UGI CORP /PA/
Form 8-K
November 29, 2004

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): November 22, 2004

UGI CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	1-11071	23-2668356
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

460 N. Gulph Road
King of Prussia, Pennsylvania 19406
(Address, including zip code, of principal executive offices)

(610) 337-1000
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 4.02 (a) -- NON-RELIANCE ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS OR A RELATED AUDIT REPORT OR COMPLETED INTERIM REVIEW

On November 22, 2004, management concluded that the Company's Balance Sheet and

Statement of Stockholders' Equity for its fiscal year ended September 30, 2003 should be restated to reduce the reported amount of stockholders' equity and increase the reported amount of deferred income taxes. The balance sheet changes are attributable to management concluding that the Company should have recorded deferred taxes upon the conversion of the Company's subordinated units in AmeriGas Partners, L.P. ("AmeriGas"), which occurred in November 2002, and upon subsequent sales by AmeriGas of units to the public. The restatement will have no impact on the Company's Income Statement or Statement of Cash Flows. The Company will include the restated Balance Sheet and Statement of Stockholders' Equity in its Annual Report on Form 10-K for the fiscal year ended September 30, 2004 ("2004 Form 10-K"), which it expects to file by December 14, 2004.

Under its interpretation of accounting rules at the time of the conversion, including Staff Accounting Bulletin No. 51, "Accounting for Sales of Common Stock by a Subsidiary," the Company accounted for the gains resulting from the conversion of AmeriGas units, and subsequent sales by AmeriGas of units to the public, as increases in stockholders' equity in amounts equal to the increase in the value of the Company's investment in AmeriGas. The Company did not record deferred taxes relating to the gains because of its intention to hold its investment in AmeriGas indefinitely. While the Company's intention to hold AmeriGas units indefinitely has not changed, it has reconsidered its previous judgments in the application of SFAS No. 109, "Accounting for Income Taxes." The Company believes that its reconsideration of previous judgments in the application of SFAS No. 109 was not a result of ineffective internal controls or procedures.

Accordingly, the Company will reflect an approximate $70 million decrease in Total common stockholders' equity and a corresponding increase in Deferred income taxes in a restated Balance Sheet and Statement of Stockholders' Equity for its fiscal year ended September 30, 2003 that will be included in its 2004 Form 10-K. The amounts of Total common stockholders' equity and Deferred income taxes in the Company's Balance Sheets for the interim periods of fiscal years 2003 and 2004 require similar adjustment.

Management and the Audit Committee have discussed with the Company's independent auditors the matters described in this Form 8-K.

ITEM 9.01 -- FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

99.1 Press Release issued by UGI, dated November 29, 2004, regarding the restatement of previously issued financial statements.

SIGNATURES

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.

UGI CORPORATION

(Registrant)

By: /s/ Anthony J. Mendicino

Anthony J. Mendicino
Senior Vice President-Finance
and Chief Financial Officer

Date: November 29, 2004

EXHIBIT INDEX

Exhibit	Description
99.1	Press Release issued by UGI, dated November 29, 2004, regarding the restatement of previously issued financial statements.

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Sales grew $239 million, or 9%, in the third quarter ended September 30, 2013 versus the respective 2012 period. Underlying sales grew 7% from higher pricing and volume growth driven by higher on-site volumes from new project start-ups primarily in North America and Asia, and volume growth in South America. By end-market, sales growth was strongest to energy, metals

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and chemicals customers, as compared to the prior-year quarter. For the nine-month period sales grew $490 million, or 6%. Underlying sales growth of 4% came from higher pricing, and volume growth in North and South America and Asia. Acquisitions, including $NuCO_2$ and Dominion Technology Gases, contributed 3% and 2% to sales growth in the quarter and nine-month periods, respectively. The impacts of foreign currency translation and cost pass-through in both periods was not material.

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

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

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

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

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

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

The reported effective tax rate for the quarter and nine months ended September 30, 2013 was 27.8% and 28.3%, respectively, and 17.2% and 24.7% for the 2012 periods. The 2012 periods include a tax benefit of $55 million related to the divestiture of the U.S. Homecare business. The adjusted effective tax rate for the quarter and nine months ended September 30, 2013 and 2012 was approximately 28%.

