air separation. Most carbon dioxide is purchased from by-product sources, including chemical plants, refineries and industrial processes and is recovered from carbon dioxide wells. Carbon dioxide is processed in Praxair's plants to produce commercial and food-grade carbon dioxide. Hydrogen and carbon monoxide are produced by either steam methane reforming of natural gas or by purifying by-product sources obtained from the chemical and petrochemical industries. Most of the helium sold by Praxair is sourced from certain helium-rich natural gas streams in the United States, with additional supplies being acquired from outside the United States. Acetylene can be produced from calcium carbide and water. Praxair purchases a significant percentage as a chemical by-product.

Industrial Gases Distribution

There are three basic distribution methods for industrial gases: (i) on-site or tonnage; (ii) merchant or bulk liquid; and (iii) packaged or cylinder gases. These distribution methods are often integrated, with products from all three supply modes coming from the same plant. The method of supply is generally determined by the lowest cost means of meeting the customer's needs, depending upon factors such as volume requirements, purity, pattern of usage, and the form in which the product is used (as a gas or as a cryogenic liquid). Additionally, Praxair provides a number of services, such as maintenance of equipment, which are ancillary to the process of supplying product to customers.

On-site. Customers that require the largest volumes of product (typically oxygen, nitrogen and hydrogen) and that have a relatively constant demand pattern are supplied by cryogenic and process gas on-site plants. Praxair constructs plants on or adjacent to these customers' sites and supplies the product directly to customers by pipeline. On-site product supply contracts generally are total requirement contracts with terms typically ranging from 10-20 years and containing minimum purchase requirements and price escalation provisions. Many of the cryogenic on-site plants also produce liquid products for the merchant market. Therefore, plants are typically not dedicated to a single customer. Advanced air

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separation processes allow on-site delivery to customers with smaller volume requirements. Customers using these systems usually enter into requirement contracts with terms typically ranging from 5-15 years.

Merchant. The merchant business is generally associated with distributable liquid oxygen, nitrogen, argon, carbon dioxide, hydrogen and helium. The deliveries generally are made from Praxair's plants by tanker trucks to storage containers at the customer's site which are owned and maintained by Praxair and leased to the customer. Due to distribution cost, merchant oxygen and nitrogen generally have a relatively small distribution radius from the plants at which they are produced. Merchant argon, hydrogen and helium can be shipped much longer distances. The customer agreements used in the merchant business are usually three-to five-year requirement contracts.

Packaged Gases. Customers requiring small volumes are supplied products in metal containers called cylinders, under medium to high pressure. Packaged gases include atmospheric gases, carbon dioxide, hydrogen, helium, acetylene and related. Praxair also produces and distributes in cylinders a wide range of specialty gases and mixtures. Cylinders may be delivered to the customer's site or picked up by the customer at a packaging facility or retail store. Packaged gases are generally sold under one to three-year supply contracts and through purchase orders.

A substantial amount of the cylinder gases sold in the United States is distributed by independent distributors that buy merchant gases in liquid form and repackage the products in their facilities. Packaged gas distributors, including Praxair, also distribute hardgoods and welding equipment purchased from independent manufacturers. Over time, Praxair has acquired a number of independent industrial gases and welding products distributors at various locations in the United States and continues to sell merchant gases to other independent distributors. Between its own distribution business, joint ventures and sales to independent distributors, Praxair is represented in 48 states, the District of Columbia and Puerto Rico.

Surface Technologies

Praxair Surface Technologies is a leading worldwide supplier of coatings services and thermal spray consumables to customers in the aircraft, energy, printing, primary metals, petrochemical, textile, and other industries. Its coatings are used to provide wear resistance, corrosion protection, thermal insulation, and many other surface-enhancing functions which serve to extend component life, enable optimal performance, and reduce operating costs. It also manufactures a complete line of electric arc, plasma and wire spray, and high-velocity oxy-fuel ("HVOF") equipment.

Inventories – Praxair carries inventories of merchant and cylinder gases, hardgoods and coatings materials to supply products to its customers on a reasonable delivery schedule. On-site plants and pipeline complexes have limited inventory. Inventory obsolescence is not material to Praxair's business.

Customers – Praxair is not dependent upon a single customer or a few customers.

International – Praxair is a global enterprise with approximately 58% of its 2014 sales outside of the United States. It conducts industrial gases business through consolidated companies in Argentina, Bahrain, Belgium, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Denmark, Dominican Republic, France, Germany, Ghana, India, Italy, Japan, Mexico, the Netherlands, Norway, Paraguay, Peru, Portugal, Puerto Rico, Russia, South Korea, Spain, Sweden, Taiwan, Thailand, United Arab Emirates, the United Kingdom, Uruguay and Venezuela. Societa Italiana Acetilene & Derivati S.p.A. ("S.I.A.D."), an Italian company accounted for as an equity company, also has established positions in Austria, Bosnia, Bulgaria, Croatia, the Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Ukraine. Refrigeration and Oxygen Company Limited ("ROC"), a Middle Eastern company accounted for as an equity company, has operations in the United Arab Emirates, Kuwait and Qatar. Praxair's surface technologies segment has operations in Brazil, Canada, China, France, Germany, India, Italy, Japan, Singapore, South Korea and the United Kingdom.

Praxair's international business is subject to risks customarily encountered in foreign operations, including fluctuations in foreign currency exchange rates, import and export controls, and other economic, political and regulatory policies of local governments. Also, see Item 1A. "Risk Factors" and Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

Seasonality – Praxair's business is generally not subject to seasonal fluctuations to any significant extent.

Research and Development – 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 these gases. This results in the development of new advanced air separation and hydrogen process technologies and the frequent introduction of new industrial gas applications. Research and development for industrial gases is principally conducted at Tonawanda, New York; Burr Ridge, Illinois; Shanghai, China; and Bangalore, India. Praxair 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. Surface technologies research is conducted at Indianapolis, Indiana.

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Patents and Trademarks – Praxair owns or licenses a large number of United States and foreign patents that relate to a wide variety of products and processes. Praxair’s patents expire at various times over the next 20 years. While these patents and licenses are considered important to our individual businesses, Praxair does not consider its business as a whole to be materially dependent upon any one particular patent, or patent license, or family of patents. Praxair also owns a large number of valuable trademarks. Only the "Praxair" trademark is important to our business as a whole.

Raw Materials and Energy Costs – 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. The supply of energy has not been a significant issue in the geographic areas where the company conducts business. However, energy availability and price is unpredictable and may pose unforeseen future risks.

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.

Competition – Praxair operates within a highly competitive environment. Some of its competitors are larger in size and capital base than Praxair. Competition is based on price, product quality, delivery, reliability, technology and service to customers.

Major competitors in the industrial gases industry both in the United States and worldwide include Air Products and Chemicals, Inc., Airgas Inc., L’Air Liquide S.A., and Linde AG. Principal competitors for the surface technologies business are Chromalloy Gas Turbine Corporation, a subsidiary of Sequa Corporation, Bodycote, PLC, and OC Oerlikon Corp AG. There are other surface coating competitors that compete on a local geography basis.

Employees and Labor Relations – As of December 31, 2014, Praxair had 27,780 employees worldwide. Of this number, 10,570 are employed in the United States. Praxair has collective bargaining agreements with unions at numerous locations throughout the world, which expire at various dates. Praxair considers relations with its employees to be good.

Environment – Information required by this item is incorporated herein by reference to the section captioned “Management’s Discussion and Analysis – Environmental Matters” in Item 7 of this 10-K.

Available Information – The company makes its periodic and current reports available, free of charge, on or through its website, www.praxair.com, as soon as practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Investors may also access from the company website other investor information such as press releases and presentations. Information on the company’s website is not incorporated by reference herein.

In addition, the public may read and copy any materials filed with the SEC at the SEC’s Public Reference Room located at 100 F Street NE, Washington, D.C. 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website, www.sec.gov, that contains reports, proxy information statements and other information regarding issuers that file electronically.

Executive Officers – The following Executive Officers have been elected by the Board of Directors and serve at the pleasure of the Board. It is expected that the Board will elect officers annually following each annual meeting of shareholders.

Stephen F. Angel, 59, is Chief Executive Officer of Praxair, Inc. since January 1, 2007, and Chairman since May 1, 2007. Before becoming the Chief Executive Officer, Mr. Angel served as President and Chief Operating Officer from March to December 2006, and as Executive Vice President from 2001 to March 2006. Prior to joining Praxair in 2001, Mr. Angel spent 22 years in a variety of management positions with General Electric. Mr. Angel is a director of PPG Industries, Inc. where he serves on the Officers-Directors Compensation Committee, and is the Chairman of the Technology and Environment Committee. He is also a member of The Business Council, the U.S. - Brazil CEO Forum, a member of the Board of the U.S. - China Business Council, and is a former director of the American Chemistry Council.

Guillermo Bichara, 40, was appointed Vice President, General Counsel and Corporate Secretary of Praxair, Inc. effective January 1, 2015. Prior to this, from 2013-2014, he was Associate General Counsel and Assistant Secretary. From 2011-2013, Mr. Bichara served as Associate General Counsel with responsibility for Praxair Europe, Praxair Mexico and corporate transactions. He was Vice President and General Counsel of Praxair Asia from 2007-2011, and joined Praxair in 2006 as director of legal affairs at Praxair Mexico. Prior to joining Praxair, Mr. Bichara served as corporate counsel at CEMEX, Mexico's global leader in the building materials industry, and was a foreign associate and counsel, respectively, at the law firms of Skadden, Arps, Slate, Meagher & Flom and White & Case.

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Elizabeth T. Hirsch, 61, is Vice President and Controller of Praxair, Inc. since December 2010. Prior to becoming Controller, she served as Praxair's Director of Investor Relations since 2002 and as Vice President of Investor Relations since October 2010. She joined Praxair in 1995 as Director of Corporate Finance and later served as Assistant Treasurer. Previously, she had fifteen years of experience in corporate banking, primarily at Manufacturers Hanover Trust Company.

Karen L. Keegans, 49, was appointed Vice President and Chief Human Resources officer in 2014. Ms. Keegans joined Praxair in 2012 as vice president, HR, North America, from Monsanto where she had spent the previous five years. While at Monsanto, Ms. Keegans had increasing HR leadership roles, gaining global exposure across all business areas and was most recently VP, HR, Global Manufacturing.

Eduardo F. Menezes, 51, was promoted to Executive Vice President from Senior Vice President effective March 1, 2012. He oversees Praxair's businesses in Europe, Mexico, and South America, and Praxair's U.S. and global hydrogen operations. From 2010 to March 2011, he was a Vice President of Praxair with responsibility for the North American Industrial Gases business. From 2007 to 2010, he was President of Praxair Europe. He served as Managing Director of Praxair's business in Mexico from 2004 to 2007, as Vice President and General Manager for Praxair Distribution, Inc. from 2003 to 2004 and as Vice President, U.S. West Region, for North American Industrial Gases, from 2000 to 2003.

Anne K. Roby, age 50, was named Senior Vice President on January 1, 2014, responsible for Global Supply Systems, R&D, Global Market Development, Global Operations Excellence, Global Procurement, Sustainability and Safety, Health and Environment. From 2011-2013, she served as President of Praxair Asia, responsible for Praxair's industrial gases business in China, India, South Korea and Thailand as well as the electronics market globally. In 2010, Ms. Roby became President of Praxair Electronics, after having served as Vice President, Global Sales, for Praxair from 2009-2010. Prior to this, she was Vice President of the U.S. South Region from 2006-2009. Ms. Roby joined Praxair in 1991 as a development associate in the Company's R&D organization and was promoted to other positions of increasing responsibility.

Scott E. Telesz, 47, was promoted to Executive Vice President from Senior Vice President, effective March 1, 2012. He is responsible for Praxair's U.S. Industrial Gases (USIG) organization, and it's business in Canada, Praxair Distribution, Praxair Surface Technologies, $NUCO_{2,}$ and Helium-Rare Gases. Before joining Praxair in 2010, he was a Vice President from 2007 to 2010 of SABIC Innovative Plastics, a major division of Riyadh-based Saudi Basic Industries Corporation, a global manufacturer of chemicals, fertilizers, plastics and metals. From 1998 to 2007, he held a variety of general management positions with General Electric, and from 1989 to 1998, Mr. Telesz held several positions, including Engagement Manager, in the United States and Australia, with McKinsey & Company.

Matthew J. White, 42, was appointed Senior Vice President and Chief Financial Officer effective January 1, 2014. Prior to this, Mr. White was President of Praxair Canada from 2011-2014. Mr. White joined Praxair in 2004 as finance director of Praxair's largest business unit, North American Industrial Gases. In 2008, he became Vice President and Controller of Praxair, then was named Vice President and Treasurer in 2010. Before joining Praxair, Mr. White was vice president, finance, at Fisher Scientific and before that he held various financial positions, including group controller, at GenTek, a manufacturing and performance chemicals company.

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 a diverse group of 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.

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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 and reducing demand through operational productivity and energy efficiency. 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. Where feasible, Praxair sources several of these gases, including carbon dioxide, hydrogen and calcium carbide, as chemical or industrial byproducts. In addition, 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.

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 have been challenging and uncertain. Historically, collection of such government receivables has extended beyond the contractual terms of sale; however, payment has always been received. At December 31, 2014, government receivables in Spain and Italy totaled about $60 million.

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 including climate change;
- Domestic and international tax laws and currency controls;
- Safety;
- Securities laws (e.g., SEC and generally accepted accounting principles in the United States);

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- Trade and import/ export restrictions;
- Antitrust matters;
- Global anti-bribery laws, including the U.S. Foreign Corrupt Practices Act;
- 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 is 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 this 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 extreme weather, including hurricanes and floods;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 in temporary or long-term outages and/or the limitation of supply of energy and other raw materials used in normal business operations. To mitigate these risks, Praxair evaluates the direct and indirect business risks,: consults with vendors, insurance providers and industry experts; makes investments in suitably resilient design and technology, and conducts regular reviews of the business risks with management. Despite these steps, however, 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. 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.

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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 this 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this 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 ("IT") 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, flood, 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 process. 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.

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Acquisitions and Joint Ventures – The inability to effectively integrate acquisitions or collaborate with 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 transactions, 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Praxair has received no written SEC staff comments regarding any of its Exchange Act reports which remain unresolved.

