Alexander Erik J.
Form 4
December 05, 2012

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Alexander Erik J.

(Last) (First) (Middle)

925 EAST MEADOW DRIVE

(Street)

PALO ALTO, CA 94303

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ESSEX PROPERTY TRUST INC [ESS]

3. Date of Earliest Transaction (Month/Day/Year)
12/03/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	12/03/2012		S		2,000	D	$ 141.69	550	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Alexander Erik J. 925 EAST MEADOW DRIVE PALO ALTO, CA 94303			Senior Vice President	

Signatures

/s/ Michael T. Dance, Attorney in Fact	12/04/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

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Quarter Ended September 30,

Nine Months Ended September 30,
(Dollar amounts in millions)
2014

2013

Variance

2014

2013

Variance
SALES

North America
$
1,639

$
1,588

3
%

$
4,847

$
4,597

5
%
Europe
385

386

—
%

1,190

1,138

5
 %
South America
523

494

6
 %

1,520

1,561

(3
)%
Asia
426

385

11
 %

1,212

1,131

7
 %
Surface Technologies
171

160

7
 %

514

488

5
%

$
3,144

$
3,013

4
%

$
9,283

$
8,915

4
%
OPERATING PROFIT

North America
$
416

$
406

2
%

$
1,192

$
1,145

4
%
Europe
71

64

11
%

228

195

17
%
South America
118

115

3
%

344

352

(2
)%
Asia
75

67

12
%

226

191

18
%
Surface Technologies
31

27

15
%

93

84

11
%
Segment operating profit
711

679

5
%

2,083

1,967

6
%
Venezuela currency devaluation (Note 2)

—

(9
)

—

(32
)

Total operating profit
$
711

$
670

6
%

$
2,083

$
1,935

8
%

30

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North America

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Variance	2014	2013	Variance
Sales	$1,639	$1,588	3 %	$4,847	$4,597	5 %
Cost of sales, exclusive of depreciation and amortization	888	850		2,654	2,465	
Gross margin	751	738		2,193	2,132	
Operating expenses	181	186		546	569	
Depreciation and amortization	154	146		455	418	
Operating profit	$416	$406	2 %	$1,192	$1,145	4 %
Margin %	25.4 %	25.6 %		24.6 %	24.9 %	

	Quarter Ended September 30, 2014 vs. 2013 % Change		Nine Months Ended September 30, 2014 vs. 2013 % Change	
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume	1 %	(1)%	3 %	— %
Price	1 %	4 %	1 %	5 %
Cost pass-through	1 %	— %	1 %	— %
Currency	(1)%	(1)%	(1)%	(2)%
Acquisitions/divestitures	1 %	— %	1 %	1 %
Other	— %	— %	— %	— %
	3 %	2 %	5 %	4 %

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

	Quarter Ended September 30, % of Sales		% Change	Nine Months Ended September 30, % of Sales		% Change
	2014	2013	Organic Sales	2014	2013	Organic Sales
Sales by End Markets						
Manufacturing	29 %	29 %	4 %	29 %	30 %	3 %
Metals	12 %	12 %	4 %	12 %	13 %	1 %
Energy	20 %	18 %	2 %	20 %	18 %	14 %
Chemicals	10 %	10 %	2 %	10 %	10 %	3 %
Electronics	4 %	6 %	14 %	4 %	5 %	3 %
Healthcare	7 %	7 %	5 %	7 %	7 %	2 %
Food & Beverage	9 %	9 %	4 %	8 %	8 %	3 %
Aerospace	1 %	1 %	(12)%	1 %	1 %	(3)%
Other	8 %	8 %	11 %	9 %	8 %	10 %
	100 %	100 %		100 %	100 %	

	Quarter Ended September 30, % of Sales		Nine Months Ended September 30, % of Sales	
	2014	2013	2014	2013
Sales by Distribution Method				
On- Site	30 %	30 %	31 %	28 %
Merchant	36 %	36 %	36 %	36 %
Packaged Gas	32 %	32 %	32 %	34 %
Other	2 %	2 %	1 %	2 %

	100 %	100 %	100 %	100 %
31				

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The North America segment includes Praxair's industrial gases operations in the United States, Canada and Mexico. North America segment sales increased $51 million, or 3%, in the quarter as compared to the prior year and 4% ex-currency translation impacts. Underlying sales growth was 2%, driven primarily by higher volumes and price. Sales grew to the manufacturing, metals, food & beverage and healthcare end-markets. Higher sales to energy markets in the U.S. and Canada were partially offset by weaker sales in Mexico. Acquisitions of packaged gas distributors added 1% growth during the current quarter. 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 $250 million, or 5%. Underlying sales growth of 4% came primarily from higher pricing and higher volumes driven by new project start-ups. Cost pass-through added 1% growth. Packaged gases sales were higher for the nine months ended September 30, 2014, primarily due to growth in the U.S. business. Packaged gases sales are lower as a percentage of total sales for the segment as compared to the prior-year period, due to the contribution of new projects which increased the percentage of on-site sales.

