

PRAXAIR INC  
Form 10-K  
February 25, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

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

For the fiscal year ended December 31, 2013

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

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Praxair, Inc.

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Praxair, Inc.

39 Old Ridgebury Road  
Danbury, Connecticut 06810-5113  
Tel. (203) 837-2000

State of incorporation: Delaware  
IRS identification number: 06-124 9050

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  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

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

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

Indicate by check mark 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates as of June 30, 2013, was approximately \$34 billion (based on the closing sale price of the stock on that date as reported on the New York Stock Exchange).

At January 31, 2014, 293,974,931 shares of common stock of Praxair, Inc. were outstanding.

Documents incorporated by reference:

Portions of the Proxy Statement of Praxair, Inc., for its 2014 Annual Meeting of Shareholders, are incorporated in Part III of this report.

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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 \$11,925 million, \$11,224 million, and \$11,252 million for 2013, 2012, and 2011, respectively. Refer to Note 18 to the consolidated financial statements for additional information related to Praxair's reportable segments.

Praxair serves approximately 25 industries as diverse as healthcare, petroleum refining, computer-chip manufacturing, beverage carbonation, fiber-optics, steel making, aerospace, chemicals and water treatment. In 2013, 95% 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 60% of its 2013 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 businesses are Chromalloy Gas Turbine Corporation, a subsidiary of Sequa Corporation, Bodycote, PLC, and Sulzer Ltd. There are other surface coating competitors that compete on a local geography basis.

Employees and Labor Relations – As of December 31, 2013, Praxair had 27,560 employees worldwide. Of this number, 10,298 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](http://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](http://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, 58, is Chairman and Chief Executive Officer of Praxair, Inc. since 2007. Before this, Mr. Angel served as President & 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 Compensation Committee, and the Technology and Environment Committee). He is also a member of The Business Council and the U.S. - Brazil CEO Forum and is a former director of the American Chemistry Council and the U.S. - China Business Council.

James T. Breedlove, 66, is Senior Vice President, General Counsel and Secretary of Praxair, Inc. and served as Vice President, General Counsel and Secretary from 2004 to 2006. Prior to joining Praxair in 2004, Mr. Breedlove was Senior Vice President and General Counsel at GE Equipment Services from 2002, and from 1992 to 2002 he served as a Senior Vice President of a division of General Electric Capital Corp.

Elizabeth T. Hirsch, 60, 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.

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Eduardo F. Menezes, 50, was promoted to Executive Vice President from Senior Vice President in 2012. He oversees Praxair's businesses in Europe, Mexico, and South America. 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, 49, was appointed Senior Vice President effective January 1, 2014. She is responsible for Global Supply Systems, Research & Development, Global Market Development, Global Operations Excellence, Global Procurement, Sustainability and Safety, Health and Environment. From 2011-2013, she served as President 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.

Sally A. Savoia, 58, is Vice President, Human Resources of Praxair since 2002. She joined Praxair in 1981, holding positions in marketing, operations and quality before being named business manager, merchant gases, North America, in 1989. In 1993, she was named associate director, Investor Relations, and the following year became director of Praxair's worldwide re-engineering and quality programs. She was named vice president and general manager, Helium and Rare gases, in 1996 and became vice president, Healthcare, in 1998.

Scott E. Telesz, 46, was promoted to Executive Vice President from Senior Vice President in 2012. He is responsible for Praxair's U.S. atmospheric gases businesses, Praxair Canada and Praxair Surface Technologies. 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, 41, was appointed Senior Vice President and Chief Financial Officer effective January 1, 2014. From 2011 through 2013 he was President of Praxair Canada. 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, Inc. , and then was named Vice President and Treasurer in 2010. Before joining Praxair, he was vice president finance, at Fisher Scientific and before that 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 approximately 25 diverse industries across more than 50 countries, which generally leads to financial stability through various business cycles. However, a broad decline in general economic or business conditions in the industries served by its customers could adversely affect the demand for Praxair's products and impair the ability of our customers to satisfy their obligations to the company, resulting in uncollected receivables and/or unanticipated contract terminations or project delays. In addition, many of the company's customers are in businesses that are cyclical in nature, such as the chemicals, electronics, metals and refining industries. Downturns in these industries may adversely impact the company during these cycles. Additionally, such conditions could impact the utilization of the company's manufacturing capacity which may require the company to recognize impairment losses on tangible assets such as property, plant and equipment as well as intangible assets such as intellectual property or goodwill.

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

Energy is the single largest cost item in the production and distribution of industrial gases. Most of Praxair's energy requirements are in the form of electricity, natural gas and diesel fuel for distribution. Praxair attempts to minimize the financial impact of variability in these costs through the management of customer contracts and energy efficiency

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initiatives. 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 Praxair conducts business. However, regional energy conditions are unpredictable and may pose future risk.

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

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

Praxair has substantial international operations which are subject to risks including devaluations in currency exchange rates, transportation delays and interruptions, political and economic instability and disruptions, restrictions on the transfer of funds, the imposition of duties and tariffs, import and export controls, changes in governmental policies, labor unrest, possible nationalization and/or expropriation of assets, domestic and international tax laws and compliance with governmental regulations. These events could have an adverse effect on the international operations in the future by reducing the demand for its products, decreasing the prices at which it can sell its products, reducing the U.S. dollar value of revenue from international operations or otherwise having an adverse effect on its business. In particular, due to government actions related to business and currency regulations, there is considerable risk associated with operations in Venezuela (see Note 2 to the consolidated financial statements). At December 31, 2013, Praxair's sales and net assets in Venezuela were less than 1% of Praxair's consolidated amounts. Also, the Company is monitoring developments regarding the collectability of government receivables from healthcare sales to public hospitals in Spain and Italy where economic conditions have been challenging and uncertain. Historically, collection of such government receivables has extended well beyond the contractual terms of sale; however, payment has always been received. At December 31, 2013, government receivables in Spain and Italy totaled about \$82 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;

• Domestic and international tax laws and currency controls;

• Safety;

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

- Trade and import/ export restrictions;
- Antitrust matters;
- Global anti-bribery laws;

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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, hurricanes, 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. 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.

**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



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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.

**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

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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, 2013. 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.

#### Europe

The Europe segment has production facilities primarily in Italy, Spain, Germany, the Benelux region, France, Scandinavia and Russia which include more than 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.

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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 40 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 40 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 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. 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, 2013 there were 13,964 shareholders of record.

NYSE quarterly stock price and dividend information

Market Price	Trading High	Trading Low	Close	Dividend Per Share
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
2012				
First Quarter	\$ 114.89	\$ 103.54	\$ 114.64	\$ 0.55
Second Quarter	\$ 116.92	\$ 101.93	\$ 108.73	\$ 0.55
Third Quarter	\$ 110.27	\$ 102.00	\$ 103.88	\$ 0.55
Fourth Quarter	\$ 110.91	\$ 102.84	\$ 109.45	\$ 0.55

Praxair's annual dividend on its common stock for 2013 was \$2.40 per share. On January 28, 2014, Praxair's Board of Directors declared a dividend of \$0.65 per share for the first quarter of 2014, or \$2.60 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, 2013 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 2013	207	\$121.91	207	\$ 507
November 2013	411	\$125.10	411	\$ 456
December 2013	393	\$123.98	393	\$ 407
Fourth Quarter 2013	1,011	\$124.01	1,011	\$ 407

(1) On January 24, 2012, the Company's board of directors approved the repurchase of \$1.5 billion of its common stock ("2012 program") which could take place from time to time on the open market (which could include the use of 10b5-1 trading plans) or through negotiated transactions, subject to market and business conditions. The 2012 program does not have any stated expiration date. As of December 31, 2013, the Company had purchased \$1,093 million of its common stock pursuant to the 2012 program, leaving an additional \$407 million remaining authorized under the 2012 program.

(2) 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. The 2014 program does not have any stated expiration date. The 2014 program is in addition to the 2012 program.



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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, 2008 and that all dividends have been reinvested.

	2008	2009	2010	2011	2012	2013
PX	\$100	\$138	\$168	\$192	\$201	\$243
SPX	\$100	\$126	\$146	\$149	\$172	\$228
S5MATR	\$100	\$149	\$182	\$164	\$189	\$238

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FIVE-YEAR FINANCIAL SUMMARY

(Dollar amounts in millions, except per share data)

Year Ended December 31, From the Consolidated Statements of Income	2013(a)	2012(a)	2011(a)	2010(a)	2009(a)	
Sales	\$11,925	\$11,224	\$11,252	\$10,116	\$8,956	
Cost of sales, exclusive of depreciation and amortization	6,744	6,396	6,458	5,754	5,032	
Selling, general and administrative	1,349	1,270	1,239	1,196	1,088	
Depreciation and amortization	1,109	1,001	1,003	925	846	
Research and development	98	98	90	79	74	
Venezuela currency devaluation and other charges – net	32	65	1	85	306	
Other income (expenses) – net	32	43	7	5	(35)	)
Operating profit	2,625	2,437	2,468	2,082	1,575	
Interest expense – net	178	141	145	118	133	
Income before income taxes and equity investments	2,447	2,296	2,323	1,964	1,442	
Income taxes	649	586	641	768	169	
Income before equity investments	1,798	1,710	1,682	1,196	1,273	
Income from equity investments	38	34	40	38	24	
Net income (including noncontrolling interests)	1,836	1,744	1,722	1,234	1,297	
Noncontrolling interests	(81)	(52)	(50)	(39)	(43)	)
Net income – Praxair, Inc.	\$1,755	\$1,692	\$1,672	\$1,195	\$1,254	
Per Share Data – Praxair, Inc.						
Shareholders						
Basic earnings per share	\$5.94	\$5.67	\$5.53	\$3.90	\$4.08	
Diluted earnings per share	\$5.87	\$5.61	\$5.45	\$3.84	\$4.01	
Cash dividends per share	\$2.40	\$2.20	\$2.00	\$1.80	\$1.60	
Weighted Average Shares Outstanding (000's)						
Basic shares outstanding	295,523	298,316	302,237	306,720	307,676	
Diluted shares outstanding	298,965	301,845	306,722	311,395	312,382	
Other Information and Ratios						
Total assets	\$20,255	\$18,090	\$16,356	\$15,274	\$14,317	
Total debt	\$8,811	\$7,362	\$6,562	\$5,557	\$5,055	
Cash flow from operations	\$2,917	\$2,752	\$2,455	\$1,905	\$2,168	
Capital expenditures	\$2,020	\$2,180	\$1,797	\$1,388	\$1,352	
Acquisitions, net of cash acquired	\$1,323	\$280	\$294	\$148	\$131	
After-tax return on capital (b)	12.8	% 13.9	% 14.8	% 14.5	% 13.9	%
Return on equity (b)	28.6	% 28.9	% 28.1	% 26.4	% 27.0	%
Debt-to-capital ratio (b)	54.3	% 51.9	% 51.8	% 47.3	% 47.0	%
Debt-to-adjusted EBITDA (b)	2.2	1.9	1.7	1.6	1.8	
Shares outstanding (000's)	294,134	296,229	298,530	303,997	306,478	
Number of employees	27,560	26,539	26,184	26,261	26,164	



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

Amounts for 2012 include: (i) a pre-tax charge of \$56 million, (\$38 million after-tax and non-controlling interests) related to the 2012 cost reduction program; (ii) a pre-tax charge of \$9 million (\$6 million after-tax) related to pension settlement; and (iii) an income tax benefit of \$55 million 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 net income – Praxair, Inc.); and (ii) a pre-tax charge of \$40 million (\$31 million net income – Praxair, Inc.) relating to the 2011 cost reduction program.

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Amounts for 2010 include: (i) an income tax charge of \$250 million related to a Spanish income tax settlement; (ii) a pre-tax charge of \$58 million (\$40 million after-tax) related to the U.S. homecare divestiture; (iii) a net repatriation tax benefit of \$35 million; and (iv) a pre-tax charge of \$27 million (\$26 million after-tax) related to the Venezuela currency devaluation.

Amounts for 2009 include the impact of the Brazil tax amnesty program and other charges of \$306 million (\$7 million after-tax benefit).

See Notes 2, 5 and 11 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.

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Segment Discussion	<u>24</u>
Liquidity, Capital Resources and Other Financial Data	<u>35</u>
Contractual Obligations	<u>39</u>
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Forward-Looking Statements	<u>47</u>

## 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 are oxygen, hydrogen, nitrogen, argon, carbon dioxide, helium, electronic gases and a wide range of specialty gases. 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 2013, 95% of sales were generated in four geographic segments (North America, Europe, South America, and Asia). The surface technologies segment generated the remaining 5% of sales.

Praxair serves approximately 25 industries as diverse as 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 through the following 11 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
			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 significant growth opportunities in diverse markets including: hydrogen for refining; oxygen for gasification and oxy-fuel applications; and nitrogen and carbon dioxide for oil and gas production.

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EXECUTIVE SUMMARY – FINANCIAL RESULTS & OUTLOOK

2013 Year in review

Praxair delivered strong results for the full year of 2013. Sales growth came primarily from strong volume growth in North America, South America and Asia and higher overall pricing. This was partially offset by the impact of negative currency translation, primarily in South America due to a weaker Brazilian Real versus the U.S. dollar. Volume growth versus 2012 came from project start-ups primarily in North America and Asia, stronger underlying customer demand in most major geographies due to improved macro-economic conditions as compared to 2012, and several acquisitions completed during the year. Operating profit and earnings per share both grew from the prior year, and the company generated record cash flow from operations.

Sales of \$11,925 million were 6% above 2012 sales of \$11,224 million. Excluding negative currency impacts, sales grew 8% primarily due to organic sales growth, acquisitions and new project start-ups.

Reported operating profit of \$2,625 million increased 8% from \$2,437 million in 2012. Adjusted operating profit of \$2,657 million increased 6% from 2012, from higher volumes, pricing, and acquisitions, partially offset by negative currency effects.\*

Reported net income – Praxair, Inc. of \$1,755 million and diluted earnings per share of \$5.87 increased from \$1,692 million and \$5.61, respectively, in 2012. Adjusted net income – Praxair, Inc. of \$1,772 million and adjusted diluted earnings per share of \$5.93 increased 5% and 6% above 2012, respectively. Earnings per share grew faster than net income due to lower shares outstanding as a result of share repurchases during the year.\*

Cash flow from operations was a record \$2,917 million, 6% above 2012.

Capital expenditures were \$2,020 million, primarily for the construction of new on-site production plants under long-term contract with customers around the world. Acquisition expenditures of \$1,323 million primarily related to the acquisition of NuCO<sub>2</sub> Inc ("NuCO<sub>2</sub>") in the United States.

2014 Outlook

Sales are forecasted to be in the range of \$12.3 to \$12.8 billion.

Diluted earnings per share are forecasted to be in the range of \$6.25 to \$6.55, an increase of 5% to 10% from 2013 adjusted amounts.

Effective tax rate of about 28%.

Capital expenditures in the range of \$1.8 to \$2.0 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, 2013, Praxair's backlog of 32 large projects under construction was \$2.2 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.

\* A reconciliation of the Adjusted amounts can be found in the "Non-GAAP Financial Measures" section on 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](http://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 2013, 2012, and 2011:

(Dollar amounts in millions, except per share data) Year Ended December 31, Reported Amounts:	2013	2012	2011	Variance		
				2013 vs. 2012	2012 vs. 2011	
Sales	\$11,925	\$11,224	\$11,252	6	% —	%
Gross margin (a)	\$5,181	\$4,828	\$4,794	7	% 1	%
As a percent of sales	43.4	% 43.0	% 42.6	%		
Selling, general and administrative	\$1,349	\$1,270	\$1,239	6	% 3	%
As a percent of sales	11.3	% 11.3	% 11.0	%		
Depreciation and amortization	\$1,109	\$1,001	\$1,003	11	% —	%
Venezuela currency devaluation and other charges – net (b)	\$32	\$65	\$1			
Other income (expenses) – net	\$32	\$43	\$7			
Operating profit	\$2,625	\$2,437	\$2,468	8	% (1)	)%
As a percent of sales	22.0	% 21.7	% 21.9	%		
Interest expense – net	\$178	\$141	\$145	26	% (3)	)%
Effective tax rate	26.5	% 25.5	% 27.6	%		
Income from equity investments	\$38	\$34	\$40	12	% (15)	)%
Noncontrolling interests	\$(81)	\$(52)	\$(50)	56	% 4	%
Net income – Praxair, Inc.	\$1,755	\$1,692	\$1,672	4	% 1	%
Diluted earnings per share	\$5.87	\$5.61	\$5.45	5	% 3	%
Diluted shares outstanding	298,965	301,845	306,722	(1)	)% (2)	)%
Number of employees	27,560	26,539	26,184			
Adjusted Amounts (c):						
Operating profit	\$2,657	\$2,502	\$2,469	6	% 1	%
As a percent of sales	22.3	% 22.3	% 21.9	%		
Interest expense – net	\$160	\$141	\$145	13	% (3)	)%
Effective tax rate	28.0	% 28.0	% 27.8	%		
Noncontrolling interests	\$(65)	\$(54)	\$(51)			
Net income – Praxair, Inc.	\$1,772	\$1,681	\$1,666	5	% 1	%
Diluted earnings per share	\$5.93	\$5.57	\$5.43	6	% 3	%

(a) Gross margin excludes depreciation and amortization expense.

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

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 11 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:

	2013 vs. 2012				2012 vs. 2011			
	% Change		Operating Profit		% Change		Operating Profit	
	Sales				Sales			
Factors Contributing to Changes								
Volume	3	%	1	%	2	%	1	%
Price	2	%	8	%	2	%	7	%
Cost pass-through	—	%	—	%	(1)	)%	—	%
Currency	(2)	)%	(2)	)%	(4)	)%	(5)	)%
Acquisitions/Divestitures	3	%	3	%	1	%	1	%
Other	—	%	(2)	)%	—	%	(5)	)%
Reported	6	%	8	%	—	%	(1)	)%
Venezuela currency devaluation and other charges, net	—	%	(2)	)%	—	%	2	%
Adjusted	6	%	6	%	—	%	1	%

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

	% of Sales			Organic Sales*	
	2013	2012	2011	% Change	
				2013 vs. 2012	2012 vs. 2011
Sales by End Markets					
Manufacturing	24	% 25	% 24	% 2	% 5
Metals	17	% 18	% 18	% 7	% 6
Energy	13	% 11	% 11	% 10	% 10
Chemicals	10	% 10	% 10	% 9	% (1)
Electronics	8	% 8	% 9	% 1	% (5)
Healthcare	8	% 8	% 8	% 4	% 6
Food & Beverage	8	% 6	% 6	% 1	% 1
Aerospace	3	% 3	% 3	% 4	% 11
Other	9	% 11	% 11	% 1	% (6)
	100	% 100	% 100	%	

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

	% of Sales			
	2013	2012	2011	
Sales by Distribution Method**				
On-Site	27	% 26	% 26	%
Merchant	34	% 33	% 34	%
Packaged Gas	30	% 31	% 30	%
Other	9	% 10	% 10	%
	100	% 100	% 100	%

\*\* Prior years' amounts have been reclassified to conform to current year's presentation.



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## 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 to fund capital expenditures and acquisitions 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%.

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.

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Other comprehensive loss at December 31, 2013 of \$123 million includes negative currency translation adjustments of \$447 million, a positive adjustment of \$323 million related to the funded status of retirement obligations and a positive adjustment of \$1 million related to derivative instruments. The translation adjustments reflect the impact of translating local currency foreign subsidiary financial statements to U.S. dollars (see "Currency" section of the MD&A for exchange rates). The negative translation adjustment primarily resulted from currency movements of \$342 million in South America, principally related to Brazil and Argentina as well as from \$137 million in North America primarily related to Canada and Mexico. The positive pension funded status impact is primarily related to the improvement of the funded status of the pension and postretirement benefits other than pensions ("OPEB") plans driven principally by actuarial gains and losses of \$395 million. Of this amount \$165 million relates to assets returns in excess of assumed returns. The remaining \$230 million primarily relates to the impact of higher discount rates (see note 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<sub>2</sub> acquisition.

## 2012 Compared With 2011

Sales in 2012 were comparable to 2011. Higher volumes and price, primarily in North America and Asia, were offset by negative currency translation impacts, due to the strengthening of the U.S. dollar against most global currencies, primarily the Brazilian Real and the Euro, and lower cost pass-through, primarily lower natural gas prices.

Gross margin in 2012 increased \$34 million, or 1%, versus 2011. The modest increase in the gross margin percentage to 43.0% in 2012 versus 42.6% in 2011 was due primarily to the impact of lower natural gas cost pass-through to customers.

Selling, general and administrative ("SG&A") expenses in 2012 were \$1,270 million, or 11.3% of sales, versus \$1,239 million, or 11.0% of sales, for 2011. The increase in SG&A expense of \$31 million was due to the impact of acquisitions (\$44 million), and higher pension expense (\$23 million) related to an increase in the amortization of net actuarial gains/losses, primarily attributable to lower discount rates. The effect of currency translation reduced SG&A expense by \$48 million.

Depreciation and amortization expense in 2012 decreased \$2 million versus 2011 due to currency effects.

Other income (expenses) – net in 2012 was a \$43 million benefit versus a \$7 million benefit in 2011. The change in 2012 versus 2011 was primarily due to gains on asset sales in North America and Asia, and a litigation settlement in South America, partially offset by business restructuring charges in South America and currency related losses. See Note 7 to the consolidated financial statements for a summary of the major components of Other income (expenses) – net.

Reported operating profit of \$2,437 million in 2012 was \$31 million, or 1% lower than operating profit of \$2,468 million in 2011. As a percentage of sales, reported operating profit decreased to 21.7% in 2012 from 21.9% in 2011. This is primarily due to the \$65 million cost reduction program and pension settlement charge in 2012. Adjusted operating profit of \$2,502 million in 2012 was \$33 million, or 1% higher than adjusted operating profit of \$2,469 million in 2011. As a percentage of sales, adjusted operating profit improved to 22.3% in 2012 versus 21.9% in 2011. A discussion of operating profit by segment is included in the segment discussion that follows.

Interest expense – net in 2012 decreased \$4 million, versus 2011. Lower interest rates reduced interest expense by approximately \$30 million. Additionally, higher capitalized interest, due to higher capital expenditures, reduced interest expense by approximately \$8 million. These reductions were partially offset by the impact of higher debt which increased interest expense by approximately \$29 million. The remaining variance of \$5 million related to miscellaneous other items, none of which were significant. See Note 7 to the consolidated financial statements for further information relating to interest expense.

The effective tax rate for 2012 was 25.5% versus 27.6% in 2011. The reduction in the effective rate in 2012 compared to 2011 was primarily driven by the \$55 million income tax benefit related to the loss on a liquidated subsidiary. The adjusted effective tax rate for 2012 was 28.0%, versus 27.8% in 2011.

Praxair's significant equity investments are in the United States, China, Italy, and the Middle East. Equity income decreased \$6 million in 2012 related primarily to the negative impact of currencies and the consolidation of Yara Praxair in the fourth quarter of 2011 which was previously accounted for as an equity investment.

At December 31, 2012, 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 \$2 million increase in noncontrolling interests in 2012 was

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primarily due to the impact of the consolidation of Yara Praxair as a result of obtaining a controlling ownership interest in the fourth quarter of 2011, partially offset by cost reduction charges in the European investments and the negative impact of currency on European and Asian investments. Adjusted noncontrolling interests was \$54 million in 2012 compared to \$51 million in the prior year.

Reported net income - Praxair, Inc. of in 2012 was \$1,692 million, or \$20 million higher than net income- Praxair, Inc. of \$1,672 million in 2011. The increase in reported net income - Praxair, Inc from 2011 to 2012 was the result of a non-recurring gain on acquisition in 2011 offset by the aforementioned income tax benefit in 2012. Adjusted net income – Praxair, Inc. of \$1,681 million in 2012 was \$15 million, or 1% higher than adjusted net income – Praxair, Inc. of \$1,666 million in 2011. The increase was due to higher adjusted operating profit and lower interest expense partially offset by lower income from equity investments.