ITEM 2. PROPERTIES

Praxair's worldwide headquarters are located in leased office space in Danbury, Connecticut. Other principal administrative offices are owned in Tonawanda, New York, and leased in Rio de Janeiro, Brazil; Shanghai, China and Madrid, Spain.

Praxair designs, engineers, manufactures and operates facilities that produce and distribute industrial gases. These industrial gas production facilities and certain components are designed and/or manufactured at its facilities in Tonawanda, New York; Burr Ridge, Illinois; Rio de Janeiro, Brazil; Monterrey, Mexico; Shanghai, China; and Bangalore, India. Praxair's Italian equity affiliate, S.I.A.D., also has such capacity.

Due to the nature of Praxair's industrial gas products, it is generally uneconomical to transport them distances greater than a few hundred miles from the production facility. As a result, Praxair operates a significant number of production facilities spread globally throughout a number of geographic regions.

The following is a description of production facilities for Praxair by segment. No significant portion of these assets was leased at December 31, 2014. Generally, these facilities are fully utilized and are sufficient to meet our manufacturing needs.

North America

The North America segment operates production facilities in the U.S., Canada and Mexico, approximately 245 of which are cryogenic air separation plants, hydrogen plants and carbon dioxide plants. There are five major pipeline complexes in North America located in Northern Indiana, Houston, along the Gulf Coast of Texas, Detroit and Louisiana. Also located throughout North America are packaged gas facilities, specialty gas plants, helium plants and other smaller plant facilities.

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Europe

The Europe segment has production facilities primarily in Italy, Spain, Germany, the Benelux region, Scandinavia and Russia which include approximately 60 cryogenic air separation plants. There are three major pipeline complexes in Europe located in Northern Spain and the Rhine and Saar regions of Germany. These pipeline complexes are primarily supplied by cryogenic air separation plants. Also located throughout Europe are specialty gas plants, packaged gas facilities and other smaller plant facilities.

South America

The South America segment operates more than 50 cryogenic air separation plants, primarily located in Brazil. Many of these plants support a major pipeline complex in Southern Brazil. Also located throughout South America are carbon dioxide plants, packaged gas facilities and other smaller plant facilities.

Asia

The Asia segment has production facilities located primarily in China, Korea, India and Thailand, approximately 50 of which are cryogenic air separation plants. Also located throughout Asia are noncryogenic air separation, carbon dioxide, hydrogen, packaged gas and other production facilities.

Surface Technologies

The surface technologies segment provides coating services and manufactures coating equipment at approximately 45 sites. The majority of these sites are located in the United States and Europe, with smaller operations in Asia, Brazil, India and headquarters located in Indianapolis, Indiana.

ITEM 3. LEGAL PROCEEDINGS

Information required by this item is incorporated herein by reference to the section captioned “Notes to Consolidated Financial Statements – 17 Commitments and Contingencies” in Item 8 of this 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

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PART II

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

The principal market for the company's common stock (ticker symbol: PX) is the New York Stock Exchange ("NYSE"). At December 31, 2014 there were 13,286 shareholders of record.

NYSE quarterly stock price and dividend information

Market Price	Trading High	Trading Low	Close	Dividend Per Share
2014				
First Quarter	$135.24	$121.22	$130.97	$0.65
Second Quarter	$134.84	$126.47	$132.84	$0.65
Third Quarter	$134.06	$126.58	$129.00	$0.65
Fourth Quarter	$132.95	$117.32	$129.56	$0.65
2013				
First Quarter	$114.64	$109.08	$111.54	$0.60
Second Quarter	$120.16	$107.69	$115.16	$0.60
Third Quarter	$124.41	$113.20	$120.21	$0.60
Fourth Quarter	$130.58	$117.54	$130.03	$0.60

Praxair's annual dividend on its common stock for 2014 was $2.60 per share. On January 28, 2015, Praxair's Board of Directors declared a dividend of $0.715 per share for the first quarter of 2015, or $2.86 per share annualized, which may be changed as Praxair's earnings and business prospects warrant. The declaration of dividends is a business decision made by the Board of Directors based on Praxair's earnings and financial condition and other factors the Board of Directors considers relevant.

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 three months ended December 31, 2014 is provided below:

Period	Total Number of Shares Purchased (Thousands)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1) (Thousands)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (2) (Millions)
October 2014	927	$123.97	927	$ 1,223
November 2014	709	$126.75	709	$ 1,134
December 2014	750	$127.33	750	$ 1,038
Fourth Quarter 2014	2,386	$125.85	2,386	$ 1,038

(1) On January 28, 2014, the Company's board of directors approved the repurchase of $1.5 billion of its common stock ("2014 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.

(2) As of December 31, 2014, the Company had purchased $462 million of its common stock pursuant to the 2014 program, leaving an additional $1,038 million remaining authorized under the 2014 program. The 2014 program does not have any stated expiration date.

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Peer Performance Table – The graph below compares the most recent five-year cumulative returns of Praxair's common stock with those of the Standard & Poor's 500 Index ("SPX") and the S5 Materials Index ("S5MATR") which covers 30 companies, including Praxair. The figures assume an initial investment of $100 on December 31, 2009 and that all dividends have been reinvested.

	2009	2010	2011	2012	2013	2014
PX	$100	$121	$138	$145	$175	$179
SPX	$100	$115	$117	$136	$180	$205
S5MATR	$100	$122	$110	$126	$159	$170

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR FINANCIAL SUMMARY

(Dollar amounts in millions, except per share data)

Year Ended December 31,	2014(a)	2013(a)	2012(a)	2011(a)	2010(a)
From the Consolidated Statements of Income					
Sales	$12,273	$11,925	$11,224	$11,252	$10,116
Cost of sales, exclusive of depreciation and amortization	6,962	6,744	6,396	6,458	5,754
Selling, general and administrative	1,308	1,349	1,270	1,239	1,196
Depreciation and amortization	1,170	1,109	1,001	1,003	925
Research and development	96	98	98	90	79
Venezuela currency devaluation and other charges – net	138	32	65	1	85
Other income (expenses) – net	9	32	43	7	5
Operating profit	2,608	2,625	2,437	2,468	2,082
Interest expense – net	213	178	141	145	118
Income before income taxes and equity investments	2,395	2,447	2,296	2,323	1,964
Income taxes	691	649	586	641	768
Income before equity investments	1,704	1,798	1,710	1,682	1,196
Income from equity investments	42	38	34	40	38
Net income (including noncontrolling interests)	1,746	1,836	1,744	1,722	1,234
Noncontrolling interests	(52)	(81)	(52)	(50)	(39)
Net income – Praxair, Inc.	$1,694	$1,755	$1,692	$1,672	$1,195
Per Share Data – Praxair, Inc. Shareholders					
Basic earnings per share	$5.79	$5.94	$5.67	$5.53	$3.90
Diluted earnings per share	$5.73	$5.87	$5.61	$5.45	$3.84
Cash dividends per share	$2.60	$2.40	$2.20	$2.00	$1.80
Weighted Average Shares Outstanding (000's)					
Basic shares outstanding	292,494	295,523	298,316	302,237	306,720
Diluted shares outstanding	295,608	298,965	301,845	306,722	311,395
Other Information and Ratios					
Total assets	$19,802	$20,255	$18,090	$16,356	$15,274
Total debt	$9,258	$8,811	$7,362	$6,562	$5,557
Cash flow from operations	$2,868	$2,917	$2,752	$2,455	$1,905
Adjusted EBITDA (b)	$3,958	$3,804	$3,537	$3,512	$3,130
Capital expenditures	$1,689	$2,020	$2,180	$1,797	$1,388
Acquisitions, net of cash acquired	$206	$1,323	$280	$294	$148
After-tax return on capital (b)	12.7%	12.8%	13.9%	14.8%	14.5%
Return on equity (b)	28.7%	28.6%	28.9%	28.1%	26.4%
Debt-to-capital ratio (b)	59.6%	54.3%	51.9%	51.8%	47.3%
Debt-to-adjusted EBITDA (b)	2.3	2.2	1.9	1.7	1.6
Shares outstanding (000's)	289,262	294,134	296,229	298,530	303,997
Number of employees	27,780	27,560	26,539	26,184	26,261

(a) Amounts for 2014 include: (i) a pre-tax charge of $131 million ($131 million after-tax, or $0.45 per diluted share) related to the Venezuela currency devaluation, (ii) a pre-tax charge of $7 million ($5 million after-tax, or $0.02 per diluted share) related to pension settlements; and (iii) a pre-tax charge of $36 million ($22 million after-tax, or $0.07 per diluted share) related to a bond redemption.

Amounts for 2013 include: (i) a pre-tax charge of $23 million ($23 million after-tax, or $0.08 per diluted share) related to the Venezuela currency devaluation; (ii) a pre-tax charge of $9 million ($6 million after-tax, or $0.02 per diluted share) related to pension settlements; (iii) an income tax benefit of $40 million ($24 million net of noncontrolling interests, or $0.08 per diluted share) related to a realignment of the Italian legal structure; and (iv) a pre-tax charge of $18 million ($12 million after-tax, or $0.04 per diluted share) related to a bond redemption.

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Amounts for 2012 include: (i) a pre-tax charge of $56 million, ($38 million after-tax and non-controlling interests, or $0.12 per diluted share) related to the 2012 cost reduction program; (ii) a pre-tax charge of $9 million ($6 million after-tax, or $0.02 per diluted share) related to pension settlement; and (iii) an income tax benefit of $55 million ($0.18 per diluted share) related to a loss on a liquidated subsidiary as a result of the divestiture of the U.S. Homecare business.
Amounts for 2011 include: (i) a pre-tax net gain on acquisition of $39 million ($37 million after-tax, or $0.12 per diluted share); and (ii) a pre-tax charge of $40 million ($31 million after-tax, or $0.10 per diluted share) relating to the 2011 cost reduction program.
Amounts for 2010 include: (i) an income tax charge of $250 million related to a Spanish income tax settlement ($0.80 per diluted share); (ii) a pre-tax charge of $58 million ($40 million after-tax, or $0.13 per diluted share) related to the U.S. homecare divestiture; (iii) a net repatriation tax benefit of $35 million ($0.11 per diluted share); and (iv) a pre-tax charge of $27 million ($26 million after-tax, or $0.08 per diluted share) related to the Venezuela currency devaluation. See Notes 2, 5 and 7 to the consolidated financial statements.

(b) Non-GAAP measures. See the “Non-GAAP Financial Measures” section in Item 7 for definitions and reconciliation to reported amounts.

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

The following discussion of the company's financial condition and results of operations should be read together with its consolidated financial statements and notes to the consolidated financial statements included in Item 8 of this Form 10-K.

BUSINESS OVERVIEW

Praxair is the largest industrial gases supplier in North and South America, is rapidly growing in Asia, and has strong, well-established businesses in Europe. The Company's primary products in its industrial gases business are atmospheric gases (oxygen, nitrogen, argon, rare gases) and process gases (carbon dioxide, helium, hydrogen, electronic gases, specialty gases, acetylene). The company also designs, engineers, and builds equipment that produces industrial gases primarily for internal use. The company's surface technologies segment supplies wear-resistant and high-temperature corrosion-resistant metallic and ceramic coatings and powders. Praxair Surface Technologies supplies high-performance coatings that protect metal parts from wear, corrosion and high heat. Praxair's industrial gas operations are managed on a geographical basis and in 2014, 94% of sales were generated in four geographic segments (North America, Europe, South America, and Asia). The surface technologies segment generated the remaining 6% of sales.

Praxair serves a diverse group of industries including healthcare, petroleum refining, computer-chip manufacturing, beverage carbonation, fiber-optics, steel making, aerospace, chemicals and water treatment. The diversity of end markets creates financial stability for Praxair in varied business cycles.

Praxair generates most of its revenues and earnings in the following 12 core geographies where the company has its strongest market positions and where distribution and production operations allow the company to deliver the highest level of service to its customers at the lowest cost.

North America	South America	Europe	Asia
United States	Brazil	Spain	China
Canada		Italy	India
Mexico		Germany/Benelux	Korea
		Scandinavia	Thailand

Praxair manufactures and distributes its products through networks of hundreds of production plants, pipeline complexes, distribution centers and delivery vehicles. Major pipeline complexes are located in the United States, Brazil, Spain and Germany. These networks are a competitive advantage, providing the foundation of reliable product supply to the company's customer base. The majority of Praxair's business is conducted through long-term contracts which provide stability in cash flow and the ability to pass through changes in energy and feedstock costs to customers. The company has growth opportunities in all major geographies and in diverse end-markets such as energy, chemicals, metals, healthcare and food and beverage.

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EXECUTIVE SUMMARY – FINANCIAL RESULTS & OUTLOOK

2014 Year in review

Praxair delivered solid results for the full year of 2014 despite a challenging global environment including foreign currency translation headwinds and slowing growth in most major emerging markets. Sales growth came primarily from strong volume growth in North America and Asia, higher overall pricing and acquisitions. This was partially offset by the impact of negative currency translation in most geographies due to a strengthening U.S. dollar.

- Sales of $12,273 million were 3% above 2013 sales of $11,925 million. Excluding negative currency impacts, sales grew 6% primarily due to organic sales growth including new project start-ups and acquisitions.
- Reported operating profit of $2,608 million decreased 1% from $2,625 million in 2013. Adjusted operating profit of $2,746 million increased 3% from 2013, from higher volumes, pricing, and acquisitions, partially offset by negative currency effects.*
- Reported net income – Praxair, Inc. of $1,694 million and diluted earnings per share of $5.73 decreased from $1,755 million and $5.87, respectively, in 2013. Adjusted net income – Praxair, Inc. of $1,852 million and adjusted diluted earnings per share of $6.27 increased 5% and 6% from 2013, respectively. Earnings per share grew faster than net income primarily due to fewer shares outstanding as a result of share repurchases during the year.*
- Cash flow from operations was a strong $2,868 million, 23% of sales.
- Capital expenditures were $1,689 million, primarily for the construction of growth projects. Acquisition expenditures of $206 million primarily included the acquisition of industrial gas businesses in Italy and Asia, and packaged gas businesses in North and South America.

2015 Outlook

- Sales are forecasted to be in the range of $12.0 to $12.4 billion.
- Diluted earnings per share are forecasted to be in the range of $6.15 to $6.50.
- Effective tax rate of about 28%.
- Capital expenditures of about $1.7 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 December 31, 2014, Praxair's backlog of 24 large projects under construction was $1.9 billion. This represents the total estimated capital cost of large plants under construction. North America and Asia each represent about one-third of the backlog. The remaining backlog resides in Europe, primarily in Russia, and in South America. These plants will supply customers in the energy, chemical, manufacturing, electronics and metals markets.