North America segment operating profit increased $10 million, or 2%, in the quarter as compared to the prior year and 3% ex-currency translation impacts. The increase was primarily driven by higher pricing. Depreciation and amortization increased $8 million quarter over quarter primarily due primarily to acquisitions and new project start-ups. Operating profit increased $47 million, or 4%, for the nine months ended September 30, 2014 versus the respective 2013 period and 6% ex-currency, primarily due to higher pricing. Depreciation and amortization increased $37 million for the nine-month period primarily due to acquisitions and project start-ups. The 2014 quarter and nine-month periods included a $9 million benefit related to a change in accounting principle for LIFO inventories (see notes 1 and 4 to the condensed consolidated financial statements). The 2013 quarter and nine-month periods included a $23 million benefit related to a contract settlement in the United States.

Europe

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Variance %	2014	2013	Variance %
Sales	$385	$386	— %	$1,190	$1,138	5 %
Cost of sales, exclusive of depreciation and amortization	218	224		666	653	
Gross margin	167	162		524	485	
Operating expenses	53	55		168	165	
Depreciation and amortization	43	43		128	125	
Operating profit	$71	$64	11 %	$228	$195	17 %
Margin %	18.4 %	16.6 %		19.2 %	17.1 %	

	Quarter Ended September 30, 2014 vs. 2013		Nine Months Ended September 30, 2014 vs. 2013	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume	1 %	7 %	1 %	5 %
Price	1 %	4 %	1 %	6 %
Cost pass-through	(1)%	— %	(1)%	— %
Currency	(1)%	— %	2 %	3 %
Acquisitions/divestitures	— %	— %	2 %	3 %
Other	— %	— %	— %	— %
	— %	11 %	5 %	17 %

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

	Quarter Ended September 30, % of Sales 2014	Quarter Ended September 30, % of Sales 2013	% Change Organic Sales	Nine Months Ended September 30, % of Sales 2014	Nine Months Ended September 30, % of Sales 2013	% Change Organic Sales
Sales by End Markets						
Manufacturing	21 %	22 %	1 %	22 %	22 %	4 %
Metals	16 %	15 %	7 %	16 %	16 %	2 %
Energy	7 %	7 %	4 %	7 %	5 %	(1)%
Chemicals	15 %	16 %	(11)%	15 %	17 %	(8)%
Electronics	7 %	7 %	1 %	7 %	7 %	— %
Healthcare	11 %	11 %	3 %	11 %	11 %	(1)%
Food & Beverage	10 %	10 %	5 %	9 %	9 %	7 %
Aerospace	— %	1 %	(42)%	— %	1 %	(15)%
Other	13 %	11 %	4 %	13 %	12 %	3 %
	100 %	100 %		100 %	100 %	

	Quarter Ended September 30, % of Sales 2014	Quarter Ended September 30, % of Sales 2013	Nine Months Ended September 30, % of Sales 2014	Nine Months Ended September 30, % of Sales 2013
Sales by Distribution Method				
On- Site	18 %	19 %	18 %	20 %
Merchant	35 %	34 %	35 %	34 %
Packaged Gas	43 %	43 %	43 %	42 %
Other	4 %	4 %	4 %	4 %
	100 %	100 %	100 %	100 %

Europe segment sales in third quarter were relatively flat as compared to prior-year quarter. Sales excluding unfavorable currency and lower cost pass-through grew 2% for the quarter from moderately higher volumes and pricing. Volumes were higher in most countries. Sales growth was driven by metals, food & beverage, healthcare and manufacturing end-markets. For the nine-month period sales increased $52 million, or 5%, versus 2013. Excluding the impact of cost pass-through and currency, period sales increased 4% from the prior year. The increase was primarily due to an acquisition in Italy and moderately higher volumes and pricing.