Reported diluted EPS of \$5.61 in 2012 increased \$0.16 per diluted share, or 3%, from adjusted diluted EPS of \$5.45 in 2011. Adjusted diluted EPS of \$5.57 in 2012 increased \$0.14 per diluted share, or 3%, from adjusted diluted EPS of \$5.43 in 2011. The increase in both reported and adjusted diluted EPS was primarily due to higher net income – Praxair, Inc. and a 2% decrease in the number of diluted shares outstanding as a result of the company's net repurchases of common stock during 2012.

Other comprehensive income (loss) for the year ended December 31, 2012 of \$1,586 million includes positive translation adjustments of \$4 million and a negative adjustment of \$108 million related to the funded status of retirement obligations. The translation adjustments reflect the impact of translating local currency foreign subsidiary financial statements to U.S. dollars (see "Currency" section of the MD&A for exchange rates). The positive translation adjustments primarily resulted from currency movements in North American (\$99 million related to Canada and Mexico), Asia (\$40 million related primarily to Korea), and Europe (\$31 million). These positive impacts were largely offset by a negative currency adjustment of \$171 million in South America, primarily related to Brazil and Argentina. The negative pension funded status impact resulted primarily from current year net actuarial losses, due primarily to lower discount rates. See Note 16 to the consolidated financial statements for a summary of the pension funded status components recognized in other comprehensive income (loss).

The number of employees at December 31, 2012 was 26,539, reflecting an increase of 355 employees from December 31, 2011. This increase reflects acquisitions and additions in growing businesses, partially offset by the impact of cost reduction plans put in place during the fourth quarter of 2011 and the third quarter of 2012, primarily in Europe and South America.

### 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 monitoring and controlling GHG emissions and one of these rules regulates GHG emissions from light-duty vehicles and certain large manufacturing facilities, many of which are Praxair suppliers or customers. 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. 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. 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.

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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.

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 2013 included approximately \$16 million in capital expenditures and \$29 million of expenses. Praxair anticipates that future annual environmental protection expenditures will be similar to 2013, 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 \$119 million in 2013, \$93 million in 2012 and \$66 million in 2011. Consolidated net periodic benefit cost included settlement charges of \$9 million, \$10 million and \$6 million in 2013, 2012 and 2011, respectively.

The funded status (pension benefit obligation ("PBO") less the fair value of plan assets) for the U.S. plans was a deficit of \$171 million as December 31, 2013 versus a deficit of \$535 million at December 31, 2012. This improvement was due to higher discount rates, strong investment performance in 2013 and contributions of \$35 million.

Global pension contributions were \$52 million in 2013, \$184 million in 2012 and \$94 million in 2011. Estimates for 2014 contributions are in the area of \$25 million.

Praxair assumes an expected return on plan assets for 2014 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, 2014 consolidated pension expense is expected to be approximately \$75 million. The decrease is due primarily to fewer net actuarial losses to be amortized as a result of an increase in the discount rates, and the return on assets during 2013. 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.



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**OPEB**

The net periodic benefit cost for OPEB plans was \$11 million in 2013, \$9 million in 2012 and \$12 million in 2011. The funded status deficit decreased \$43 million during 2013 due primarily to higher discount rates.

In 2014, consolidated net periodic benefit costs for the OPEB plans is expected to be approximately \$9 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 varying retentions, the company purchases insurance coverage from highly rated insurance companies at what it believes are reasonable coverage levels.

At December 31, 2013 and 2012, the company had recorded a total of \$33 million and \$28 million, respectively, 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. Accordingly, segment operating profit and the following discussion of segment results, including comparisons with prior periods, exclude the impacts of: (i) Venezuela currency devaluation and pension settlement in 2013, (ii) a cost reduction program and a pension settlement charge in 2012, (iii) the net gain on acquisition and cost reduction program in 2011. Certain prior years' amounts have been reclassified to conform to the current year's presentation.



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(Dollar amounts in millions)				Variance		
Year Ended December 31,	2013	2012	2011	2013 vs. 2012	2012 vs. 2011	
Sales						
North America	\$6,164	\$5,598	\$5,490	10	% 2	%
Europe	1,542	1,474	1,458	5	% 1	%
South America	2,042	2,082	2,308	(2)	)% (10	)%
Asia	1,525	1,414	1,348	8	% 5	%
Surface Technologies	652	656	648	(1)	)% 1	%
	\$11,925	\$11,224	\$11,252	6	% —	%
Operating Profit						
North America	\$1,538	\$1,465	\$1,331	5	% 10	%
Europe	270	256	272	5	% (6	)%
South America	467	429	530	9	% (19	)%
Asia	271	246	234	10	% 5	%
Surface Technologies	111	106	102	5	% 4	%
Segment operating profit	2,657	2,502	2,469	6	% 1	%
Venezuela currency devaluation and other charges (Note 2)	(32	) (65	) (1	)		
Total operating profit	\$2,625	\$2,437	\$2,468			
North America						
(Dollar amounts in millions)				Variance		
Year Ended December 31,	2013	2012	2011	2013 vs. 2012	2012 vs. 2011	
Sales	\$6,164	\$5,598	\$5,490	10	% 2	%
Cost of sales, exclusive of depreciation and amortization	3,301	2,968	2,995			
Gross margin	2,863	2,630	2,495			
Operating expenses	759	667	669			
Depreciation and amortization	566	498	495			
Operating profit	\$1,538	\$1,465	\$1,331	5	% 10	%
Margin %	25.0	% 26.2	% 24.2	%		

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	2013 vs. 2012			2012 vs. 2011		
	% Change			% Change		
	Sales	Operating Profit		Sales	Operating Profit	
Factors Contributing to Changes						
Volume	2	% 1	%	3	% 3	%
Price	2	% 8	%	2	% 8	%
Cost pass-through	1	% —	%	(3)	)% —	%
Currency	—	% —	%	(1)	)% (1)	)%
Acquisitions/Divestitures	5	% 5	%	1	% 1	%
Other	—	% (9	)%	—	% (1	)%
	10	% 5	%	2	% 10	%

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

	% of Sales			Organic Sales			
	2013	2012	2011	% Change	2013 vs. 2012	2012 vs. 2011	
Sales by End Markets							
Manufacturing	30	% 32	% 29	% 3	% 8	%	
Metals	13	% 14	% 13	% 1	% 5	%	
Energy	19	% 17	% 17	% 13	% 12	%	
Chemicals	10	% 11	% 11	% 4	% (6	)%	
Electronics	5	% 5	% 6	% (8	)% (9	)%	
Healthcare	7	% 7	% 8	% —	% —	%	
Food & Beverage	8	% 5	% 5	% (1	)% —	%	
Aerospace	1	% 1	% 1	% 14	% 4	%	
Other	7	% 8	% 10	% —	% (1	)%	
	100	% 100	% 100	%			
Sales by Distribution Method							
				% of Sales			
				2013	2012	2011	
On-Site				28	% 27	% 28	%
Merchant				36	% 35	% 35	%
Packaged Gas				34	% 36	% 33	%
Other				2	% 2	% 4	%
				100	% 100	% 100	%

The North America segment includes Praxair's industrial gases operations in the United States, Canada and Mexico. 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<sub>2</sub>, 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<sub>2</sub>, 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



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\$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. Sales for 2012 increased \$108 million, or 2%, versus 2011, due to higher volumes and price. Volume growth of 3% was driven by higher sales to the energy, manufacturing and metals end-markets which more than offset weaker sales to the electronics and chemical end-markets. Higher pricing increased sales by 2%. Negative currency impacts decreased sales by 1%. Lower cost pass-through, primarily lower natural gas prices passed through to hydrogen customers, decreased sales by 3%, with a minimal impact on operating profit. Acquisitions of packaged gas distributors, primarily in the United States, contributed 1% to sales growth.

Operating profit for 2012 increased \$134 million, or 10% versus 2011, driven by higher pricing and volumes. The operating margin increased to 26.2% from 24.2% in 2011 due primarily to higher volumes and price and the impact of lower natural gas pass-through.

## Europe

(Dollar amounts in millions)

Year Ended December 31,	2013	2012	2011	Variance			
				2013 vs. 2012	2012 vs. 2011		
Sales	\$1,542	\$1,474	\$1,458	5	% 1	%	
Cost of sales, exclusive of depreciation and amortization	881	841	849				
Gross margin	661	633	609				
Operating expenses	222	228	196				
Depreciation and amortization	169	149	141				
Operating profit	\$270	\$256	\$272	5	% (6	)%	
Margin %	17.5	% 17.4	% 18.7	%			
		2013 vs. 2012		2012 vs. 2011			
		% Change		% Change			
		Sales	Operating Profit	Sales	Operating Profit		
Factors Contributing to Changes							
Volume		(1	)% (12	)%	(2	)% (7	)%
Price		1	% 6	%	1	% 3	%
Cost pass-through		(1	)% —	%	(1	)% —	%
Currency		3	% 3	%	(7	)% (8	)%
Acquisitions/Divestitures		3	% 3	%	10	% 8	%
Other		—	% 5	%	—	% (2	)%
		5	% 5	%	1	% (6	)%

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

	% of Sales			Organic Sales % Change			
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011		
<b>Sales by End Markets</b>							
Manufacturing	22	% 23	% 22	% (4	)% (3	)%	
Metals	16	% 16	% 17	% 2	% (2	)%	
Energy	6	% 4	% 3	% 7	% (11	)%	
Chemicals	16	% 17	% 18	% —	% —	%	
Electronics	7	% 8	% 8	% 5	% (13	)%	
Healthcare	11	% 11	% 12	% (2	)% 1	%	
Food & Beverage	9	% 9	% 7	% —	% (3	)%	
Aerospace	1	% 1	% 1	% —	% —	%	
Other	12	% 11	% 12	% (6	)% 5	%	
	100	% 100	% 100	%			
				% of Sales			
				2013	2012	2011	
<b>Sales by Distribution Method</b>							
On-Site				20	% 20	% 21	%
Merchant				34	% 34	% 33	%
Packaged Gas				43	% 42	% 42	%
Other				3	% 4	% 4	%
				100	% 100	% 100	%

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

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 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. Sales for 2012 increased \$16 million, or 1% versus 2011. The acquisition of an increased investment in Yara Praxair during the fourth quarter of 2011 (see Note 3 to the consolidated financial statements) which required consolidation, increased sales by 10%, versus the prior year. Underlying sales were 1% below the prior year as lower volumes offset modest price improvements. Currency reduced sales by 7%.

Operating profit for 2012 of \$256 million was 6% lower when compared to 2011. The positive contribution to operating profit from the consolidation of Yara Praxair and higher pricing was offset by lower packaged gas sales in Spain, Germany and Western Europe and the negative impact of currency.

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## South America

(Dollar amounts in millions)

Year Ended December 31,	2013	2012	2011	Variance			
				2013 vs. 2012	2012 vs. 2011		
Sales	\$2,042	\$2,082	\$2,308	(2)	)%	(10)	)%
Cost of sales, exclusive of depreciation and amortization	1,134	1,202	1,293				
Gross margin	908	880	1,015				
Operating expenses	260	267	288				
Depreciation and amortization	181	184	197				
Operating profit	\$467	\$429	\$530	9	%	(19)	)%
Margin %	22.9	% 20.6	% 23.0	%			
		2013 vs. 2012		2012 vs. 2011			
		% Change		% Change			
		Sales	Operating Profit	Sales	Operating Profit		
Factors Contributing to Changes							
Volume		4	% 7	%	—	% (5)	)%
Price		3	% 13	%	2	% 9	%
Cost pass-through		—	% —	%	—	% —	%
Currency		(9)	)%	(9)	)%	(14)	)%
Acquisitions/Divestitures		—	% —	%	—	% —	%
Other		—	% (2)	)%	—	% (9)	)%
		(2)	)%	9	%	(10)	)%

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

	% of Sales			Organic Sales			
	2013	2012	2011	% Change 2013 vs. 2012	2012 vs. 2011		
Sales by End Markets							
Manufacturing	21	% 22	% 23	% 3	% (2)	)%	
Metals	29	% 28	% 27	% 10	% 6	%	
Energy	2	% 4	% 5	% (4)	)%	(9)	)%
Chemicals	9	% 6	% 6	% 20	% (6)	)%	
Electronics	—	% —	% —	% —	% —	%	
Healthcare	17	% 16	% 15	% 10	% 11	%	
Food & Beverage	12	% 12	% 12	% 8	% (1)	)%	
Aerospace	—	% —	% —	% —	% —	%	
Other	10	% 12	% 12	% (1)	)%	3	%
	100	% 100	% 100	%			

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	% of Sales			
	2013	2012	2011	
Sales by Distribution Method				
On-Site	25	% 23	% 22	%
Merchant	43	% 43	% 44	%
Packaged Gas	30	% 31	% 32	%
Other	2	% 3	% 2	%
	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 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 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.

Sales in 2012 decreased \$226 million, or 10%, versus 2011 due to negative currency effects. Underlying sales grew 2% in 2012 from improved pricing. Overall volumes were flat as higher volumes from new on-site production facilities were offset by lower volumes to merchant and packaged gas customers largely attributable to the lower industrial production rates in Brazil. By end-market, sales increased to metals and healthcare, and were slightly lower to general manufacturing customers.

Operating profit decreased \$101 million or 19% versus 2011, primarily due to currency translation impacts which reduced operating profit by 14%. Underlying operating profit decreased 5% versus 2011. Higher pricing in 2012 improved operating profit by 9% but this was more than offset by the impact of a lower mix of higher margin packaged gas and merchant liquid volumes, and higher operating costs primarily related to power, distribution and cost inflation. Reported operating expenses in 2012 were below prior year amounts due primarily to currency impacts. Depreciation and amortization increased in 2012 due to the start up of new on-site production facilities but was more than offset by the impacts of currency translation. 2012 included a benefit from litigation settlements, which was largely offset by charges in connection with business restructuring in Brazil, Chile and Colombia.

Asia				Variance		
(Dollar amounts in millions)				2013 vs. 2012		
Year Ended December 31,	2013	2012	2011		2012 vs. 2011	
Sales	\$1,525	\$1,414	\$1,348	8	% 5	%
Cost of sales, exclusive of depreciation and amortization	1,005	952	893			
Gross margin	520	462	455			
Operating expenses	99	89	95			
Depreciation and amortization	150	127	126			
Operating profit	\$271	\$246	\$234	10	% 5	%
Margin %	17.8	% 17.4	% 17.4	%		

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	2013 vs. 2012				2012 vs. 2011			
	% Change				% Change			
	Sales	Operating Profit			Sales	Operating Profit		
Factors Contributing to Changes								
Volume	10	% 14	%		6	% 6	%	
Price	(1	)% (4	)%		(1	)% (4	)%	
Cost pass-through	(1	)% —	%		2	% —	%	
Currency	—	% —	%		(2	)% (2	)%	
Other	—	% —	%		—	% 5	%	
	8	% 10	%		5	% 5	%	

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

	% of Sales			Organic Sales			
	2013	2012	2011	% Change	2012 vs. 2011		
Sales by End Markets							
Manufacturing	11	% 12	% 13	% 1	% (1	)%	
Metals	27	% 25	% 23	% 15	% 20	%	
Energy	2	% 1	% 1	% 172	% —	%	
Chemicals	13	% 11	% 10	% 19	% 18	%	
Electronics	34	% 37	% 39	% —	% (1	)%	
Healthcare	1	% 1	% 1	% —	% —	%	
Food & Beverage	2	% 3	% 4	% (18	)% (8	)%	
Aerospace	—	% —	% —	% —	% —	%	
Other	10	% 10	% 9	% 18	% 18	%	
	100	% 100	% 100	%			
				% of Sales			
				2013	2012	2011	
Sales by Distribution Method							
On-Site				48	% 43	% 39	%
Merchant				29	% 29	% 31	%
Packaged Gas				11	% 12	% 14	%
Other				12	% 16	% 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.

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%.

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





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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.

Sales for 2012 increased \$66 million, or 5%, versus 2011. Volume growth increased sales by 6% due to higher on-site sales from new plant start-ups in China partially mitigated by lower demand from the electronics end-market including semiconductor, flat panel display, and solar customers. Lower merchant pricing, primarily due to the electronics end-market, reduced sales as compared to the prior year. Negative currency impacts, primarily the weakening of the Indian Rupee against the U.S. dollar, reduced sales by 2%. Cost pass-through increased sales 2% and relates to the contractual pass through of precious metals and power costs fluctuations, with minimal impact on operating profit. By end-market, sales increased to metals and chemicals customers, and decreased to manufacturing and electronics.

Operating profit for 2012 increased \$12 million, or 5%, versus 2011. Higher volumes due to new plant start-ups increased operating profit; however, this was partially offset by lower sales of higher margin merchant volumes in China and Thailand. Pricing reduced operating profit by 4% primarily due to lower pricing within the electronics end-market. Operating profit included a gain on a land sale in Korea which was partially offset by inflationary cost increases.

## Surface Technologies

(Dollar amounts in millions)

Year Ended December 31,	2013	2012	2011	Variance		
				2013 vs. 2012	2012 vs. 2011	
Sales	\$652	\$656	\$648	(1)	)% 1	%
Cost of sales, exclusive of depreciation and amortization	423	433	428			
Gross margin	229	223	220			
Operating expenses	75	74	74			
Depreciation and amortization	43	43	44			
Operating profit	\$111	\$106	\$102	5	% 4	%
	17.0	% 16.2	% 15.7	%		
		2013 vs. 2012		2012 vs. 2011		
		% Change		% Change		
		Sales	Operating Profit	Sales	Operating Profit	
Factors Contributing to Changes						
Volume/Price		—	% 2	% 4	% 13	%
Cost pass-through		(1)	)% —	% —	% —	%
Currency		—	% —	% (3)	)% (5)	)%
Acquisitions/Divestitures		—	% —	% —	% —	%
Other		—	% 3	% —	% (4)	)%
		(1	)% 5	% 1	% 4	%

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The following table provides sales by end-market:

Sales by End Markets	% of Sales			Organic Sales % Change		
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011	
Manufacturing	13	% 14	% 14	% (2	)% 6	%
Metals	8	% 8	% 10	% 4	% (15	)%
Energy	28	% 28	% 25	% —	% 14	%
Chemicals	2	% 3	% 2	% (9	)% 11	%
Electronics	1	% —	% —	% —	% —	%
Healthcare	—	% —	% —	% —	% —	%
Food & Beverage	3	% 3	% 3	% (3	)% 5	%
Aerospace	34	% 34	% 31	% (1	)% 13	%
Other	11	% 10	% 15	% 2	% (24	)%
	100	% 100	% 100	%		

Surface technologies provides high-performance coatings and thermal-spray powders and equipment in the Americas, Europe, and Asia.

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.

Sales in 2012 increased \$8 million, or 1% versus 2011. Underlying sales increased 4% driven by higher volumes and pricing. The underlying sales growth came from increased aerospace coatings and increased coatings for energy markets, particularly coatings for parts used in the oil and gas markets. Currency translation negatively impacted sales by 3%, due primarily to the weakening of the Euro versus the U.S. dollar.

Operating profit increased \$4 million, or 4% versus 2011. Higher volumes and pricing increased operating profit by 13%. This growth was partially offset by negative currency impacts and higher costs as compared to the prior year, primarily relating to employee wages and benefit costs, incentive plans expense and general cost inflation.

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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 2013 Consolidated Sales (a)	Statements of Income Average Year Ended December 31,			Balance Sheets December 31,	
		2013	2012	2011	2013	2012
Brazil real	14	% 2.15	1.95	1.67	2.34	2.04
Euro	13	% 0.75	0.78	0.72	0.73	0.76
Canada dollar	8	% 1.03	1.00	0.99	1.06	0.99
Mexico peso	6	% 12.76	13.24	12.32	13.04	13.05
China yuan	5	% 6.16	6.31	6.48	6.05	6.29
Korea won	3	% 1,094	1,132	1,107	1,050	1,073
India rupee	2	% 58.31	53.46	46.28	61.80	54.85
Singapore dollar	1	% 1.25	1.25	1.26	1.26	1.22
Argentina peso	1	% 5.45	4.54	4.13	6.52	4.91
Colombia peso	<1%	1,868	1,797	1,846	1,927	1,768
Taiwan dollar	<1%	29.69	29.65	29.40	29.81	29.04
Thailand bhat	<1%	30.69	31.11	30.50	32.71	30.64
Venezuela bolivar (b)	<1%	5.97	4.30	4.30	6.30	4.30

a) Certain Surface technologies segment sales are included in European, Indian, Korean, and Brazilian sales.

b) On February 8, 2013, the Venezuelan government announced a devaluation of the Venezuelan bolivar from an exchange rate of 4.30 to 6.30 effective February 13, 2013 (see Note 2 to the consolidated financial statements).

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## LIQUIDITY, CAPITAL RESOURCES AND OTHER FINANCIAL DATA

(Millions of dollars)

Year Ended December 31,	2013	2012	2011	
Net Cash Provided by (Used for)				
Operating Activities				
Net income – Praxair, Inc. plus depreciation and amortization	\$2,864	\$2,693	\$2,675	
Noncontrolling interests	81	52	50	
Net income plus depreciation and amortization (including noncontrolling interests)	2,945	2,745	2,725	
Adjustments to reconcile net income to net cash provided by operating activities:				
Venezuela currency devaluation and other charges – net, net of payments (a)	23	43	(5	)
Deferred income taxes	101	258	(3	)
Working capital	(100	)	(105	)
Pension contributions	(52	)	(184	)
Other – net	—	(5	)	(81
Total provided by operating activities	\$2,917	2,752	\$2,455	
Investing Activities				
Capital expenditures	\$(2,020	)	\$(2,180	)
Acquisitions, net of cash acquired	(1,323	)	(280	)
Divestitures and asset sales	106	82	86	
Total used for investing	\$(3,237	)	\$(2,378	)
Financing Activities				
Debt increases (reductions) – net	\$1,461	\$807	\$914	
Issuances (purchases) of common stock – net	(436	)	(459	)
Cash dividends – Praxair, Inc. shareholders	(708	)	(655	)
Excess tax benefit on stock based compensation	46	60	53	
Noncontrolling interest transactions and other	(35	)	(56	)
Total used for financing	\$328	\$(303	)	\$(380
Other Financial Data (b)				
Debt-to-capital ratio	54.3	% 51.9	% 51.8	%
After-tax return on capital	12.8	% 13.9	% 14.8	%
Return on Praxair, Inc. shareholder's equity	28.6	% 28.9	% 28.1	%

(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 \$19 million in 2013 versus 2012. The primary sources of cash in 2013 were cash flows from operations of \$2,917 million, and debt increases net of repayments of \$1,461 million. The major uses of cash were capital expenditures of \$2,020 million, acquisitions of \$1,323 million, purchases of Praxair common stock net of issuances of \$436 million, and cash dividends to shareholders of \$708 million.

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Cash Flows From Operations

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

2013 compared with 2012

Cash flows from operations increased \$165 million to \$2,917 million in 2013 from \$2,752 million in 2012. The increase was primarily due to higher net income plus depreciation and amortization and the impact of lower pension contributions compared to the prior-year period. These increases were partially offset by lower deferred taxes.

2012 compared with 2011

Cash flows from operations increased \$297 million to \$2,752 million in 2012 from \$2,455 million in 2011. The increase was due to higher net income plus depreciation and amortization, other non-cash charges and lower income tax payments, partially offset by an increase in pension funding, mainly in the United States. The lower tax payments are primarily the result of a tax benefit associated with a loss on a liquidated subsidiary (see Note 2 to the consolidated financial statements), and increased deferred income tax liabilities related to fixed asset depreciation.

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Investing

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 consisted primarily of the acquisition of NuCO<sub>2</sub>, 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.

2012 compared with 2011

Net cash used for investing activities of \$2,378 million increased \$373 million versus 2011 primarily due to increased capital expenditures.

Capital expenditures in 2012 were \$2,180 million, an increase of \$383 million from 2011. Capital expenditures during 2012 related largely to new production plants under contract for customers globally.