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

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At September 30, 2013, non-controlling interests consisted primarily of non-controlling shareholders' investments in Asia (primarily China and India), Europe (primarily Italy and Scandinavia), and North America (primarily within the US packaged gas business). Non-controlling interests increased $7 million for the quarter and increased $10 million for the nine months ended September 30, 2013 versus the respective periods in 2012 due to higher earnings of these entities.
Reported net income-Praxair, Inc. increased $15 million, or 3%, for the quarter versus 2012 and Adjusted net income-Praxair, Inc. increased $32 million, or 8%, for the quarter versus 2012 . The increases in both periods are due primarily to higher operating profit partially offset by increased interest expense. Reported net income-Praxair, Inc. increased $3 million, for the nine months ended September 30, 2013 versus the respective 2012 period and Adjusted net income-Praxair, Inc. increased $43 million, or 3% for the nine months ended September 30, 2013 versus 2012. The increases in both periods are due to higher operating profit partially offset by increased interest expense.

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

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

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

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Segment Discussion

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

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

North America

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

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

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

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

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

North America segment sales increased $197 million, or 14%, in the quarter as compared to the prior year. Underlying sales growth was 7% driven primarily by higher on-site volumes from new project start-ups for hydrogen supply to refinery customers in the United States and merchant sales to oil well services customers and higher pricing. Strong sales growth to the energy end-market was primarily due to these project start-ups. Acquisitions, primarily NuCO2, added 6% sales growth. Higher cost pass-through, primarily higher natural gas prices passed through to hydrogen customers, increased sales by 1%. For the year-to-date period, sales grew $415 million, or 10%. Underlying sales growth of 3% came primarily from higher pricing and higher volumes driven by the new project start-ups. Acquisitions added 5% growth, and cost-pass-through 2%. Packaged gas sales were higher in the quarter primarily due to growth in the U.S. business. However, primarily due to the impact of new projects on on-site sales and NuCO2 on merchant sales, packaged gas sales have decreased as a percentage of total sales for the segment.

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

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Europe

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

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

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

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

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

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

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

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

South America

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance	2013	2012	Variance
Sales	494	516	(4)%	1,561	1,598	(2)%
Cost of sales, exclusive of depreciation and amortization	271	294		867	921	
Gross margin	223	222		694	677	
Operating expenses	65	65		205	201	
Depreciation and amortization	43	45		137	139	
Operating profit	115	112	3 %	352	337	4 %
Margin %	23.3 %	21.7 %		22.5 %	21.1 %	

	Quarter Ended September 30, 2013 vs. 2012		Nine Months Ended September 30, 2013 vs. 2012	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume	3 %	8 %	4 %	6 %
Price	3 %	15 %	2 %	11 %
Cost pass-through	— %	— %	— %	— %
Currency	(10)%	(11)%	(8)%	(9)%
Acquisitions/divestitures	— %	— %	— %	— %
Other	— %	(9)%	— %	(4)%
	(4)%	3 %	(2)%	4 %

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

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

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

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

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

Asia

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

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

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

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

** - not meaningful as base year is zero

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

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

Asia segment operating profit increased $15 million, or 29% for the third quarter 2013 as compared to the prior year. Strong on-site volume growth and a settlement of a prior-year receivable for $8 million ($3 million after-tax and noncontrolling interest) in China, partially offset by the impact of lower pricing, contributed to the growth in operating profit. Operating expenses are $3 million higher than the prior year quarter primarily due to inflationary increases in salary and other benefit costs. Depreciation and amortization expense increased $9 million as compared to the prior year quarter primarily due to new plant start-ups. Operating profit increased $14 million, or 8%, for the nine months ended September 30, 2013 as compared to the prior year. Higher volumes and the impact of the China contract settlement, resulted in a 21% increase for the nine months ended September 30, 2013. This increase was partially offset by a 3% decrease due to lower pricing, primarily liquid argon in China and electronic gas customers and the impact of inflationary increases in salary and other benefit costs and a prior year

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

Surface Technologies

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

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

The following table provides sales by end-market:

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

Surface Technologies segment sales increased $3 million, or 2%, in the quarter versus the prior-year period. Sales increased due to 1% organic growth and 1% positive currency impact due primarily to the strong Euro partially offset by the weaker Yen versus the U.S. Dollar. For the nine month period, underlying sales, excluding currency, were comparable to the prior-year period. Lower industrial coating volumes were partially offset by aviation and energy.

Surface Technologies segment operating profit increased $2 million, or 8%, in the third quarter and $6 million, or 8%, for the nine months ended September 30, 2013 versus the respective 2012 periods. The impact of higher pricing and lower costs primarily due to the prior year cost reduction program in Europe, offset the impact of lower overall volumes for both the quarter and year-to-date periods.

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Currency

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

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

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

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

(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 condensed consolidated financial statements for a more detailed description of this item.

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Liquidity, Capital Resources and Other Financial Data

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

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

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

Cash Flow from Operations

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

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

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Investing

Net cash used for investing of $2,750 million for the nine months ended September 30, 2013 increased $1,124 million versus 2012 primarily due to acquisitions of $NuCO_2$ and Dominion Technology Gases (see Note 3 to the condensed consolidated financial statements).