Europe segment operating profit increased by $7 million, or 11% quarter-over-quarter, due to higher gross margin driven by higher pricing and productivity gains. For the nine-month period operating profit increased by $33 million, or 17% from 2013. Excluding currency impacts, the increase in operating profit was primarily from higher pricing, higher volumes and an acquisition in Italy.

South America

	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013	Variance	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Variance
Sales	$523	$494	6 %	$1,520	$1,561	(3)%
Cost of sales, exclusive of depreciation and amortization	287	271		842	867	
Gross margin	236	223		678	694	
Operating expenses	72	65		199	205	
Depreciation and amortization	46	43		135	137	
Operating profit	$118	$115	3 %	$344	$352	(2)%
Margin %	22.6 %	23.3 %		22.6 %	22.5 %	

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	Quarter Ended September 30, 2014 vs. 2013		Nine Months Ended September 30, 2014 vs. 2013	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume	3 %	(1)%	1 %	(3)%
Price	5 %	19 %	4 %	19 %
Cost pass-through	— %	— %	— %	— %
Currency	(2)%	(2)%	(8)%	(9)%
Acquisitions/divestitures	— %	— %	— %	— %
Other	— %	(13)%	— %	(9)%
	6 %	3 %	(3)%	(2)%

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
	2014	2013	Organic Sales	2014	2013	Organic Sales
Sales by End Markets						
Manufacturing	22 %	21 %	10 %	21 %	22 %	3 %
Metals	25 %	28 %	(5)%	28 %	29 %	2 %
Energy	2 %	2 %	25 %	2 %	2 %	(53)%
Chemicals	9 %	9 %	8 %	9 %	9 %	47 %
Electronics	— %	— %	— %	— %	— %	— %
Healthcare	18 %	17 %	14 %	17 %	17 %	9 %
Food & Beverage	13 %	12 %	18 %	13 %	11 %	17 %
Aerospace	— %	— %	— %	— %	— %	—
Other	11 %	11 %	7 %	10 %	10 %	(3)%
	100 %	100 %		100 %	100 %	

	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales		% of Sales	
	2014	2013	2014	2013
Sales by Distribution Method				
On- Site	25 %	24 %	26 %	25 %
Merchant	43 %	43 %	42 %	43 %
Packaged Gas	30 %	30 %	29 %	31 %
Other	2 %	3 %	3 %	1 %
	100 %	100 %	100 %	100 %

South America segment sales in the third quarter increased $29 million or 6% versus the prior-year quarter. Excluding unfavorable currency translation impacts of 2%, sales grew 8% primarily from higher pricing. Sales growth came from the manufacturing, healthcare and food and beverage end-markets. For the nine-month period sales decreased $41 million, or 3% from 2013. Sales growth excluding negative currency impacts was 5% due primarily to higher pricing.

Segment operating profit increased $3 million, or 3%, in the third quarter. For the nine month period operating profit decreased $8 million, or 2%. Excluding negative currency effects, operating profit increased 5% in the third quarter due to higher pricing partially offset by cost inflation. On-site volumes were lower than prior year, while merchant and packaged gas volumes remained stable with prior year. Excluding negative currency effects, operating profit increased 7% for the nine-month period due to higher price, partially offset by cost inflation.

Refer to the "Currency" section of this Management's Discussion and Analysis for a discussion of the currency environment in Venezuela.

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Explanation of Responses:

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Asia

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Variance	2014	2013	Variance
Sales	$426	$385	11 %	$1,212	$1,131	7 %
Cost of sales, exclusive of depreciation and amortization	278	249		779	745	
Gross margin	148	136		433	386	
Operating expenses	26	30		79	84	
Depreciation and amortization	47	39		128	111	
Operating profit	$75	$67	12 %	$226	$191	18 %
Margin %	17.6 %	17.4 %		18.6 %	16.9 %	

	Quarter Ended September 30, 2014 vs. 2013		Nine Months Ended September 30, 2014 vs. 2013	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume / Sale of Equipment	10 %	1 %	8 %	7 %
Price	1 %	4 %	1 %	6 %
Cost pass-through	(1)%	— %	(1)%	— %
Currency	1 %	1 %	(1)%	— %
Acquisitions/divestitures	— %	— %	— %	— %
Other	— %	6 %	— %	5 %
	11 %	12 %	7 %	18 %