Acquisition expenditures in 2012 were \$280 million which were in line with 2011. Acquisitions consisted primarily of the acquisition of packaged gas distributors in North America and an industrial gas business in Russia. 2011 included the acquisition of a controlling interest in Yara Praxair, several packaged gas distributors in the United States, and a 49% ownership in ROC Group's industrial gases business operating in the United Arab Emirates.

Divestitures and asset sales in 2012 totaled \$82 million, which included the sale of an electronics business in the United States and 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, 2013, 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.

In February 2013, Praxair issued \$400 million of 0.75% notes due 2016 and \$500 million of 2.70% notes due 2023; in March 2013, Praxair issued \$500 million of 1.20% notes due 2018; in April 2013, Praxair issued \$475 million of 1.25% notes due 2018 and \$175 million of 3.55% notes due 2042; and in November 2013, Praxair issued \$500 million of 1.90% notes due 2019.

In June 2013, Praxair repaid \$350 million of 3.95% notes and \$500 million of 2.125% notes that became due. In December 2013, Praxair redeemed \$400 million of 5.25% notes due in November 2014, see Note 11 to the consolidated financial statements.

Note 11 to the consolidated financial statements includes information with respect to the company's debt refinancing in 2013, 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, 2013 and expects to remain in compliance for the foreseeable future.

Cash provided by financing activities was \$328 million in 2013 compared to cash used for financing \$303 million in 2012. Cash dividends of \$708 million increased \$53 million from 2012.

Praxair's total debt outstanding at December 31, 2013 was \$8,811 million, \$1,449 million higher than \$7,362 million at December 31, 2012 due primarily to higher debt levels required to fund acquisitions. The December 31, 2013 debt



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balance includes \$8,579 million in public securities and \$232 million representing primarily worldwide bank borrowings. Praxair's global effective borrowing rate was approximately 2.7% for 2013.

**Other Financial Data**

Praxair's debt-to-capital ratio is 54.3% at December 31, 2013 versus 51.9% at December 31, 2012. The increase is attributable to higher debt levels, primarily to fund acquisitions.

After-tax return on capital ("ROC") decreased to 12.8% at December 31, 2013 versus 13.9% at 2012 reflecting the large amount of capital projects under construction and acquisitions made during the year.

Return on equity ("ROE") is 28.6% for the year-ended December 31, 2013 versus 28.9% during 2012.

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, 2013:

(Millions of dollars)	Due or expiring by December 31,						Total
	2014	2015	2016	2017	2018	Thereafter	
Long-term debt obligations:							
Debt and capitalized lease maturities (Note 11)*	\$3	\$924	\$1,167	\$727	\$1,047	\$4,161	\$8,029
Contractual interest	231	205	184	152	136	648	1,556
Operating leases (Note 4)*	119	103	88	69	57	51	487
Retirement obligations	61	37	36	37	36	161	368
Unconditional purchase obligations (Note 17)*	529	444	421	409	404	3,542	5,749
Construction commitments (Note 17)*	1,071	515	117	—	—	—	1,703
<b>Total Contractual Obligations</b>	<b>\$2,014</b>	<b>\$2,228</b>	<b>\$2,013</b>	<b>\$1,394</b>	<b>\$1,680</b>	<b>\$8,563</b>	<b>\$17,892</b>

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

Contractual interest on long-term debt of \$1,556 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, 2013, Praxair had fixed-rate debt of \$7,004 million and floating-rate debt of \$1,807 million. The rate assumed for floating-rate debt was the rate in effect at December 31, 2013.

Retirement obligations of \$368 million include estimates of pension plan contributions and expected future benefit payments for unfunded pension and OPEB plans. Pension plan contributions are forecast for 2014 only. For purposes of the table, \$25 million of contributions have been included for 2014. Expected future unfunded pension and OPEB benefit payments are forecast only through 2023. Contribution and unfunded benefit payment estimates are based upon current valuation assumptions. Estimates of pension contributions after 2014 and unfunded benefit payments after 2023 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 \$72 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, 2013, 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.



Table of Contents**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, 2013 was \$12,278 million, representing 61% of the company's consolidated total assets. Depreciation expense for the year ended December 31, 2013 was \$1,068 million, or 11% 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, 2013, if depreciable lives of machinery and equipment, on average, were increased or decreased by one year, annual depreciation expense would be decreased by approximately \$59 million or increased by approximately \$67 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.

The weighted-average expected long-term rates of return on pension plan assets were 8.00% for U.S. plans and 7.50% for international plans for the years ended December 31, 2013 (8.25% and 8.70%, respectively at December 31, 2012). 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 \$9 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 \$2,033 million, or \$138 million lower than the fair value of assets of \$2,171 million at December 31, 2013. These net deferred investment gains of \$138 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.

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The weighted-average discount rates for pension plan liabilities were 4.80% for U.S. plans and 6.30% for international plans at December 31, 2013 (3.90% and 5.80%, respectively, at December 31, 2012). 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 \$13 million and would impact the PBO by approximately \$150 million. The weighted-average expected rate of compensation increase was 3.25% for U.S. plans and 4.00% for international plans at December 31, 2013 and 2012. 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 \$6 million and would impact the PBO by approximately \$28 million.

### Asset Impairments

#### Goodwill

At December 31, 2013, the company had goodwill of \$3,194 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, 2013, 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 \$16 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 2013 qualitative assessment indicated that it is more likely than not that the fair value of each reporting unit substantially exceeded its 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, 2013, Praxair had deferred tax assets of \$855 million (net of valuation allowances of \$85 million), and deferred tax liabilities of \$1,807 million. At December 31, 2013, uncertain tax positions totaled \$121 million (see

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Notes 1 and 5 to the consolidated financial statements). Income tax expense was \$649 million for the year ended December 31, 2013, or about 26.5% 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.

**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.





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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)

Year ended December 31,	2013	2012	2011	2010	2009	
Performance Measures:						
After-tax return on capital ("ROC")	12.8	% 13.9	% 14.8	% 14.5	% 13.9	%
Return on equity ("ROE")	28.6	% 28.9	% 28.1	% 26.4	% 27.0	%
Debt-to-capital	54.3	% 51.9	% 51.8	% 47.3	% 47.0	%
Debt-to-adjusted EBITDA	2.2	1.9	1.7	1.6	1.8	
Adjusted Amounts:						
Operating profit	\$2,657	\$2,502	\$2,469	\$2,167	\$1,881	
As a percent of sales	22.3	% 22.3	% 21.9	% 21.4	% 21.0	%
Interest expense - net	\$160	\$141	\$145	\$118	\$133	
Effective tax rate	28.0	% 28.0	% 27.8	% 27.9	% 27.6	%
Noncontrolling interests	\$(65)	) \$(54)	) \$(51)	) \$(39)	) \$(43)	)
Net income – Praxair, Inc.	\$1,772	\$1,681	\$1,666	\$1,476	\$1,247	
Diluted earnings per share	\$5.93	\$5.57	\$5.43	\$4.74	\$3.99	

## 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,	2013	2012	2011	2010	2009	
Adjusted operating profit (see below)	\$2,657	\$2,502	\$2,469	\$2,167	\$1,881	
Less: adjusted income taxes (see below)	(698)	) (660)	) (647)	) (572)	) (482)	)
Less: tax benefit on adjusted interest expense (a)	(44)	) (39)	) (41)	) (33)	) (37)	)
Add: income from equity investments	38	34	40	38	24	
Net operating profit after-tax ("NOPAT")	\$1,953	\$1,837	\$1,821	\$1,600	\$1,386	
Beginning capital	\$13,878	\$12,489	\$11,663	\$10,658	\$9,304	
First quarter ending capital	\$15,344	\$13,248	\$12,289	\$10,758	\$9,366	
Second quarter ending capital	\$15,548	\$13,017	\$12,809	\$10,745	\$10,020	
Third quarter ending capital	\$15,757	\$13,617	\$12,306	\$11,336	\$10,577	
Year-end ending capital	\$15,983	\$13,878	\$12,489	\$11,663	\$10,658	
Five-quarter average capital	\$15,302	\$13,250	\$12,311	\$11,032	\$9,985	
After-tax return on capital	12.8	% 13.9	% 14.8	% 14.5	% 13.9	%

(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 were 28%.

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## 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,	2013	2012	2011	2010	2009	
Adjusted net income – Praxair, Inc. (see below)	\$ 1,772	\$ 1,681	\$ 1,666	\$ 1,476	\$ 1,247	
Beginning Praxair, Inc. shareholders' equity	\$ 6,064	\$ 5,488	\$ 5,792	\$ 5,315	\$ 4,009	
First quarter ending Praxair, Inc. shareholders' equity	\$ 6,169	\$ 5,940	\$ 6,165	\$ 5,398	\$ 4,073	
Second quarter ending Praxair, Inc. shareholders' equity	\$ 5,928	\$ 5,615	\$ 6,400	\$ 5,452	\$ 4,638	
Third quarter ending Praxair, Inc. shareholders' equity	\$ 6,210	\$ 6,015	\$ 5,753	\$ 5,991	\$ 5,085	
Year-End ending Praxair, Inc. shareholders' equity	\$ 6,609	\$ 6,064	\$ 5,488	\$ 5,792	\$ 5,315	
Five-quarter average Praxair, Inc. shareholders' equity	\$ 6,196	\$ 5,824	\$ 5,920	\$ 5,590	\$ 4,624	
Return on Praxair, Inc. Shareholders' Equity	28.6	% 28.9	% 28.1	% 26.4	% 27.0	%

## 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,	2013	2012	2011	2010	2009	
Total debt	\$ 8,811	\$ 7,362	\$ 6,562	\$ 5,557	\$ 5,055	
Less: cash and cash equivalents	(138 )	(157 )	(90 )	(39 )	(45 )	
Net debt	8,673	7,205	6,472	5,518	5,010	
Equity and redeemable noncontrolling interests						
Redeemable noncontrolling interests	307	252	220	—	—	
Praxair, Inc. shareholders' equity	6,609	6,064	5,488	5,792	5,315	
Noncontrolling interests	394	357	309	353	333	
Total equity and redeemable noncontrolling interests	7,310	6,673	6,017	6,145	5,648	
Total capital	\$ 15,983	\$ 13,878	\$ 12,489	\$ 11,663	\$ 10,658	
Debt-to-capital ratio	54.3	% 51.9	% 51.8	% 47.3	% 47.0	%

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

(Dollar amounts in millions)

Year Ended December 31,	2013	2012	2011	2010	2009
Adjusted net income - Praxair, Inc. (see below)	\$1,772	\$1,681	\$1,666	\$1,476	\$1,247
Add: adjusted noncontrolling interests (see below)	65	54	51	39	43
Add: adjusted interest expense - net	160	141	145	118	133
Add: adjusted income taxes (see below)	698	660	647	572	482
Add: depreciation and amortization	1,109	1,001	1,003	925	846
Adjusted EBITDA	\$3,804	\$3,537	\$3,512	\$3,130	\$2,751

Beginning Praxair, Inc. net debt	\$7,205	\$6,472	\$5,518	\$5,010	\$4,993
First quarter ending Praxair, Inc. net debt	\$8,563	\$6,749	\$5,752	\$5,028	\$4,991
Second quarter ending Praxair, Inc. net debt	\$9,004	\$6,891	\$6,039	\$4,978	\$5,074
Third quarter ending Praxair, Inc. net debt	\$8,892	\$7,028	\$6,185	\$5,006	\$5,170
Year-End ending Praxair, Inc. net debt	\$8,673	\$7,205	\$6,472	\$5,518	\$5,010
Five-quarter average Praxair, Inc. net debt	\$8,467	\$6,869	\$5,993	\$5,108	\$5,048
Debt-to- adjusted EBITDA ratio	2.2	1.9	1.7	1.6	1.8

## Adjusted Amounts

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. 2009 amounts are adjusted for the Brazil tax amnesty program and other charges. 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,	2013	2012	2011	2010	2009	
Adjusted Operating Profit and Margin						
Reported operating profit	\$2,625	\$2,437	\$2,468	\$2,082	\$1,575	
Add: Pension settlement charge	9	9	—	—	—	
Add: Venezuela currency devaluation	23	—	—	27	—	
Add: Cost reduction program	—	56	40	—	—	
Less: Net gain on acquisition	—	—	(39)	—	—	
Add: US homecare divestiture	—	—	—	58	—	
Add: Brazil tax amnesty and other charges	—	—	—	—	306	
Total adjustments	32	65	1	85	306	
Adjusted operating profit	\$2,657	\$2,502	\$2,469	\$2,167	\$1,881	
Reported percent change	8	% (1)	)% 19	% 32	% (16)	)%
Adjusted percent change	6	% 1	% 14	% 15	% (9)	)%
Reported sales	\$11,925	\$11,224	\$11,252	\$10,116	\$8,956	
Reported operating profit margin	22.0	% 21.7	% 21.9	% 20.6	% 17.6	%
Adjusted operating profit margin	22.3	% 22.3	% 21.9	% 21.4	% 21.0	%
Adjusted Interest Expense - Net						
Reported interest expense	178	141	145	118	133	



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Less: Bond redemption	(18	)	—	—	—	—	
Adjusted interest expense - net	\$160		\$141	\$145	\$118	\$133	
Adjusted Income Taxes and Effective Tax Rate							
Reported income taxes	\$649		\$586	\$641	\$768	\$169	
Add: Bond redemption	6		—	—	—	—	
Add: Income tax benefits	40		55	—	—	—	
Add: Pension settlement charge	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	—	
Add: Brazil tax amnesty and other charges	—		—	—	—	313	
Total adjustments	49		74	6	(196	)	313
Adjusted income taxes	\$698		\$660	\$647	\$572	\$482	
Reported income before income taxes and equity investments	\$2,447		\$2,296	\$2,323	\$1,964	\$1,442	
Add: Bond redemption	18		—	—	—	—	
Add: Pension settlement charge	9		9	—	—	—	
Add: Venezuela currency devaluation	23		—	—	27	—	
Add: Cost reduction program	—		56	40	—	—	
Less: Net gain on acquisition	—		—	(39	)	—	—
Add: US homecare divestiture	—		—	—	58	—	
Add: Brazil tax amnesty and other charges	—		—	—	—	306	
Total adjustments	50		65	1	85	306	
Adjusted income before income taxes and equity investments	\$2,497		\$2,361	\$2,324	\$2,049	\$1,748	
Adjusted effective tax rate	28.0	%	28.0	%	27.8	%	27.9
Adjusted Noncontrolling Interests							%
Reported noncontrolling interests	\$81		\$52	\$50	\$39	\$43	
Less: Income tax benefits	(16	)	—	—	—	—	
Add: Cost reduction program	—		2	—	—	—	
Add: Net gain on acquisition	—		—	1	—	—	
Total adjustments	(16	)	2	1	—	—	
Adjusted noncontrolling interests	\$65		\$54	\$51	\$39	\$43	
Adjusted Net Income – Praxair, Inc.							
Reported net income – Praxair, Inc.	\$1,755		\$1,692	\$1,672	\$1,195	\$1,254	
Add: Bond redemption	12		—	—	—	—	
Less: Income tax benefits	(24	)	(55	)	—	—	—
Add: Pension settlement charge	6		6	—	—	—	
Add: Venezuela currency devaluation	23		—	—	26	—	
Add: Cost reduction program	—		38	31	—	—	
Less: Net gain on acquisition	—		—	(37	)	—	—
Add: Spanish tax settlement	—		—	—	250	—	
Add: US homecare divestiture	—		—	—	40	—	
Less: Repatriation tax benefit	—		—	—	(35	)	—
Less: Brazil tax amnesty and other charges	—		—	—	—	(7	)

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Total adjustments	17	(11	) (6	) 281	(7	)
Adjusted net income – Praxair, Inc.	\$1,772	\$1,681	\$1,666	\$1,476	\$1,247	
Reported percent change	4	% 1	% 40	% (5	)% 4	%
Adjusted percent change	5	% 1	% 13	% 18	% (7	)%

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(Dollar amounts in millions, except per share data)

	2013	2012	2011	2010	2009	
Year Ended December 31,						
Adjusted Diluted Earnings Per Share						
Reported diluted earnings per share	\$5.87	\$5.61	\$5.45	\$3.84	\$4.01	
Add: Bond redemption	0.04	—	—	—	—	
Less: Income tax benefits	(0.08	) (0.18	) —	—	—	
Add: Pension settlement charge	0.02	0.02	—	—	—	
Add: Venezuela currency devaluation	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	) —	
Less: Brazil tax amnesty program and other charges	—	—	—	—	(0.02	)
Total adjustments	0.06	(0.04	) (0.02	) 0.90	(0.02	)
Adjusted diluted earnings per share	\$5.93	\$5.57	\$5.43	\$4.74	\$3.99	
Reported percent change	5	% 3	% 42	% (4	)%	
Adjusted percent change	6	% 3	% 15	% 19	%	

## 2014 Diluted Earnings Per Share Outlook

	Low End	High End
2014 diluted EPS outlook	\$6.25	\$6.55
2013 adjusted diluted EPS (see above)	\$5.93	\$5.93
Percentage change	5	% 10

## 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 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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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, 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, 2013. 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, 2013, Praxair had debt totaling \$8,811 million (\$7,362 million at December 31, 2012). At December 31, 2013 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 (only the interest-rate swap related to the \$400 million 3.25% notes that mature in 2015 was outstanding at December 31, 2012). 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, 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. At December 31, 2012, Praxair had fixed-rate debt of \$6,239 million and floating-rate debt of \$1,123 million, representing 85% and 15%, 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 \$421 million (\$368 million in 2012). At December 31, 2013 and 2012, 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 \$12 million and \$7 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, Colombia and Venezuela), 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, 2013, Praxair had \$2,197 million notional amount (\$2,515 million at December 31, 2012) 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, 2013 and 2012 would decrease by approximately \$46 million and \$32 million, respectively, which would be largely offset by an offsetting gain or loss on the foreign-currency fluctuation of the underlying exposure being hedged.



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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 2013, 2012 and 2011 consolidated financial statements and of its internal control over financial reporting as of December 31, 2013 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 (1992) 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, 2013.

Praxair's evaluation of internal control over financial reporting as of December 31, 2013 did not include the internal control over financial reporting related to NuCO<sub>2</sub> Inc. and Dominion Technology Gases Investment Limited because they were acquired by Praxair in purchase business combinations consummated during 2013. Total assets and sales for these acquisitions represent 7.1% and 2.0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2013 (See Note 3).

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, 2013 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, 2014



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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, Inc. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 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 (1992) 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.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded NuCO<sub>2</sub> Inc. and Dominion Technology Gases Investment Limited from its assessment of internal control over financial reporting as of December 31, 2013 because these businesses were acquired by the Company in purchase business combinations during 2013. We have also excluded NuCO<sub>2</sub> Inc. and Dominion Technology Gases Investment Limited from our audit of internal control over financial reporting. NuCO<sub>2</sub> Inc. and Dominion Technology Gases Investment Limited are wholly owned subsidiaries of the Company. The aggregate total assets and total sales of these entities represent 7.1% and 2.0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2013.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers  
Stamford, Connecticut

February 25, 2014

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CONSOLIDATED STATEMENTS OF INCOME  
PRAXAIR, INC. AND SUBSIDIARIES

(Dollar amounts in millions, except per share data)

Year Ended December 31,	2013	2012	2011
Sales	\$11,925	\$11,224	\$11,252
Cost of sales, exclusive of depreciation and amortization	6,744	6,396	6,458
Selling, general and administrative	1,349	1,270	1,239
Depreciation and amortization	1,109	1,001	1,003
Research and development	98	98	90
Venezuela currency devaluation and other charges – net	32	65	1
Other income (expenses) – net	32	43	7
Operating Profit	2,625	2,437	2,468
Interest expense – net	178	141	145
Income Before Income Taxes and Equity Investments	2,447	2,296	2,323
Income taxes	649	586	641
Income Before Equity Investments	1,798	1,710	1,682
Income from equity investments	38	34	40
Net Income (Including Noncontrolling Interests)	1,836	1,744	1,722
Less: noncontrolling interests	(81	) (52	) (50
Net Income – Praxair, Inc.	\$1,755	\$1,692	\$1,672
Per Share Data – Praxair, Inc. Shareholders			
Basic earnings per share	\$5.94	\$5.67	\$5.53
Diluted earnings per share	\$5.87	\$5.61	\$5.45
Weighted Average Shares Outstanding (000's):			
Basic shares outstanding	295,523	298,316	302,237
Diluted shares outstanding	298,965	301,845	306,722

The accompanying Notes on pages 58 to 97 are an integral part of these financial statements.



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

Year Ended December 31,	2013	2012	2011
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	\$1,836	\$1,744	\$1,722
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Translation adjustments:			
Foreign currency translation adjustments	(474	) (13	) (563
Income Taxes	27	17	29
Translation adjustments	(447	) 4	(534
Funded status - retirement obligations (Note 16):			
Retirement program remeasurements	408	(228	) (347
Reclassifications to net income	95	71	42
Income taxes	(180	) 49	115
Funded status - retirement obligations	323	(108	) (190
Derivative instruments (Note 12):			
Current year unrealized gain (loss)	1	(1	) (15
Reclassifications to net income	—	—	—
Income taxes	—	1	6
Derivative instruments	1	—	(9
TOTAL OTHER COMPREHENSIVE LOSS	(123	) (104	) (733
COMPREHENSIVE INCOME (INCLUDING NONCONTROLLING INTERESTS)	1,713	1,640	989
Less: noncontrolling interests	(76	) (54	) (45
COMPREHENSIVE INCOME - PRAXAIR, INC.	\$1,637	\$1,586	\$944

The accompanying Notes on pages 58 to 97 are an integral part of these financial statements.

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## CONSOLIDATED BALANCE SHEETS

## PRAXAIR, INC. AND SUBSIDIARIES

(Dollar amounts in millions)

December 31,	2013	2012
Assets		
Cash and cash equivalents	\$ 138	\$ 157
Accounts receivable – net	1,892	1,834
Inventories	506	476
Prepaid and other current assets	380	325
Total Current Assets	2,916	2,792
Property, plant and equipment – net	12,278	11,453
Equity investments	702	654
Goodwill	3,194	2,507
Other intangible assets – net	596	173
Other long-term assets	569	511
Total Assets	\$ 20,255	\$ 18,090
Liabilities and Equity		
Accounts payable	\$ 921	\$ 928
Short-term debt	782	638
Current portion of long-term debt	3	39
Accrued taxes	168	123
Other current liabilities	790	751
Total Current Liabilities	2,664	2,479
Long-term debt	8,026	6,685
Other long-term liabilities	859	1,276
Deferred credits	1,396	977
Total Liabilities	12,945	11,417
Commitments and contingencies (Note 17)		
Redeemable noncontrolling interests	307	252
Praxair, Inc. Shareholders' Equity:		
Common stock \$0.01 par value, authorized – 800,000,000 shares, issued 2013 – 383,230,625 shares and 2012 – 383,073,446 shares	4	4
Additional paid-in capital	3,970	3,889
Retained earnings	10,528	9,534
Accumulated other comprehensive income (loss)	(1,981	) (1,852
Less: Treasury stock, at cost (2013 – 89,096,761 shares and 2012 – 86,843,966 shares)	(5,912	) (5,511
Total Praxair, Inc. Shareholders' Equity	6,609	6,064
Noncontrolling interests	394	357
Total Equity	7,003	6,421
Total Liabilities and Equity	\$ 20,255	\$ 18,090

The accompanying Notes on pages 58 to 97 are an integral part of these financial statements.

