PRAXAIR INC
Form 10-Q
November 09, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
PRAXAIR, INC.
(Exact name of registrant as specified in its charter)
DELAWARE
(State or other jurisdiction of incorporation)

1-11037	06-1249050
(Commission File Number)	(IRS Employer Identification No.)
10 Riverview Drive, DANBURY, CT	06810-6268
(Address of principal executive offices)	(Zip Code)

(203) 837-2000
(Registrant’s telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:
Title of each class: Registered on:
Common Stock ($0.01 par value) New York Stock Exchange
1.50% Euro notes due 2020 New York Stock Exchange
1.20% Euro notes due 2024 New York Stock Exchange
1.625% Euro notes due 2025 New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

At September 30, 2018, 287,856,237 shares of common stock ($0.01 par value) of the Registrant were outstanding.

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INTRODUCTORY NOTE

On October 31, 2018, Praxair, Inc. (“Praxair” or the “Company”) and Linde Aktiengesellschaft, a stock corporation incorporated under the laws of Germany (“Linde AG”), combined under Linde plc, a public limited company incorporated under the laws of Ireland (“Linde plc”), as contemplated by the business combination agreement, dated June 1, 2017, as amended on August 10, 2017 (the “Business Combination Agreement”), by and among the Company, Linde AG, Linde plc, Zamalight Holdco LLC and Zamalight Subco, Inc. Pursuant to the Business Combination Agreement, (i) Praxair became an indirect wholly-owned subsidiary of Linde plc through the merger of Zamalight Subco, Inc., an indirect wholly-owned Delaware subsidiary of Linde plc with and into Praxair, and (ii) Linde AG became an indirect subsidiary of Linde plc through an exchange offer by Linde plc for each issued and outstanding bearer share of Linde AG. On October 31, 2018, Linde plc filed a Current Report on Form 8-K with the Securities and Exchange Commission (“SEC”) that established Linde plc as the successor issuer to Praxair under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

This Quarterly Report on Form 10-Q relates to the Company's quarter ended September 30, 2018, which was prior to the completion of the Business Combination.

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

	Quarter Ended September 30,	
	2018	2017
SALES	$ 3,024	$ 2,922
Cost of sales, exclusive of depreciation and amortization	1,714	1,652
Selling, general and administrative	294	300
Depreciation and amortization	306	298
Research and development	23	23
Transaction costs and other charges	31	14
Other income (expense) - net	13	(3)
OPERATING PROFIT	669	632
Interest expense - net	40	41
Net pension and OPEB cost (benefit), excluding service cost	6	6
INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS	623	585
Income taxes	156	162
INCOME BEFORE EQUITY INVESTMENTS	467	423
Income from equity investments	13	12
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	480	435
Less: noncontrolling interests	(19)	(16)
NET INCOME - PRAXAIR, INC.	$ 461	$ 419
PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS		
Basic earnings per share	$ 1.60	$ 1.46
Diluted earnings per share	$ 1.58	$ 1.45
WEIGHTED AVERAGE SHARES OUTSTANDING (000's):		
Basic shares outstanding	288,093	286,467
Diluted shares outstanding	291,513	289,216

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

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

	Nine months ended September 30,	
	2018	2017
SALES	$9,084	$8,484
Cost of sales, exclusive of depreciation and amortization	5,114	4,800
Selling, general and administrative	911	895
Depreciation and amortization	928	877
Research and development	71	69
Transaction costs and other charges	74	35
Other income (expense) - net	25	(3)
OPERATING PROFIT	2,011	1,805
Interest expense - net	130	120
Net pension and OPEB cost (benefit), excluding service cost	10	(7)
INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS	1,871	1,692
Income taxes	462	468
INCOME BEFORE EQUITY INVESTMENTS	1,409	1,224
Income from equity investments	42	35
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	1,451	1,259
Less: noncontrolling interests	(48)	(45)
NET INCOME - PRAXAIR, INC.	$1,403	$1,214
PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS		
Basic earnings per share	$4.87	$4.24
Diluted earnings per share	$4.82	$4.21
WEIGHTED AVERAGE SHARES OUTSTANDING (000's):		
Basic shares outstanding	287,800	286,022
Diluted shares outstanding	291,275	288,524