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
	2014	2013	Organic Sales	2014	2013	Organic Sales
Sales by End Markets						
Manufacturing	11 %	10 %	21 %	10 %	11 %	(1)%
Metals	28 %	28 %	8 %	28 %	27 %	13 %
Energy	2 %	3 %	(8)%	2 %	2 %	54 %
Chemicals	11 %	14 %	(3)%	12 %	13 %	(2)%
Electronics	29 %	33 %	(6)%	31 %	34 %	— %
Healthcare	1 %	1 %	— %	1 %	1 %	14 %
Food & Beverage	2 %	2 %	— %	2 %	2 %	(2)%
Aerospace	— %	— %	— %	— %	— %	— %
Other	16 %	9 %	86 %	14 %	10 %	45 %
	100 %	100 %		100 %	100 %	

	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales		% of Sales	
	2014	2013	2014	2013
Sales by Distribution Method				
On- Site	54 %	48 %	51 %	47 %
Merchant	27 %	28 %	28 %	29 %
Packaged Gas	11 %	12 %	12 %	11 %
Other	8 %	12 %	9 %	13 %
	100 %	100 %	100 %	100 %

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Asia segment sales increased $41 million, or 11%, in the third quarter as compared to the prior year. Volume growth of 10% came from new project start-ups in India and Korea and included $29 million related to the sale of equipment to a joint venture in China. Higher pricing contributed to a 1% increase in sales and was primarily due to higher helium pricing. Cost pass-through related to the contractual pass-through of precious metals and power costs decreased sales by 1%, with minimal impact on operating profit. By end-market, the strongest sales growth came from metals and manufacturing. The sale of equipment in China coupled with higher on-site volumes in India and Korea accounted for the increase in on-site sales as a percentage of total segment sales. For the year-to-date period, sales increased $81 million, or 7%. Volume growth of 8% was primarily driven by new project start-ups in China, India and Korea and included $47 million related to the sale of equipment which is shown within the other end-market.

Asia segment operating profit increased $8 million, or 12% for the third quarter 2014 as compared to the prior year. Higher volumes and pricing resulted in a 5% increase. Depreciation and amortization expense increased $8 million as compared to the prior-year quarter primarily due to new plant start-ups. Operating profit increased $35 million, or 18%, for the nine months ended September 30, 2014 as compared to the prior year. Higher volumes and pricing resulted in a 13% increase. The 2013 quarter and nine-month periods included a benefit from the settlement of a prior-year receivable for $8 million in China ($3 million after-tax and noncontrolling interest). Lower operating expenses contributed to the increase in operating profit for both periods.

Surface Technologies

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Variance	2014	2013	Variance
Sales	$171	$160	7 %	$514	$488	5 %
Cost of sales, exclusive of depreciation and amortization	109	103		332	315	
Gross margin	62	57		182	173	
Operating expenses	20	20		56	58	
Depreciation and amortization	11	10		33	31	
Operating profit	$31	$27	15 %	$93	$84	11 %
Margin %	18.1 %	16.9 %		18.1 %	17.2 %	

	Quarter Ended September 30, 2014 vs. 2013		Nine Months Ended September 30, 2014 vs. 2013	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume/Price	3 %	11 %	1 %	5 %
Cost pass-through	— %	— %	— %	— %
Currency	1 %	1 %	1 %	1 %
Acquisitions/divestitures	(1)%	(1)%	— %	— %
Other*	4 %	4 %	3 %	5 %
	7 %	15 %	5 %	11 %

* Other includes business transfers.

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The following table provides sales by end-market:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	% of Sales		% Change	% of Sales		% Change
	2014	2013	Organic Sales	2014	2013	Organic Sales
Sales by End Markets						
Manufacturing	13 %	14 %	— %	13 %	13 %	1 %
Metals	8 %	8 %	— %	8 %	8 %	6 %
Energy	28 %	28 %	10 %	28 %	28 %	— %
Chemicals	3 %	2 %	26 %	2 %	2 %	— %
Electronics	— %	1 %	— %	1 %	1 %	— %
Healthcare	— %	— %	— %	— %	— %	— %
Food & Beverage	3 %	2 %	16 %	3 %	3 %	5 %
Aerospace	34 %	35 %	3 %	33 %	34 %	2 %
Other	11 %	10 %	9 %	12 %	11 %	12 %
	100 %	100 %		100 %	100 %	

Surface Technologies segment sales increased $11 million, or 7%, in the quarter versus the prior-year period. Underlying sales increased 3% primarily from higher sales to the energy and aerospace end-markets. Currency increased sales by 1% primarily due to a stronger British pound versus the U.S. dollar. For the nine-month period, underlying sales increased 1% also due to higher sales to aerospace and industrial customers.