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

## PRAXAIR, INC. AND SUBSIDIARIES

(Millions of dollars)

Year Ended December 31,	2013	2012	2011	
Increase (Decrease) in Cash and Cash Equivalents				
Operations				
Net income – Praxair, Inc.	\$1,755	\$1,692	\$1,672	
Noncontrolling interests	81	52	50	
Net income (including noncontrolling interests)	\$1,836	\$1,744	\$1,722	
Adjustments to reconcile net income to net cash provided by operating activities:				
Venezuela currency devaluation and other charges-net, net of payments	23	43	(5	)
Depreciation and amortization	1,109	1,001	1,003	
Deferred income taxes	101	258	(3	)
Share-based compensation	70	70	62	
Non-cash charges and other	(88	) (127	) (71	)
Working capital				
Accounts receivable	(84	) (36	) (108	)
Inventory	(54	) (18	) (31	)
Prepaid and other current assets	(69	) (17	) 8	
Payables and accruals	107	(34	) 44	
Pension contributions	(52	) (184	) (94	)
Long-term assets, liabilities and other	18	52	(72	)
Net cash provided by operating activities	2,917	2,752	2,455	
Investing				
Capital expenditures	(2,020	) (2,180	) (1,797	)
Acquisitions, net of cash acquired	(1,323	) (280	) (294	)
Divestitures and asset sales	106	82	86	
Net cash used for investing activities	(3,237	) (2,378	) (2,005	)
Financing				
Short-term debt borrowings (repayments) – net	149	293	(47	)
Long-term debt borrowings	2,659	2,036	1,541	
Long-term debt repayments	(1,347	) (1,522	) (580	)
Issuances of common stock	154	164	195	
Purchases of common stock	(590	) (623	) (937	)
Cash dividends – Praxair, Inc. shareholders	(708	) (655	) (602	)
Excess tax benefit on stock based compensation	46	60	53	
Noncontrolling interest transactions and other	(35	) (56	) (3	)
Net cash used for financing activities	328	(303	) (380	)
Effect of exchange rate changes on cash and cash equivalents	(27	) (4	) (19	)
Change in cash and cash equivalents	(19	) 67	51	
Cash and cash equivalents, beginning-of-period	157	90	39	
Cash and cash equivalents, end-of-period	\$138	\$157	\$90	
Supplemental Data				
Income taxes paid	\$532	\$277	\$515	
Interest paid, net of capitalized interest (Note 7)	\$184	\$153	\$157	

The accompanying Notes on pages 58 to 97 are an integral part of these financial statements.



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## CONSOLIDATED STATEMENTS OF EQUITY

## PRAXAIR, INC. AND SUBSIDIARIES

(Dollar amounts in millions, except per share data, shares in thousands)

Activity	Praxair, Inc. Shareholders' Equity									
	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (Note 7)	Treasury Stock Shares	Amounts	Praxair, Inc. Shareholder Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2010	382,623	\$ 4	\$ 3,702	\$ 7,475	\$ (1,018 )	78,627	\$(4,371)	\$ 5,792	\$ 353	\$ 6,145
Net Income				1,672				1,672	48	1,720
Other comprehensive income (loss)					(728 )			(728 )	(5 )	(733 )
Noncontrolling interests:										
Dividends and other capital reductions								—	(26 )	(26 )
Additions (Reductions)								—	4	4
Reclassification to redeemable noncontrolling interests (Note 14)									(65 )	(65 )
Redemption value adjustments (Note 14)				(35 )				(35 )		(35 )
Dividends to Praxair, Inc. common stock (\$2.00 per share)				(602 )				(602 )		(602 )
Issuances of common stock:										
For the dividend reinvestment and stock purchase plan	71		7					7		7
For employee savings and incentive plans	160		(17 )			(3,682 )	215	198		198
Purchases of common stock						9,379	(933 )	(933 )		(933 )
Tax benefit from stock options			55					55		55
Share-based compensation			62					62		62

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Balance, December 31, 2011	382,854	\$ 4	\$ 3,809	\$ 8,510	\$ (1,746 )	84,324	\$(5,089)	\$ 5,488	\$ 309	\$ 5,797
Net Income				1,692				1,692	34	1,726
Other comprehensive income (loss)					(106 )			(106 )	2	(104 )
Noncontrolling interests:										
Dividends and other capital reductions								—	(48 )	(48 )
Purchases of noncontrolling interests								—	44	44
Additions (Reductions)								—	16	16
Redemption value adjustments (Note 14)				(13 )				(13 )		(13 )
Dividends to Praxair, Inc. common stock (\$2.20 per share)				(655 )				(655 )		(655 )

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Activity	Praxair, Inc. Shareholders' Equity				Accumulated Other Comprehensive Income (Loss) (Note 7)	Treasury Stock		Praxair, Inc. Shareholder Equity	Noncontrol Interests	Total Equity
	Common Stock  Shares	Additional Paid-in Capital  Amount	Retained Earnings	Shares		Amounts				
Issuances of common stock: For the dividend reinvestment and stock purchase plan	66	7					7		7	
For employee savings and incentive plans	153	(60 )			(3,298 )	208	148		148	
Purchases of common stock					5,818	(630 )	(630 )		(630 )	
Tax benefit from stock options		63					63		63	
Share-based compensation		70					70		70	
Balance, December 31, 2012	383,073	\$ 4 \$ 3,889	\$ 9,534	\$ (1,852 )	86,844	\$ (5,511)	\$ 6,064	\$ 357	\$ 6,421	
Net Income			1,755				1,755	57	1,812	
Other comprehensive income (loss)				(129 )			(129 )	6	(123 )	
Noncontrolling interests:										
Dividends and other capital reductions							—	(41 )	(41 )	
Additions (Reductions)							—	15	15	
Redemption value adjustments (Note 14)			(53 )				(53 )		(53 )	
Dividends to Praxair, Inc. common stock (\$2.40 per share)			(708 )				(708 )		(708 )	
Issuances of common stock: For the dividend reinvestment and stock purchase plan	47	5			(14 )	2	7		7	

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For employee savings and incentive plans	111	(41 )				(2,767 )	180	139		139
Purchases of common stock						5,034	(583 )	(583 )		(583 )
Tax benefit from stock options		47						47		47
Share-based compensation		70						70		70
Balance, December 31, 2013	383,231	\$ 4	\$ 3,970	\$ 10,528	\$ (1,981 )	89,097	\$ (5,912)	\$ 6,609	\$ 394	\$ 7,003

The accompanying Notes on pages 58 to 97 are an integral part of these financial statements



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PRAXAIR, INC. AND SUBSIDIARIES

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations – Praxair, Inc. and its subsidiaries ("Praxair" or "the company") comprise one of the largest industrial gases companies worldwide, and the largest in North and South America. Praxair produces, sells and distributes atmospheric, process and specialty gases, and high-performance surface coatings to a diverse group of industries including aerospace, chemicals, electronics, energy, food and beverage, healthcare, manufacturing and metals.

Principles of Consolidation – The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of all significant subsidiaries where control exists and, in limited situations, variable-interest entities where the company is the primary beneficiary. Intercompany transactions and balances are eliminated in consolidation and any significant related-party transactions have been disclosed.

Equity investments generally consist of 20% to 50% owned operations where the company exercises significant influence, but does not have control. Equity income from equity investments in corporations is reported on an after-tax basis. Pre-tax income from equity investments that are partnerships or limited-liability corporations ("LLC") is included in other income (expenses) – net with related taxes included in Income taxes. Equity investments are reviewed for impairment whenever events or circumstances reflect that an impairment loss may have incurred. Operations less than 20% owned, where the company does not exercise significant influence, are generally carried at cost.

Changes in ownership interest that result either in consolidation or deconsolidation of an investment are recorded at fair value through earnings, including the retained ownership interest, while changes that do not result in either consolidation or deconsolidation of a subsidiary are treated as equity transactions.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While actual results could differ, management believes such estimates to be reasonable.

Revenue Recognition – Product sales represent approximately 89% of consolidated sales while all other sources of revenue are approximately 11% in the aggregate. Revenue is recognized when a firm sales agreement exists, collectability of a fixed or determinable sales price is reasonably assured, and when title and risks of ownership transfer to the customer for product sales or, in the case of other revenues when obligations are satisfied or services are performed. Sales returns and allowances are not a normal practice in the industry and are not significant.

A small portion of the company's revenues relate to long-term construction contracts and are generally recognized using the percentage-of-completion method. Under this method, revenues from sales of major equipment, such as large air-separation facilities, are recognized based primarily on cost incurred to date compared with total estimated cost. Changes to total estimated cost and anticipated losses, if any, are recognized in the period determined.

For contracts that contain multiple products and/or services, amounts assigned to each component are based on its objectively determined fair value, such as the sales price for the component when it is sold separately or competitor prices for similar components.

Certain of the company's facilities that are built to provide product to a specific customer are required to be accounted for as leases. The associated revenue streams are classified as rental revenue and are not significant.

Amounts billed for shipping and handling fees are recorded as sales, generally on FOB destination terms, and costs incurred for shipping and handling are recorded as cost of sales.

Amounts billed for sales and use taxes, value-added taxes, and certain excise and other specific transactional taxes imposed on revenue producing transactions are presented on a net basis and are not included in sales in the consolidated statement of income.

Cash Equivalents – Cash equivalents are considered to be highly liquid securities with original maturities of three months or less.

Inventories – Inventories are stated at the lower of cost or market. Cost is determined using the average-cost method for most operations and the last-in, first-out ("LIFO") method for certain U.S. operations (see Note 7).

Property, Plant and Equipment – Net – Property, plant and equipment are carried at cost, net of accumulated depreciation. The company capitalizes interest as part of the cost of constructing major facilities (see Note 7).  
Depreciation

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is calculated on the straight-line method based on the estimated useful lives of the assets, which range from 3 years to 40 years (see Note 8). Praxair uses accelerated depreciation methods for tax purposes where appropriate. Maintenance of property, plant and equipment is generally expensed as incurred.

The company performs a test for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset or asset group may not be recoverable. Should projected undiscounted future cash flows be less than the carrying amount of the asset or asset group, an impairment charge reducing the carrying amount to fair value is required. Fair value is determined based on the most appropriate valuation technique, including discounted cash flows.

**Asset-Retirement Obligations** – An asset-retirement obligation is recognized in the period in which sufficient information exists to determine the fair value of the liability with a corresponding increase to the carrying amount of the related property, plant and equipment which is then depreciated over its useful life. The liability is initially measured at discounted fair value and then accretion expense is recorded in each subsequent period. The company's asset-retirement obligations are primarily associated with its on-site long-term supply arrangements where the company has built a facility on land leased from the customer and is obligated to remove the facility at the end of the contract term. The company's asset-retirement obligations are not material to its consolidated financial statements.

**Foreign Currency Translation** – For most foreign operations, the local currency is the functional currency and translation gains and losses are reported as part of the accumulated other comprehensive income (loss) component of equity as a cumulative translation adjustment (see Note 7). For other foreign operations, the U.S. dollar is the functional currency and translation gains and losses are included in other income (expenses) – net.

**Financial Instruments** – Praxair enters into various derivative financial instruments to manage its exposure to fluctuating interest and currency exchange rates and energy costs. Such instruments primarily include interest-rate swap and treasury lock agreements; currency-swap agreements; forward contracts; currency options; and commodity-swap agreements. These instruments are not entered into for trading purposes. Praxair only uses commonly traded and non-leveraged instruments.

There are two types of derivatives the company enters into: hedges of fair-value exposures and hedges of cash-flow exposures. Fair-value exposures relate to recognized assets or liabilities, and firm commitments; while cash-flow exposures relate to the variability of future cash flows associated with recognized assets or liabilities, or forecasted transactions. When a derivative is executed and hedge accounting is appropriate, it is designated as either a fair-value hedge or a cash-flow hedge. Currently, Praxair designates all interest-rate and commodity-swap agreements as hedges; however, currency contracts are generally not designated as hedges for accounting purposes. All derivatives are linked to an appropriate underlying exposure. On an ongoing basis, the company assesses the hedge effectiveness of all derivatives designated as hedges to determine if they continue to be highly effective in offsetting changes in fair values or cash flows of the underlying hedged items. If it is determined that the hedge is not highly effective, then hedge accounting will be discontinued prospectively and changes in fair value are recorded in the consolidated statements of income.

Changes in the fair value of derivatives designated as fair-value hedges are recognized in earnings as an offset to the change in the fair values of the underlying exposures being hedged. The changes in fair value of derivatives that are designated as cash-flow hedges are deferred in accumulated other comprehensive income (loss) and are reclassified to earnings as the underlying hedged transaction affects earnings. Any ineffectiveness is recognized in earnings immediately. Hedges of net investments in foreign subsidiaries are recognized in the cumulative translation adjustment component of accumulated other comprehensive income (loss) on the consolidated balance sheets to offset translation gains and losses associated with the hedged net investment. Derivatives that are entered into for risk-management purposes and are not designated as hedges (primarily related to anticipated net income and currency derivatives other than for firm commitments) are recorded at their fair market values and recognized in current earnings.

See Note 12 for additional information relating to financial instruments.

**Goodwill** – Acquisitions are accounted for using the acquisition method which requires allocation of the purchase price to assets acquired and liabilities assumed based on estimated fair values. Any excess of the purchase price over the fair value of the assets and liabilities acquired is recorded as goodwill. Allocations of the purchase price are based on

preliminary estimates and assumptions at the date of acquisition and are subject to revision based on final information received, including appraisals and other analyses which support underlying estimates.

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. 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.

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Reporting units are determined based on one level below the operating segment level. As applicable, 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.

See Note 9 for additional information relating to goodwill.

Other Intangible Assets – Customer and license/use agreements, non-compete agreements and patents and other intangibles are amortized over the estimated period of benefit. The determination of the estimated period of benefit will be dependent upon the use and underlying characteristics of the intangible asset. Praxair evaluates the recoverability of its intangible assets subject to amortization when facts and circumstances indicate that the carrying value of the asset may not be recoverable. If the carrying value is not recoverable, impairment is measured as the amount by which the carrying value exceeds its estimated fair value. Fair value is generally estimated based on either appraised value or other valuation techniques.

See Note 10 for additional information relating to other intangible assets.

Income Taxes – Deferred income taxes are recorded for the temporary differences between the financial statement and tax bases of assets and liabilities using currently enacted tax rates. Valuation allowances are established against deferred tax assets whenever circumstances indicate that it is more likely than not that such assets will not be realized in future periods.

Under the guidance for accounting for uncertainty in income taxes, the company can recognize the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit can be recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Additionally, the company accrues interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws. Interest and penalties are classified as income tax expense in the financial statements.

See Note 5 for additional information relating to income taxes.

Retirement Benefits – Most Praxair employees participate in a form of defined benefit or contribution retirement plan, and additionally certain employees are eligible to participate in various post-employment health care and life insurance benefit plans. The cost of contribution plans is recognized in the year earned while the cost of other plans is recognized over the employees' expected service period to the company, all in accordance with the applicable accounting standards. The funded status of the plans is recorded as an asset or liability in the consolidated balance sheets. Funding of retirement benefits varies and is in accordance with local laws and practices.

See Note 16 for additional information relating to retirement programs.

Share-based Compensation– The company has granted share-based awards which consist of stock options, restricted stock and performance-based stock. Share-based compensation expense is generally recognized on a straight-line basis over the stated vesting period. For stock awards granted to full-retirement-eligible employees, compensation expense is recognized over the period from the grant date to the date retirement eligibility is achieved. For performance-based awards, compensation expense is recognized only if it is probable that the performance condition will be achieved.

See Note 15 for additional disclosures relating to share-based compensation.

### Recently Issued Accounting Standards

#### Accounting Standards Implemented in 2013

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

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

Offsetting Assets and Liabilities - In December 2011, the FASB issued updated disclosure requirements related to a company's right or requirement to offset balance sheet items and the related arrangements associated with its financial instruments and derivative instruments. The new guidance requires the



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disclosure of the gross amounts subject to rights of setoff, amounts offset, and the related net exposure. The adoption of this guidance did not have a significant impact on the consolidated financial statements.

Accounting Standards to Be Implemented

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

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

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

**NOTE 2. VENEZUELA CURRENCY DEVALUATION AND OTHER CHARGES – NET****2013 Charges****Venezuela Currency Devaluation**

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

**Pension Settlement Charge**

During 2012, a number of senior managers retired. These retirees are covered by the U.S. supplemental pension plan which provides for a lump sum benefit payment option. Under certain circumstances, such lump sum payments must be accounted for as a settlement of the related pension obligation, but only when paid. Accordingly, Praxair recorded a settlement charge related to net unrecognized actuarial losses of \$9 million (\$6 million after-tax) in July 2013 when the cash payments were made to the retirees (refer to Note 16).

**2012 Charges****Cost Reduction Program**

In the third quarter of 2012, Praxair recorded pre-tax charges totaling \$56 million (\$38 million after taxes of \$16 million and noncontrolling interests of \$2 million), relating to severance and business restructuring actions primarily in Europe within the industrial gases and surface technologies businesses. The cost reduction program was initiated primarily in response to the continuing economic downturn in Europe.

The following is a summary of the charges by reportable segment:

(Millions of dollars)	Severance Costs	Costs Associated with Exit or Disposal Activities	Total Cost Reduction Program
North America	\$1	\$—	\$1
Europe	28	8	36
South America	1	—	1
Asia	2	—	2
Surface Technologies	11	5	16
Total	\$43	\$13	\$56





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The severance costs of \$43 million are for the termination of approximately 410 employees, primarily in Europe (industrial gases and surface technologies). These actions reflected the continued business slow-down in Europe and resulted from a decision to eliminate and/or restructure operations and product lines. The actions are substantially completed as of December 31, 2013 and the remaining liability associated with those actions is expected to be paid during the next twelve months.

The costs associated with exit or disposal activities of \$13 million include asset write-downs and other costs associated with a decision to eliminate and/or restructure operations and product lines. In Europe the costs primarily relate to the elimination and consolidation of operations in Spain. In Surface Technologies, the costs relate to the consolidation/rationalization of operations and product lines, primarily in Germany and Italy.

The following table summarizes the activities related to the company's cost reduction program through December 31, 2013:

(Millions of dollars)	Severance Costs	Costs Associated with Exit or Disposal Activities	Total Cost Reduction Program
Cost reduction program charges in the third quarter of 2012	\$43	\$13	\$56
Less: Cash payments	\$(13	) \$—	\$(13 )
Less: Non-cash asset write-offs	\$—	\$(9	) \$(9 )
Balance, December 31, 2012	\$30	\$4	\$34
Less: Cash payments	(16	) (4	) (20 )
Foreign currency translation	1	—	1
Balance, December 31, 2013	\$15	\$—	\$15

**Pension Settlement Charge**

During 2011, a number of senior managers retired. These retirees are covered by the U.S. supplemental pension plan which provides for a lump sum benefit payment option. Under certain circumstances, such lump sum payments must be accounted for as a settlement of the related pension obligation, but only when paid. Accordingly, Praxair recorded a settlement charge related to net unrecognized actuarial losses of \$9 million (\$6 million after-tax) in July 2012 when the cash payments were made (refer to Note 16).

**2011 Charges – net****Gain on Acquisition**

As discussed in Note 3, during the fourth quarter 2011 Praxair increased its ownership in its Yara Praxair Holding AS (“Yara Praxair”) joint venture in Scandinavia from 50% to 66% and consolidated the company. Previously, Praxair accounted for its 50% ownership interest in the joint venture as an equity method investment. In accordance with U. S. accounting rules, upon consolidation Praxair was required to fair value the entire Yara Praxair joint venture, including its original 50% ownership interest. Accordingly, Praxair recorded a net pre-tax gain of \$39 million (\$37 million net income – Praxair, Inc.) during the fourth quarter of 2011 primarily for the amount that the fair value of its original 50% ownership interest exceeded the equity investment book value.

**Cost Reduction Program**

In the fourth quarter 2011, Praxair recorded pre-tax charges totaling \$40 million (\$31 million after-tax), relating to severance and business restructuring actions primarily in Europe within the industrial gases and surface technologies businesses. The cost reduction program was initiated primarily in response to the economic downturn in Europe.

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The following is a summary of the charges by reportable segment.

(Millions of dollars)	Severance Costs	Costs Associated with Exit or Disposal Activities	Total Cost Reduction Program
North America	\$ 1	\$—	\$ 1
Europe	20	1	21
South America	4	—	4
Surface Technologies	8	6	14
Total	\$33	\$ 7	\$ 40

The severance costs of \$33 million are for the termination of approximately 290 employees, primarily in Europe, South America and Surface technologies, of which approximately half were terminated as of December 31, 2011. At December 31, 2012, all actions have been completed. These costs include \$6 million of pension settlement charges, primarily related to the closure of the surface technologies business in Switzerland.

The costs associated with exit or disposal activities of \$7 million include asset write-downs and other costs primarily associated with a decision to close the company's surface technologies facility in Switzerland, and to consolidate operations in the United Kingdom.

#### Classification in the consolidated financial statements

The pre-tax net charges or benefits for each year are shown in operating profit in a separate line item on the consolidated statement of income. In the balance sheets, asset write-offs are recorded as a reduction to the carrying value of the related assets and unpaid amounts are recorded as short-term liabilities (See Note 7). On the consolidated statement of cash flows, the pre-tax impact of the net charges or benefits, net of cash payments, is shown as an adjustment to reconcile net income to net cash provided by operating activities. In Note 18 - Segment Information, Praxair excluded these items in its management definition of segment operating profit; a reconciliation of segment operating profit to consolidated operating profit is shown within the operating profit table.

#### NOTE 3. ACQUISITIONS

The results of operations of these businesses have been included in Praxair's consolidated statements of income since their respective dates of acquisition. Proforma financial statements for the following acquisitions have not been provided as the acquisitions are not material individually or in the aggregate.

##### 2013 Acquisitions

##### NuCO<sub>2</sub>

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

The acquisition of NuCO<sub>2</sub> was accounted for as a business combination. Following the acquisition date, 100% of NuCO<sub>2</sub>'s results were consolidated in the North America business segment. Praxair's 2013 consolidated income statement includes sales of \$208 million related to NuCO<sub>2</sub>. Pro forma results for 2013 and 2012 have not been included as the impact of the acquisition is not material to the consolidated statements of income.

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

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

The identifiable intangible assets primarily consist of customer relationships that will be amortized over their estimated useful life of 25 years. The deferred income taxes relate primarily to property, plant and equipment, intangibles and operating loss carryforwards. The goodwill resulting from the acquisition is attributable to (i) expected growth from market penetration into the quick service restaurants, convenience stores and themed restaurant chains in the United States and select international markets as we leverage Praxair's customer and distribution networks worldwide, and (ii) cost synergies related to the procurement of raw materials, distribution-related expenses and administrative costs as Praxair integrates and rationalizes administration tasks and leverages its purchasing scale. The goodwill is not expected to be deductible for income tax purposes.

Other Acquisitions

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

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

The aggregate purchase price for these acquisitions was \$228 million and resulted in the recognition of \$194 million of intangible assets, including \$101 million of goodwill and \$93 million of other intangible assets, which will be amortized over their estimated useful life.

2012 Acquisitions

In November 2012, Praxair acquired Acetylene Oxygen Company ("AOC"), one of the top ten independent gas and welding products distributors in the U.S, which operates throughout central and southern Texas. The acquisition of AOC allows Praxair to further expand its packaged gases presence in this region. Also, during the twelve months ended December 31, 2012, Praxair completed a number of other smaller acquisitions, primarily North American packaged gas distributors, including PortaGas, located in Houston, Texas. The aggregate purchase price for all seventeen acquisitions was \$280 million, and resulted in recognition of \$122 million of goodwill.

2011 Acquisitions

In December 2011, Praxair acquired Texas Welders Supply Company, the largest independent gas and welding products distributor in the greater Houston, Texas area. This acquisition increased Praxair's packaged gas presence in

what is considered one of top five welding markets in the U.S.

In October 2011, Praxair increased its ownership in its Yara Praxair industrial gases joint venture with Yara International ASA of Norway from 50% to 66%. The Yara Praxair joint venture, formed in late 2007, comprises Yara International's former industrial gases businesses located in Norway, Denmark and Sweden. Through the third quarter of 2011, Praxair accounted for its 50% ownership interest in the joint venture as an equity method investment. As a result of the acquisition of a controlling interest, Praxair consolidated Yara Praxair within the European segment beginning in the

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fourth quarter of 2011 (including \$50 million of sales). In accordance with U.S. accounting rules, Praxair was also required to fair value its original 50% ownership interest in Yara Praxair which resulted in a \$39 million net gain (see Note 2).