* A reconciliation of the Adjusted amounts can be found in the "Non-GAAP Financial Measures" section in this MD&A. See Notes 2, 5 and 11 to the consolidated financial statements.

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

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

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CONSOLIDATED RESULTS AND OTHER INFORMATION

The following table provides selected data for 2014, 2013, and 2012:

(Dollar amounts in millions, except per share data)	2014	2013	2012	Variance 2014 vs. 2013	Variance 2013 vs. 2012
Year Ended December 31,					
Reported Amounts:					
Sales	$12,273	$11,925	$11,224	3 %	6 %
Gross margin (a)	$5,311	$5,181	$4,828	3 %	7 %
As a percent of sales	43.3 %	43.4 %	43.0 %		
Selling, general and administrative	$1,308	$1,349	$1,270	(3)%	6 %
As a percent of sales	10.7 %	11.3 %	11.3 %		
Depreciation and amortization	$1,170	$1,109	$1,001	6 %	11 %
Venezuela currency devaluation and other charges – net (b)	$138	$32	$65		
Other income (expenses) – net	$9	$32	$43		
Operating profit	$2,608	$2,625	$2,437	(1)%	8 %
As a percent of sales	21.2 %	22.0 %	21.7 %		
Interest expense – net	$213	$178	$141	20 %	26 %
Effective tax rate	28.9 %	26.5 %	25.5 %		
Income from equity investments	$42	$38	$34	11 %	12 %
Noncontrolling interests	$(52)	$(81)	$(52)	(36)%	56 %
Net income – Praxair, Inc.	$1,694	$1,755	$1,692	(3)%	4 %
Diluted earnings per share	$5.73	$5.87	$5.61	(2)%	5 %
Diluted shares outstanding	295,608	298,965	301,845	(1)%	(1)%
Number of employees	27,780	27,560	26,539		
Adjusted Amounts (c):					
Operating profit	$2,746	$2,657	$2,502	3 %	6 %
As a percent of sales	22.4 %	22.3 %	22.3 %		
Interest expense – net	$177	$160	$141	11 %	13 %
Effective tax rate	27.5 %	28.0 %	28.0 %		
Noncontrolling interests	$(52)	$(65)	$(54)		
Net income – Praxair, Inc.	$1,852	$1,772	$1,681	5 %	5 %
Diluted earnings per share	$6.27	$5.93	$5.57	6 %	6 %

(a) Gross margin excludes depreciation and amortization expense.

(b) See Note 2 to the consolidated financial statements.

(c) Adjusted amounts are non-GAAP measures. A reconciliation of reported amounts to adjusted amounts can be found in the "Non-GAAP Financial Measures" section of this MD&A. See Notes 2, 5 and 7 to the consolidated financial statements.

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Results of Operations

The following table provides a summary of changes in consolidated sales and adjusted operating profit:

	2014 vs. 2013 % Change Sales		Operating Profit		2013 vs. 2012 % Change Sales		Operating Profit	
Factors Contributing to Changes								
Volume	3	%	1	%	3	%	1	%
Price	2	%	8	%	2	%	8	%
Cost pass-through	—	%	—	%	—	%	—	%
Currency	(3	)%	(7	)%	(2	)%	(2	)%
Acquisitions/Divestitures	1	%	1	%	3	%	3	%
Other	—	%	(4	)%	—	%	(2	)%
Reported	3	%	(1	)%	6	%	8	%
Venezuela currency devaluation and other charges, net	—	%	4	%	—	%	(2	)%
Adjusted	3	%	3	%	6	%	6	%

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

	% of Sales 2014		2013		2012		% Change* 2014 vs. 2013		2013 vs. 2012	
Sales by End Markets										
Manufacturing	24	%	24	%	25	%	3	%	2	%
Metals	17	%	17	%	18	%	4	%	7	%
Energy	14	%	13	%	11	%	8	%	10	%
Chemicals	10	%	10	%	10	%	1	%	9	%
Electronics	7	%	8	%	8	%	—	%	1	%
Healthcare	8	%	8	%	8	%	4	%	4	%
Food & Beverage	8	%	8	%	6	%	7	%	1	%
Aerospace	3	%	3	%	3	%	1	%	4	%
Other	9	%	9	%	11	%	10	%	1	%
	100	%	100	%	100	%				

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

	% of Sales 2014		2013		2012	
Sales by Distribution Method						
On-Site	29	%	27	%	26	%
Merchant	34	%	34	%	33	%
Packaged Gas	28	%	30	%	31	%
Other	9	%	9	%	10	%
	100	%	100	%	100	%

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2014 Compared With 2013

Sales increased 3% to $12,273 million in 2014 compared to $11,925 million in 2013. Organic sales grew 5% from higher pricing and volume growth primarily in North America and Asia due to new plant start-ups. Acquisitions, including $NuCO_2$, several packaged gas distributors in the U.S. and the acquisition of Dominion Technology Gases Investment Limited in 2013, contributed 1% to overall sales growth. These increases were partially offset by negative currency translation impacts, resulting from the strengthening of the U.S. dollar against most currencies.

Gross margin increased $130 million, or 3%, versus 2013 in line with the increase in sales.

Selling, general and administrative ("SG&A") expenses in 2014 were $1,308 million, or 10.7% of sales, versus $1,349 million, or 11.3% of sales, for 2013. Currency impacts decreased SG&A by $36 million and other cost reductions, primarily lower pension and other post-retirement benefit expense, reduced SG&A by an additional $24 million. These reductions were partially offset by an increase due to acquisitions.

Depreciation and amortization expense increased $61 million versus 2013. This increase was primarily due to plant start-ups and asset additions, and approximately $12 million related to acquisitions, partially offset by currency effects of $27 million.

Other income (expenses) – net in 2014 was a $9 million benefit versus a $32 million benefit in 2013 (see Note 7 to the consolidated financial statements for a summary of major components). Partnership income of $16 million improved $9 million and relates primarily to a partnership joint venture in the United States, while gains from business and asset sales of $36 million were $7 million less than 2013 and was spread across all segments. Severance expense of $22 million increased $8 million from 2013, reflecting actions taken in response to current market conditions outside of the United States and included $15 million in the fourth quarter. 2013 also included a $10 million favorable litigation settlement in South America. Other components were not significant.

Reported operating profit of $2,608 million in 2014 was $17 million, or 1% lower than reported operating profit of $2,625 million in 2013. 2014 included a $131 million charge related to Venezuela currency devaluation and a $7 million charge related to a pension settlement. The 2013 period included a $23 million charge related to the Venezuela currency devaluation and $9 million charge related to a pension settlement. Refer to note 2 of the consolidated financial statements for a further discussion of these items. Adjusted operating profit of $2,746 million in 2014 was $89 million, or 3% higher than adjusted operating profit of $2,657 million in 2013. A discussion of operating profit by segment is included in the segment discussion that follows.

Reported interest expense – net in 2014 increased $35 million, versus 2013. Both the 2014 and 2013 included charges of $36 million and $18 million, respectively, relating to the early redemption of notes (see note 7 to the consolidated financial statements). Excluding these charges, adjusted interest expense increased $17 million. Higher debt levels and lower capitalized interest increased interest expense by approximately $13 million and $31 million, respectively, versus 2013. The amount of interest capitalized decreased due to lower interest rates, lower construction expenditures, and currency impacts. These increases were partially offset by the benefits of lower overall interest rates which reduced interest expense by approximately $23 million. See Note 7 to the consolidated financial statements for further information relating to interest expense.

The effective tax rate ("ETR") for 2014 was 28.9% versus 26.5% in 2013. The adjusted effective tax rate was 27.5% in 2014 versus 28.0% in 2013. The 0.5% decrease in the ETR was primarily due to increased foreign tax differentials (see Note 5 to the Consolidated financial statements).

Praxair's significant equity investments are in the United States, China, Italy, and the Middle East. Equity income increased $4 million in 2014 related primarily to higher equity income in Europe versus 2013.

At December 31, 2014, reported noncontrolling interests consisted primarily of noncontrolling shareholders' investments in Asia (primarily in China and India), Europe (primarily in Italy and Scandinavia), and North America (primarily within the U.S. packaged gas business). Reported noncontrolling interest in 2014 decreased $29 million from 2013. The decrease was primarily due to the minority shareholder's portion of the income tax benefit in Italy of $16 million related to a legal realignment during 2013. Excluding the Italy realignment, adjusted noncontrolling interest in 2014 was $52 million compared to $65 million in 2013. This decrease was due primarily to the acquisition of the noncontrolling interest in a U.S. packaged gas business during the first quarter of 2014.

Reported net income - Praxair, Inc. in 2014 was $1,694 million, or $61 million lower than net income - Praxair, Inc. of $1,755 million in 2013. Adjusted net income – Praxair, Inc. of $1,852 million in 2014 was $80 million, or 5% higher than adjusted net income – Praxair, Inc. of $1,772 million in 2013. This increase was primarily due to higher adjusted operating profit.

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Reported diluted earnings per share ("EPS") of $5.73 in 2014 decreased $0.14 per diluted share, or 2% from $5.87 in 2013. Adjusted diluted EPS of $6.27 in 2014 increased $0.34 per diluted share, or 6%, from adjusted diluted EPS of $5.93 in 2013. The increase in adjusted diluted EPS was primarily due to higher adjusted net income – Praxair, Inc. and a 1.1% decrease in the number of diluted shares outstanding as a result of the company's net repurchases of common stock during 2014.

Other comprehensive loss at December 31, 2014 of $1,257 million includes negative currency translation adjustments of $1,096 million, a negative adjustment of $164 million related to the funded status of retirement obligations and a positive adjustment of $3 million related to derivative instruments. The translation adjustments reflect the impact of translating local currency foreign subsidiary financial statements to U.S. dollars and resulted from currency movements, primarily $369 million in Europe, $331 million in South America, and $238 million in North America. The negative pension funded status adjustment resulted primarily from after-tax actuarial losses from lower discount rates and the adoption of new mortality rate assumptions, both of which increased the pension benefit obligation ("PBO"). See the "Currency" section of the MD&A, and Notes 7 and 16 to the consolidated financial statements.

The number of employees at December 31, 2014 was 27,780, reflecting an increase of 220 employees from December 31, 2013. This increase primarily reflects the impact of acquisitions during the current year.

2013 Compared With 2012

Sales increased 6% to $11,925 million during 2013 compared to $11,224 million in 2012. Higher volumes, primarily in North and South America and in Asia, higher overall pricing and growth from acquisitions were partially offset by negative currency translation impacts, primarily resulting from the strengthening of the U.S. dollar against the Brazilian Real. Cost pass-through had minimal impact due to lower precious metal prices offsetting energy cost inflation.

Gross margin increased $353 million, or 7%, versus 2012. The increase was due to higher volumes and higher pricing, resulting in an increase in the gross margin percentage to 43.4%, versus 43.0% in the prior year.

Selling, general and administrative ("SG&A") expenses in 2013 were $1,349 million, or 11.3% of sales, versus $1,270 million, or 11.3% of sales, for 2012. The increase in SG&A expense of $79 million was primarily due to the impact of acquisitions ($56 million). In addition, pension expense increased $26 million due to an increase in the amortization of net actuarial losses, primarily attributable to lower discount rates. Currency effects reduced SG&A expense by $14 million.

Depreciation and amortization expense increased $108 million versus 2012. This increase was primarily due to an increase of $42 million from acquisitions and approximately $70 million from plant start-ups and asset additions, partially offset by currency effects of $13 million.

Other income (expenses) – net in 2013 was a $32 million benefit versus a $43 million benefit in 2012. Other income was higher in 2012 primarily due to a larger favorable litigation settlements in South America. See Note 7 to the consolidated financial statements for a summary of the major components of Other income (expenses) – net.

Reported operating profit of $2,625 million in 2013 was $188 million, or 8% higher than reported operating profit of $2,437 million in 2012. As a percentage of sales, reported operating profit increased to 22.0% in 2013 from 21.7% in 2012. This is primarily due to the attainment of price increases in most geographies. The 2013 period includes a $23 million charge related to the Venezuela currency devaluation and $9 million charge related to a pension settlement. The 2012 period also included a pension settlement charge of $9 million as well as a $56 million charge for cost reduction programs. Adjusted operating profit of $2,657 million in 2013 was $155 million, or 6% higher than adjusted operating profit of $2,502 million in 2012. A discussion of operating profit by segment is included in the segment discussion that follows.

Reported interest expense – net in 2013 increased $37 million, versus 2012. The increase included an $18 million charge recognized upon the early redemption of the $400 million 5.25% Notes due in 2014. Excluding this charge, adjusted interest expense increased $19 million. Higher overall debt levels increased interest expense by about $45 million, and reduced benefits from the amortization of interest rate swap gains increased interest expense by $11 million versus 2012. Lower interest rates reduced interest expense by approximately $37 million dollars. See Note 7 to the consolidated financial statements for further information relating to interest expense.

The effective tax rate for 2013 was 26.5% versus 25.5% in 2012. 2013 included a $40 million benefit as a result of a realignment of Praxair's Italian legal structure, and 2012 included a $55 million income tax benefit related to the loss on a liquidated subsidiary (See Note 5 to the consolidated financial statements). The adjusted effective tax rate for both 2012 and 2013 was 28.0%.

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Praxair's significant equity investments are in the United States, China, Italy, and the Middle East. Equity income increased $4 million in 2013 related primarily to higher equity income in China.

At December 31, 2013, reported noncontrolling interests consisted primarily of noncontrolling shareholders' investments in Asia (primarily in China and India), Europe (primarily in Italy and Scandinavia), and North America (primarily within the U.S. packaged gas business). The $29 million increase in reported noncontrolling interests in 2013 was primarily due to the minority shareholder's portion of the income tax benefit in Italy related to the company's legal realignment. Adjusted noncontrolling interest in 2013 was $65 million compared to $54 million in 2012. This increase is primarily driven by improved performance by the U.S. packed gas and Italian investments.