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

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

	Quarter Ended September 30,	
	2018	2017
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	$ 480	$ 435
OTHER COMPREHENSIVE INCOME (LOSS)		
Translation adjustments:		
Foreign currency translation adjustments	(89)	204
Income taxes	2	19
Translation adjustments	(87)	223
Funded status - retirement obligations (Note 11):		
Retirement program remeasurements	3	(9)
Reclassifications to net income	22	19
Income taxes	(5)	(4)
Funded status - retirement obligations	20	6
Derivative instruments (Note 6):		
Current quarter unrealized gain (loss)	—	—
Reclassifications to net income	—	—
Income taxes	—	—
Derivative instruments	—	—
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(67)	229
COMPREHENSIVE INCOME (LOSS) (INCLUDING NONCONTROLLING INTERESTS)	413	664
Less: noncontrolling interests	(12)	(26)
COMPREHENSIVE INCOME (LOSS) - PRAXAIR, INC.	$ 401	$ 638

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

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

	Nine months ended September 30,	
	2018	2017
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	$1,451	$1,259
OTHER COMPREHENSIVE INCOME (LOSS)		
Translation adjustments:		
Foreign currency translation adjustments	(623)	520
Income taxes	8	77
Translation adjustments	(615)	597
Funded status - retirement obligations (Note 11):		
Retirement program remeasurements	(5)	(29)
Reclassifications to net income	56	39
Income taxes	(11)	(4)
Funded status - retirement obligations	40	6
Derivative instruments (Note 6):		
Current period unrealized gain (loss)	—	—
Reclassifications to net income	—	—
Income taxes	—	—
Derivative instruments	—	—
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(575)	603
COMPREHENSIVE INCOME (LOSS) (INCLUDING NONCONTROLLING INTERESTS)	876	1,862
Less: noncontrolling interests	(31)	(73)
COMPREHENSIVE INCOME (LOSS) - PRAXAIR, INC.	$845	$1,789

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

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

	September 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 600	$ 617
Accounts receivable - net	1,852	1,804
Inventories	622	614
Prepaid and other current assets	231	250
TOTAL CURRENT ASSETS	3,305	3,285
Property, plant and equipment (less accumulated depreciation of $13,987 in 2018 and $13,819 in 2017)	11,725	12,057
Goodwill	3,201	3,233
Other intangible assets - net	513	553
Other long-term assets	1,235	1,308
TOTAL ASSETS	$ 19,979	$ 20,436
LIABILITIES AND EQUITY		
Accounts payable	$ 978	$ 972
Short-term debt	115	238
Current portion of long-term debt	1,582	979
Other current liabilities	1,185	1,118
TOTAL CURRENT LIABILITIES	3,860	3,307
Long-term debt	6,615	7,783
Other long-term liabilities	2,754	2,824
TOTAL LIABILITIES	13,229	13,914
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests (Note 14)	15	11
Praxair, Inc. Shareholders' Equity:		
Common stock $0.01 par value, authorized - 800,000,000 shares, issued 2018 and 2017 - 383,230,625 shares	4	4
Additional paid-in capital	4,088	4,084
Retained earnings	13,913	13,224
Accumulated other comprehensive income (loss) (Note 14)	(4,656)	(4,098)
Less: Treasury stock, at cost (2018 - 95,374,388 shares and 2017 - 96,453,634 shares)	(7,117)	(7,196)
Total Praxair, Inc. Shareholders' Equity	6,232	6,018
Noncontrolling interests	503	493
TOTAL EQUITY	6,735	6,511
TOTAL LIABILITIES AND EQUITY	$ 19,979	$ 20,436