On June 15, 2011, Praxair completed the acquisition of a 49% ownership interest in the ROC Group's industrial gases business operating in the United Arab Emirates. This investment has been accounted for as an equity investment in Praxair's consolidated financial statements.

Also, during the twelve months ended December 31, 2011, Praxair completed several smaller acquisitions, related primarily to North American packaged gas distributors, including American Gas Group, primarily located in Toledo, Ohio and National Alloy and Equipment, in Houston, Texas.

The aggregate net cash paid for these acquisitions was \$294 million and resulted in the recognition of \$396 million of goodwill. The goodwill includes the consolidation of Yara Praxair, while the cash paid only relates to Praxair's ownership increase.

**NOTE 4. LEASES**

In the normal course of its business, Praxair enters into various leases as the lessee, primarily involving manufacturing and distribution equipment and office space. Total lease and rental expenses under operating leases were \$140 million in 2013, \$120 million in 2012 and \$115 million in 2011. Capital leases are not significant and are included in property, plant and equipment – net. Related obligations are included in debt.

At December 31, 2013, minimum payments due under operating leases are as follows:

(Millions of dollars)

2014	\$119
2015	103
2016	88
2017	69
2018	57
Thereafter	51
	<b>\$487</b>

The present value of these future lease payments under operating leases is approximately \$411 million.

Praxair's leases where it is the lessor are not significant.

**NOTE 5. INCOME TAXES**

Pre-tax income applicable to U.S. and foreign operations is as follows:

(Millions of dollars)

Year Ended December 31,	2013	2012	2011
United States	\$890	\$880	\$762
Foreign	1,557	1,416	1,561
Total income before income taxes	<b>\$2,447</b>	<b>\$2,296</b>	<b>\$2,323</b>

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The following is an analysis of the provision for income taxes:

(Millions of dollars) Year Ended December 31,	2013	2012	2011
Current tax expense			
U.S. federal	\$94	\$14	\$273
State and local	27	20	30
Foreign	427	294	341
	548	328	644
Deferred tax expense			
U.S. federal	164	198	(47 )
State and local	8	17	3
Foreign	(71 )	43	41
	101	258	(3 )
Total income taxes	\$649	\$586	\$641

An analysis of the difference between the provision for income taxes and the amount computed by applying the U.S. statutory income tax rate to pre-tax income follows:

(Dollar amounts in millions) Year Ended December 31,	2013		2012		2011	
U.S. statutory income tax rate	\$856	35.0 %	\$804	35.0 %	\$813	35.0 %
State and local taxes – net of federal benefit	23	1.0 %	24	1.0 %	21	0.9 %
U.S. tax credits and deductions (a)	(23 )	(1.0 )%	(22 )	(1.0 )%	(21 )	(0.9 )%
Foreign tax differentials (b)	(150 )	(6.1 )%	(159 )	(6.9 )%	(164 )	(7.0 )%
Income tax benefit from realignment of Italian legal structure (c)	(40 )	(1.6 )%	—	—	—	—
Income tax benefit from liquidation of subsidiary (d)	—	—	(55 )	(2.4 )%	—	—
Other – net	(17 )	(0.8 )%	(6 )	(0.2 )%	(8 )	(0.4 )%
Provision for income taxes	\$649	26.5 %	\$586	25.5 %	\$641	27.6 %

(a) U.S. tax credits and deductions relate to manufacturing deductions and to the research and experimentation tax credit.

(b) Primarily related to differences between the U.S. tax rate of 35% and the statutory tax rate in the countries where Praxair operates. Other tax rate changes were not significant.

In December of 2013, Praxair's Italian legal structure was realigned. As a result of the new structure, an income tax benefit of \$40 million (\$24 million net of noncontrolling interests) was recorded. The benefit is recorded as \$56 million in foreign current tax expense and \$(96) million included in federal deferred tax expense.

(c) In 2011 Praxair requested a pre-filing agreement (“PFA”) with the U.S. Internal Revenue Service (“IRS”) related to a loss on a liquidated subsidiary resulting from the divestiture of the U.S. Homecare Business. During the third quarter of 2012, the IRS approved the PFA resulting in a net income tax benefit of \$55 million. The benefit is recorded in U.S. current federal tax expense.

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Net deferred tax liabilities included in the consolidated balance sheet are comprised of the following:

(Millions of dollars)	2013	2012	
December 31,			
Deferred tax liabilities			
Fixed assets	\$1,374	\$1,153	
Exchange gains	61	92	
Goodwill	127	84	
Other intangible assets	112	—	
Other	133	121	
	\$1,807	\$1,450	
Deferred tax assets			
Carryforwards	\$323	\$294	
Benefit plans and related (a)	285	433	
Inventory	20	20	
Accruals and other (b)	312	206	
	\$940	\$953	
Less: Valuation allowances (c)	(85	) (86	)
	\$855	\$867	
Net deferred tax liabilities	\$952	\$583	
Recorded in the consolidated balance sheets as (See Note 7):			
Prepaid and other current assets	\$181	\$185	
Other long-term assets	72	—	
Deferred credits	1,205	768	
	\$952	\$583	

(a) Includes deferred taxes of \$247 million and \$427 million in 2013 and 2012, respectively, related to pension / OPEB funded status (Note 16).

(b) Includes \$112 million and \$77 million in 2013 and 2012, respectively, related to research and development costs and \$70 million in 2013 related to goodwill.

(c) Summary of valuation allowances relating to deferred tax assets follows (millions of dollars):

	2013	2012	2011
Balance, January 1,	\$(86	) \$(107	) \$(111
Income tax (charge) benefit:			
U.S.	(1	) 17	6
Other	2	(8	) (4
Translation adjustments	—	—	1
Other, including write-offs	—	12	1
Balance, December 31,	\$(85	) \$(86	) \$(107

Praxair evaluates deferred tax assets quarterly 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. After considering the positive and negative evidence, a valuation allowance is established to reduce the assets to their realizable value when management determines that it is more likely than not (i.e., greater than 50% likelihood) that a deferred tax asset will not be realized. Considerable judgment is required in establishing deferred tax valuation allowances. At December 31, 2013, Praxair had \$323 million of deferred tax assets relating to net operating losses (“NOLs”) and tax credits and \$85 million of valuation allowances. These deferred tax assets include \$148 million relating to NOLs of which \$72 million are in the United States primarily related to Praxair's NuCo<sub>2</sub> acquisition in 2013, and \$76 million are in Brazil.





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The U.S. NOLs expire through 2032 and the Brazil NOLs have no expiration. These NOLs have no valuation allowances. The deferred tax assets as of December 31, 2013 also include \$71 million relating to U.S. foreign tax credits which expire in 2021 and have a \$54 million valuation allowance. The utilization of the U.S. foreign tax credits is dependent on many factors including U.S. interest expense, future U.S. investment, foreign sales and earnings growth, foreign currency exchange rates, and acquisitions and dispositions. Management's assessment and judgment are highly dependent on these variables and any significant changes to any one of them can substantially impact the amount of foreign tax credit utilization over the ten-year carryforward period.

The remaining deferred tax assets of \$104 million relate to U.S. state (\$73 million) and other foreign (\$31 million) NOLs and credit carryforwards, which expire through 2033, have valuation allowances totaling \$31 million. These valuation allowances relate to certain foreign and U.S. state NOLs and are required because management has determined, based on financial projections and available tax strategies, that it is unlikely that the NOLs will be utilized before they expire. If events or circumstances change, valuation allowances are adjusted at that time resulting in an income tax benefit or charge.

A provision has not been made for additional U.S. federal or foreign taxes at December 31, 2013 on \$9.3 billion of undistributed earnings of foreign subsidiaries because Praxair intends to reinvest these funds indefinitely to support foreign growth opportunities. It is not practicable to estimate the unrecognized deferred tax liability on these undistributed earnings. These earnings could become subject to additional tax if they are remitted as dividends, loaned to Praxair in the U.S., or upon sale of the subsidiary's stock.

Uncertain Tax Positions

Unrecognized income tax benefits represent income tax positions taken on income tax returns but not yet recognized in the consolidated financial statements. The company has unrecognized income tax benefits totaling \$121 million, \$142 million and \$163 million as of December 31, 2013, 2012 and 2011, respectively. If recognized, essentially all of the unrecognized tax benefits and related interest and penalties would be recorded as a benefit to income tax expense on the consolidated statement of income.

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

(Millions of dollars)	2013	2012	2011
Unrecognized income tax benefits, January 1	\$ 142	\$ 163	\$ 153
Additions for tax positions of prior years	8	12	24
Reductions for tax positions of prior years	(24	) (17	) (1
Additions for current year tax positions	10	—	2
Reductions for settlements with taxing authorities (a)	(2	) (1	) (2
Reductions as a result of a lapse of an applicable statute of limitations	(1	) (9	) (1
Foreign currency translation	(12	) (6	) (12
Unrecognized income tax benefits, December 31	\$ 121	\$ 142	\$ 163

(a) Settlements are uncertain tax positions that were effectively settled with the taxing authorities, including positions where the company has agreed to amend its tax returns to eliminate the uncertainty.

Praxair recognized net interest income of \$11 million primarily related to refunds received from taxing authorities for the year ended December 31, 2013. Praxair recognized interest expense of \$1 million and \$4 million related to income taxes for the years ended December 31, 2012 and 2011, respectively. Praxair classifies interest income and expense related to income taxes as tax expense in the consolidated statement of income. Praxair had \$12 million and \$17 million of accrued interest and penalties as of December 31, 2013 and December 31, 2012, respectively which were recorded in other long-term liabilities in the consolidated balance sheets (see Note 7).

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As of December 31, 2013, the company remained subject to examination in the following major tax jurisdictions for the tax years as indicated below:

Major tax jurisdictions	Open Years
North America	
United States	2011 through 2013
Canada	2006 through 2013
Mexico	2007 through 2013
Europe	
Germany	2008 through 2013
Italy	2009 through 2013
Spain	2006 through 2013
South America	
Brazil	1998 through 2013
Asia	
China	2008 through 2013
India	2006 through 2013
Korea	2007 through 2013
Thailand	2007 through 2013

The company is currently under audit in a number of tax jurisdictions. As a result, it is reasonably possible that some of these audits will conclude or reach the stage where a change in unrecognized income tax benefits may occur within the next twelve months. At that time, the company will record any adjustment to income tax expense as required. During 2013, the company settled its 2009 and 2010 U.S. Income tax audit with the IRS. The company also settled a 1999-2005 income tax dispute with Canada. The settlements were not material to the consolidated financial statements. The company is also subject to income taxes in many hundreds of state and local taxing jurisdictions that are open to tax examinations.

**NOTE 6. EARNING PER SHARE – PRAXAIR, INC. SHAREHOLDERS**

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

	2013	2012	2011
Numerator (Millions of dollars)			
Net income – Praxair, Inc.	\$1,755	\$1,692	\$1,672
Denominator (Thousands of shares)			
Weighted average shares outstanding	294,994	297,746	301,611
Shares earned and issuable under compensation plans	529	570	626
Weighted average shares used in basic earnings per share	295,523	298,316	302,237
Effect of dilutive securities			
Stock options and awards	3,442	3,529	4,485
Weighted average shares used in diluted earnings per share	298,965	301,845	306,722
Basic Earnings Per Common Share	\$5.94	\$5.67	\$5.53
Diluted Earnings Per Common Share	\$5.87	\$5.61	\$5.45

There were no antidilutive shares for the years ended December 31, 2013 and December 31, 2011. There were 1,589,235 antidilutive shares for the year ended December 31, 2012.



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## NOTE 7. SUPPLEMENTAL INFORMATION

## Income Statement

(Millions of dollars)

	2013	2012	2011
Year Ended December 31, Selling, General and Administrative Selling	\$567	\$547	\$563
General and administrative	782	723	676
	\$1,349	\$1,270	\$1,239
Year Ended December 31, Depreciation and Amortization	2013	2012	2011
Depreciation	\$1,068	\$980	\$982
Amortization of other intangibles (Note 10)	41	21	21
	\$1,109	\$1,001	\$1,003
Year Ended December 31, Other Income (Expenses) – Net	2013	2012	2011
Currency related net gains (losses)	\$3	\$(9)	) \$7
Partnership income	7	10	9
Net legal settlements	10	24	—
Severance expense	(14)	) (17)	) (17)
Business divestitures and asset gains (losses) – net	43	49	17
Other – net	(17)	) (14)	) (9)
	\$32	\$43	\$7
Year Ended December 31, Interest Expense – Net	2013	2012	2011
Interest incurred on debt	\$233	\$226	\$222
Interest capitalized	(69)	) (70)	) (62)
Amortization of swap termination costs (Note 12)	(4)	) (15)	) (15)
Bond redemption (Note 11)	18	—	—
	\$178	\$141	\$145
Year Ended December 31, Income Attributable to Noncontrolling Interests	2013	2012	2011
Noncontrolling interests' operations	\$41	\$34	\$48
Income tax benefit in Italy (Note 5)	16	—	—
Redeemable noncontrolling interests' operations (Note 14)	24	18	2
	\$81	\$52	\$50

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Balance Sheet		
(Millions of dollars)		
December 31,	2013	2012
Accounts Receivable		
Trade	\$1,815	\$1,763
Other	175	163
	1,990	1,926
Less: allowance for doubtful accounts (a)	(98	) (92
	\$1,892	\$1,834
	2013	2012
December 31,		
Inventories (b)		
Raw materials and supplies	\$167	\$164
Work in process	58	56
Finished goods	281	256
	\$506	\$476
December 31,	2013	2012
Prepaid and Other Current Assets		
Deferred income taxes (Note 5)	\$181	\$185
Prepaid (c)	145	87
Other	54	53
	\$380	\$325
December 31,	2013	2012
Other Long-term Assets		
Pension assets (Note 16)	\$42	\$—
Insurance contracts (d)	73	71
Long-term receivables, net (e)	36	46
Deposits	62	57
Investments carried at cost	7	9
Deferred charges	133	159
Deferred income taxes (Note 5)	72	—
Other	144	169
	\$569	\$511
December 31,	2013	2012
Accrued Taxes		
Tax liabilities for uncertain tax positions	\$5	\$5
Other accrued taxes	163	118
	\$168	\$123

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December 31,	2013	2012		
Other Current Liabilities				
Accrued expenses	\$291	\$257		
Payrolls	184	156		
Cost reduction program (Note 2)	15	34		
Pension and postretirement (Note 16)	33	46		
Interest payable	62	56		
Employee benefit accrual	20	20		
Severance	13	12		
Insurance reserves	11	6		
Other	161	164		
	\$790	\$751		
December 31,	2013	2012		
Other Long-term Liabilities				
Pension and postretirement (Note 16)	\$498	\$909		
Tax liabilities for uncertain tax positions	55	63		
Interest and penalties for uncertain tax positions (Note 5)	12	17		
Insurance reserves	22	22		
Other	272	265		
	\$859	\$1,276		
December 31,	2013	2012		
Deferred Credits				
Deferred income taxes (Note 5)	\$1,205	\$768		
Other	191	209		
	\$1,396	\$977		
December 31,	2013	2012		
Accumulated Other Comprehensive Income (Loss)				
Cumulative translation adjustment				
North America (f)	\$(315	) \$(178	)	
South America (f)	(1,179	) (837	)	
Europe	(63	) (93	)	
Asia	21	23		
Surface Technologies	28	30		
	(1,508	) (1,055	)	
Derivatives – net of taxes	(4	) (5	)	
Pension/OPEB funded status obligation (net of \$247 million and \$427 million taxes in 2013 and 2012, respectively) (Note 16)	(469	) (792	)	
	\$(1,981	) \$(1,852	)	

Provisions to the allowance for doubtful accounts were \$38 million, \$29 million, and \$57 million in 2013, 2012, (a) and 2011, respectively. The remaining allowance activity in each period related primarily to write-offs of uncollectible amounts, net of recoveries and currency movements.

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Approximately 6% and 7% of total inventories were valued using the LIFO method at December 31, 2013 and (b)2012, respectively. If inventories had been valued at current costs, they would have been approximately \$9 million and \$14 million higher than reported at December 31, 2013 and 2012.

(c)2013 includes estimated income tax payments of \$75 million.

(d) Consists primarily of insurance contracts and other investments to be utilized for non-qualified pension and OPEB obligations.

Financing receivables is not normal practice for the company. The balances at December 31, 2013 and 2012 are net of reserves of \$51 million and \$43 million, respectively. The balance in both periods relates primarily to government receivables in Brazil and other long-term notes receivable from customers, the majority of which are (e) fully reserved. Collectibility is reviewed regularly and uncollectible amounts are written-off as appropriate. The fluctuation within this account was due primarily to foreign currency movements, additional receivables and reserves.

(f) North America consists of primarily of currency translation adjustments in Canada and Mexico while South America relates primarily to Brazil and Argentina.

**NOTE 8. PROPERTY, PLANT AND EQUIPMENT – NET**

Significant classes of property, plant and equipment are as follows:

(Millions of dollars)	Depreciable Lives (Yrs)	2013	2012
December 31,			
Production plants (primarily 15-year life) (a)	10-20	\$ 14,378	\$ 13,166
Storage tanks	15-20	2,330	2,035
Transportation equipment and other	3-15	1,866	1,759
Cylinders (primarily 30-year life)	10-30	1,740	1,684
Buildings	25-40	1,108	1,092
Land and improvements (b)	0-20	493	490
Construction in progress		2,116	2,453
		24,031	22,679
Less: accumulated depreciation		(11,753 )	(11,226 )
		\$ 12,278	\$ 11,453

(a) - Depreciable lives of production plants related to long-term customer supply contracts are consistent with the contract lives.

(b) - Land is not depreciated.

**NOTE 9. GOODWILL**

Changes in the carrying amount of goodwill for the years ended December 31, 2013 and 2012 were as follows:

(Millions of dollars)	North America	South America	Europe	Asia	Surface Technologies	Total
Balance, December 31, 2011	\$ 1,375	\$ 215	\$ 618	\$ 24	\$ 140	\$ 2,372
Acquisitions (Note 3)	121	—	1	—	—	122
Purchase adjustments & other	(9 )	—	—	—	—	(9 )
Foreign currency translation	12	(20 )	26	1	3	22
Balance, December 31, 2012	\$ 1,499	\$ 195	\$ 645	\$ 25	\$ 143	\$ 2,507
Acquisitions (Note 3)	625	—	94	—	—	719
Purchase adjustments & other	3	—	—	—	—	3
Foreign currency translation	(10 )	(29 )	4	(1 )	1	(35 )
Balance, December 31, 2013	\$ 2,117	\$ 166	\$ 743	\$ 24	\$ 144	\$ 3,194

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Praxair has performed its goodwill impairment tests annually during the second quarter of each year, and historically has determined that the fair value of each of its reporting units was substantially in excess of its carrying value. For the 2013 test Praxair applied the FASB's updated accounting guidance which allows the company to first assess qualitative factors to determine the extent of additional quantitative analysis, if any, that may be required to test goodwill for impairment. Based on the qualitative assessments performed, Praxair concluded that it was more likely than not that the fair value of each reporting unit substantially exceeded its carrying value and therefore, further quantitative analysis was not required. As a result, no impairment was recorded. There were no indicators of impairment through December 31, 2013.

## NOTE 10. OTHER INTANGIBLE ASSETS

The following is a summary of Praxair's other intangible assets at December 31, 2013 and 2012:

(Millions of dollars)	Customer & License/Use Agreements	Non-compete Agreements	Patents & Other	Total
For the year ended December 31, 2013				
Cost:				
Balance, December 31, 2012	\$232	\$37	\$20	\$289
Additions (primarily acquisitions)	433	4	30	467
Foreign currency translation	3	—	—	3
Other *	(7	) (10	) (7	) (24
Balance, December 31, 2013	661	31	43	735
Less: accumulated amortization:				
Balance, December 31, 2012	(89	) (20	) (7	) (116
Amortization expense	(32	) (6	) (3	) (41
Foreign currency translation	(1	) —	) —	) (1
Other *	4	10	5	19
Balance, December 31, 2013	(118	) (16	) (5	) (139
Net balance at December 31, 2013	\$543	\$15	\$38	\$596
(Millions of dollars)	Customer & License/Use Agreements	Non-compete Agreements	Patents & Other	Total
For the year ended December 31, 2012				
Cost:				
Balance, December 31, 2011	\$208	\$37	\$27	\$272
Additions (primarily acquisitions)	41	5	—	46
Foreign currency translation	4	—	1	5
Other *	(21	) (5	) (8	) (34
Balance, December 31, 2012	232	37	20	289
Less: accumulated amortization:				
Balance, December 31, 2011	(75	) (20	) (10	) (105
Amortization expense	(15	) (5	) (1	) (21
Foreign currency translation	(2	) —	) —	) (2
Other *	3	5	4	12
Balance, December 31, 2012	(89	) (20	) (7	) (116
Net balance at December 31, 2012	\$143	\$17	\$13	\$173

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





There are no expected residual values related to these intangible assets. Amortization expense for the years ended December 31, 2013, 2012 and 2011 was \$41 million, \$21 million and \$21 million, respectively. The remaining weighted-average amortization period for intangible assets is approximately 19 years.

Total estimated annual amortization expense is as follows:

(Millions of dollars)

2014	\$44
2015	43
2016	40
2017	34
2018	30
Thereafter	405
	\$596

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## NOTE 11. DEBT

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

(Millions of dollars)	2013	2012
Short-term		
Commercial paper and U.S. bank borrowings	\$712	\$563
Other bank borrowings (primarily international)	70	75
Total short-term debt	782	638
Long-term		
U.S. borrowings		
3.95% Notes due 2013 (d, e)	—	350
2.125% Notes due 2013 (a, b, d, e)	—	504
4.375% Notes due 2014 (a, d)	300	299
5.25% Notes due 2014 (f)	—	400
4.625% Notes due 2015	500	500
3.25% Notes due 2015 (a, b)	418	431
0.75% Notes due 2016 (c)	400	—
5.375% Notes due 2016	400	400
5.20% Notes due 2017	325	325
1.05% Notes due 2017	400	400
1.20% Notes due 2018 (c)	500	—
1.25% Notes due 2018 (b, c)	478	—
4.50% Notes due 2019 (a)	598	598
1.90% Notes due 2019 (c)	500	—
4.05% Notes due 2021 (a)	498	498
3.00% Notes due 2021 (a)	497	496
2.45% Notes due 2022 (a)	598	598
2.20% Notes due 2022 (a)	499	499
2.70% Notes due 2023 (a, c)	498	—
3.55% Notes due 2042 (a, c)	466	298
Other	5	5
International bank borrowings (d)	140	113
Obligations under capital lease	9	10
	8,029	6,724
Less: current portion of long-term debt	(3	) (39
Total long-term debt	8,026	6,685
Total debt	\$8,811	\$7,362

(a) Amounts are net of unamortized discounts.

(b) December 31, 2013 and 2012 include a \$22 million and \$36 million fair value increase, respectively, related to fair value hedge accounting. See Note 12 for additional information.

During 2013, Praxair issued the following notes totaling \$2.55 billion: \$500 million of 1.90% notes due 2019, \$400 million of 0.75% notes due 2016, \$500 million of 2.70% notes due 2023, \$500 million of 1.20% notes due 2018,

(c) \$175 million of 3.55% notes due 2042 and \$475 million of 1.25% notes due 2018. The proceeds of these issuances were used for general corporate purposes.

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Classified as long-term because of the Company's intent to refinance this debt on a long-term basis and the (d) availability of such financing under the company's \$2 billion senior unsecured credit facility with a syndicate of banks which expires in 2016.

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

In December of 2013, Praxair redeemed \$400 million of 5.25% notes due November 2014 for \$418 million

(f) resulting in an \$18 million charge (\$12 million after-tax) recorded within interest expense - net for the year ended December 31, 2013.

**Credit Facilities**

At December 31, 2013, the company has the following major credit facility available for future borrowing:

Millions of dollars	Total Facility	Borrowings Outstanding	Available for Borrowing	Expires
Senior Unsecured	\$2,000	\$—	\$2,000	July 2016

In July 2011, the company entered into a \$1.75 billion senior unsecured credit facility with a syndicate of major financial institutions. In September 2013, Praxair exercised its option to increase the amount of the credit facility to \$2 billion. The credit facility is non-cancellable by the issuing financial institutions until its maturity in July 2016. No borrowings were outstanding under the credit agreement at December 31, 2013 or 2012. Associated fees were not significant in each of the past three years.