Reported net income - Praxair, Inc. in 2013 was $1,755 million, or $63 million above net income - Praxair, Inc. of $1,692 million in 2012. Adjusted net income – Praxair, Inc. of $1,772 million in 2013 was $91 million, or 5% higher than adjusted net income – Praxair, Inc. of $1,681 million in 2012. This increase was primarily due to higher adjusted operating profit partially offset by higher interest expense and increased income tax expense.

Reported diluted earnings per share ("EPS") of $5.87 in 2013 increased $0.26 per diluted share, or 5% from $5.61 in 2012. Adjusted diluted EPS of $5.93 in 2013 increased $0.36 per diluted share, or 6%, from adjusted diluted EPS of $5.57 in 2012. The increase in adjusted diluted EPS was primarily due to higher net income – Praxair, Inc. and a 1.0% decrease in the number of diluted shares outstanding as a result of the company's net repurchases of common stock during 2013.

Other comprehensive loss at December 31, 2013 of $123 million includes negative currency translation adjustments of $447 million, a positive after-tax adjustment of $323 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 of $342 million in South America and $137 million in North America. The positive pension funded status impact is driven principally by actuarial gains and losses of $395 million. Of this amount $165 million relates to asset returns in excess of assumed returns. The remaining $230 million primarily relates to the impact of higher discount rates. See the "Currency" section of the MD&A, and Notes 7 and 16 to the consolidated financial statements.

The number of employees at December 31, 2013 was 27,560, reflecting an increase of 1,021 employees from December 31, 2012. This increase primarily reflects the impact of the $NuCO_2$ acquisition.

Related Party Transactions

The company's related parties are primarily unconsolidated equity affiliates. The company did not engage in any material transactions involving related parties that included terms or other aspects that differ from those which would be negotiated with independent parties.

Environmental Matters

Praxair's principal operations relate to the production and distribution of atmospheric and other industrial gases, which historically have not had a significant impact on the environment. However, worldwide costs relating to environmental protection may continue to grow due to increasingly stringent laws and regulations, and Praxair's ongoing commitment to rigorous internal standards.

Climate Change

Praxair operates in jurisdictions that have, or are developing, laws and/or regulations to reduce or mitigate the perceived adverse effects of greenhouse gas ("GHG") emissions and faces a highly uncertain regulatory environment in this area. For example, the U.S. Environmental Protection Agency ("EPA") has promulgated rules requiring reporting of GHG emissions, and Praxair and many of its suppliers and customers are subject to these rules. EPA has also promulgated regulations to restrict GHG emissions, including final rules regulating GHG emissions from light-duty vehicles and certain large manufacturing facilities, many of which are Praxair suppliers or customers. EPA recently proposed carbon dioxide regulations for both new and existing power plants, which will require controls on GHG emissions from certain suppliers of power to Praxair's operations. In addition to these developments in the United States, there has been regulation of GHGs in the European Union under the Emissions Trading System, which have wide implications for our customers and may impact certain operations of Praxair in Europe. Also, climate change and energy efficiency laws and policies are being widely embraced by jurisdictions throughout Latin America and Mexico.. There are also requirements for mandatory reporting in Quebec, Canada, which apply to certain Praxair operations and will be used in developing cap-and-trade regulations on GHG emissions, which are expected to impact certain Praxair facilities. China has also announced plans to launch a national carbon emissions trading system in 2016, though it does not appear the regulations will have a direct impact on GHG emissions from Praxair facilities. Among other impacts, such regulations are expected to raise the costs of energy, which is a significant cost for Praxair. Nevertheless, Praxair's customer contracts routinely provide rights to recover increased electricity, natural gas, and other costs that are incurred by the company.

Praxair anticipates continued growth in its hydrogen business, as hydrogen is essential to refineries which use it to remove sulfur from transportation fuels in order to meet ambient air quality standards in the United States. Hydrogen production plants and a large number of other manufacturing and electricity-generating plants have been identified under California law as a source of carbon dioxide emissions and these plants have also become subject to recently promulgated cap-and-trade regulations in that state. Praxair believes it will be able to mitigate the costs of these regulations through the terms of its product supply contracts. However, legislation that limits GHG emissions may impact growth by increasing operating costs and/or decreasing demand.

To manage these potential business risks from potential GHG emission regulation, Praxair actively monitors current developments, evaluates the direct and indirect business risks, and takes appropriate actions. Among others, actions include: increasing relevant resources and training; consulting with vendors, insurance providers and industry experts; incorporating GHG provisions in commercial agreements; and conducting regular reviews of the business risks with management. Although there are considerable uncertainties, Praxair believes that the business risk from potential regulations can be effectively managed through its commercial contracts. Additionally, Praxair does not anticipate any material effects regarding its plant operations or business arising from potential physical risks of climate change. Also, Praxair continuously seeks opportunities to reduce its own energy use and GHG footprint through rigorous energy efficiency as well as purchasing hydrogen as a chemical byproduct where feasible..

At the same time, Praxair may benefit from business opportunities arising from governmental regulation of GHG and other emissions; rising costs of many energy and natural resources; new technologies to extract natural gas; and the development of renewable energy alternatives. Praxair continues to develop new applications technologies that can lower emissions, including GHG emissions, in Praxair's processes and help customers lower energy consumption and increase product throughput. Stricter regulation of water quality in emerging economies such as China provide a growing market for a number of gases, e.g., oxygen for wastewater treatment. Renewable fuel standards in the European Union and U.S. create a market for second-generation biofuels which are users of industrial gases such as oxygen, carbon dioxide, and hydrogen.

Costs Relating to the Protection of the Environment

Environmental protection costs in 2014 included approximately $12 million in capital expenditures and $29 million of expenses. Praxair anticipates that future annual environmental protection expenditures will be similar to 2014, subject to any significant changes in existing laws and regulations. Based on historical results and current estimates, management does not believe that environmental expenditures will have a material adverse effect on the consolidated financial position, the consolidated results of operations or cash flows in any given year.

Legal Proceedings

See Note 17 to the consolidated financial statements for information concerning legal proceedings.

Retirement Benefits

Pensions

The net periodic benefit cost for the U.S. and International pension plans was $82 million in 2014, $119 million in 2013 and $93 million in 2012. Consolidated net periodic benefit cost included settlement charges of $7 million, $9 million and $10 million in 2014, 2013 and 2012, respectively.

The funded status (pension benefit obligation ("PBO") less the fair value of plan assets) for the U.S. plans was a deficit of $443 million as December 31, 2014 versus a deficit of $171 million at December 31, 2013. This increase was due to lower discount rates and new mortality assumptions which both increased the PBO.

Global pension contributions were $18 million in 2014, $52 million in 2013 and $184 million in 2012. 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 timing of discretionary

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contributions from year to year. Estimated required contributions for 2015 are currently expected to be in the area of $15 million.

Praxair assumes an expected return on plan assets for 2015 in the United States of 8.00%, which is consistent with the long-term expected return on its investment portfolio.

Excluding the impact of any settlements, 2015 consolidated pension expense is expected to be approximately $95 million. The increase is due primarily to higher net actuarial losses to be amortized as a result of a decrease in the discount rates and new mortality assumptions. The amortization is recognized based on the amount of net actuarial gains/losses above certain thresholds and over the periods of either the average remaining service lives or the average remaining life expectancies of the retirees.

OPEB

The net periodic benefit cost for OPEB plans was $7 million in 2014, $11 million in 2013 and $9 million in 2012. The funded status deficit decreased $28 million during 2014 primarily due to favorable plan experience.

In 2015, consolidated net periodic benefit costs for the OPEB plans is expected to be approximately $8 million.

See the Critical Accounting Policies section and Note 16 to the consolidated financial statements for a more detailed discussion of the company's retirement benefits, including a description of the various retirement plans and the assumptions used in the calculation of net periodic benefit cost and funded status.

Insurance

Praxair purchases insurance to limit a variety of property and casualty risks, including those related to property, business interruption, third-party liability and workers' compensation. Currently, the company self-retains the first $5 million per occurrence for workers' compensation, general and vehicle liability in the United States and retains $2.5 million to $5 million per occurrence at its various properties worldwide. To mitigate its aggregate loss potential above these retentions, the company purchases insurance coverage from highly rated insurance companies. The company does not currently operate or participate in any captive insurance companies.

At December 31, 2014 and 2013, the company had recorded a total of $33 million representing an estimate of the retained liability for the ultimate cost of claims incurred and unpaid as of the balance sheet dates. The estimated liability is established using statistical analysis and is based upon historical experience, actuarial assumptions and professional judgment. These estimates are subject to the effects of trends in loss severity and frequency and are subject to a significant degree of inherent variability. If actual claims differ from the company's estimates, they will be adjusted at that time and financial results could be impacted.

Praxair recognizes estimated insurance proceeds relating to damages at the time of loss only to the extent of incurred losses. Any insurance recoveries for business interruption and for property damages in excess of the net book value of the property are recognized only when realized.

SEGMENT DISCUSSION

The following summary of sales and operating profit by segment provides a basis for the discussion that follows (for additional information concerning Praxair's segments, see Note 18 to the consolidated financial statements). Praxair evaluates the performance of its reportable segments based on operating profit, excluding the items not indicative of ongoing business trends (See Note 2 to the consolidated financial statements).

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(Dollar amounts in millions)				Variance	
Year Ended December 31,	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales					
North America	$6,436	$6,164	$5,598	4 %	10 %
Europe	1,546	1,542	1,474	— %	5 %
South America	1,993	2,042	2,082	(2)%	(2)%
Asia	1,619	1,525	1,414	6 %	8 %
Surface Technologies	679	652	656	4 %	(1)%
	$12,273	$11,925	$11,224	3 %	6 %
Operating Profit					
North America	$1,580	$1,538	$1,465	3 %	5 %
Europe	291	270	256	8 %	5 %
South America	449	467	429	(4)%	9 %
Asia	303	271	246	12 %	10 %
Surface Technologies	123	111	106	11 %	5 %
Segment operating profit	2,746	2,657	2,502	3 %	6 %
Venezuela currency devaluation and other charges	(138)	(32)	(65)		
Consolidated operating profit	$2,608	$2,625	$2,437		

North America

(Dollar amounts in millions)				Variance	
Year Ended December 31,	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales	$6,436	$6,164	$5,598	4 %	10 %
Cost of sales, exclusive of depreciation and amortization	3,514	3,301	2,968		
Gross margin	2,922	2,863	2,630		
Operating expenses	731	759	667		
Depreciation and amortization	611	566	498		
Operating profit	$1,580	$1,538	$1,465	3 %	5 %
Margin %	24.5 %	25.0 %	26.2 %		

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	2014 vs. 2013 % Change		2013 vs. 2012 % Change	
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume	3 %	1 %	2 %	1 %
Price	1 %	5 %	2 %	8 %
Cost pass-through	1 %	— %	1 %	— %
Currency	(2)%	(2)%	— %	— %
Acquisitions/Divestitures	1 %	1 %	5 %	5 %
Other	— %	(2)%	— %	(9)%
	4 %	3 %	10 %	5 %

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

	% of Sales			% Change*	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales by End Markets					
Manufacturing	30 %	30 %	32 %	3 %	3 %
Metals	12 %	13 %	14 %	1 %	1 %
Energy	20 %	19 %	17 %	9 %	13 %
Chemicals	10 %	10 %	11 %	3 %	4 %
Electronics	4 %	5 %	5 %	7 %	(8)%
Healthcare	7 %	7 %	7 %	2 %	— %
Food & Beverage	8 %	8 %	5 %	4 %	(1)%
Aerospace	1 %	1 %	1 %	(1)%	14 %
Other	8 %	7 %	8 %	8 %	— %
	100 %	100 %	100 %		

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

	% of Sales		
	2014	2013	2012
Sales by Distribution Method			
On-Site	30 %	28 %	27 %
Merchant	36 %	36 %	35 %
Packaged Gas	32 %	34 %	36 %
Other	2 %	2 %	2 %
	100 %	100 %	100 %

The North America segment includes Praxair's industrial gases operations in the United States, Canada and Mexico. Sales for 2014 increased $272 million, or 4%, versus 2013. Organic sales growth was 4% driven primarily by higher pricing and higher volumes. Volume growth came from higher on-site volumes from new project start-ups including hydrogen supply to refinery customers in the United States, and higher merchant and packaged gas volumes. Sales growth was strongest in the energy, manufacturing, and food and beverage end-markets. The strong sales growth to the energy end-market was primarily due to hydrogen project start-ups. Acquisitions, primarily NuCO_2 and several packaged gas distributors in the U.S., added 1% sales growth. Higher cost pass-through, primarily higher natural gas prices passed through to hydrogen customers, increased sales by 1%. Packaged gases sales were higher for 2014, primarily due to growth in the U.S. business, however are lower as a percentage of total sales for the segment as compared to the prior-year period, due to strong growth in on-site sales.

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Operating profit for 2014 increased $42 million, or 3% from 2013. Operating profit grew 5% excluding currency translation impacts primarily driven by higher pricing. The increase was due to higher gross margin and lower operating expenses, partially offset by $45 million increase in depreciation and amortization expense due to new project start-ups and acquisitions. Operating profit during 2014 included a $9 million benefit related to a change in accounting principle for LIFO inventories in the United States (see notes 1 and 7 to the consolidated financial statements). Operating profit in 2013 included a $23 million customer contract settlement.

Sales for 2013 increased $566 million, or 10%, versus 2012. Underlying sales growth was 4% driven primarily by higher on-site volumes from new project start-ups for hydrogen supply to refinery customers in the United States, higher merchant volumes and higher pricing. Sales grew to the energy, chemicals, manufacturing, and food and beverage end-markets. Strong sales growth to the energy end-market was primarily due to hydrogen project start-ups. Acquisitions, primarily NuCO_2, added 5% sales growth and contributed to the 3% increase of total sales represented by the food and beverage end-market in 2013. Higher cost pass-through, primarily higher natural gas prices passed through to hydrogen customers, increased sales by 1%. North American packaged gas sales were above prior year due to solid growth in the US business. However, with the growth in on-site sales due to the start-up of new hydrogen projects and the growth in merchant sales due to the acquisition of NuCO_2, packaged gas sales decreased as a percentage of total sales for the segment.

Operating profit for 2013 increased $73 million, or 5% from 2012. Higher pricing, higher volumes from project start-ups and acquisitions contributed to the growth in operating profit. Operating profit included a contract settlement for $23 million. The growth was partially offset by higher operating costs and the impact of a gain on asset sale in the prior year. Depreciation and amortization increased $68 million in 2013 due to acquisitions and new project start-ups.