Surface Technologies segment operating profit increased $4 million, or 15%, in the third quarter primarily due to higher pricing and volume. Operating profit increased $9 million, or 11%, for the nine months ended September 30, 2014 versus the respective 2013 periods, primarily from higher pricing and productivity gains which more than offset 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. For most foreign operations, Praxair uses the local currency as its functional currency. There is inherent variability and unpredictability in the relationship of these functional currencies to the U.S. dollar and such currency movements may materially impact Praxair's results of operations in any given period.

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

Currency	Percentage of YTD 2014 Consolidated Sales (a)	Exchange Rate for Income Statement Year-To-Date Average 2014	2013	Exchange Rate for Balance Sheet September 30, 2014	December 31, 2013
Brazilian real	13 %	2.29	2.11	2.45	2.34
Euro	12 %	0.74	0.76	0.79	0.73
Canadian dollar	8 %	1.09	1.02	1.12	1.06
Mexican peso	6 %	13.12	12.67	13.43	13.04
Chinese yuan	6 %	6.17	6.18	6.14	6.05
Indian rupee	3 %	60.73	57.18	61.76	61.80
Korean won	3 %	1,042	1,105	1,055	1,050
Norwegian krone	1 %	6.11	5.81	6.43	6.07
Singapore dollar	<1%	1.26	1.25	1.28	1.26
Argentine peso	<1%	7.97	5.27	8.43	6.52
Colombian peso	<1%	1,942	1,853	2,022	1,927
Russian ruble	<1%	35.43	31.58	39.60	32.87
Thailand bhat	<1%	32.40	30.36	32.43	32.71
Venezuelan bolivar fuerte (b)	<1%	6.30	5.87	6.30	6.30

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

(b) Effective March 24, 2014, the Venezuelan government introduced a new exchange control market-based mechanism (referred to as "SICAD 2") which may allow companies to obtain U.S. dollars for any purpose, including dividend remittances. Through September 30, 2014, SICAD 2 market-based transactions were limited and it is not clear whether the Company will be able to exchange Venezuelan bolivar fuerte ("VEF") to U.S. dollars to pay its foreign denominated obligations and/or to make dividend and royalty remittances. Therefore, Praxair has continued to use the official 6.3 exchange rate for remeasurement purposes and will continue to monitor current developments. At September 30, 2014 the SICAD 2 rate was 49.99 VEF per U.S. dollar. In Venezuela, Praxair's 2014 year-to-date sales were approximately $84 million and at September 30, 2014 Praxair's net asset position was approximately $127 million, including $55 million of VEF denominated cash. If the VEF devalued from the current official 6.3 rate or if the Company determined that it was more appropriate to use another exchange rate for translation purposes, it would result in a charge to earnings in the period of devaluation. Based on its September 30, 2014 balance sheet, Praxair estimates that it would incur a pre-tax charge of approximately $12 million for every 10% devaluation of the VEF versus the U.S. dollar.

Explanation of Responses:

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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,	
	2014	2013
NET CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net income - Praxair, Inc. plus depreciation and amortization	$2,271	$2,103
Noncontrolling interests	41	48
Net income plus depreciation and amortization (including noncontrolling interests)	2,312	2,151
Adjustments to reconcile net income to net cash provided by operating activities:		
Venezuela currency devaluation (a)	—	23
Deferred income taxes	(32)	88
Working capital	(181)	(238)
Pension contributions	(14)	(48)
Other - net	11	(23)
Net cash provided by operating activities	$2,096	$1,953
INVESTING ACTIVITIES		
Capital expenditures	(1,207)	(1,504)
Acquisitions, net of cash acquired	(191)	(1,311)
Divestitures and asset sales	86	65
Net cash used for investing activities	$(1,312)	$(2,750)
FINANCING ACTIVITIES		
Debt increases (reductions) - net	394	1,670
Issuances (purchases) of common stock - net	(477)	(350)
Cash dividends - Praxair, Inc. shareholders	(570)	(531)
Excess tax benefit on share-based compensation	28	31
Noncontrolling interest transactions and other	(123)	(24)
Net cash (used for) provided by financing activities	$(748)	$796

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

Cash Flow from Operations

Cash provided by operations of $2,096 million for the nine months ended September 30, 2014 increased $143 million, or 7%, versus 2013. The increase was primarily due to higher net income plus depreciation and amortization expense. Praxair estimates that total 2014 contributions to its pension plans will be in the area of $20 million, of which $14 million have been made through September 30, 2014. 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.