Financing

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

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

Other Financial Data

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

After-tax return on capital ("ROC") decreased to 12.8% for the four-quarter trailing period ended September 30, 2013 versus 14.2% for the 2012 period. This decrease reflects capital expenditures for plants that have not yet started or are just beginning to ramp-up, as well as the acquisition expenditures, primarily NuCO2 (see Note 3 to the condensed consolidated financial statements).

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

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

Legal Proceedings

See Note 12 to the condensed consolidated financial statements.

Non-GAAP Financial Measures

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

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

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

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

1 As of December 31, 2012.
The adjusted amounts for 2013 do not include the impact of the first quarter Venezuela currency devaluation of $23 million ($23 million net of tax) and the third-quarter pension settlement charge of $9 million ($6 million net of tax).
2 The non-GAAP adjustments for 2012 relate to the third-quarter cost reduction program and other charges of $65 million ($44 million net of tax) and a tax benefit of $55 million related to the divestiture of the U.S. Homecare business (See Note 2 to the condensed consolidated financial statements).

Debt-to-Capital Ratio

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

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

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After-tax Return on Capital (ROC)

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

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

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

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

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

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

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

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Adjusted EBITDA and Debt-to-Adjusted EBITDA Ratio

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

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

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Adjusted Amounts

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

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

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

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

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Adjusted Full Year 2013 Diluted EPS Guidance

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

Contractual Obligations Update

Refer to Note 12 to the condensed consolidated financial statements.

New Accounting Standards

Refer to Note 1 of the condensed consolidated financial statements.

Outlook

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

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

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

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

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

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

Forward-looking Statements

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's reasonable expectations and assumptions as of the date the statements are made but involve risks and uncertainties. These risks and uncertainties include, without limitation: the performance of stock markets generally; developments in worldwide and national economies and other international events and circumstances; changes in foreign currencies and in interest rates; the cost and availability of electric power, natural gas and other raw materials; the ability to achieve price increases to offset cost increases; catastrophic events including natural disasters, epidemics and acts of war and terrorism; the ability to attract, hire, and retain qualified personnel; the impact of changes in financial accounting standards; the impact of changes in pension plan liabilities; the impact of tax, environmental, healthcare and other legislation and government regulation in jurisdictions in which the company operates; the cost and outcomes of investigations, litigation and regulatory proceedings; continued timely development and market acceptance of new products and applications; the impact of competitive products and pricing; future financial and operating performance of major customers and industries served; the impact of information technology system failures, network disruptions and breaches in data security; and the effectiveness and speed of integrating new acquisitions into the business. These risks and uncertainties may cause actual future results or circumstances to differ materially from the projections or estimates contained in the forward-looking statements. The company assumes no obligation to update or provide revisions to any forward-looking statement in response to changing circumstances. The above listed risks and uncertainties are further described in Item 1A (Risk Factors) in

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

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

(a) 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 quarterly period covered by this report, such disclosure controls and procedures are effective in ensuring that information required to be disclosed by Praxair in reports that it files under the Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and accumulated and communicated to management including Praxair’s principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

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

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PART II - OTHER INFORMATION
Praxair, Inc. and Subsidiaries