Europe

(Dollar amounts in millions)				Variance	
Year Ended December 31,	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales	$1,546	$1,542	$1,474	— %	5 %
Cost of sales, exclusive of depreciation and amortization	868	881	841		
Gross margin	678	661	633		
Operating expenses	219	222	228		
Depreciation and amortization	168	169	149		
Operating profit	$291	$270	$256	8 %	5 %
Margin %	18.8 %	17.5 %	17.4 %		

	2014 vs. 2013 % Change		2013 vs. 2012 % Change	
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume	— %	2 %	(1)%	(12)%
Price	1 %	5 %	1 %	6 %
Cost pass-through	(1)%	— %	(1)%	— %
Currency	(1)%	— %	3 %	3 %
Acquisitions/Divestitures	1 %	3 %	3 %	3 %
Other	— %	(2)%	— %	5 %
	— %	8 %	5 %	5 %

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

	% of Sales			% Change*	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales by End Markets					
Manufacturing	22 %	22 %	23 %	4 %	(4)%
Metals	16 %	16 %	16 %	3 %	2 %
Energy	7 %	6 %	4 %	(4)%	7 %
Chemicals	15 %	16 %	17 %	(9)%	— %
Electronics	7 %	7 %	8 %	(3)%	5 %
Healthcare	11 %	11 %	11 %	(1)%	(2)%
Food & Beverage	9 %	9 %	9 %	5 %	— %
Aerospace	— %	1 %	1 %	(11)%	— %
Other	13 %	12 %	11 %	2 %	(6)%
	100 %	100 %	100 %		

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

	% of Sales		
	2014	2013	2012
Sales by Distribution Method			
On-Site	19 %	20 %	20 %
Merchant	35 %	34 %	34 %
Packaged Gas	43 %	43 %	42 %
Other	3 %	3 %	4 %
	100 %	100 %	100 %

Praxair's European industrial gases business operates in Spain, Italy, Germany, Russia, the United Kingdom, Scandinavia and the Benelux region.

Sales for 2014 increased $4 million, versus 2013. Excluding unfavorable currency impacts and lower cost pass-through, sales increased 2% year-over-year. The increase came from higher pricing to merchant and packaged gas customers, and acquisitions primarily Dominion Technology Gases Investment Limited acquired in 2013.

Operating profit of $291 million increased 8% from 2013 primarily driven by higher pricing, volumes and acquisitions. The strong operating leverage came from price attainment across the region coupled with strong productivity and cost initiatives. In addition, the acquisition of an industrial gas business in Italy and a divestiture in France contributed to the higher operating profit and margin.

Sales for 2013 increased $68 million, or 5% versus 2012. Sales growth was primarily driven by higher pricing, acquisitions, primarily Dominion Technology Gases Investment Limited, and favorable currency effects. Underlying sales were unchanged from the prior year as volumes were higher year over year in Germany, Russia, and Scandinavia but overall volumes in Spain and Italy were below the prior year.

Operating profit for 2013 of $270 million grew 5% from 2012. Higher pricing, favorable currency effects, acquisitions, and lower costs from prior-year cost reduction actions more than offset the impact of lower volumes, primarily in Spain.

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South America

(Dollar amounts in millions)				Variance	
Year Ended December 31,	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales	$1,993	$2,042	$2,082	(2)%	(2)%
Cost of sales, exclusive of depreciation and amortization	1,101	1,134	1,202		
Gross margin	892	908	880		
Operating expenses	266	260	267		
Depreciation and amortization	177	181	184		
Operating profit	$449	$467	$429	(4)%	9 %
Margin %	22.5 %	22.9 %	20.6 %		

	2014 vs. 2013 % Change		2013 vs. 2012 % Change	
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume	2 %	(2)%	4 %	7 %
Price	4 %	19 %	3 %	13 %
Cost pass-through	1 %	— %	— %	— %
Currency	(9)%	(10)%	(9)%	(9)%
Acquisitions/Divestitures	— %	— %	— %	— %
Other	— %	(11)%	— %	(2)%
	(2)%	(4)%	(2)%	9 %

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

	% of Sales			% Change*	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales by End Markets					
Manufacturing	21 %	21 %	22 %	3 %	3 %
Metals	27 %	29 %	28 %	2 %	10 %
Energy	2 %	2 %	4 %	23 %	(4)%
Chemicals	9 %	9 %	6 %	10 %	20 %
Electronics	— %	— %	— %	— %	— %
Healthcare	18 %	17 %	16 %	9 %	10 %
Food & Beverage	13 %	12 %	12 %	16 %	8 %
Aerospace	— %	— %	— %	— %	— %
Other	10 %	10 %	12 %	2 %	(1)%
	100 %	100 %	100 %		

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

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	% of Sales 2014	2013	2012
Sales by Distribution Method			
On-Site	26 %	25 %	23 %
Merchant	43 %	43 %	43 %
Packaged Gas	29 %	30 %	31 %
Other	2 %	2 %	3 %
	100 %	100 %	100 %

Praxair’s South American industrial gases operations are conducted by its subsidiary, White Martins Gases Industriais Ltda. ("White Martins"), the largest industrial gases company in Brazil. White Martins also manages Praxair’s operations in Argentina, Bolivia, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.

Sales in 2014 decreased $49 million, or 2%, versus 2013. Unfavorable currency translation impacts reduced sales by 9%. Organic sales grew 6% primarily due to higher pricing and modest volume growth. Sales growth came primarily from the food and beverage and healthcare end-markets.

Operating profit decreased $18 million or 4% versus 2013. Excluding negative currency effects, operating profit increased 6% due to higher pricing partially offset by cost inflation primarily in Brazil, Argentina and Venezuela. The 2013 period included the impact of a $10 million positive litigation settlement in Brazil.

In 2015, the adoption of the SICAD II exchange rate in Venezuela (see Note 2 to the consolidated financial statements) will have the impact of reducing reported segment sales by an estimated $125 million.

Sales in 2013 decreased $40 million, or 2%, versus 2012. Excluding unfavorable currency translation impacts, underlying sales grew 7% from broad-based volume growth and higher pricing. Sales growth came from metals, chemicals, food and beverage and healthcare customers.

Operating profit in 2013 increased $38 million or 9% versus 2012 and 18% excluding currency effects. Operating leverage was primarily due to higher volumes and pricing across the region. Operating profit included a $10 million litigation settlement in Brazil. Depreciation and amortization increased in 2013 due to the start up of new on-site production facilities but was more than offset by the impacts of currency translation.

Asia

(Dollar amounts in millions) Year Ended December 31,	2014	2013	2012	Variance 2014 vs. 2013	2013 vs. 2012
Sales	$1,619	$1,525	$1,414	6 %	8 %
Cost of sales, exclusive of depreciation and amortization	1,041	1,005	952		
Gross margin	578	520	462		
Operating expenses	105	99	89		
Depreciation and amortization	170	150	127		
Operating profit	$303	$271	$246	12 %	10 %
Margin %	18.7 %	17.8 %	17.4 %		

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	2014 vs. 2013 % Change		2013 vs. 2012 % Change	
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume / Equipment	7 %	6 %	10 %	14 %
Price	1 %	5 %	(1)%	(4)%
Cost pass-through	(1)%	— %	(1)%	— %
Currency	(1)%	(1)%	— %	— %
Other	— %	2 %	— %	— %
	6 %	12 %	8 %	10 %

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

	% of Sales			% Change*	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales by End Markets					
Manufacturing	10 %	11 %	12 %	(2)%	1 %
Metals	28 %	27 %	25 %	13 %	15 %
Energy	3 %	2 %	1 %	57 %	172 %
Chemicals	12 %	13 %	11 %	(2)%	19 %
Electronics	31 %	34 %	37 %	— %	— %
Healthcare	1 %	1 %	1 %	— %	— %
Food & Beverage	2 %	2 %	3 %	1 %	(18)%
Aerospace	— %	— %	— %	— %	— %
Other	13 %	10 %	10 %	35 %	18 %
	100 %	100 %	100 %		

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

	% of Sales		
	2014	2013	2012
Sales by Distribution Method			
On-Site	51 %	48 %	43 %
Merchant	29 %	29 %	29 %
Packaged Gas	12 %	11 %	12 %
Other	8 %	12 %	16 %
	100 %	100 %	100 %

The Asia segment includes Praxair's industrial gases operations in China, India, Korea and Thailand, with smaller operations in Taiwan and the Middle East.

Asia segment sales for 2014 increased $94 million, or 6%, as compared to the prior year. Volume growth of 7% came from new project start-ups primarily in India and Korea and included the sale of an air separation plant to a joint venture in China. By end-market, the strongest sales growth came from energy and metals customers. Strong growth in on-site volumes due to new plant start-ups accounted for the increase in on-site sales as a percentage of total sales. Merchant volumes in India and China also showed solid growth versus the prior year. Cost pass-through decreased sales 1% and relates to the contractual pass through of precious metals and power costs fluctuations, with minimal impact on operating profit. Higher helium pricing increased sales by 1%.

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Asia segment operating profit for 2014 increased $32 million, or 12%, as compared to the prior year. Strong on-site volume growth contributed to a 6% increase in operating profit. Pricing increased operating profit by 5% primarily due to higher merchant and packaged gas pricing for helium sales. Depreciation and amortization expense increased $20 million as compared to the prior year primarily due to new plant start-ups. In the fourth quarter 2014, operating profit included a $14 million gain related to the acquisition of an equity investment. In the fourth quarter 2013, operating profit included a $13 million gain related to a land sale in Korea.

Asia segment sales for 2013 increased $111 million, or 8%, versus 2012. Volume growth increased sales by 10% due to new on-site sales plant start-ups in China, India and Korea. By end-market, the strongest sales growth came from metals, energy and chemicals customers. Strong growth in on-site volumes due to new plant start-ups accounted for the increase in on-site sales as a percentage of total sales. Merchant volumes in China, India and Korea also showed solid growth versus the prior year. Cost pass-through decreased sales 1% and relates to the contractual pass through of precious metals and power costs fluctuations, with minimal impact on operating profit. Lower merchant pricing, primarily due to the electronics end-market, reduced sales by 1%.

Asia segment operating profit for 2013 increased $25 million, or 10%, versus 2012. Strong on-site volume growth was partially offset by the effects of lower pricing in the electronics end-market. Operating profit included a gain related to a land sale in Korea in the fourth quarter of $13 million. Pricing reduced operating profit by 4% primarily due to lower pricing for liquid argon sales in China and electronic gas customers. Operating expenses increased $10 million primarily due to new plant start-ups, salary increases and other benefit costs. Depreciation and amortization expense increased $23 million as compared to the prior year primarily due to new plant start-ups.

Surface Technologies

(Dollar amounts in millions)				Variance	
Year Ended December 31,	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales	$679	$652	$656	4 %	(1)%
Cost of sales, exclusive of depreciation and amortization	438	423	433		
Gross margin	241	229	223		
Operating expenses	75	75	74		
Depreciation and amortization	43	43	43		
Operating profit	$123	$111	$106	11 %	5 %
	18.1 %	17.0 %	16.2 %		

	2014 vs. 2013 % Change		2013 vs. 2012 % Change	
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume/Price	1 %	6 %	— %	2 %
Cost pass-through	— %	— %	(1)%	— %
Currency	— %	— %	— %	— %
Acquisitions/Divestitures	— %	— %	— %	— %
Other*	3 %	5 %	— %	3 %
	4 %	11 %	(1)%	5 %

* Other primarily relates to business transfers for 2014 vs. 2013.

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The following table provides sales by end-market:

	% of Sales			% Change*	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Sales by End Markets					
Manufacturing	13 %	13 %	14 %	1 %	(2)%
Metals	8 %	8 %	8 %	3 %	4 %
Energy	28 %	28 %	28 %	2 %	— %
Chemicals	2 %	2 %	3 %	— %	(9)%
Electronics	1 %	1 %	— %	— %	— %
Healthcare	— %	— %	— %	1 %	— %
Food & Beverage	3 %	3 %	3 %	3 %	(3)%
Aerospace	34 %	34 %	34 %	3 %	(1)%
Other	11 %	11 %	10 %	9 %	2 %
	100 %	100 %	100 %		

* Excludes impact of currency, precious metals cost pass-through, acquisitions/divestitures and business transfers.

Surface technologies provides high-performance coatings and thermal-spray powders and equipment in the Americas, Europe, and Asia.
Sales increased $27 million, or 4% versus 2013 due to modest organic sales growth primarily to the metals and aerospace end-markets, and business transfers.
Operating profit increased $12 million, or 11% versus 2013 primarily due to higher pricing and productivity gains which more than offset cost inflation.
Sales decreased $4 million, or 1% versus 2012 due primarily to lower cost pass-through for metals for thermal-spray powders. Lower industrial coating and aviation volumes were offset by higher pricing.
Operating profit increased $5 million, or 5% versus 2012. The impact of higher pricing and lower costs, primarily due to the prior-year cost reduction program in Europe and productivity gains, offset the impact of modestly lower overall volumes.

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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	Percent of 2014 Consolidated Sales		Statements of Income Average Year Ended December 31,			Balance Sheets December 31,	
			2014	2013	2012	2014	2013
Brazilian real	13	%	2.35	2.15	1.95	2.66	2.34
Euro	12	%	0.75	0.75	0.78	0.83	0.73
Canadian dollar	8	%	1.10	1.03	1.00	1.16	1.06
Mexican peso	6	%	13.30	12.76	13.24	14.75	13.04
Chinese yuan	5	%	6.16	6.16	6.31	6.21	6.05
Indian rupee	3	%	61.03	58.31	53.46	63.04	61.80
Korean won	3	%	1,053	1,094	1,132	1,094	1,050
Norwegian krone	1	%	6.28	5.87	5.81	7.45	6.07
Colombia peso	1	%	1,994	1,868	1,797	2,392	1,927
Venezuelan bolivar fuerte ("VEF") (a)	1	%	6.30	5.97	4.30	50.00	6.30
Argentine peso	<1%		8.10	5.45	4.54	8.55	6.52
Russian ruble	<1%		37.77	31.82	31.02	60.74	32.87
Thailand bhat	<1%		32.48	30.69	31.11	32.91	32.71

(a) At December 31, 2014 Praxair changed the exchange rate used to translate the monetary assets and liabilities of its Venezuelan subsidiary to the SICAD II rate of 50 VEF per U.S. dollar (see Note 2 to the consolidated financial statements). On February 10, 2015, the Venezuelan government initiated a new foreign exchange platform referred to as SIMADI which replaced the SICAD II exchange control mechanism. The SIMADI exchange rate was initially set at 170 VEF per U.S. dollar. This change will not have a material impact on Praxair.