Investing

Net cash used for investing of $1,312 million for the nine months ended September 30, 2014 decreased $1,438 million versus 2013 primarily due to lower acquisition expenditures, primarily the acquisition of $NuCO_2$ in 2013.

Capital expenditures for the nine months ended September 30, 2014 were $1,207 million, $297 million lower than the prior year. Capital expenditures related primarily to the construction of large growth projects.

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Acquisitions of $191 million included the acquisition of an industrial gases business in Italy and packaged gas businesses in North and South America. Acquisitions in the prior-year period of $1,311 were primarily the acquisition of $NuCO_2$ in North America. (see Note 3 to the condensed consolidated financial statements).

For the nine months ended September 30, 2014 divestitures and asset sales were $86 million, primarily the sale of Praxair's industrial gas business in France in the first quarter.

Financing

Cash used for financing activities was $748 million for the nine-month period. Cash dividends of $570 million were above prior year due to an increase in dividends per share to $1.95 from $1.80. In 2014, noncontrolling interest transactions and other includes the purchase of the redeemable noncontrolling interests of Praxair Distribution Mid-Atlantic, LLC (see Note 14 to the condensed consolidated financial statements).

In March 2014, Praxair issued €600 million ($754 million) of 1.50% Euro-denominated notes due 2020, and repaid $300 million of 4.375% notes that became due.

Other Financial Data

Praxair's debt to capital ratio was 55.7% at September 30, 2014 versus 56.4% at September 30, 2013. The decrease is primarily attributable to a higher capital base due to higher net income partially offset by stock repurchases, dividends and other comprehensive income.

After-tax return on capital ("ROC") decreased to 12.6% for the four-quarter trailing period ended September 30, 2014 versus 12.8% for the 2013 period. This decrease reflects higher average debt levels due primarily to acquisitions in 2013.

Return on equity ("ROE") for the four-quarter trailing period ended September 30, 2014 remained strong at 28.2%.

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)	2014		2013	
Debt-to-capital	55.7	%	56.4	%
After-tax return on capital	12.6	%	12.8	%
Return on equity	28.2	%	28.4	%
Debt-to-adjusted EBITDA	2.2		2.2	

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	Quarter Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
2013 Adjusted amounts:*				
Operating profit	$711	$679	$2,083	$1,967
As a percent of sales	22.6 %	22.5 %	22.4 %	22.1 %
EBITDA	$1,023	$968	$2,992	$2,818
EBITDA margin	32.5 %	32.1 %	32.2 %	31.6 %
Effective tax rate	28.1 %	27.9 %	28.0 %	28.0 %
Net income - Praxair, Inc.	$477	$451	$1,392	$1,310
Diluted earnings per share	$1.62	$1.51	$4.70	$4.38

* The adjusted amounts for 2013 exclude the impact of the first quarter Venezuela currency devaluation of $23 million ($23 million net of tax). 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.

	Nine Months Ended September 30,	
	2014	2013
(Dollar amounts in millions)		
Debt	$9,121	$9,026
Less: cash and cash equivalents	(168)	(134)
Net debt	8,953	8,892
Equity and redeemable noncontrolling interests		
Redeemable noncontrolling interests	190	290
Praxair, Inc. shareholders’ equity	6,552	6,210
Noncontrolling interests	388	365
Total equity and redeemable noncontrolling interests	7,130	6,865
Capital	$16,083	$15,757
DEBT-TO-CAPITAL RATIO	55.7 %	56.4 %

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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).

	2014			2013		
	Four Quarter Trailing	Nine Months Ended September 30, 2014	Three Months Ended December 31, 2013	Four Quarter Trailing	Nine Months Ended September 30, 2013	Three Months Ended December 31, 2012
(Dollar amounts in millions)						
Adjusted operating profit (see below)	$2,773	$2,083	$690	$2,583	$1,967	$616
Less: adjusted income taxes (see below)	(728)	(546)	(182)	(678)	(516)	(162)
Less: tax benefit on interest expense*	(49)	(38)	(11)	(43)	(33)	(10)
Add: equity income	39	30	9	38	29	9
Net operating profit after-tax (NOPAT)	$2,035	$1,529	$506	$1,900	$1,447	$453
Capital:						
September 30th,	$16,083			$15,757		
June 30th,	$16,492			$15,548		
March 31st,	$16,319			$15,344		
December 31st, 2013 & 2012	$15,983			$13,878		
September 30th, 2013 & 2012	$15,757			$13,617		
Five-quarter average	$16,127			$14,829		
After-tax ROC	12.6%			12.8%		

* Tax benefit on interest expense is computed using the effective rate. The effective tax rate used was 28% for 2014 and 2013.