**Covenants**

Praxair's \$2 billion senior unsecured credit facility and long-term debt agreements contain various covenants which may, among other things, restrict the ability of Praxair to merge with another entity, incur or guarantee debt, sell or transfer certain assets, create liens against assets, enter into sale and leaseback agreements, or pay dividends and make other distributions beyond certain limits. These agreements also require Praxair to not exceed a maximum 70% leverage ratio defined in the agreements as the ratio of consolidated total debt to the sum of consolidated total debt plus consolidated shareholders' equity of the company. For purposes of the leverage ratio calculation, consolidated shareholders' equity excludes changes in the cumulative foreign currency translation adjustments after June 30, 2011. At December 31, 2013, the actual leverage ratio, as calculated according to the agreement, was 53% and the company is in compliance with all financial covenants. Also, there are no material adverse change clauses or other subjective conditions that would restrict the company's ability to borrow under the agreement.

**Other Debt Information**

As of December 31, 2013 and 2012, the weighted-average interest rate of short-term borrowings outstanding was 0.4% and 0.7%, respectively.

Expected maturities on long-term debt are as follows:

(Millions of dollars)				
2014			\$3	
2015			924	
2016			1,167	*
2017			727	
2018			1,047	
Thereafter			4,161	
			\$8,029	

\$361 million of debt due in 2014 has been reflected in 2016 maturities due to the company's intent to refinance this \*debt on a long-term basis and the ability to do so under the \$2 billion senior unsecured credit facility with a syndicate of banks which expires in 2016.

As of December 31, 2013, \$12 million of Praxair's assets (principally international fixed assets) were pledged as collateral for \$8 million of long-term debt, including the current portion of long-term debt.

See Note 13 for the fair value information related to debt.



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## NOTE 12. FINANCIAL INSTRUMENTS

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

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

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

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

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

(Millions of dollars) December 31,	Notional Amounts		Fair Value			
	2013	2012	Assets 2013	2012	Liabilities 2013	2012
Derivatives Not Designated as Hedging Instruments:						
Currency contracts:						
Balance sheet items (a)	\$2,197	\$2,515	\$4	\$6	\$14	\$8
Derivatives Designated as Hedging Instruments:						
Currency contracts:						
Forecasted purchases (a)	\$5	\$10	\$—	\$—	\$—	\$—
Interest rate contracts:						
Interest rate swaps (b)	875	400	22	32	—	—
Total Hedges	\$880	\$410	\$22	\$32	\$—	\$—
Total Derivatives	\$3,077	\$2,925	\$26	\$38	\$14	\$8

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

(b) Assets are recorded in other long term assets.

## Currency Contracts

## Balance Sheet Items

Foreign currency contracts related to balance sheet items consist of forward contracts entered into to manage the exposure to fluctuations in foreign-currency exchange rates on recorded balance sheet assets and liabilities denominated in



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currencies other than the functional currency of the related operating unit. The fair value adjustments on these contracts are offset by the fair value adjustments recorded on the hedged assets and liabilities.

**Anticipated Net Income**

Historically Praxair has entered into anticipated net income hedge contracts consisting of foreign currency options and forwards related primarily to anticipated net income in Brazil, Europe and Canada. Although there were no anticipated net income hedges outstanding as of December 31, 2013 or 2012, such derivatives were outstanding during 2012.

Over the term of the contracts, the fair value adjustments from net-income hedging contracts are largely offset by the impacts on reported net income resulting from currency translation. The accounting rules pertaining to derivatives and hedging do not allow hedges of anticipated net income to be designated as hedging instruments.

**Forecasted Purchases**

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

**Interest Rate Contracts****Outstanding Interest Rate Swaps**

At December 31, 2013, Praxair had \$875 million notional amount of interest-rate swap agreements outstanding related to the \$400 million 3.25% fixed-rate notes that mature in 2015 and to the \$475 million 1.25% notes that mature 2018 (entered into during 2013), which effectively convert fixed-rate interest to variable-rate interest. These swap agreements were designated as fair value hedges with the resulting fair value adjustments recognized in earnings along with an equally offsetting charge / benefit to earnings for the changes in the fair value of the underlying debt instruments. At December 31, 2013, \$22 million was recognized as an increase in the fair value of this note (\$32 million at December 31, 2012).

**Terminated Interest Rate Swaps**

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

(Millions of dollars)	Year Terminated	Original Gain	Amount of Gain Recognized in Earnings (a)			Unrecognized Gain (a) December 31,	
			2013	2012	2011	2013	2012
<b>Interest Rate Swaps</b>							
Underlying debt instrument (b):							
\$500 million 2.125% fixed-rate notes that mature in 2013	2011	\$18	\$4	\$9	\$5	\$—	\$4
\$400 million 1.75% fixed-rate notes that matured in 2012	2010	13	—	5	6	—	—
\$500 million 6.375% fixed-rate notes that matured in 2012	2002	47	—	1	4	—	—
<b>Total</b>		<b>\$78</b>	<b>\$4</b>	<b>\$15</b>	<b>\$15</b>	<b>\$—</b>	<b>\$4</b>

The unrecognized gain for terminated interest rate swaps is shown as an increase to long-term debt and has been recognized on a straight line basis to interest expense—net over the term of the underlying debt agreements. Upon

(a) settlement of the underlying interest rate contract, the cash received was reflected within the Noncontrolling interest transactions and other in the financing section of the consolidated statement of cash flows.

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





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## Terminated Treasury Rate Locks

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

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

The unrecognized gains / (losses) for the treasury rate locks are shown in accumulated other comprehensive income ("AOCI") and will be recognized on a straight line basis to interest expense – net over the term of the underlying debt agreements. Upon settlement of the treasury rate lock contracts, the cash received or paid was reflected within (a) Noncontrolling interest transactions and other in the financing section of the consolidated statement of cash flows.

Refer to the table below summarizing the impact of the company's consolidated statements of income and AOCI for current period gain (loss) recognition.

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

The following table summarizes the earnings impacts of derivative that are not designated as hedging instruments:

(Millions of dollars)	Amount of Pre-Tax Gain (Loss)		
	Recognized in Earnings (a)		
December 31,	2013	2012	2011
Derivatives Not Designated as Hedging Instruments			
Currency contracts:			
Balance sheet items:			
Debt-related	\$ (46)	) \$ 33	) \$ (25)
Other balance sheet items	(9)	) (1)	) (3)
Anticipated net income	—	(4)	) (1)
Total	\$ (55)	) \$ 28	) \$ (29)

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The following table summarizes the impacts of derivatives that impact AOCI:

(Millions of dollars)	Amount of Gain (Loss) Recognized in AOCI (b)		
	2013	2012	2011
December 31, Derivatives Designated as Hedging Instruments			
Currency contracts:			
Forecasted purchases (b)	\$1	\$1	\$(4 )
Interest rate contracts:			
Treasury rate locks (b)	—	(2 )	(11 )
Total – Pre tax	\$1	\$(1 )	\$(15 )
Less: income taxes	—	1	6
After tax amounts	\$1	\$—	\$(9 )

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

The gains (losses) on forecasted purchase and treasury rate locks are recorded as a component of AOCI within derivative instruments in the consolidated statements of equity. There was no ineffectiveness for these instruments during 2013 or 2012. The gains (losses) on forecasted purchases are reclassified to the depreciation and (b) amortization expense on a straight-line basis consistent with the useful life of the underlying asset. The gains (losses) for interest rate contracts are reclassified to earnings as interest expense –net on a straight-line basis over the remaining maturity of the underlying debt. Net losses of less than \$1 million are expected to be reclassified to earning during 2014.

**NOTE 13. FAIR VALUE DISCLOSURES**

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2013 and 2012:

(Millions of dollars)	Fair Value Measurements Using					
	Level 1		Level 2		Level 3	
	2013	2012	2013	2012	2013	2012
Assets						
Derivative assets	\$—	\$—	\$26	\$38	\$—	\$—
Liabilities						
Derivative liabilities	\$—	\$—	\$14	\$8	\$—	\$—

The fair values of the derivative assets and liabilities are based on market prices obtained from independent brokers or determined using quantitative models that use as their basis readily observable market parameters that are actively quoted and can be validated through external sources, including third-party pricing services, brokers and market transactions. Investments are marketable securities traded on an exchange.

The fair value of cash and cash equivalents, short-term debt, accounts receivables-net, and accounts payable approximate carrying value because of the short-term maturities of these instruments. The fair value of long-term debt is



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estimated based on the quoted market prices for the same or similar issues, which is deemed a Level 2 measurement. At December 31, 2013, the estimated fair value of Praxair's long-term debt portfolio was \$7,976 million versus a carrying value of \$8,029 million. At December 31, 2012, the estimated fair value of Praxair's long-term debt portfolio was \$7,131 million versus a carrying value of \$6,724 million. These differences are attributable to interest-rate changes subsequent to when the debt was issued.

**Assets Measured at Fair Value on a Non-Recurring Basis**

Certain assets are valued at fair value on a non-recurring basis. During the first quarter 2012, the company reduced the value of certain assets in Brazil, Colombia and Chile to estimated fair value which resulted in a \$21 million pre-tax charge to other income (expense) – net in the South America segment.

The above fair value measurements were based on internal assessments of the best information available about the local real estate and business market conditions that would be indicative of what the assets could be sold for and are considered to be Level 3 measurements.

**NOTE 14. EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS****Praxair, Inc. Shareholders' Equity**

At December 31, 2013 and 2012, there were 800,000,000 shares of common stock authorized (par value \$0.01 per share) of which 383,230,625 shares were issued and 294,133,864 were outstanding at December 31, 2013 (383,073,446 shares were issued and 296,229,480 were outstanding at December 31, 2012).

At December 31, 2013 and 2012, there were 25,000,000 shares of preferred stock (par value \$0.01 per share) authorized, of which no shares were issued and outstanding. Praxair's board of directors may from time to time authorize the issuance of one or more series of preferred stock and, in connection with the creation of such series, determine the characteristics of each such series including, without limitation, the preference and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions of the series.

**Redeemable Noncontrolling Interests**

Noncontrolling interests with redemption features, such as put/sell options, that are not solely within the company's control ("redeemable noncontrolling interests") are reported separately in the consolidated balance sheets at the greater of carrying value or redemption value. For redeemable noncontrolling interests that are not yet exercisable, Praxair calculates the redemption value by accreting the carrying value to the redemption value over the period until exercisable. If the redemption value is greater than the carrying value, any increase is adjusted directly to retained earnings and does not impact net income.

During 2011, Praxair acquired a controlling interest in Yara Praxair, a joint venture in Scandinavia that was previously accounted for as an equity investment (see Note 3). As part of the transaction, the noncontrolling shareholder obtained the right to sell its shares to Praxair starting in 2015 for a period of 4 years at a formula price. Praxair also obtained the right to purchase the shares held by the noncontrolling shareholder starting in 2017 for a period of 2 years, also at a formula price. Accordingly, the noncontrolling interests related to Yara Praxair have been recorded in the consolidated balance sheets as redeemable noncontrolling interests. Other redeemable noncontrolling interests relate to three packaged gas distributors in the United States where the noncontrolling shareholders have put options.

The following is a summary of redeemable noncontrolling interests for the years ended December 31, 2013, 2012 and 2011:

(Millions of dollars)	2013	2012	2011	
Beginning Balance	\$252	\$220	\$—	
Reclassification from noncontrolling interest as of October 1, 2011	—	—	65	
Yara Praxair transaction	—	—	119	
Net income	24	18	2	
Distributions to noncontrolling interest	(11	) (9	) —	
Redemption value adjustment/accretion	53	13	35	
Foreign currency translation and other	(11	) 10	(1	)
Ending Balance	\$307	\$252	\$220	



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## NOTE 15. SHARE-BASED COMPENSATION

Share-based compensation expense was \$70 million in 2013 and 2012, and \$62 million in 2011. The related income tax benefit recognized was \$21 million in 2013 and 2012, and \$19 million in 2011. The share-based compensation expense was primarily recorded in selling, general and administrative expenses and no share-based compensation expense was capitalized.

## Summary of Plans

Effective April 28, 2009, the board of directors and shareholders of the company adopted the 2009 Praxair, Inc. Long-Term Incentive Plan ("the 2009 Plan"), which replaced the 2002 Praxair, Inc. Long-Term Incentive Plan ("the 2002 Plan"). Equity awards are no longer granted under the 2002 Plan. The 2009 Plan provides for similar equity awards and limitations as the 2002 Plan. The 2009 Plan provides for the granting of stock options and stock appreciation rights, restricted stock and restricted stock units, performance-based stock units and other equity awards. Under the 2009 Plan, the initial aggregate number of shares available for option and other equity grants is 12,000,000 shares, of which up to 4,000,000 shares may be granted as either restricted stock, restricted stock units or performance-based stock units. The 2009 Plan also provides calendar year per-participant limits on grants of stock options and stock appreciation rights, restricted stock and restricted stock units, and performance-based stock units. As of December 31, 2013, 4,543,979 shares remained available for equity grants under this Plan. Both officer and non-officer employees are eligible for awards under the 2009 Plan.

In 2005, the board of directors and shareholders of the company adopted the 2005 Equity Compensation Plan for Non-Employee Directors of Praxair, Inc. ("the 2005 Plan"). Under the 2005 Plan, the aggregate number of shares available for option and other equity grants was limited to a total of 500,000 shares. The 2005 Plan expired during 2010, by its own terms, and no shares were available for grant thereafter.

Exercise prices for options granted under the 2009 and 2005 Plans may not be less than the closing market price of the company's common stock on the date of grant and granted options may not be repriced or exchanged without shareholder approval. Options granted under the 2009 and 2005 Plans may become partially exercisable after a minimum of one year after the date of grant but may not become fully exercisable until at least three years have elapsed from the date of grant, and have a maximum duration of ten years. Options granted under predecessor plans had similar terms.

The company has the ability to repurchase shares on the open market to satisfy share option exercises and issues shares from treasury stock upon the exercise of certain stock options.

## Stock Option Fair Value

The company utilizes the Black-Scholes Options-Pricing Model to determine the fair value of stock options consistent with that used for pro forma disclosures in prior years. Management is required to make certain assumptions with respect to selected model inputs, including anticipated changes in the underlying stock price (i.e., expected volatility) and option exercise activity (i.e., expected life). Expected volatility is based on the historical volatility of the company's stock over the most recent period commensurate with the estimated expected life of the company's stock options and other factors. The expected life of options granted, which represents the period of time that the options are expected to be outstanding, is based primarily on historical exercise experience. The expected dividend yield is based on the company's most recent history and expectation of dividend payouts. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period commensurate with the estimated expected life. If factors change and result in different assumptions in future periods, the stock option expense that the company records for future grants may differ significantly from what the company has recorded in the current period.

The weighted-average fair value of options granted during 2013 was \$16.31 per option (\$17.43 in 2012 and \$17.70 in 2011) based on the Black-Scholes Options-Pricing model. The following weighted-average assumptions were used for grants in 2013, 2012 and 2011:

Year Ended December 31,	2013		2012		2011	
Dividend yield	2.2	%	2.0	%	2.0	%
Volatility	21.7	%	22.5	%	22.3	%
Risk-free interest rate	0.76	%	0.86	%	2.20	%
Expected term years	5		5		5	





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The following table summarizes option activity under the plans for 2013 (averages are calculated on a weighted basis; life in years; intrinsic value expressed in millions):

Activity	Number of Options (000's)	Average Exercise Price	Average Remaining Life	Aggregate Intrinsic Value
Outstanding at January 1, 2012	12,281	\$74.05		
Granted	1,308	110.58		
Exercised	(2,357	) 58.46		
Cancelled or expired	(71	) 106.15		
Outstanding at December 31, 2013	11,161	\$81.42	5.5	\$543
Exercisable at December 31, 2013	8,324	\$72.40	4.5	\$480

The aggregate intrinsic value represents the difference between the company's closing stock price of \$130.03 as of December 31, 2013 and the exercise price multiplied by the number of options outstanding as of that date. The total intrinsic value of stock options exercised during 2013 was \$143 million (\$165 million and \$191 million for 2012 and 2011, respectively).

Cash received from option exercises under all share-based payment arrangements for 2013 was \$138 million. The cash tax benefit realized from all share-based compensation totaled \$62 million for 2013, of which \$46 million in excess tax benefits was classified as financing cash flows.

As of December 31, 2013, \$22 million of unrecognized compensation cost related to non-vested stock options is expected to be recognized over a weighted-average period of approximately 1 year.

#### Performance-Based and Restricted Stock Awards

In 2013, the company granted performance-based stock awards under the 2009 Plans to senior level executives of 415,687 shares that vest principally based on the third anniversary of their date of grant. The actual number of shares issued in settlement of a vested award can range from zero to 200 percent of the target number of shares granted based upon the company's attainment of specified performance targets at the end of a three-year period. Compensation expense related to these awards is recognized over the three-year performance period based on the fair value of the closing market price of the company's common stock on the date of the grant and the estimated performance that will be achieved. Compensation expense will be adjusted during the three-year performance period based upon the estimated performance levels that will be achieved.

There were 118,612 restricted stock units granted to employees during 2013. In addition, the company had previously granted restricted stock to certain key employees that vest after a designated service period ranging from 2 to 10 years. Generally, restricted stock does not earn quarterly dividends while vesting. Compensation expense related to the restricted stock units and restricted stock is recognized on a straight-line basis over the vesting period.

The weighted-average fair value of performance-based stock units granted during 2013 was \$103.46 per unit (\$103.13 in 2012 and \$92.06 in 2011). The weighted-average fair value of restricted stock units granted during 2013 was \$105.79 per unit (\$104.71 in 2012 and \$92.39 in 2011). This is based on the closing market price of the company's common stock on the grant date adjusted for dividends that will not be paid during the vesting period.

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The following table summarizes non-vested performance-based and restricted stock award activity as of December 31, 2013 and changes during the period then ended (shares based on target amounts, averages are calculated on a weighted basis):

Performance-Based and Restricted Stock Activity	Performance-Based		Restricted Stock	
	Number of Shares (000's)	Average Grant Date Fair Value	Number of Shares (000's)	Average Grant Date Fair Value
Non-vested at January 1, 2013	840	\$88.83	368	\$89.89
Granted (a)	416	103.46	119	105.79
Vested	(371)	) 70.95	(136)	) 77.08
Cancelled	(18)	) 101.52	(14)	) 101.15
Non-vested at December 31, 2013	867	\$99.55	337	\$100.41

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

As of December 31, 2013, based on current estimates of future performance, \$36 million of unrecognized compensation cost related to performance-based awards and \$14 million of unrecognized compensation cost related to the restricted stock awards is expected to be recognized on a straight-line basis primarily through the first quarter of 2016.

**NOTE 16. RETIREMENT PROGRAMS****Defined Benefit Pension Plans**

Praxair has two main U.S. retirement programs which are non-contributory defined benefit plans: the Praxair Pension Plan and the CBI Pension Plan. The latter program benefits primarily former employees of CBI Industries, Inc. which Praxair acquired in 1996. Effective July 1, 2002, the Praxair Pension Plan was amended to give participating employees a one-time choice to remain covered by the old formula or to elect coverage under a new formula. The old formula is based predominantly on years of service, age and compensation levels prior to retirement, while the new formula provides for an annual contribution to an individual account which grows with interest each year at a predetermined rate. Also, this new formula applies to all new employees hired after April 30, 2002 into businesses adopting this plan. The U.S. and international pension plan assets are comprised of a diversified mix of investments, including domestic and international corporate equities, government securities and corporate debt securities. Praxair has several plans that provide supplementary retirement benefits primarily to higher level employees that are unfunded and are nonqualified for federal tax purposes. Pension coverage for employees of certain of Praxair's international subsidiaries generally is provided by those companies through separate plans. Obligations under such plans are primarily provided for through diversified investment portfolios, with some smaller plans provided for under insurance policies or by book reserves.

**Multi-employer Pension Plans**

In the United States Praxair participates in seven multi-employer defined benefit pension plans ("MEP") pursuant to the terms of collective bargaining agreements covering approximately 200 union-represented employees. The collective bargaining agreements expire on different dates through 2016. In connection with such agreements, the Company is required to make periodic contributions to the MEPs in accordance with the terms of the respective collective bargaining agreements. Praxair's participation in these plans is not significant either at the plan level or in the aggregate. Praxair's contributions to these plans were \$2 million in 2013 and \$1 million, in 2012 and 2011 (the cost is not included in the tables that follow). For all MEPs Praxair's contributions were significantly less than 1% of the total contributions to each plan for 2012 and 2011. Total 2013 contributions were not yet available from the MEPs. Praxair has obtained the most recently available Pension Protection Act ("PPA") zone status letters from the Trustees of the MEPs. The PPA classifies MEPs as either Red, Yellow or Green zone plans. Among other factors, plans in the Red zone are generally less than 65 percent funded; plans in the Yellow zone are generally 65 to 80 percent funded; and plans in the Green zone are generally at least 80 percent funded. According to the most current data available, four of the MEPs that the Company participates are in a Red zone status; one is in a Yellow zone status; and two are in a Green zone status. As of December 31, 2013, the five Red and Yellow Zone plans have pending or have implemented

financial improvement or rehabilitation plans. Praxair does not currently anticipate significant future obligations due to the funding status of these plans. If Praxair determined it was probable that it would withdraw from an MEP, the Company would record a liability for its portion of the MEP's unfunded pension obligations, as calculated at that time. Historically, such withdrawal payments have not been significant.

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## Defined Contribution Plans

Praxair's U.S. business employees are eligible to participate in the Praxair defined contribution savings plan. Employees may contribute up to 40% of their compensation, subject to the maximum allowable by IRS regulations. For the US packaged gases business, company contributions to this plan are calculated as a percentage of salary based on age plus service. U.S. employees other than those in the packaged gases business have company contributions to this plan calculated on a graduated scale based on employee contributions to the plan. The cost for these defined contribution plans was \$25 million in 2013, \$24 million in 2012 and \$22 million in 2011 (the cost is not included in the tables that follow).

The defined contribution plans includes a non-leveraged employee stock ownership plan ("ESOP") which covers all employees participating in this plan. The collective number of shares of Praxair common stock in the two ESOPs totaled 3,208,478 at December 31, 2013.

Certain international subsidiaries of the company also sponsor defined contribution plans where contributions are determined under various formulas. The cost for these plans was \$17 million in 2013 and \$12 million in 2012 and 2011 (the cost is not included in the tables that follow).

## Postretirement Benefits Other Than Pensions (OPEB)

Praxair provides health care and life insurance benefits to certain eligible retired employees. These benefits are provided through various insurance companies and healthcare providers. Praxair is also obligated to make payments for a portion of postretirement benefits related to retirees of Praxair's former parent. Additionally, as part of the CBI acquisition in 1996, Praxair assumed responsibility for healthcare and life insurance benefit obligations for CBI's retired employees. All postretirement healthcare programs have cost caps that limit the company's exposure to future cost increases. In addition, as part of the retirement elections made for July 1, 2002, eligible employees were given the choice of maintaining coverage in the current retiree medical design (as may be amended from time to time), or to move to a design whereby coverage would be provided, but with no Praxair subsidy whatsoever. Also, all new employees hired after April 30, 2002 into a business adopting these plans will not receive a company subsidy. Praxair does not currently fund its postretirement benefits obligations. Praxair's retiree plans may be changed or terminated by Praxair at any time for any reason with no liability to current or future retirees.

Praxair uses a measurement date of December 31 for its pension and other post-retirement benefit plans.