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LIQUIDITY, CAPITAL RESOURCES AND OTHER FINANCIAL DATA

(Millions of dollars) Year Ended December 31,	2014	2013	2012
Net Cash Provided by (Used for)			
Operating Activities			
Net Income (including noncontrolling interests)	$1,746	$1,836	$1,744
Non-cash charges (credits):			
Add: Venezuela devaluations and other charges (a)	138	23	43
Add: Depreciation and amortization	1,170	1,109	1,001
Add: Deferred income taxes	55	101	258
Add: Other non-cash charges	(65)	(18)	(57)
Net Income adjusted for non-cash charges	3,044	3,051	2,989
Less: Pension payments	(18)	(52)	(184)
Less: Working capital	(129)	(100)	(105)
Other	(29)	18	52
Net cash provided from operating activities	$2,868	$2,917	$2,752
Investing Activities			
Capital expenditures	$(1,689)	$(2,020)	$(2,180)
Acquisitions, net of cash acquired	(206)	(1,323)	(280)
Divestitures and asset sales	92	106	82
Total used for investing	$(1,803)	$(3,237)	$(2,378)
Financing Activities			
Debt increases – net	$589	$1,461	$807
Purchases of common stock – net	(759)	(436)	(459)
Cash dividends – Praxair, Inc. shareholders	(759)	(708)	(655)
Excess tax benefit on stock based compensation	31	46	60
Noncontrolling interest transactions and other	(110)	(35)	(56)
Total provided (used) for financing	$(1,008)	$328	$(303)
Effect of exchange rate changes on cash	$(69)	$(27)	$(4)
Cash and cash equivalents	$126	$138	$157
Other Financial Data (b)			
Debt-to-capital ratio	59.6 %	54.3 %	51.9 %
After-tax return on capital ("ROC")	12.7 %	12.8 %	13.9 %
Return on Praxair, Inc. shareholder's equity ("ROE")	28.7 %	28.6 %	28.9 %
Adjusted EBITDA	$3,958	$3,804	$3,537
Debt-to-Adjusted EBITDA	2.3	2.2	1.9

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

(b) Non-GAAP measures. See the “Non-GAAP Financial Measures” section for definitions and reconciliations to reported amounts.

Cash decreased $12 million in 2014 versus 2013. The primary sources of cash in 2014 were cash flows from operations of $2,868 million, and debt increases net of repayments of $589 million. The major uses of cash were capital expenditures of $1,689 million, acquisitions of $206 million, purchases of Praxair common stock net of issuances of $759 million, and cash dividends to shareholders of $759 million. The effect of exchange rate changes on cash and cash

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equivalents relates primarily to the currency devaluations in Venezuela (see Note 2 to the consolidated financial statements).

Cash Flows From Operations

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* Includes Spanish income tax settlement payment of $481 million.

2014 compared with 2013

Cash flows from operations was $2,868 million, or 23% of sales, a decrease of $49 million from $2,917 million in 2013. Cash flows provided from net income decreased $90 million, but decreased $7 million after adjusting for the year-over-year change in non-cash items included in net income. Pension contributions decreased $34 million versus 2013 while cash used for working capital requirements increased $29 million versus 2013.

2013 compared with 2012

Cash flows from operations increased $165 million to a record $2,917 million in 2013, or 24% of sales, from $2,752 million in 2012. Cash flows provided from net income increased $92 million versus 2012 but decreased $62 million after adjusting for the impact of non-cash items included in net income. Pension contributions decreased $132 million versus 2012 while cash used for working capital requirements remained essentially flat.

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Investing

2014 compared with 2013

Net cash used for investing activities of $1,803 million decreased $1,434 million versus 2013 primarily due to lower acquisition, net of cash acquired and capital expenditures.

Acquisition expenditures in 2014 were $206 million, a decrease of $1,117 million from 2013. Acquisitions in 2014 consisted primarily of an industrial gases business in Italy, packaged gases businesses in North and South America and the controlling interest of an equity investment in China (see Note 3 to the consolidated financial statements).

Capital expenditures in 2014 were $1,689 million, a decrease of $331 million from 2013. Capital expenditures during 2014 related primarily to growth capital investments. Approximately half of the capital expenditures were in North America, about 20% in South America and the rest evenly between Asia and Europe.

Divestitures and asset sales in 2014 totaled $92 million, which included the sale of Praxair's industrial gas business in France during the first quarter.

2013 compared with 2012

Net cash used for investing activities of $3,237 million increased $859 million versus 2012 primarily due to higher acquisitions, net of cash acquired.

Acquisition expenditures in 2013 were $1,323 million, an increase of $1,043 million from 2012. Acquisitions in 2013 consisted primarily of the acquisition of $NuCO_2$, Inc., Dominion Technology Gases, US packaged gas distributors, and an acquisition in Russia (see Note 3 to the consolidated financial statements).

Capital expenditures in 2013 were $2,020 million, a decrease of $160 million from 2012. Capital expenditures during 2013 related largely to new production plants under contract for customers globally. Approximately half of the capital expenditures were in North American and about 20% were in Asia.

Divestitures and asset sales in 2013 totaled $106 million, which included the sale of a service business and other assets in the United States and proceeds related to a land sale in Korea.

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Financing

Praxair's financing strategy is to secure long-term committed funding by issuing public notes and debentures and commercial paper backed by a long-term bank credit agreement. Praxair's international operations are funded through a combination of local borrowing and inter-company funding to minimize the total cost of funds and to manage and centralize currency exchange exposures. As deemed necessary, Praxair manages its exposure to interest-rate changes through the use of financial derivatives (see Note 12 to the consolidated financial statements and Item 7A. Quantitative and Qualitative Disclosures About Market Risk).

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. At December 31, 2014, the company's credit ratings as reported by Standard & Poor's and Moody's were A-1 and P-1 for short-term debt, respectively, and A and A2 for long-term debt, respectively. Additionally, the company plans to maintain its undistributed earnings of foreign subsidiaries to support foreign growth opportunities and reduce local debt.

Note 11 to the consolidated financial statements includes information with respect to the company's debt refinancing in 2014, current debt position, debt covenants and the available credit facility; and Note 12 includes information relating to derivative financial instruments. Praxair's credit facility is with major financial institutions and is non-cancellable until maturity. Therefore, the company believes the risk of the financial institutions being unable to make required loans under the credit facility, if requested, to be low. Praxair's major bank credit and long-term debt agreements contain standard covenants. The company was in compliance with these covenants at December 31, 2014 and expects to remain in compliance for the foreseeable future.

Praxair's total debt outstanding at December 31, 2014 was $9,258 million, $447 million higher than $8,811 million at December 31, 2013. The December 31, 2014 debt balance includes $9,002 million in public securities and $256 million representing primarily worldwide bank borrowings. Praxair's global effective borrowing rate was approximately 2.4% for 2014.

In March 2014, Praxair issued €600 million ($824 million cash proceeds at issuance) of 1.50% Euro-denominated notes due 2020; and in December 2014, Praxair issued €500 million ($616 million cash proceeds at issuance) of 1.625% Euro-denominated notes due 2025. Praxair has designated these Euro-denominated notes as hedges of the net investment position in its European operations (see Note 12 to the consolidated financial statements).

In March 2014, Praxair repaid $300 million of 4.375% notes that became due. In December 2014, Praxair redeemed $400 million of 5.375% notes due in 2016 (see Note 11 to the consolidated financial statements).

Cash used by financing activities was $1,008 million in 2014 compared to cash provided by financing of $328 million in 2013. Net purchases of common stock of $759 million increased $323 million and cash dividends of $759 million increased $51 million from 2013. The noncontrolling interests and other payments relate primarily to the acquisition of the remaining noncontrolling interests in a U.S. packaged gas business during the first quarter 2014. The

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cash received from debt issuances-net of $589 million was less than $1,461 million in 2013 primarily due to lower acquisition expenditures. The Euro-denominated notes reflected in the consolidated balance sheet is lower than the cash proceeds reflected in the statement of cash flows primarily due to currency movements of $125 million since the note issuances.

On February 5, 2015, Praxair issued $150 million of floating rate notes that bear interest at the Federal funds effective rate plus 0.33% due 2017, $400 million of 2.65% fixed rate notes due 2025 and $200 million of 3.550% fixed rates notes due in 2042. The proceeds will be used for general corporate purposes, including the repayment of outstanding indebtedness.

Other Financial Data

Praxair's debt-to-capital ratio was 59.6% at December 31, 2014 versus 54.3% at December 31, 2013. Although net debt increased $459 million during 2014, the increase in debt-to-capital is due primarily to lower capital. The equity component of capital was reduced by a $1,257 million loss in other comprehensive income, primarily from currency impacts and the funded status of benefit plans. The increase in 2013 is attributable to higher debt levels, primarily to fund acquisitions.

After-tax return on capital ("ROC") of 12.7% at December 31, 2014 was slightly below 12.8% at year-end 2013, and ROC was 13.9% in 2012. The decrease in both years is primarily related to capital projects and acquisitions.

Return on equity ("ROE") was strong and consistent for 2014, 2013 and 2012.

Adjusted EBITDA increased $154 million in 2014 and $267 million in 2013 versus the respective prior year amounts. The increases primarily reflect the higher adjusted net income levels and depreciation and amortization from the start-up of new plants and other assets, and from acquisitions; partially offset by negative currency impacts.

Debt-to-Adjusted EBITDA increased slightly in 2014 primarily because debt increased more than adjusted EBITDA. Praxair's debt is largely denominated in U.S. dollars and, therefore, is not impacted by currency movements. In 2013 the increase was largely due to increased debt incurred to fund acquisitions.

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

CONTRACTUAL OBLIGATIONS

The following table sets forth Praxair's material contract obligations and other commercial commitments as of December 31, 2014:

(Millions of dollars)	Due or expiring by December 31,						
	2015	2016	2017	2018	2019	Thereafter	Total
Long-term debt obligations:							
Debt and capitalized lease maturities (Note 11)*	$2	$407	$775	$1,083	$2,008	$4,396	$8,671
Contractual interest	209	191	176	159	130	600	1,465
Operating leases (Note 4)*	122	109	91	75	60	60	517
Retirement obligations	55	32	34	35	37	163	356
Unconditional purchase obligations (Note 17)*	543	491	460	445	393	3,021	5,353
Construction commitments (Note 17)*	954	404	27	—	—	—	1,385
Total Contractual Obligations	$1,885	$1,634	$1,563	$1,797	$2,628	$8,240	$17,747

* See Notes to the consolidated financial statements for additional information.

Contractual interest on long-term debt of $1,465 million represents interest the company is contracted to pay on outstanding long-term debt, current portion of long-term debt and capital lease obligations, calculated on a basis consistent with planned debt maturities, excluding the interest impact of interest rate swaps. At December 31, 2014, Praxair had fixed-rate debt of $7,626 million and floating-rate debt of $1,632 million. The rate assumed for floating-rate debt was the rate in effect at December 31, 2014.

Retirement obligations of $356 million include estimates of pension plan contributions and expected future benefit payments for unfunded pension and OPEB plans. Pension plan contributions are forecast for 2015 only. For purposes of the table, $15 million of estimated required contributions have been included for 2015. Expected future unfunded pension and OPEB benefit payments are forecast only through 2024. Contribution and unfunded benefit payment estimates are based upon current valuation assumptions. Estimates of pension contributions after 2015 and unfunded benefit payments after 2024 are not included in the table because the timing of their resolution cannot be estimated. Retirement obligations are more fully described in Note 16 to the consolidated financial statements.
Liabilities for uncertain tax positions totaling $71 million, including interest and penalties, are not included in the table because the timing of their resolution cannot be estimated. See Note 5 to the consolidated financial statements for disclosures surrounding uncertain income tax positions.

OFF-BALANCE SHEET ARRANGEMENTS

As discussed in Note 17 to the consolidated financial statements, at December 31, 2014, Praxair had entered into various guarantees and other arrangements, and had undrawn outstanding letters of credit from financial institutions. These arrangements were entered into in connection with normal business operations and they are not reasonably likely to have a material impact on Praxair’s consolidated financial condition, results of operations, or liquidity.

CRITICAL ACCOUNTING POLICIES

The policies discussed below are considered by management to be critical to understanding Praxair’s financial statements and accompanying notes prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Their application places significant importance on management’s judgment as a result of the need to make estimates of matters that are inherently uncertain. Praxair’s financial position, results of operations and cash flows could be materially affected if actual results differ from estimates made. These policies are determined by management and have been reviewed by Praxair’s Audit Committee.

Depreciable Lives of Property, Plant and Equipment

Praxair’s net property, plant and equipment at December 31, 2014 was $11,997 million, representing 61% of the company’s consolidated total assets. Depreciation expense for the year ended December 31, 2014 was $1,123 million, or 12% of total operating costs. Management judgment is required in the determination of the estimated depreciable lives that are used to calculate the annual depreciation expense and accumulated depreciation.
Property, plant and equipment are recorded at cost and depreciated over the assets’ estimated useful lives on a straight-line basis for financial reporting purposes. The estimated useful life represents the projected period of time that the asset will be productively employed by the company and is determined by management based on many factors, including historical experience with similar assets, technological life cycles, geographic locations and contractual supply relationships with on-site customers. Circumstances and events relating to these assets, such as on-site contract modifications, are monitored to ensure that changes in asset lives or impairments (see “Asset Impairments”) are identified and prospective depreciation expense or impairment expense is adjusted accordingly. Praxair’s largest asset values relate to cryogenic air-separation production plants with depreciable lives of principally 15 years.
Based upon the assets as of December 31, 2014, if depreciable lives of machinery and equipment, on average, were increased or decreased by one year, annual depreciation expense would be decreased by approximately $73 million or increased by approximately $84 million, respectively.