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.

	2014			2013		
	Four Quarter Trailing	Nine Months Ended September 30, 2014	Three Months Ended December 31, 2013	Four Quarter Trailing	Nine Months Ended September 30, 2013	Three Months Ended December 31, 2012
(Dollar amounts in millions)						
Adjusted Net income - Praxair, Inc. (see below)	$1,854	$1,392	$462	$1,724	$1,310	$414
Praxair, Inc. shareholders' equity						
September 30th,	$6,552			$6,210		
June 30th,	$6,911			$5,928		

March 31st,	$6,600		$6,169	
December 31st, 2013 & 2012	$6,609		$6,064	
September 30th, 2013 & 2012	$6,210		$6,015	
Five-quarter average	$6,576		$6,077	
ROE	28.2	%	28.4	%

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Adjusted EBITDA, Adjusted EBITDA Margin 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.

	Quarter Ended September 30,	
	2014	2013
(Dollar amounts in millions)		
Adjusted net income - Praxair, Inc. (see below)	$477	$451
Add: noncontrolling interest	13	17
Add: interest expense - net	45	41
Add: adjusted income taxes (see below)	187	178
Add: depreciation and amortization	301	281
Adjusted EBITDA	$1,023	$968
Reported Sales	3,144	3,013
Adjusted EBITDA Margin	32.5 %	32.1 %

	2014			2013		
	Four Quarter Trailing	Nine Months Ended September 30, 2014	Three Months Ended December 31, 2013	Four Quarter Trailing	Nine Months Ended September 30, 2013	Three Months Ended December 31, 2012
(Dollar amounts in millions)						
Adjusted net income - Praxair, Inc. (see below)	$1,854	$1,392	$462	$1,724	$1,310	$414
Add: adjusted noncontrolling interest (see below)	58	41	17	62	48	14
Add: interest expense - net	172	134	38	157	122	35
Add: adjusted income taxes (see below)	728	546	182	678	516	162
Add: depreciation and amortization	1,166	879	287	1,076	822	254
Adjusted EBITDA	$3,978	$2,992	$986	$3,697	$2,818	$879
Reported Sales		9,283			8,915	
Adjusted EBITDA Margin		32.2 %			31.6 %	
Net Debt:						
September 30th,	$8,953			$8,892		
June 30th,	$8,992			$9,004		
March 31st,	$9,126			$8,563		
December 31st, 2013 & 2012	$8,673			$7,205		
September 30th, 2013 & 2012	$8,892			$7,028		
Five-quarter average	$8,927			$8,138		
	2.2			2.2		

DEBT-TO-ADJUSTED
EBITDA RATIO

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Explanation of Responses:

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Adjusted Amounts

Adjusted amounts for the quarter ended September 30, 2013 exclude the impact of the Venezuela currency devaluation. Adjusted amounts for the nine months ended September 30, 2013 exclude the impact of the Venezuela currency devaluation and pension settlement. Adjusted amounts for the three months ended December 31, 2013 exclude the impact of the bond redemption charge 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. For a description of these items, refer to Notes 2, 5 & 11 to the consolidated financial statements of Praxair's 2013 Annual Report on Form 10-K.

Certain amounts for 2014 and 2012 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,	
(Dollar amounts in millions, except per share data)	2014	2013	2014	2013	2013	2012
Adjusted Operating Profit						
Reported operating profit	$711	$670	$2,083	$1,935	$690	$616
Add: Venezuela currency devaluation	—	—	—	23	—	—
Add: Pension settlement charge	—	9	—	9	—	—
Total adjustments	—	9	—	32	—	—
Adjusted operating profit	$711	$679	$2,083	$1,967	$690	$616
Reported percent change	6 %		8 %			
Adjusted percent change	5 %		6 %			
Adjusted Interest Expense						
Reported interest expense	$45	$41	$134	$122	$56	$35
Less: Bond redemption	—	—	—	—	(18)	—
Total adjustments	—	—	—	—	(18)	—
Adjusted interest expense	$45	$41	$134	$122	$38	$35
Adjusted Income Taxes and Effective Tax Rate						
Reported income taxes	$187	$175	$546	$513	$136	$162
Add: Bond redemption	—	—	—	—	6	—
Add: Income tax benefit	—	—	—	—	40	—
Add: Pension settlement charge	—	3	—	3	—	—
Total adjustments	—	3	—	3	46	—
Adjusted income taxes	$187	$178	$546	$516	$182	$162