## Pension and Postretirement Benefit Costs

The components of net pension and OPEB costs for 2013, 2012 and 2011 are shown below:

(Millions of dollars)	Pensions			OPEB		
Year Ended December 31,	2013	2012	2011	2013	2012	2011
Service cost	\$56	\$49	\$44	\$5	\$4	\$4
Interest cost	112	119	120	11	12	14
Expected return on plan assets	(149)	(153)	(147)	—	—	—
Net amortization and deferral	91	68	43	(5)	(7)	(6)
Net periodic benefit cost before pension settlement charges	\$110	\$83	\$60	\$11	\$9	\$12
Pension settlement charges *	9	10	6	—	—	—
Net periodic benefit cost	\$119	\$93	\$66	\$11	\$9	\$12

\* 2012 and 2013 includes a \$9 million charges in the third quarter related to the retirement of senior managers in the United States (see Note 2)

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## Funded Status

The changes in benefit obligation and plan assets for Praxair's pension and OPEB programs, including reconciliation of the funded status of the plans to amounts recorded in the consolidated balance sheet, as of December 31, 2013 and 2012 are shown below:

(Millions of dollars) Year Ended December 31,	Pensions		2012		OPEB	
	2013 U.S.	International	U.S.	International	2013	2012
Change in Benefit Obligation ("PBO")						
Benefit obligation January 1	\$1,926	\$727	\$1,721	\$624	\$251	\$226
Service cost	38	18	34	15	5	4
Interest cost	74	38	79	40	11	12
Participant contributions	—	—	—	—	11	9
Actuarial loss (gain)	(148	) (43	) 182	89	(39	) 31
Benefits paid	(99	) (38	) (90	) (43	) (23	) (29
Foreign currency translation	—	(41	) —	2	(8	) (2
Benefit obligation, December 31	\$1,791	\$661	\$1,926	\$727	\$208	\$251
Accumulated benefit obligation ("ABO")	\$1,712	\$629	\$1,831	\$678		
Change in Plan Assets						
Fair value of plan assets, January 1	\$1,391	\$558	\$1,138	\$504	\$—	\$—
Actual return on plan assets	271	43	159	70	—	—
Company contributions	35	17	165	19	—	—
Benefits paid from plan assets	(77	) (33	) (71	) (39	) —	—
Foreign currency translation	—	(34	) —	4	—	—
Fair value of plan assets, December 31	\$1,620	\$551	\$1,391	\$558	\$—	\$—
Funded Status, End of Year	Recorded in the Balance Sheet					
Other long-term assets	\$—	\$42	\$—	\$—	\$—	\$—
Other current liabilities	(10	) (6	) (21	) (6	) (17	) (19
Other long-term liabilities	(161	) (146	) (514	) (163	) (191	) (232
Net amount recognized, December 31	Amounts recognized in accumulated other comprehensive income (loss) consist of:					
Net actuarial loss (gain)	\$563	\$145	\$956	\$217	Net actuarial loss (gain)	\$34
Prior service cost (credit)	1	18	(1	) 23	Prior service cost (credit)	(10
Deferred tax benefit (Note 5)	(215	) (38	) (364	) (56	Deferred tax benefit (Note 5)	(7
Amount recognized in accumulated other comprehensive income (loss) (Note 7)	\$349	\$125	\$591	\$184	Amount recognized in accumulated other comprehensive income (loss) (Note 7)	\$17

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The changes in plan assets and benefit obligations recognized in other comprehensive income in 2013 and 2012 are as follows:

(Millions of dollars)	Pensions		OPEB	
	2013	2012	2013	2012
Current year net actuarial loss (gain)*	\$(356	) \$195	\$(39	) \$31
Amortization of net actuarial loss	(90	) (67	) (1	) —
Amortization of prior service costs	(1	) (1	) 6	7
Pension settlements	(9	) (10	) —	—
Foreign currency translation and other	(12	) 3	(1	) (1
Total recognized in other comprehensive income	\$(468	) \$120	\$(35	) \$37

The pension net actuarial gain in 2013 relates primarily to the increase in discount rates, when compared to 2012.

\* The pension net actuarial loss in 2012 relates primarily to lower discount rates, when compared to 2011. The OPEB net actuarial gain in 2013 relates primarily to higher discount rates, and the 2012 net actuarial loss relates primarily to lower discount rates.

The amounts in accumulated other comprehensive income (loss) that are expected to be recognized as components of net periodic benefit cost during 2014 are as follows:

(Millions of dollars)	Pension	OPEB
Net actuarial loss (gain)	\$59	\$—
Prior service cost (credit)	1	(6
	\$60	\$(6

The following table provides information for pension plans where the accumulated benefit obligation exceeds the fair value of the plan assets:

(Millions of dollars)	Pensions		2012	
	2013		U.S.	International
Year Ended December 31,	U.S.*	International	U.S.	International
Projected benefit obligation ("PBO")	\$244	\$360	\$1,926	\$402
Accumulated benefit obligation ("ABO")	\$241	\$352	\$1,831	\$391
Fair value of plan assets	\$127	\$207	\$1,391	\$246

\* In 2013, plan assets related to the main U.S. retirement program exceeded the ABO by \$23 million and was therefore excluded from the table above.

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## Assumptions

The assumptions used to determine the benefit obligations are as of the respective balance sheet date and the assumptions used to determine the net benefit cost are at the previous year-end, as shown below:

	Pensions		International		OPEB		
	U.S. 2013	2012	2013	2012	2013	2012	
Weighted average assumptions used to determine benefit obligations at December 31,							
Discount rate	4.80	% 3.90	% 6.30	% 5.80	% 5.87	% 5.00	%
Rate of increase in compensation levels	3.25	% 3.25	% 4.00	% 4.00	% N/A	N/A	
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31,							
Discount rate	3.90	% 4.70	% 5.80	% 7.00	% 5.00	% 5.70	%
Rate of increase in compensation levels	3.25	% 3.25	% 4.00	% 3.90	% N/A	N/A	
Expected long-term rate of return on plan assets *	8.00	% 8.25	% 7.50	% 8.70	% N/A	N/A	

The expected long term rate of return on the U.S. and international plan assets is estimated based on the plans' investment strategy and asset allocation, historical capital market performance and, to a lesser extent, historical plan performance. For the U.S. plans, the expected rate of return of 8.00% was derived based on the target asset allocation of 60%-80% equity securities (approximately 9.5% expected return), and 20%-40% fixed income securities (approximately 5.5% expected return). For the international plans, the expected rate of return was derived based on the weighted average target asset allocation of 30%-50% equity securities (approximately 10% expected return), 40%-60% fixed income securities (approximately 7.5% expected return), and 0%-10% alternative investments (approximately 7.5% expected return). For the U.S. plan assets, the actual annualized total returns for the most recent 10-year and 20-year periods ended December 31, 2013 were approximately 6.7% and 7.8%, respectively. For the international plan assets, the actual annualized total returns for the same two periods were approximately 7.6% and 8.9%, respectively. Changes to plan asset allocations and investment strategy over this time period limit the value of historical plan performance as factor in estimating the expected long term rate of return. For 2014, the expected long-term rate of return on plan assets will be 8.00% for the U.S. plans. Expected weighted average returns for international plans will vary.

	OPEB		
	2013	2012	
Assumed healthcare cost trend rates			
Healthcare cost trend assumed	8.00	% 8.50	%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00	% 5.00	%
Year that the rate reaches the ultimate trend rate	2020	2020	

These healthcare-cost trend rate assumptions have an impact on the amounts reported. However, cost caps limit the impact on the net OPEB benefit cost in the U.S. To illustrate the effect, a one-percentage point change in assumed healthcare cost trend rates would have the following effects:

(Millions of dollars)	One-Percentage Point		
	Increase	Decrease	
Effect on the total of service and interest cost components of net OPEB benefit cost	\$ 1	\$(1	)
Effect on OPEB benefit obligation	\$ 6	\$(5	)

Pension Plan Assets

The investments of the U.S. pension plan are managed to meet the future expected benefit liabilities of the plan over the long term by investing in diversified portfolios consistent with prudent diversification and historical and expected capital market returns. When Praxair became an independent, publicly traded company in 1992, its former parent retained

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all liabilities for its term-vested and retired employees. Praxair's plan received assets and retained pension liabilities for its own active employee base. Therefore, the liabilities under the Praxair U.S. pension plan mature at a later date compared to pension funds of other similar companies. Investment strategies are reviewed by the Finance and Pension Committee of the company's Board of Directors and investment performance is tracked against appropriate benchmarks. There are no concentrations of risk as it relates to the assets within the plans.

The international pension plans are managed individually based on diversified investment portfolios, with different target asset allocations that vary for each plan. Praxair's U.S. and international pension plans' weighted-average asset allocations at December 31, 2013 and 2012, and the target asset allocation range for 2013, by major asset category are as follows:

Asset Category	U.S.			International				
	Target	2013	2012	Target	2013	2012		
Equity securities	60%-80%	70	% 64	% 30%-50%	48	% 37	%	
Fixed income securities	20%-40%	30	% 36	% 40%-60%	43	% 54	%	
Other	—	—	—	0%-10%	9	% 9	%	

The following table summarizes pension assets measured at fair value by asset category at December 31, 2013 and 2012. During the years presented, there has been no transfer of assets between Levels 1, 2 & 3 (see Note 13 for definition of the levels):

(Millions of dollars)	Fair Value Measurements Using							
	Level 1		Level 2		Level 3 *		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Cash and cash equivalents	\$2	\$8	\$—	\$—	\$—	\$—	\$2	\$8
Equity securities:								
U.S. equities	285	372	—	—	—	—	285	372
International equities	82	72	—	—	—	—	82	72
Mutual funds	393	316	—	—	—	—	393	316
Pooled funds	—	—	630	333	—	—	630	333
Fixed income securities:								
U.S. government bonds	39	48	—	—	—	—	39	48
International government bonds	128	184	—	—	—	—	128	184
Mutual funds	308	312	—	—	—	—	308	312
Corporate bonds	—	—	176	169	—	—	176	169
Pooled funds	—	—	80	87	—	—	80	87
Other:								
Insurance contracts	—	—	—	—	48	48	48	48
Fair value of plan assets, December 31,	\$1,237	\$1,312	\$886	\$589	\$48	\$48	\$2,171	\$1,949

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\* The following table summarizes changes in fair value of the pension plan assets classified as level 3 for the periods ended December 31, 2013 and 2012:

(Millions of dollars)	Insurance Contracts
Balance, December 31, 2011	\$49
Gain or losses for the period	1
Acquisitions	—
Net settlements	(2
Balance, December 31, 2012	48
Gain or losses for the period	—
Net settlements	—
Balance, December 31, 2013	\$48

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

**Cash and Cash Equivalents** – This category includes cash and short-term interest bearing investments with maturities of three months or less. Investments are valued at cost plus accrued interest. Cash and cash equivalents are classified within level 1 of the valuation hierarchy.

**Equity Securities** – This category is comprised of shares of common stock in U.S. and international companies from a diverse set of industries and size. Common stock is valued at the closing market price reported on a U.S. or international exchange where the security is actively traded. Equity securities are classified within level 1 of the valuation hierarchy.

**Mutual Funds and Pooled Funds** – This category consists of publicly and privately managed funds that invest primarily in marketable equity and fixed income securities. The fair value of these investments is determined by reference to the net asset value of the underlying securities of the fund. Shares of publicly traded mutual funds are valued at the net asset value quoted on the exchange where the fund is traded and are classified as level 1 within the valuation hierarchy. Units of pooled funds are valued at the per unit net asset value determined by the fund manager and are classified as level 2 within the valuation hierarchy.

**U.S. and International Government Bonds** – This category includes U.S. treasuries, U.S. federal agency obligations and international government debt. The majority of these investments are valued at the closing market prices reported on the exchange where the security is traded and are classified as level 1 within the valuation hierarchy. If quoted market prices are not available for a specific government security, the fair value is determined using quoted prices of similar securities in active markets and is classified as level 2 within the valuation hierarchy.

**Corporate Bonds** – This category is comprised of corporate bonds of U.S. and international companies from a diverse set of industries and size. The fair values for U.S. and international corporate bonds are determined using quoted prices of similar securities in active markets and observable data or broker or dealer quotations. The fair values for these investments are classified as level 2 within the valuation hierarchy.

**Insurance Contracts** – The fair value of insurance contracts is determined based on the cash surrender value of the insurance contract, which is determined based on such factors as the fair value of the underlying assets and discounted cash flow. These contracts are with highly rated insurance companies. Insurance contracts are classified within level 3 of the valuation hierarchy.

#### Contributions

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 contributions from year to year. Pension contributions were \$52 million in 2013, \$184 million in 2012 and \$94 million in 2011. Estimates of 2014 contributions are in the area of \$25 million.

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## Estimated Future Benefit Payments

The following table presents estimated future benefit payments, net of participants contributions:

(Millions of dollars) Year Ended December 31,	Pensions		
	U.S.	International	OPEB
2014	\$94	\$37	\$18
2015	101	36	19
2016	104	37	18
2017	110	38	18
2018	115	39	17
2019 – 2023	630	206	75

## NOTE 17. COMMITMENTS AND CONTINGENCIES

The company accrues non income-tax liabilities for contingencies when management believes that a loss is probable and the amounts can be reasonably estimated, while contingent gains are recognized only when realized. In the event any losses are sustained in excess of accruals, they will be charged against income at that time. Attorney fees are recorded as incurred. Commitments represent obligations, such as those for future purchases of goods or services, that are not yet recorded on the company's balance sheet as liabilities. The company records liabilities for commitments when incurred (i.e., when the goods or services are received).

## Contingent Liabilities

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

Among such matters are:

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

During May 2009, the Brazilian government published Law 11941/2009 instituting a new voluntary amnesty program ("Refis Program") which allowed Brazilian companies to settle certain federal tax disputes at reduced amounts. During the 2009 third quarter, Praxair decided that it was economically beneficial to settle many of its outstanding federal tax disputes and these disputes were enrolled in the Refis Program and settled. The final settlement related to the Refis Program is subject to final calculation and review by the Brazilian federal government and, although the timing is very difficult to estimate, the company currently anticipates this review will conclude during the next year. Any differences from amounts recorded will be adjusted to income at that time.

After enrollment in the amnesty programs, at December 31, 2013 the most significant remaining claims relate to state VAT tax matters associated with procedural issues and a federal income tax matter where the taxing authorities are challenging the tax rate that should be applied to income generated by a subsidiary company. The total estimated exposure relating to such claims, including interest and penalties, as appropriate, is approximately \$188 million. Praxair has not recorded any liabilities related to such claims based on management judgments, after considering judgments and opinions of outside counsel. Because litigation in Brazil historically takes many years to resolve, it is very difficult to estimate the timing of resolution of these matters; however, it is possible that certain of these matters may be resolved within the near term. The company is vigorously defending against the proceedings.

On September 1, 2010, CADE ("Brazilian Administrative Council for Economic Defense") announced alleged anticompetitive activity on the part of five industrial gas companies in Brazil and imposed fines on all five companies. Originally, CADE imposed a civil fine of R\$2.2 billion Brazilian reais (US\$939 million) against White Martins, the Brazil-based subsidiary of Praxair, Inc. In response to a motion for clarification, the fine was reduced to R\$1.7 billion Brazilian reais (US\$726 million) due to a calculation error made by



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CADE. The amount of the fine is subject to indexation using SELIC. On September 2, 2010, Praxair issued a press release and filed a report on Form 8-K rejecting all claims and stating that the fine represents a gross and arbitrary disregard of Brazilian law.

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

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

**Contingent Asset - Resolution**

Praxair's Brazilian-based subsidiary, White Martins, had a long-standing claim against a Brazilian power company, Bandeirante Energia SA, which had been successfully litigated, and in 2011 the courts released a cash deposit to White Martins, subject to completion of an appeal process. During the first quarter of 2012, White Martins was notified that the appeal process was favorably concluded, and accordingly, recognized a \$24 million gain to other income (expense), net of legal fees and another litigation matter.

**Commitments and Contractual Obligations**

The following table sets forth Praxair's material commitments and contractual obligations as of December 31, 2013, excluding leases, tax liabilities for uncertain tax positions, long-term debt, other post retirement and pension obligations which are summarized elsewhere in the financial statements (see Notes 4, 7, 11, and 16):

(Millions of dollars)	Unconditional	Construction	Guarantees
Expiring through December 31,	Purchase	Commitments	and Other
	Obligations		
2014	\$529	\$1,071	\$45
2015	444	515	9
2016	421	117	—
2017	409	—	—
2018	404	—	—
Thereafter	3,542	—	18
	\$5,749	\$1,703	\$72

Unconditional purchase obligations of \$5,749 million represent contractual commitments under various long and short-term take-or-pay arrangements with suppliers and are not included on Praxair's balance sheet. These obligations are primarily minimum-purchase commitments for helium, electricity, natural gas and feedstock used to produce atmospheric and process gases. A significant portion of these obligations is passed on to customers through similar take-or-pay or other contractual arrangements. Purchase obligations that are not passed along to customers through such contractual arrangements are subject to market conditions, but do not represent a material risk to Praxair. During 2013, payments related to Praxair's unconditional purchase obligations totaled \$1,138 million, including \$649 million for electricity and \$227 million for natural gas. Approximately, \$3,801 million of the purchase obligations relates to power and are intended to secure the uninterrupted supply of electricity and feedstock to our plants in order for Praxair to reliably satisfy customer product supply obligations, and extend through 2030. Certain of the power contracts contain various cancellation provisions requiring supplier agreement which the company believes could reduce the reported obligation significantly, if desired, and many are subject to annual escalations based on local inflation factors. The purchase obligations also include a multi-year contract for silane, with a total purchase obligation of \$161 million as of December 31, 2013. Since this contract was signed, the market for silane has not developed as expected and prices have decreased due to lower demand from the photovoltaics markets, primarily in Asia. At December 31, 2013,

Praxair's current selling prices and estimated future demand for silane are in excess of its contractual purchase obligations under the contract. The company is continually monitoring market developments.

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Construction commitments of \$1,703 million represent outstanding commitments to complete authorized construction projects as of December 31, 2013. A significant portion of Praxair's capital spending is related to the construction of new production facilities to satisfy customer commitments which may take a year or more to complete.

Guarantees and other of \$72 million include \$70 million related to Praxair's contingent obligations under guarantees of certain debt of unconsolidated affiliates and \$2 million of various guarantees relating to outstanding receivables and repurchase agreements. Unconsolidated equity investees had total debt of approximately \$489 million at December 31, 2013, which was non-recourse to Praxair with the exception of the guaranteed portions described above. Praxair has no significant financing arrangements with closely-held related parties.

At December 31, 2013, Praxair had undrawn outstanding letters of credit, bank guarantees and surety bonds valued at approximately \$1,464 million from financial institutions, including \$541 million relating to the CADE anti-trust litigation in Brazil. These related primarily to customer contract performance guarantees (including plant construction in connection with certain on-site contracts), self-insurance claims and other commercial and governmental requirements, including foreign litigation matters.

**NOTE 18. SEGMENT INFORMATION**

The company's operations are organized into five reportable segments, four of which have been determined on a geographic basis of segmentation: North America, Europe, South America and Asia. In addition, Praxair operates its worldwide surface technologies business through its wholly-owned subsidiary, Praxair Surface Technologies, Inc., which represents the fifth reportable segment.

Praxair's operations consist of two major product lines: industrial gases and surface technologies. The industrial gases product line centers on the manufacturing and distribution of atmospheric gases (oxygen, nitrogen, argon, rare gases) and process gases (carbon dioxide, helium, hydrogen, electronic gases, specialty gases, acetylene). Many of these products are co-products of the same manufacturing process. Praxair manufactures and distributes nearly all of its products and manages its customer relationships on a regional basis. Praxair's industrial gases are distributed to various end markets within a regional segment through one of three basic distribution methods: on-site or tonnage; merchant or bulk; and packaged or cylinder gases. The distribution methods are generally integrated in order to best meet the customer's needs and very few of its products can be economically transported outside of a region. Therefore, the distribution economics are specific to the various geographies in which the company operates and are consistent with how management assesses performance.

Praxair evaluates the performance of its reportable segments based primarily on operating profit, excluding inter-company royalties and special items. Accordingly, for 2013, segment operating profit excludes a \$32 million loss associated with the impact of the Venezuela currency devaluation and pension settlement charge; 2012 excludes a \$65 million loss associated with the cost reduction program and pension settlement charge; and 2011 excludes \$1 million net loss associated with the acquisition and cost reduction program (see Note 2). Corporate and globally managed expenses, and research and development costs relating to Praxair's global industrial gases business, are allocated to operating segments based on sales.

The table below presents information about reportable segments for the years ended December 31, 2013, 2012 and 2011.

(Millions of dollars)	2013	2012	2011
Sales (a)			
North America	\$6,164	\$5,598	\$5,490
Europe	1,542	1,474	1,458
South America	2,042	2,082	2,308
Asia	1,525	1,414	1,348
Surface Technologies	652	656	648
	\$11,925	\$11,224	\$11,252

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	2013	2012	2011
Operating Profit			
North America	\$1,538	\$1,465	\$1,331
Europe	270	256	272
South America	467	429	530
Asia	271	246	234
Surface Technologies	111	106	102
Segment operating profit	2,657	2,502	2,469
Venezuela currency devaluation and other charges (Note 2)	(32	) (65	) (1
Total operating profit	\$2,625	\$2,437	\$2,468
	2013	2012	2011
Total Assets (b)			
North America	\$10,133	\$8,491	\$7,402
Europe	3,408	2,957	2,728
South America	2,934	3,205	3,194
Asia	3,098	2,757	2,366
Surface Technologies	682	680	666
	\$20,255	\$18,090	\$16,356
(Millions of dollars)	2013	2012	2011
Depreciation and Amortization			
North America	\$567	\$498	\$495
Europe	169	149	141
South America	181	184	197
Asia	150	127	126
Surface Technologies	42	43	44
	\$1,109	\$1,001	\$1,003
	2013	2012	2011
Capital Expenditures and Acquisitions			
North America	\$2,106	\$1,303	\$880
Europe	451	322	339
South America	284	351	396
Asia	459	431	431
Surface Technologies	43	53	45
	\$3,343	\$2,460	\$2,091
	2013	2012	2011
Sales by Product Group (c)			
Atmospheric gases and related	\$8,451	\$8,104	\$8,005
Process gases and other	2,822	2,464	2,599
Surface technologies	652	656	648
	\$11,925	\$11,224	\$11,252



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	2013	2012	2011
Sales by Major Country			
United States	\$4,764	\$4,305	\$4,206
Brazil	1,603	1,668	1,931
Other – foreign	5,558	5,251	5,115
	\$11,925	\$11,224	\$11,252
	2013	2012	2011
Long-lived Assets by Major Country (d)			
United States	\$4,723	\$4,255	\$3,646
Brazil	1,376	1,535	1,584
Other – foreign	6,179	5,663	4,901
	\$12,278	\$11,453	\$10,131

(a) Sales reflect external sales only. Intersegment Sales, primarily from North America to other segments, were not material.

(b) Includes equity investments as of December 31, as follows:

(Millions of dollars)	2013	2012	2011
North America*	\$128	\$135	\$49
Europe *	218	199	183
Asia *	356	320	291
	\$702	\$654	\$523

\* The 2013 increase primarily relates to current year equity investment earnings. The 2012 increase in North America relates to the formation of a packaged gas joint venture with Nexair LLC in the Southeastern United States.

(c) Prior years' amounts have been reclassified to conform to current year's presentation.

(d) Long-lived assets include property, plant and equipment – net.