Pension Benefits

Pension benefits represent 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, significant estimates are required to calculate pension expense and liabilities related to the company’s plans. The company utilizes the services of several independent actuaries, whose models are used to facilitate these calculations.
Several key assumptions are used in actuarial models to calculate pension expense and liability amounts recorded in the financial statements. Management believes the three most significant variables in the models are the expected long-term rate of return on plan assets, the discount rate, and the expected rate of compensation increase. The actuarial models also use assumptions for various other factors, including employee turnover, retirement age, and mortality.

Praxair management believes the assumptions used in the actuarial calculations are reasonable, reflect the company's experience and expectations for the future and are within accepted practices in each of the respective geographic locations in which it operates. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

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The weighted-average expected long-term rates of return on pension plan assets were 8.00% for U.S. plans and 8.10% for international plans for the years ended December 31, 2014 (8.00% and 7.50%, respectively at December 31, 2013). These rates are determined annually by management based on a weighted average of current and historical market trends, historical and expected portfolio performance and the current and expected portfolio mix of investments. A 0.50% change in these expected long-term rates of return, with all other variables held constant, would change Praxair’s pension expense by approximately $10 million.

The company has consistently used a market-related value of assets rather than the fair value at the measurement date to determine annual pension expense. The market-related value recognizes investment gains or losses over a five-year period. As a result, changes in the fair value of assets from year to year are not immediately reflected in the company’s annual pension expense. Instead, annual pension expense in future periods will be impacted as deferred investment gains or losses are recognized in the market-related value of assets over the five-year period. The consolidated market-related value of assets was $2,051 million, or $117 million lower than the fair value of assets of $2,168 million at December 31, 2014. These net deferred investment gains of $117 million will be recognized in the calculation of the market-related value of assets ratably over the next four years and will impact future pension expense. Future actual investment gains or losses will impact the market-related value of assets and, therefore, will impact future annual pension expense in a similar manner.

The weighted-average discount rates for pension plan liabilities were 3.95% for U.S. plans and 5.36% for international plans at December 31, 2014 (4.80% and 6.30%, respectively, at December 31, 2013). These rates are used to calculate the present value of plan liabilities and are determined annually by management. The discount rate for the U.S. plans is established utilizing a cash flow matching model provided by the company’s independent actuaries. The model includes a portfolio of corporate bonds graded Aa or better by at least half of the ratings agencies and matches the U.S. plan’s projected cash flows to the calculated spot rates and develops the single equivalent discount rate which produces the same present value. The discount rates for the remaining international plans are based on market yields for high-quality fixed income investments representing the approximate duration of the pension liabilities on the measurement date. A 0.50% change in discount rates, with all other variables held constant, would decrease/increase Praxair’s pension expense by approximately $12 million and would impact the PBO by approximately $185 million.

The weighted-average expected rate of compensation increase was 3.25% for U.S. plans and 3.72% for international plans at December 31, 2014 (3.25% and 4.00%, respectively, at December 31, 2013). The estimated annual compensation increase is determined by management every year and is based on historical trends and market indices. A 0.50% change in the expected rate of compensation increase, with all other variables held constant, would change Praxair’s pension expense by approximately $5 million and would impact the PBO by approximately $34 million.

Asset Impairments

Goodwill

At December 31, 2014, the company had goodwill of $3,121 million, which represents the aggregate of the excess purchase price for acquired businesses over the fair value of the net assets acquired.

The company performs a goodwill impairment test annually in the second quarter or more frequently if events or circumstances indicate that an impairment loss may have been incurred, and no impairments were indicated. The company has continuously re-evaluated the likelihood of goodwill impairments in its reporting units subsequent to the second quarter test, and does not believe there is indication of impairment for any of its reporting units. At December 31, 2014, Praxair’s enterprise value was approximately $47 billion (outstanding shares multiplied by the year-end stock price plus debt, and without any control premium) while its total capital was approximately $15 billion.

The impairment test allows an entity to first assess qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than carrying value. If it is determined that it is more likely than not that the fair value of a reporting unit is less than carrying value then the company will estimate and compare the fair value of its reporting units to their carrying value, including goodwill. Reporting units are determined based on one level below the operating segment level. Fair value is determined through the use of projected future cash flows, multiples of earnings and sales and other factors.

Such analysis requires the use of certain market assumptions and discount factors, which are subjective in nature. As applicable, estimated values can be affected by many factors beyond the company's control such as business and economic trends, government regulation, and technological changes. Management believes that the qualitative factors used to perform its annual goodwill impairment assessment are appropriate and reasonable. Although the 2014 qualitative assessment indicated that it is more likely than not that the fair value of each reporting unit substantially exceeded its

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carrying value, changes in circumstances or conditions affecting this analysis could have a significant impact on the fair value determination, which could then result in a material impairment charge to the company's results of operations.

See Note 9 to the consolidated financial statements for disclosures concerning the carrying value of goodwill by reportable segment.

Property, Plant and Equipment

Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset or asset group may not be recoverable. For purposes of this test, asset groups are determined based upon the lowest level for which there are identifiable cash flows. Based upon Praxair's business model, an asset group may be a single plant and related assets used to support on-site, merchant and packaged gas customers. Alternatively, the asset group may be a pipeline complex which includes multiple interdependent plants and related assets connected by pipelines within a geographic area used to support the same distribution methods.

Income Taxes

At December 31, 2014, Praxair had deferred tax assets of $991 million (net of valuation allowances of $106 million), and deferred tax liabilities of $1,902 million. At December 31, 2014, uncertain tax positions totaled $71 million (see Notes 1 and 5 to the consolidated financial statements). Income tax expense was $691 million for the year ended December 31, 2014, or about 28.9% of pre-tax income.

In the preparation of consolidated financial statements, Praxair estimates income taxes based on diverse legislative and regulatory structures that exist in various jurisdictions where the company conducts business. Deferred income tax assets and liabilities represent tax benefits or obligations that arise from temporary differences due to differing treatment of certain items for accounting and income tax purposes. Praxair evaluates deferred tax assets each period to ensure that estimated future taxable income will be sufficient in character (e.g. capital gain versus ordinary income treatment), amount and timing to result in their recovery. A valuation allowance is established when management determines that it is more likely than not that a deferred tax asset will not be realized to reduce the assets to their realizable value. Considerable judgments are required in establishing deferred tax valuation allowances and in assessing exposures related to tax matters. As events and circumstances change, related reserves and valuation allowances are adjusted to income at that time. Praxair’s tax returns are subject to audit and local taxing authorities could challenge the company’s tax positions. The company’s practice is to review tax filing positions by jurisdiction and to record provisions for uncertain income tax positions, including interest and penalties when applicable. Praxair believes it records and/or discloses such potential tax liabilities as appropriate and has reasonably estimated its income tax liabilities and recoverable tax assets. If new information becomes available, adjustments are charged or credited against income at that time. Management does not anticipate that such adjustments 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 material impact on the company’s reported results of operations.

Contingencies

The company accrues liabilities for non-income tax contingencies when management believes that a loss is probable and the amounts can be reasonably estimated, while contingent gains are recognized only when realized. If new information becomes available or losses are sustained in excess of recorded amounts, adjustments are charged against income at that time. 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 material impact on the company’s reported results of operations.

Praxair is subject to various claims, legal proceedings 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 (see Note 17 to the consolidated financial statements). Such contingencies are significant and the accounting requires considerable management judgments in analyzing each matter to assess the likely outcome and the need for establishing appropriate liabilities and providing adequate disclosures. Praxair believes it records and/or discloses such potential contingencies as appropriate and has reasonably estimated its liabilities.

NEW ACCOUNTING STANDARDS

See Note 1 to the consolidated financial statements for information concerning new accounting standards and the impact of the implementation of these standards on the company's financial statements.

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FAIR VALUE MEASUREMENTS

Praxair does not expect changes in the aggregate fair value of its financial assets and liabilities to have a material impact on the consolidated financial statements. See Note 13 to the consolidated financial statements.

NON-GAAP FINANCIAL MEASURES

The company presents the following non-GAAP financial measures in the discussion of financial condition, results of operations and liquidity throughout the MD&A. These measures are intended to supplement investors' understanding of the company's financial information by providing information which investors, financial analysts and management use to help evaluate the company's financial leverage, return on capital employed and operating performance. Special items which the company does not believe to be indicative of on-going business performance 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 Selected Financial Data (Item 6) or this MD&A:

(Dollar amounts in millions, except for per share data)	2014		2013		2012		2011		2010	
Year ended December 31,										
Performance Measures:										
After-tax return on capital ("ROC")	12.7	%	12.8	%	13.9	%	14.8	%	14.5	%
Return on equity ("ROE")	28.7	%	28.6	%	28.9	%	28.1	%	26.4	%
Debt-to-capital	59.6	%	54.3	%	51.9	%	51.8	%	47.3	%
Debt-to-adjusted EBITDA	2.3		2.2		1.9		1.7		1.6	
Adjusted Amounts:										
Operating profit	$2,746		$2,657		$2,502		$2,469		$2,167	
As a percent of sales	22.4	%	22.3	%	22.3	%	21.9	%	21.4	%
EBITDA	$3,958		$3,804		$3,537		$3,512		$3,130	
EBITDA Margin	32.2	%	31.9	%	31.5	%	31.2	%	30.9	%
Interest expense - net	$177		$160		$141		$145		$118	
Effective tax rate	27.5	%	28.0	%	28.0	%	27.8	%	27.9	%
Noncontrolling interests	$(52	)	$(65	)	$(54	)	$(51	)	$(39	)
Net income – Praxair, Inc.	$1,852		$1,772		$1,681		$1,666		$1,476	
Diluted earnings per share	$6.27		$5.93		$5.57		$5.43		$4.74	

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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 capital 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).

(Dollar amounts in millions) Year Ended December 31,	2014	2013	2012	2011	2010
Adjusted operating profit (see below)	$2,746	$2,657	$2,502	$2,469	$2,167
Less: adjusted income taxes (see below)	(707)	(698)	(660)	(647)	(572)
Less: tax benefit on adjusted interest expense (a)	(50)	(44)	(39)	(41)	(33)
Add: income from equity investments	42	38	34	40	38
Net operating profit after-tax ("NOPAT")	$2,031	$1,953	$1,837	$1,821	$1,600
Beginning capital	$15,983	$13,878	$12,489	$11,663	$10,658
First quarter ending capital	$16,319	$15,344	$13,248	$12,289	$10,758
Second quarter ending capital	$16,492	$15,548	$13,017	$12,809	$10,745
Third quarter ending capital	$16,083	$15,757	$13,617	$12,306	$11,336
Year-end ending capital	$15,318	$15,983	$13,878	$12,489	$11,663
Five-quarter average capital	$16,039	$15,302	$13,250	$12,311	$11,032
After-tax return on capital	12.7%	12.8%	13.9%	14.8%	14.5%

(a) Tax benefit on adjusted interest expense is computed using the effective rate adjusted for non-recurring income tax benefits and charges. The effective tax rates used for all periods was 28%.

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.

(Dollar amounts in millions) Year Ended December 31,	2014	2013	2012	2011	2010
Adjusted net income – Praxair, Inc. (see below)	$1,852	$1,772	$1,681	$1,666	$1,476
Beginning Praxair, Inc. shareholders' equity	$6,609	$6,064	$5,488	$5,792	$5,315
First quarter ending Praxair, Inc. shareholders' equity	$6,600	$6,169	$5,940	$6,165	$5,398
Second quarter ending Praxair, Inc. shareholders' equity	$6,911	$5,928	$5,615	$6,400	$5,452
Third quarter ending Praxair, Inc. shareholders' equity	$6,552	$6,210	$6,015	$5,753	$5,991
Year-End ending Praxair, Inc. shareholders' equity	$5,623	$6,609	$6,064	$5,488	$5,792
Five-quarter average Praxair, Inc. shareholders' equity	$6,459	$6,196	$5,824	$5,920	$5,590
Return on Praxair, Inc. Shareholders' Equity	28.7%	28.6%	28.9%	28.1%	26.4%

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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.

(Dollar amounts in millions) Year Ended December 31,	2014	2013	2012	2011	2010
Total debt	$9,258	$8,811	$7,362	$6,562	$5,557
Less: cash and cash equivalents	(126)	(138)	(157)	(90)	(39)
Net debt	9,132	8,673	7,205	6,472	5,518
Equity and redeemable noncontrolling interests					
Redeemable noncontrolling interests	176	307	252	220	—
Praxair, Inc. shareholders’ equity	5,623	6,609	6,064	5,488	5,792
Noncontrolling interests	387	394	357	309	353
Total equity and redeemable noncontrolling interests	6,186	7,310	6,673	6,017	6,145
Total capital	$15,318	$15,983	$13,878	$12,489	$11,663
Debt-to-capital ratio	59.6 %	54.3 %	51.9 %	51.8 %	47.3 %

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Adjusted EBITDA, Adjusted EBITDA Margin and Debt-to-Adjusted EBITDA Ratio

(Dollar amounts in millions) Year Ended December 31,	2014	2013	2012	2011	2010
Adjusted net income - Praxair, Inc. (see below)	$1,852	$1,772	$1,681	$1,666	$1,476
Add: adjusted noncontrolling interests (see below)	52	65	54	51	39
Add: adjusted interest expense - net	177	160	141	145	118
Add: adjusted income taxes (see below)	707	698	660	647	572
Add: depreciation and amortization	1,170	1,109	1,001	1,003	925
Adjusted EBITDA	$3,958	$3,804	$3,537	$3,512	$3,130
Reported Sales	$12,273	$11,925	$11,224	$11,252	$10,116
Adjusted EBITDA Margin	32.2 %	31.9 %	31.5 %	31.2 %	30.9 %
Beginning Praxair, Inc. net debt	$8,673	$7,205	$6,472	$5,518	$5,010
First quarter ending Praxair, Inc. net debt	$9,126	$8,563	$6,749	$5,752	$5,028
Second quarter ending Praxair, Inc. net debt	$8,992	$9,004	$6,891	$6,039	$4,978
Third quarter ending Praxair, Inc. net debt	$8,953	$8,892	$7,028	$6,185	$5,006
Year-End ending Praxair, Inc. net debt	$9,132	$8,673	$7,205	$6,472	$5,518
Five-quarter average Praxair, Inc. net debt	$8,975	$8,467	$6,869	$5,993	$5,108
Debt-to- adjusted EBITDA ratio	2.3	2.2	1.9	1.7	1.6

Adjusted Amounts

2014 amounts are adjusted for the impact of the Venezuela currency devaluation, a pension settlement and a bond redemption. 2013 amounts are adjusted for the impact of Venezuela currency devaluation, a pension settlement, an income tax benefit related to the realignment of Praxair's Italian legal structure and a bond redemption. 2012 amounts are adjusted for the impact of the cost reduction program, a pension settlement and an income tax benefit related to US homecare divestiture. 2011 amounts are adjusted for the impact of a net gain on acquisition and the cost reduction program. 2010 amounts are adjusted for the impact of the Spanish income tax settlement, US homecare divestiture, repatriation tax benefit and Venezuela currency devaluation. The company does not believe these items are indicative of on-going business performance and, accordingly, their impacts are excluded from the reported amounts so that investors can better evaluate and analyze historical and future business trends on a consistent basis.