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(Dollar amounts in millions, except per share data)	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Quarter Ended December 31, 2013	Quarter Ended December 31, 2012
Adjusted Effective Tax Rate						
Reported income before income taxes and equity investments	$666	$629	$1,949	$1,813	$634	$581
Add: Bond redemption	—	—	—	—	18	—
Add: Pension settlement charge	—	9	—	9	—	—
Add: Venezuela currency devaluation	—	—	—	23	—	—
Total adjustments	—	9	—	32	18	—
Adjusted income before income taxes and equity investments	$666	$638	$1,949	$1,845	$652	$581
Adjusted effective tax rate	28.1 %	27.9 %	28.0 %	28.0 %	27.9 %	27.9 %
Adjusted Noncontrolling Interests						
Reported noncontrolling interests	$13	$17	$41	$48	$33	$14
Less: Income tax benefit	—	—	—	—	(16)	—
Total adjustments	—	—	—	—	(16)	—
Adjusted Noncontrolling Interests	$13	$17	$41	$48	$17	$14
Adjusted Net Income - Praxair, Inc.						
Reported net income - Praxair, Inc.	$477	$445	$1,392	$1,281	$474	$414
Add: Bond redemption	—	—	—	—	12	—
Less: Income tax benefit	—	—	—	—	(24)	—
Add: Pension settlement charge	—	6	—	6	—	—
Add: Venezuela currency devaluation	—	—	—	23	—	—
Total adjustments	—	6	—	29	(12)	—
Adjusted net income - Praxair, Inc.	$477	$451	$1,392	$1,310	$462	$414
Reported percent change	7 %		9 %			
Adjusted percent change	6 %		6 %			
Adjusted Diluted Earnings Per Share						
Reported diluted earnings per share	$1.62	$1.49	$4.70	$4.28	$1.59	$1.38
Add: Bond redemption	—	—	—	—	0.04	—
Less: Income tax benefit	—	—	—	—	(0.08)	—
Add: Pension settlement charge	—	0.02	—	0.02	—	—
Add: Venezuela currency devaluation	—	—	—	0.08	—	—
Total adjustments	—	0.02	—	0.10	(0.04)	—
Adjusted diluted earnings per share	$1.62	$1.51	$4.70	$4.38	$1.55	$1.38
Reported percent change	8 %		10 %			
Adjusted percent change	7 %		7 %			

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Percentage Change in Full - Year 2014 Diluted EPS Guidance

	Low End		High End	
2014 Diluted EPS guidance	$6.23		$6.30	
2013 Adjusted Diluted EPS (see 2013 Annual Report on Form 10-K)	$5.93		$5.93	
Percentage change from 2013 adjusted amounts	5	%	6	%

New Accounting Standards

Refer to Note 1 of the condensed consolidated financial statements.

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 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 2013 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 (see Management's Discussion and Analysis - Currency). At September 30, 2014, 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,

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payment has historically been received. At September 30, 2014 government receivables in Spain and Italy totaled $76 million ($82 million at December 31, 2013).

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; and
- Healthcare reimbursement regulations.

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 2013 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

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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 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 2013 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

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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 Praxair’s 2013 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 ("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, 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, 2014 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)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (2) (Millions)
July 2014	258	$130.99	258	$ 1,421
August 2014	374	$129.24	374	$ 1,373
September 2014	265	$132.08	265	$ 1,338
Third Quarter 2014	897	$130.58	897	$ 1,338

(1) On January 28, 2014, the company's board of directors approved the repurchase of an additional $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.

(2) As of September 30, 2014, the Company purchased $162 million of its common stock pursuant to the 2014 program, leaving an additional $1,338 million remaining authorized.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

*	10.01	Praxair Compensation Deferral Program amended and restated as of July 15, 2014 is filed herewith.
	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 29, 2014

By: /s/ Elizabeth T. Hirsch

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

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