## NOTE 19. QUARTERLY DATA (UNAUDITED)

(Dollar amounts in millions, except per share data)

2013	1Q (a)	2Q	3Q (a)	4Q (a)	YEAR (a)
Sales	\$2,888	\$3,014	\$3,013	\$3,010	\$11,925
Cost of sales, exclusive of depreciation and amortization	\$1,638	\$1,710	\$1,697	\$1,699	\$6,744
Depreciation and amortization	\$266	\$275	\$281	\$287	\$1,109
Operating profit	\$600	\$665	\$670	\$690	2,625
Net income – Praxair, Inc.	\$391	\$445	\$445	\$474	\$1,755
Basic Per Share Data					
Net income	\$1.32	\$1.50	\$1.51	\$1.61	\$5.94
Weighted average shares (000's)	296,604	295,668	295,124	294,697	295,523
Diluted Per Share Data					
Net income	\$1.30	\$1.49	\$1.49	\$1.59	\$5.87
Weighted average shares (000's)	299,700	298,654	298,357	298,225	298,965

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2012	1Q	2Q	3Q (a)	4Q	YEAR (a)
Sales	\$2,840	\$2,811	\$2,774	\$2,799	\$11,224
Cost of sales, exclusive of depreciation and amortization	\$1,616	\$1,602	\$1,595	\$1,583	\$6,396
Depreciation and amortization	\$252	\$247	\$248	\$254	\$1,001
Operating profit	\$627	\$636	\$558	\$616	\$2,437
Net income – Praxair, Inc.	\$419	\$429	\$430	\$414	\$1,692
Basic Per Share Data					
Net income	\$1.40	\$1.43	\$1.44	\$1.40	\$5.67
Weighted average shares (000's)	299,077	298,885	298,416	296,887	298,316
Diluted Per Share Data					
Net income	\$1.38	\$1.42	\$1.43	\$1.38	\$5.61
Weighted average shares (000's)	302,876	302,492	301,731	300,224	301,845

(a)2013 and 2012 include the impact of the following benefits/(charges) (see Notes 2, 5 & 11):

(Millions of dollars)	Operating Profit/ (Loss)	Net Income/ (Loss)
Venezuela currency devaluation – Q1	\$(23	) \$(23
Pension settlement charge – Q3	(9	) (6
Income tax benefit - Q4	—	24
Bond redemption - Q4	—	(12
Year 2013	\$(32	) \$(17
Cost reduction program – Q3	\$(56	) \$(38
Pension settlement charge – Q3	(9	) (6
Income tax benefit – Q3	—	55
Year 2012	\$(65	) \$11

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

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, Praxair conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control – Integrated Framework (1992) 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, 2013.

Praxair's evaluation of internal control over financial reporting as of December 31, 2013 did not include the internal control over financial reporting related to NuCO<sub>2</sub> Inc. and Dominion Technology Gases Investment Limited because they were acquired by Praxair in business purchase combinations consummated during 2013. Total assets and sales for these acquisitions represent 7.1% and 2.0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2013 (See Note 3 to the consolidated financial statements in Item 8).

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, 2013 as stated in their report in Item 8.

Changes in Internal Control over Financial Reporting

There were no changes in Praxair's internal control over financial reporting that occurred during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, Praxair's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Certain information required by this item is incorporated herein by reference to the sections captioned “The Board of Directors”, “Executive Officers” and “Corporate Governance And Board Practices-Section 16(a) Beneficial Ownership Reporting Compliance” in Praxair’s Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 2014.

Identification of the Audit Committee

Praxair has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 as amended (the “Exchange Act”). The members of that Audit Committee are Ira D. Hall, Chairman, Bret K. Clayton, Nance K. Dicciani, Raymond W. LeBoeuf and Larry D. McVay.

Audit Committee Financial Expert

The Praxair Board of Directors has determined that each of, Raymond W. LeBoeuf, Ira D. Hall and Bret K. Clayton is an “audit committee financial expert” as defined by Item 407(d)(5)(ii) of Regulation S-K of the Exchange Act and is independent within the meaning of the independence standards adopted by the Board of Directors and those of the New York Stock Exchange.

Code of Ethics

Praxair has adopted a code of ethics that applies to the company’s directors and all employees, including its Chief Executive Officer, Chief Financial Officer, and Controller. This code of ethics has been approved by the Praxair Board of Directors and is named the “Compliance with Laws and Business Integrity and Ethics Policy”. To assist employees and directors in complying with this code of ethics, management, from time to time, develops specific standards implementing certain provisions of the code which standards are contained in Praxair’s “Standards of Business Integrity.” Both documents are posted on the company’s public website, [www.praxair.com](http://www.praxair.com).

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated herein by reference to the sections captioned “Executive Compensation” and “Director Compensation” in Praxair’s Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 2014.

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

Equity Compensation Plans Information – The table below provides information as of December 31, 2013 about company stock that may be issued upon the exercise of options, warrants and rights granted to employees or members of Praxair’s Board of Directors under present and former equity compensation plans, including plans approved by shareholders and one plan which has not been approved by shareholders, the 1996 Praxair, Inc. Performance Incentive Plan (“the 1996 Plan”). The equity compensation plan not approved by shareholders was terminated in March 2001 and directors and officers of the company were not eligible to participate in that plan. Shareholder approval of that plan was not required under applicable NYSE rules. The 1996 Plan provided for granting nonqualified or incentive stock options, stock grants, performance awards and other stock related incentives for key employees. The exercise price under the 1996 Plan was equal to the closing price of Praxair’s common stock on the date of grant. Options that were granted under this plan became exercisable after one or more years after the date of grant and the option term was no more than ten years.

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## EQUITY COMPENSATION PLANS TABLE

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	12,364,255	(1) \$73.49	4,543,979
Equity compensation plans not approved by shareholders	—	—	—
Total	12,364,255	\$73.49	4,543,979

This amount includes 336,969 restricted shares and 866,690 performance shares. Up to an additional 586,510 (1)performance shares could be issued if performance goals are achieved at the maximum specified targets. See Note 15 to the consolidated financial statements.

Certain information required by this item regarding the beneficial ownership of the Company's common stock is incorporated herein by reference to the section captioned "Share Ownership" in Praxair's Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 2014.

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

Information required by this item is incorporated herein by reference to the sections captioned "Corporate Governance And Board Practices – Review, Approval or Ratification of Transactions with Related Persons," "Corporate Governance And Board Practices – Certain Relationships and Transactions," and "Corporate Governance And Board Practices – Director Independence" in Praxair's Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 2014.

#### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item is incorporated herein by reference to the section captioned "The Independent Auditor" in Praxair's Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 2014.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

- (1) The company's 2013 Consolidated Financial Statements and the Report of the Independent Registered Public Accounting Firm are included in Part II, Item 8. Financial Statements and Supplementary Data.
- (2) Financial Statement Schedules – All financial statement schedules have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.
- (3) Exhibits – The exhibits filed as part of this Annual Report on Form 10-K are listed in the accompanying index.

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SIGNATURES

Praxair, Inc. and Subsidiaries

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

Date: February 25, 2014

PRAXAIR, INC.

(Registrant)

By: /s/ ELIZABETH T. HIRSCH

Elizabeth T. Hirsch

Vice President and Controller

(On behalf of the Registrant and

as Chief Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 25, 2014.

/s/ STEPHEN F. ANGEL

Stephen F. Angel

Chairman, President,

Chief Executive Officer and

Director

/s/ MATTHEW J. WHITE

Matthew J. White

Senior Vice President and

Chief Financial Officer

/s/ NANCE K. DICCIANI

Nance K. Dicciani

Director

/s/ EDWARD G. GALANTE

Edward G. Galante

Director

/s/ CLAIRE W. GARGALLI

Claire W. Gargalli

Director

/s/ IRA D. HALL

Ira D. Hall

Director

/s/ RAYMOND W. LEBOEUF

Raymond W. LeBoeuf

Director

/s/ LARRY D. MCVAY

Larry D. McVay

Director

/s/ WAYNE T. SMITH

Wayne T. Smith

Director

/s/ OSCAR DE PAULA

BERNARDES

Oscar de Paula Bernardes

Director

/s/ ROBERT L. WOOD

Robert L. Wood

Director

/s/ BRET K. CLAYTON

Bret K. Clayton

Director

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INDEX TO EXHIBITS

Praxair, Inc. and Subsidiaries

Exhibit No.	Description
3.01	Restated Certificate of Incorporation of Praxair, Inc. as filed with the Secretary of State of the State of Delaware on April 27, 2012 (Filed as Exhibit 3.01 to the Company's Current Report on Form 8-K dated April 30, 2012, Filing No. 1-11037, and incorporated herein by reference).
3.02	Amended and Restated By-Laws of Praxair, Inc. (Filed as Exhibit 3.02 to the Company's Current Report on Form 8-K dated April 30, 2012, Filing No. 1-11037, and incorporated herein by reference).
3.03	Certificate of Designations for the 7.48% Cumulative Preferred Stock, Series A (Filed on February 13, 1997 as Exhibit 3.3 to Amendment #1 to the Company's Registration Statement on Form S-3, Registration No. 333-18141).
3.04	Certificate of Designations for the 6.75% Cumulative Preferred Stock, Series B (Filed on February 13, 1997 as Exhibit 3.4 to Amendment #1 to the Company's Registration Statement on Form S-3, Registration No. 333-18141).
4.01	Common Stock Certificate (Filed as Exhibit 4.01 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
4.02	Indenture, dated as of July 15, 1992, between Praxair, Inc. and U.S. Bank National Association, as the ultimate successor trustee to Bank of America, Illinois, formerly Continental Bank, National Association (Filed as Exhibit 4 to the Company's Current Report on Form 8-K dated March 19, 2007, Filing No. 1-11037, and incorporated herein by reference).
4.03	Copies of the agreements relating to long-term debt which are not required to be filed as exhibits to this Annual Report on Form 10-K will be furnished to the Securities and Exchange Commission upon request.
4.04	Series A Preferred Stock Certificate (Filed on February 7, 1997 as Exhibit 4.3 to Amendment #1 to the Company's Registration Statement on Form S-3, Registration No. 333-18141).
4.05	Series B Preferred Stock Certificate (Filed on February 7, 1997 as Exhibit 4.4 to Amendment #1 to the Company's Registration Statement on Form S-3, Registration No. 333-18141).
*10.01	Restated 2002 Praxair, Inc. Long Term Incentive Plan (Filed as Exhibit 10.01 to the Company's 2003 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.01a	Amendment, dated as of October 24, 2006, to the Amended and Restated 2002 Praxair, Inc. Long Term Incentive Plan (Filed as Exhibit 10.01a to the Company's 2006 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.01b	Amendment, dated as of January 23, 2007, to the Amended and Restated 2002 Praxair, Inc. Long Term Incentive Plan (Filed as Exhibit 10.01b to the Company's 2006 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).



\*10.01c Form of Standard Option Award under the 2002 Praxair, Inc. Long Term Incentive Plan (Filed as Exhibit 10.01c to the Company's 2007 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).

\*10.01d Form of Transferable Option Award under the 2002 Praxair, Inc. Long Term Incentive Plan (Filed as Exhibit 10.01d to the Company's 2007 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).

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Exhibit No.	Description
*10.02	Form of Executive Severance Compensation Agreement effective January 1, 2009 (Filed as Exhibit 10.02 to the Company's 2008 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.02a	Form of Amendment, effective December 31, 2012, to Executive Severance Compensation Agreements that were effective January 1, 2009 (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 14, 2012, Filing No. 1-11037, and incorporated herein by reference).
*10.02b	Form of Executive Severance Compensation Agreement effective January 1, 2010 (Filed as Exhibit 10.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, Filing No. 1-11037, and incorporated herein by reference).
*10.02c	Form of Amendment, effective December 31, 2012, to Executive Severance Compensation Agreements that were effective January 1, 2010 (Filed as Exhibit 10.02c to the Company's 2012 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.02d	Form of Executive Severance Compensation Agreement effective January 1, 2013 (Filed as Exhibit 10.02d to the Company's 2012 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.03	Praxair, Inc. Variable Compensation Plan amended and restated effective April 24, 2012 (Filed as Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, Filing No. 1-11037, and incorporated herein by reference).
*10.04	Amended and Restated 1995 Stock Option Plan for Non-Employee Directors (Filed as Exhibit 10.04 to the Company's 2003 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.04a	First Amendment, dated as of October 24, 2006, to the Amended and Restated 1995 Stock Option Plan for Non-Employee Directors (Filed as Exhibit 10.04a to the Company's 2006 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.04b	2005 Equity Compensation Plan for Non-Employee Directors of Praxair, Inc. amended and restated effective January 26, 2010 (Filed as Exhibit 10.04b to the Company's 2009 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.04c	Form of Option Award under the 2005 Equity Compensation Plan for Non-Employee Directors of Praxair, Inc (Filed as Exhibit 10.04a to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, Filing No. 1-11037, and incorporated herein by reference).
*10.05a	Praxair, Inc. Supplemental Retirement Income Plan A effective January 1, 2008 (Filed as Exhibit 10.05a to the Company's 2008 Annual Report on Form 10-K, Filing No. 1-11037,

and incorporated herein by reference).

- \*10.05b First amendment to the Praxair, Inc. Supplemental Retirement Income Plan A effective January 1, 2010 (Filed as Exhibit 10.05b to the Company's 2009 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
- \*10.05c Praxair, Inc. Supplemental Retirement Income Plan B amended and restated effective December 31, 2007 (Filed as Exhibit 10.05b to the Company's 2008 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
- \*10.05d First amendment to the Praxair, Inc. Supplemental Retirement Income Plan B effective January 1, 2010 (Filed as Exhibit 10.05d to the Company's 2009 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
- \*10.05e Second Amendment to Praxair, Inc. Supplemental Retirement Income Plan B effective July 1, 2012 (Filed as Exhibit 10.05e to the Company's 2012 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
- \*10.05f Praxair, Inc. Equalization Benefit Plan amended and restated effective December 31, 2007 (Filed as Exhibit 10.05c to the Company's 2008 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).

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Exhibit No.	Description
*10.05g	First amendment to the Praxair, Inc. Equalization Benefit Plan amended and restated effective January 1, 2010 (Filed as Exhibit 10.05f to the Company's 2009 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.06	Praxair, Inc. Director's Fees Deferral Plan amended and restated effective January 26, 2010 (Filed as Exhibit 10.06 to the Company's 2009 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
*10.07	Praxair Compensation Deferral Program amended and restated as of January 1, 2005 (Filed as Exhibit 10.07 to the Company's 2008 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
10.08	Transfer Agreement dated January 1, 1989, between Union Carbide Corporation and the registrant (Filed as Exhibit 10.06 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.08a	Amendment No. 1 dated as of December 31, 1989, to the Transfer Agreement (Filed as Exhibit 10.07 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.08b	Amendment No. 2 dated as of July 2, 1990, to the Transfer Agreement (Filed as Exhibit 10.08 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.08c	Amendment No. 3 dated as of January 2, 1991, to the Transfer Agreement (Filed as Exhibit 10.09 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.09	Transfer Agreement dated January 1, 1989, between Union Carbide Corporation and Union Carbide Coatings Service Corporation (Filed as Exhibit 10.14 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.09a	Amendment No. 1 dated as of December 31, 1989, to the Transfer Agreement (Filed as Exhibit 10.15 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.09b	Amendment No. 2 dated as of July 2, 1990, to the Transfer Agreement (Filed as Exhibit 10.16 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.10	Additional Provisions Agreement dated as of June 4, 1992 (Filed as Exhibit 10.21 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.11	Amended and Restated Realignment Indemnification Agreement dated as of June 4, 1992 (Filed as Exhibit 10.23 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).

1-11037, and incorporated herein by reference).

10.12 Environmental Management, Services and Liabilities Allocation Agreement dated as of January 1, 1990 (Filed as Exhibit 10.13 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).

10.12a Amendment No. 1 to the Environmental Management, Services and Liabilities Allocation Agreement dated as of June 4, 1992 (Filed as Exhibit 10.22 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).

10.13 Danbury Lease-Related Services Agreement dated as of June 4, 1992 (Filed as Exhibit 10.24 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).

10.13a First Amendment to Danbury Lease-Related Services Agreement (Filed as Exhibit 10.13a to the Company's 1994 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).

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Exhibit No.	Description
10.14	Danbury Lease Agreements, as amended (Filed as Exhibit 10.26 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.14a	Second Amendment to Linde Data Center Lease (Danbury) (Filed as Exhibit 10.14a to the Company's 1993 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
10.14b	Fourth Amendment to Carbide Center Lease (Filed as Exhibit 10.14b to the Company's 1993 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
10.14c	Third Amendment to Linde Data Center Lease (Filed as Exhibit 10.14c to the Company's 1994 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
10.14d	Fifth Amendment to Carbide Center Lease (Filed as Exhibit 10.14d to the Company's 1994 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
10.14e	Sixth Amendment to Carbide Center Lease (Filed as Exhibit 10.14e to the Company's 2004 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
10.15	Employee Benefits Agreement dated as of June 4, 1992 (Filed as Exhibit 10.25 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.15a	First Amendatory Agreement to the Employee Benefits Agreement (Filed as Exhibit 10.15a to the Company's 1994 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
10.16	Tax Disaffiliation Agreement dated as of June 4, 1992 (Filed as Exhibit 10.20 to the Company's Registration Statement on Form 10, Filing No. 1-11037, and incorporated herein by reference).
10.17	\$1.75 Billion Credit Agreement dated as of July 26, 2011 among Praxair, Inc. and the Eligible Subsidiaries Referred to therein, the Lenders Listed therein, and Bank of America, N.A., as Administrative Agent, Citibank, N.A. and HSBC Bank USA, N.A., as Syndication Agents, (Filed as Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, Filing No. 1-11037, and incorporated herein by reference).
10.17a	Commitment Increase Agreement dated September 30, 2013 among the Company, the lenders party thereto, the issuing lenders referred to therein and Bank of America, N.A. for the increase in the aggregate Commitments under the Credit Agreement dated as of July 26, 2011 among Praxair, Inc. and the Eligible Subsidiaries Referred to therein, the Lenders Listed therein, and Bank of America, N.A., as Administrative Agent, Citibank, N.A. and HSBC Bank USA, N.A., as Syndication Agents, from \$1,750,000,000 to \$2,000,000,000, was filed as 10.1 to the Company's Current Report on Form 8-K, dated October 2, 2013,

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Filing No. 1-11037, and incorporated herein by reference.

- \*10.18 Praxair, Inc. Plan for Determining Performance-Based Awards Under Section 162(m) (included as Appendix 3 to the Company's definitive proxy statement for its 2011 annual meeting of shareholders filed on March 16, 2011 and incorporated herein by reference).
- \*10.19 Service Credit Arrangement for Stephen F. Angel dated May 23, 2007 was filed as Exhibit 10.20 to the Company's Form 8-K filed on May 24, 2007 and is incorporated herein by reference.
- \*10.20 2009 Praxair, Inc. Long Term Incentive Plan as amended on April 27, 2010, January 25, 2011 and October 23, 2012 was filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 14, 2012 Filing No. 1-11037, and incorporated herein by reference.
- \*10.21 Form of Standard Option Award under the 2009 Praxair, Inc. Long Term Incentive Plan (Filed as Exhibit 10.22 to the Company's 2009 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).

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## Exhibit No. Description

- \*10.22 Form of Transferable Option Award under the 2009 Praxair, Inc. Long Term Incentive Plan (Filed as Exhibit 10.22 to the Company's 2009 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
- \*10.23 Form of Restricted Stock Unit Award under the 2009 Praxair, Inc. Long Term Incentive Plan (Filed as Exhibit 10.23 to the Company's 2009 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
- \*10.24a Form of Performance Share Unit Award under the 2009 Praxair, Inc. Long Term Incentive Plan for grants made in 2009 (Filed as Exhibit 10.24a to the Company's 2009 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
- \*10.24b Form of Performance Share Unit Award under the 2009 Praxair, Inc. Long Term Incentive Plan for grants made in 2010 with Earnings Per Share performance metrics (Filed as Exhibit 10.24b to the Company's 2012 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
- \*10.24c Form of Performance Share Unit Award under the 2009 Praxair, Inc. Long Term Incentive Plan for grants made in 2010 with Return on Capital performance metrics (Filed as Exhibit 10.24c to the Company's 2012 Annual Report on Form 10-K, Filing No. 1-11037, and incorporated herein by reference).
- 10.25 Letter of Clarification of Certain Pension Benefits dated October 26, 2010 between the Company and James T. Braxton, Jr. (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, Filing No. 1-11037, and incorporated herein by reference).
- 10.26 Form of Standard Underwriting Agreement Provisions was filed as Exhibit 1.1 to the Company's Form S-3 filed on March 1, 2011, and is incorporated herein by reference.
- 10.27 Terms Agreement dated March 1, 2011 among the Company, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc. and HSBC Securities (USA) Inc. as representatives of the underwriters named therein for the issuance and sale of \$500,000,000 4.05% Notes due 2021, was filed as Exhibit 1 to the Company's Current Report on Form 8-K, dated March 4, 2011, Filing No. 1-11037, and incorporated herein by reference.
- 10.28 Terms Agreement dated August 31, 2011 among Credit Suisse Securities (USA) LLC, RBS Securities Inc., Mitsui & Co. (USA), Inc. and Wells Fargo Securities, LLC as representatives of the underwriters named therein for the issuance and sale of \$500,000,000 3.000% Notes due 2021, was filed as Exhibit 1 to the Company's Current Report on Form 8-K, dated August 31, 2011, Filing No. 1-11037, and incorporated herein by reference.
- 10.29 Terms Agreement dated February 1, 2012 among the Company, Citigroup Global Markets Inc., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the underwriters named therein for the issuance and sale of \$600,000,000 2.450% Notes due 2022, was filed as Exhibit 1 to the Company's Current Report on Form 8-K, dated February 1, 2012, Filing No. 1-11037, and incorporated herein by reference.
- 10.30 Terms Agreement dated July 30, 2012 among the Company, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, as representatives of the underwriters named therein for the issuance and sale of \$500,000,000 3.000% Notes due August 15, 2022, was filed as Exhibit 1 to the Company's Current Report on Form 8-K, dated August 2, 2012, Filing No. 1-11037, and incorporated herein by reference.
- 10.31 Terms Agreement dated November 2, 2012 among the Company, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., RBS Securities Inc., as representatives of the underwriters named therein for the issuance and sale of \$400,000,000 3.000% Notes due August 15, 2022, was filed as Exhibit 1 to the Company's Current Report on Form 8-K, dated November 2, 2012, Filing No. 1-11037, and incorporated herein by reference.



2017, and \$300,000,000 3.55% Notes due 2042, was filed as Exhibit 1 to the Company's Current Report on Form 10-K, dated July 7, 2012, Filing No. 1-11037, and incorporated herein by reference.

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Exhibit No.	Description
10.32	Terms Agreement dated February 13, 2013 among the Company, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Mitsubishi UFJ Securities (USA), Inc., as representatives of the underwriters named therein for the issuance and sale of \$400,000,000 0.75% Notes due 2016, and \$500,000,000 aggregate principal amount of its 2.70 % Notes due 2023, was filed as Exhibit 1 to the Company's Current Report on Form 8-K, dated February 19, 2013, Filing No. 1-11037, and incorporated herein by reference.
10.33	Terms Agreement dated February 27, 2013 between the Company and Citigroup Global Markets Inc., the underwriter named therein for the issuance and sale of \$500,000,000 1.200% Notes due 2018, was filed as Exhibit 1 to the Company's Current Report on Form 8-K, dated March 4, 2013, Filing No. 1-11037, and incorporated herein by reference.
10.34	Terms Agreement dated April 29, 2013 among the Company, Citigroup Global Markets Inc. , Credit Suisse Securities (USA) LLC and RBS Securities Inc., as representatives of the underwriters named therein for the issuance and sale of \$475,000,000 1.250% Notes due 2018 and \$175,000,000 3.550% Notes due 2042, was filed as Exhibit 1 to the Company's Current Report on Form 8-K, dated April 30, 2013, Filing No. 1-11037, and incorporated herein by reference.
10.35	Terms Agreement dated November 4, 2013 between the Company and Citigroup Global Markets Inc., the underwriter named therein for the issuance and sale of \$500,000,000 1.900% Notes due 2019, was filed as Exhibit 1 to the Company's Current Report on Form 8-K, dated November 5, 2013, Filing No 1-11037, and incorporated herein by reference.
12.01	Computation of Ratio of Earnings to Fixed Charges.
21.01	Subsidiaries of Praxair, Inc.
23.01	Consent of Independent Registered Public Accounting Firm.
31.01	Rule 13a-14(a) Certification
31.02	Rule 13a-14(a) Certification
32.01	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
32.02	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

Copies of exhibits incorporated by reference can be obtained from the SEC and are located in SEC File No. 1-11037.

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