Item 1. Legal Proceedings
See Note 12 to the condensed consolidated financial statements for a description of current legal proceedings.
Item 1A. Risk Factors
Due to the size and geographic reach of the company's operations, a wide range of factors, many of which are outside of the company's control, could materially affect the company's future operations and financial performance. Management believes the following risks may significantly impact the company:
General Economic Conditions - Weakening economic conditions in markets in which the company does business may adversely impact the company's financial results and/or cash flows.
Praxair serves approximately 25 diverse industries across more than 50 countries, which generally leads to financial stability through various business cycles. However, a broad decline in general economic or business conditions in the industries served by its customers could adversely affect the demand for Praxair's products and impair the ability of our customers to satisfy their obligations to the company, resulting in uncollected receivables and/or unanticipated contract terminations or project delays. In addition, many of the company's customers are in businesses that are cyclical in nature, such as the chemicals, electronics, metals and refining industries. Downturns in these industries may adversely impact the company during these cycles. Additionally, such conditions could impact the utilization of the company's manufacturing capacity which may require the company to recognize impairment losses on tangible assets such as property, plant and equipment as well as intangible assets such as intellectual property or goodwill.
Cost and Availability of Raw Materials and Energy - Increases in the cost of energy and raw materials and/or disruption in the supply of these materials could result in lost sales or reduced profitability.
Energy is the single largest cost item in the production and distribution of industrial gases. Most of Praxair's energy requirements are in the form of electricity, natural gas and diesel fuel for distribution. Praxair attempts to minimize the financial impact of variability in these costs through the management of customer contracts. Large customer contracts typically have escalation and pass-through clauses to recover energy and feedstock costs. Such attempts may not successfully mitigate cost variability which could negatively impact its financial condition or results of operations. The supply of energy has not been a significant issue in the geographic areas where it conducts business. However, regional energy conditions are unpredictable and may pose future risk.
For carbon dioxide, carbon monoxide, helium, hydrogen, specialty gases and surface technologies, raw materials are largely purchased from outside sources. Praxair has contracts or commitments for, or readily available sources of, most of these raw materials; however, their long-term availability and prices are subject to market conditions. A disruption in supply of such raw materials could impact the company's ability to meet contractual supply commitments.
International Events and Circumstances - The company's international operations are subject to the risks of doing business abroad and international events and circumstances may adversely impact its business, financial condition or results of operations.
Praxair has substantial international operations which are subject to risks including devaluations in currency exchange rates, transportation delays and interruptions, political and economic instability and disruptions, restrictions on the transfer of funds, the imposition of duties and tariffs, import and export controls, changes in governmental policies, labor unrest, possible nationalization and/or expropriation of assets, domestic and international tax laws and compliance with governmental regulations. These events could have an adverse effect on the international operations in the future by reducing the demand for its products, decreasing the prices at which it can sell its products, reducing the U.S. dollar value of revenue from international operations or otherwise having an adverse effect on its business. In particular, due to government actions related to business and currency regulations, there is considerable risk associated with operations in Venezuela. At September 30, 2013, Praxair's sales and net assets in Venezuela were less than 1% of Praxair's consolidated amounts. Also, the Company is monitoring developments regarding the collectability of government receivables from healthcare sales to public hospitals in Spain and Italy where economic conditions remain challenging and uncertain. Historically, collection of such government receivables has extended well beyond the

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

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

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

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

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

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

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

- Environmental protection;
- Domestic and international tax laws and currency controls;
- Safety;
- Securities laws (e.g., SEC and generally accepted accounting principles in the United States);
- Trade and import/ export restrictions;
- Antitrust matters;
- Global anti-bribery laws;
- Healthcare reimbursement regulations; and
- Conflict minerals

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension benefits represent significant financial obligations that will be ultimately settled in the future with employees who meet eligibility requirements. Because of the uncertainties involved in estimating the timing and amount of future payments and asset returns, significant estimates are required to calculate pension expense and liabilities related to the company’s plans. The company utilizes the services of independent actuaries, whose models are used to facilitate these calculations. Several key assumptions are used in the actuarial models to calculate pension expense and liability amounts recorded in the consolidated financial statements. In particular, significant changes in actual investment returns on pension assets, discount rates, or legislative or regulatory changes could impact future results of operations and required pension contributions. For information regarding the potential impacts regarding significant assumptions used to estimate pension expense, including discount rates and the expected long-term rates of return on plan assets. See “Critical Accounting Policies - Pension Benefits” included in

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

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

Praxair's operating results are dependent on the continued operation of its production facilities and its ability to meet customer contract requirements and other needs. Insufficient or excess capacity threatens the company's ability to generate competitive profit margins and may expose the company to liabilities related to contract commitments. Operating results are also dependent on the company's ability to complete new construction projects on time, on budget and in accordance with performance requirements. Failure to do so may expose the business to loss of revenue, potential litigation and loss of business reputation.

Also inherent in the management of the company's production facilities and delivery systems, including storage, vehicle transportation and pipelines, are operational risks that require continuous training, oversight and control. Material operating failures at production, storage facilities or pipelines, including fire, toxic release and explosions, or the occurrence of vehicle transportation accidents could result in loss of life, damage to the environment, loss of production and/or extensive property damage, all of which may negatively impact the company's financial results.

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

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

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

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

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

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

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Purchases of Equity Securities- Certain information regarding purchases made by or on behalf of the company or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of its common stock during the quarter ended September 30, 2013 is provided below:

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

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

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

Item 3. Defaults Upon Senior Securities
None.
Item 4. Mine Safety Disclosures
Not applicable.
Item 5. Other Information
None.

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Item 6. Exhibits
(a) Exhibits

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

* Indicates a management contract or compensatory plan or arrangement.

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SIGNATURE
Praxair, Inc. and Subsidiaries

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

	PRAXAIR, INC.
	(Registrant)
Date: October 30, 2013	By: /s/ Elizabeth T. Hirsch
	Elizabeth T. Hirsch Vice President and Controller (On behalf of the Registrant and as Chief Accounting Officer)