(Dollar amounts in millions, except per share data) Year Ended December 31,	2014	2013	2012	2011	2010
Adjusted Operating Profit and Margin					
Reported operating profit	$2,608	$2,625	$2,437	$2,468	$2,082
Add: Pension settlement charge	7	9	9	—	—
Add: Venezuela currency devaluation	131	23	—	—	27
Add: Cost reduction program	—	—	56	40	—
Less: Net gain on acquisition	—	—	—	(39)	—
Add: US homecare divestiture	—	—	—	—	58
Total adjustments	138	32	65	1	85
Adjusted operating profit	$2,746	$2,657	$2,502	$2,469	$2,167
Reported percent change	(1)%	8 %	(1)%	19 %	32 %
Adjusted percent change	3 %	6 %	1 %	14 %	15 %
Reported sales	$12,273	$11,925	$11,224	$11,252	$10,116
Reported operating profit margin	21.2 %	22.0 %	21.7 %	21.9 %	20.6 %
Adjusted operating profit margin	22.4 %	22.3 %	22.3 %	21.9 %	21.4 %

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(Dollar amounts in millions, except per share data)	2014	2013	2012	2011	2010
Year Ended December 31,					
Adjusted Interest Expense - Net					
Reported interest expense	213	178	141	145	118
Less: Bond redemption	(36)	(18)	—	—	—
Adjusted interest expense - net	$177	$160	$141	$145	$118
Adjusted Income Taxes and Effective Tax Rate					
Reported income taxes	$691	$649	$586	$641	$768
Add: Bond redemption	14	6	—	—	—
Add: Income tax benefits	—	40	55	—	—
Add: Pension settlement charge	2	3	3	—	—
Add: Venezuela currency devaluation	—	—	—	—	1
Add: Cost reduction program	—	—	16	9	—
Less: Spanish income tax settlement	—	—	—	—	(250)
Less: Net gain on acquisition	—	—	—	(3)	—
Add: US homecare divestiture	—	—	—	—	18
Add: Repatriation tax benefit	—	—	—	—	35
Total adjustments	16	49	74	6	(196)
Adjusted income taxes	$707	$698	$660	$647	$572
Reported income before income taxes and equity investments	$2,395	$2,447	$2,296	$2,323	$1,964
Add: Bond redemption	36	18	—	—	—
Add: Pension settlement charge	7	9	9	—	—
Add: Venezuela currency devaluation	131	23	—	—	27
Add: Cost reduction program	—	—	56	40	—
Less: Net gain on acquisition	—	—	—	(39)	—
Add: US homecare divestiture	—	—	—	—	58
Total adjustments	174	50	65	1	85
Adjusted income before income taxes and equity investments	$2,569	$2,497	$2,361	$2,324	$2,049
Adjusted effective tax rate	27.5%	28.0%	28.0%	27.8%	27.9%
Adjusted Noncontrolling Interests					
Reported noncontrolling interests	$52	$81	$52	$50	$39
Less: Income tax benefits	—	(16)	—	—	—
Add: Cost reduction program	—	—	2	—	—
Add: Net gain on acquisition	—	—	—	1	—
Total adjustments	—	(16)	2	1	—
Adjusted noncontrolling interests	$52	$65	$54	$51	$39
Adjusted Net Income – Praxair, Inc.					
Reported net income – Praxair, Inc.	$1,694	$1,755	$1,692	$1,672	$1,195
Add: Bond redemption	22	12	—	—	—
Less: Income tax benefits	—	(24)	(55)	—	—
Add: Pension settlement charge	5	6	6	—	—
Add: Venezuela currency devaluation	131	23	—	—	26

Add: Cost reduction program	—	—	38	31	—
Less: Net gain on acquisition	—	—	—	(37)	—
Add: Spanish tax settlement	—	—	—	—	250
Add: US homecare divestiture	—	—	—	—	40

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(Dollar amounts in millions, except per share data)	2014	2013	2012	2011	2010
Year Ended December 31,					
Less: Repatriation tax benefit	—	—	—	—	(35)
Total adjustments	158	17	(11)	(6)	281
Adjusted net income – Praxair, Inc.	$1,852	$1,772	$1,681	$1,666	$1,476
Reported percent change	(3)%	4%	1%	40%	(5)%
Adjusted percent change	5%	5%	1%	13%	18%

(Dollar amounts in millions, except per share data)	2014	2013	2012	2011	2010
Year Ended December 31,					
Adjusted Diluted Earnings Per Share					
Reported diluted earnings per share	$5.73	$5.87	$5.61	$5.45	$3.84
Add: Bond redemption	0.07	0.04	—	—	—
Less: Income tax benefits	—	(0.08)	(0.18)	—	—
Add: Pension settlement charge	0.02	0.02	0.02	—	—
Add: Venezuela currency devaluation	0.45	0.08	—	—	0.08
Add: Cost reduction program	—	—	0.12	0.10	—
Less: Net gain on acquisition	—	—	—	(0.12)	—
Add: Spanish income tax settlement	—	—	—	—	0.80
Add: US homecare divestiture	—	—	—	—	0.13
Less: Repatriation tax benefit	—	—	—	—	(0.11)
Total adjustments	0.54	0.06	(0.04)	(0.02)	0.90
Adjusted diluted earnings per share	$6.27	$5.93	$5.57	$5.43	$4.74
Reported percent change	(2)%	5%	3%	42%	(4)%
Adjusted percent change	6%	6%	3%	15%	19%

2015 Diluted Earnings Per Share Outlook

	Low End	High End
2015 diluted EPS outlook	$6.15	$6.50
2014 adjusted diluted EPS (see above)	$6.27	$6.27
Percentage change	(2)%	4%

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. Additionally, financial projections or estimates exclude the impact

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of special items which the company believes are not indicative of ongoing business performance.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 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Praxair is exposed to market risks relating to fluctuations in interest rates and currency exchange rates. The objective of financial risk management at Praxair is to minimize the negative impact of interest rate and foreign exchange rate fluctuations on the company's earnings, cash flows and equity.

To manage these risks, Praxair uses various derivative financial instruments, including interest-rate swaps, treasury rate locks, currency swaps, forward contracts, currency options and commodity contracts. Praxair only uses commonly traded and non-leveraged instruments. These contracts are entered into primarily with major banking institutions thereby minimizing the risk of credit loss. Also, see Notes 1 and 12 to the consolidated financial statements for a more complete description of Praxair's accounting policies and use of such instruments.

The following discussion presents the sensitivity of the market value, earnings and cash flows of Praxair's financial instruments to hypothetical changes in interest and exchange rates assuming these changes occurred at December 31, 2014. The range of changes chosen for these discussions reflects Praxair's view of changes which are reasonably possible over a one-year period. Market values represent the present values of projected future cash flows based on interest rate and exchange rate assumptions.

Interest Rate and Debt Sensitivity Analysis

At December 31, 2014, Praxair had debt totaling $9,258 million ($8,811 million at December 31, 2013). At December 31, 2014 there were two interest-rate swap agreements outstanding with notional amounts totaling $875 million that converts fixed-rate interest to variable-rate interest on the $400 million 3.25% notes that mature in 2015 and the $475 million 1.25% notes that mature in 2018. When considered necessary, interest-rate swaps are entered into as hedges of underlying financial instruments to effectively change the characteristics of the interest rate without actually changing the underlying financial instrument.

For fixed-rate instruments, interest-rate changes affect the fair market value but do not impact earnings or cash flows. Conversely, for floating-rate instruments, interest-rate changes generally do not affect the fair market value but impact future earnings and cash flows, assuming other factors are held constant.

At December 31, 2014, Praxair had fixed-rate debt of $7,626 million and floating-rate debt of $1,632 million, representing 82% and 18%, respectively, of total debt. At December 31, 2013, Praxair had fixed-rate debt of $7,004 million and floating-rate debt of $1,807 million, representing 79% and 21%, respectively, of total debt. Holding other variables constant (such as foreign exchange rates, swaps and debt levels), a one-percentage-point decrease in interest rates would increase the unrealized fair market value of the fixed-rate debt by approximately $440 million ($421 million in 2013). At December 31, 2014 and 2013, the after-tax earnings and cash flows impact for the subsequent year resulting from a one-percentage-point increase in interest rates would be approximately $11 million and $12 million, respectively, holding other variables constant.

Exchange Rate Sensitivity Analysis

Praxair's exchange-rate exposures result primarily from its investments and ongoing operations in South America (primarily Brazil, Argentina and Colombia), Europe (primarily Germany, Italy, Russia, Scandinavia and Spain), Canada, Mexico, Asia (primarily China, India, Korea and Thailand) and other business transactions such as the procurement of equipment from foreign sources. From time to time, Praxair utilizes foreign exchange forward contracts to hedge these exposures. At December 31, 2014, Praxair had $2,427 million notional amount ($2,197 million at December 31, 2013) of foreign exchange contracts all of which were to hedge recorded balance sheet exposures. See Note 12 to the consolidated financial statements.

Holding other variables constant, if there were a 10% adverse change in foreign-currency exchange rates for the portfolio, the fair market value of foreign-currency contracts outstanding at December 31, 2014 and 2013 would decrease by approximately $86 million and $46 million, respectively, which would be largely offset by an offsetting gain or loss on the foreign-currency fluctuation of the underlying exposure being hedged.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

Praxair's consolidated financial statements are prepared by management, which is responsible for their fairness, integrity and objectivity. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applied on a consistent basis, except for accounting changes as disclosed, and include amounts that are estimates and judgments. All historical financial information in this annual report is consistent with the accompanying financial statements.

Praxair maintains accounting systems, including internal accounting controls, monitored by a staff of internal auditors, that are designed to provide reasonable assurance of the reliability of financial records and the protection of assets. The concept of reasonable assurance is based on recognition that the cost of a system should not exceed the related benefits. The effectiveness of those systems depends primarily upon the careful selection of financial and other managers, clear delegation of authority and assignment of accountability, inculcation of high business ethics and conflict-of-interest standards, policies and procedures for coordinating the management of corporate resources, and the leadership and commitment of top management. In compliance with Section 404 of the Sarbanes-Oxley Act of 2002, Praxair assessed its internal control over financial reporting and issued a report (see below).

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has completed an integrated audit of Praxair's 2014, 2013 and 2012 consolidated financial statements and of its internal control over financial reporting as of December 31, 2014 in accordance with the standards of the Public Company Accounting Oversight Board (United States) as stated in their report.

The Audit Committee of the Board of Directors, which consists solely of non-employee directors, is responsible for overseeing the functioning of the accounting system and related controls and the preparation of annual financial statements. The Audit Committee periodically meets with management, internal auditors and the independent accountants to review and evaluate their accounting, auditing and financial reporting activities and responsibilities, including management's assessment of internal control over financial reporting. The independent registered public accounting firm and internal auditors have full and free access to the Audit Committee and meet with the committee, with and without management present.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Praxair's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the company's principal executive officer and principal financial officer, the company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (often referred to as COSO). Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of December 31, 2014.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has issued their opinion on the company's internal control over financial reporting as of December 31, 2014 as stated in their report.

/s/ STEPHEN F. ANGEL
Stephen F. Angel
Chairman, President and
Chief Executive Officer

/s/ MATTHEW J. WHITE
Matthew J. White
Senior Vice President and
Chief Financial Officer

/s/ ELIZABETH T. HIRSCH
Elizabeth T. Hirsch
Vice President and Controller

Danbury, Connecticut
February 25, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Shareholders of Praxair, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income (loss), equity and cash flows present fairly, in all material respects, the financial position of Praxair and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers
Stamford, Connecticut
February 25, 2015

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CONSOLIDATED STATEMENTS OF INCOME
PRAXAIR, INC. AND SUBSIDIARIES
(Dollar amounts in millions, except per share data)

Year Ended December 31,	2014	2013	2012
Sales	$12,273	$11,925	$11,224
Cost of sales, exclusive of depreciation and amortization	6,962	6,744	6,396
Selling, general and administrative	1,308	1,349	1,270
Depreciation and amortization	1,170	1,109	1,001
Research and development	96	98	98
Venezuela currency devaluation and other charges – net	138	32	65
Other income (expenses) – net	9	32	43
Operating Profit	2,608	2,625	2,437
Interest expense – net	213	178	141
Income Before Income Taxes and Equity Investments	2,395	2,447	2,296
Income taxes	691	649	586
Income Before Equity Investments	1,704	1,798	1,710
Income from equity investments	42	38	34
Net Income (Including Noncontrolling Interests)	1,746	1,836	1,744
Less: noncontrolling interests	(52)	(81)	(52)
Net Income – Praxair, Inc.	$1,694	$1,755	$1,692
Per Share Data – Praxair, Inc. Shareholders			
Basic earnings per share	$5.79	$5.94	$5.67
Diluted earnings per share	$5.73	$5.87	$5.61
Weighted Average Shares Outstanding (000’s):			
Basic shares outstanding	292,494	295,523	298,316
Diluted shares outstanding	295,608	298,965	301,845

The accompanying Notes on pages 60 to 100 are an integral part of these financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PRAXAIR, INC. AND SUBSIDIARIES
(Dollar amounts in millions)

Year Ended December 31,	2014	2013	2012
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	$1,746	$1,836	$1,744
OTHER COMPREHENSIVE INCOME (LOSS)			
Translation adjustments:			
Foreign currency translation adjustments	(1,087)	(474)	(13)
Reclassifications to net income	(5)	—	—
Income Taxes	(4)	27	17
Translation adjustments	(1,096)	(447)	4
Funded status - retirement obligations (Note 16):			
Retirement program remeasurements	(318)	408	(228)
Reclassifications to net income	59	95	71
Income taxes	95	(180)	49
Funded status - retirement obligations	(164)	323	(108