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

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

	Nine months ended September 30,	
	2018	2017
OPERATIONS		
Net income - Praxair, Inc.	$1,403	$1,214
Noncontrolling interests	48	45
Net income (including noncontrolling interests)	1,451	1,259
Adjustments to reconcile net income to net cash provided by operating activities:		
Transaction costs and other charges, net of payments	35	27
Depreciation and amortization	928	877
Deferred income taxes	(6)	22
Share-based compensation	40	44
Working capital:		
Accounts receivable	(121)	(83)
Inventory	(29)	(11)
Prepaid and other current assets	3	(64)
Payables and accruals	101	11
Pension contributions	(17)	(14)
Long-term assets, liabilities and other	(36)	137
Net cash provided by operating activities	2,349	2,205
INVESTING		
Capital expenditures	(1,056)	(972)
Acquisitions, net of cash acquired	(6)	(18)
Divestitures and asset sales	77	22
Net cash used for investing activities	(985)	(968)
FINANCING		
Short-term debt borrowings (repayments) - net	(122)	(353)
Long-term debt borrowings	2	11
Long-term debt repayments	(505)	(160)
Issuances of common stock	70	90
Purchases of common stock	(2)	(11)
Cash dividends - Praxair, Inc. shareholders	(712)	(675)
Noncontrolling interest transactions and other	(33)	(85)
Net cash provided by (used for) financing activities	(1,302)	(1,183)
Effect of exchange rate changes on cash and cash equivalents	(79)	29
Change in cash and cash equivalents	(17)	83
Cash and cash equivalents, beginning-of-period	617	524
Cash and cash equivalents, end-of-period	$600	$607

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

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INDEX TO NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Notes to Condensed Consolidated Financial Statements - Praxair, Inc. and Subsidiaries (Unaudited)

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PRAXAIR, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
1. Summary of Significant Accounting Policies
Presentation of Condensed Consolidated Financial Statements - In the opinion of Praxair, Inc. (Praxair) management, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation of the results for the interim periods presented and such adjustments are of a normal recurring nature. The accompanying condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements of Praxair, Inc. and subsidiaries in Praxair's 2017 Annual Report on Form 10-K. There have been no material changes to the company's significant accounting policies during 2018.
Accounting Standards Implemented in 2018

- Revenue Recognition – In May 2014, the FASB issued updated guidance on the reporting and disclosure of revenue. Effective January 1, 2018, Praxair has adopted this guidance using the modified retrospective transition method. No material differences in revenue recognition accounting were identified under the new guidance compared with the Company's historic revenue recognition accounting (see Note 15).
- Classification of Certain Cash Receipts and Cash Payments – In August 2016, the FASB issued updated guidance on the classification of certain cash receipts and cash payments within the statement of cash flows. The update provides accounting guidance for specific cash flow issues with the objective of reducing diversity in practice. The adoption of this guidance did not have a material impact on the financial statements.
- Intra-Entity Asset Transfers – In October 2016, the FASB issued updated guidance for income tax accounting of intra-entity transfers of assets other than inventory. The update requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory in the period when the transfer occurs. The adoption of this guidance did not have a material impact on the financial statements.
- Pension Costs - In March 2017, the FASB issued updated guidance on the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance requires the service cost component be reported in the same line item or items as other compensation costs arising from services rendered by employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and not included within operating profit. This guidance was adopted in the first quarter 2018. Accordingly, non-service related components of net periodic pension and postretirement benefit costs were reclassified out of "Operating Profit" to "Net pension and OPEB cost (benefit), excluding service cost" using the practical expedient to use the amounts disclosed in the retirement benefits note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements (see Note 11).

Accounting Standards to be Implemented

- Leases – In February 2016, the FASB issued updated guidance on the accounting and financial statement presentation of leases. The new guidance requires lessees to recognize a right-of-use asset and lease liability for all leases, except those that meet certain scope exceptions, and would require expanded quantitative and qualitative disclosures. This guidance will be effective for Praxair beginning in the first quarter 2019 and requires companies to transition using a modified retrospective approach. Praxair is in the process of implementing the new guidance and will provide updates on the expected impact to Praxair in future filings, as appropriate.
- Credit Losses on Financial Instruments – In June 2016, the FASB issued an update on the measurement of credit losses. The guidance introduces a new accounting model for expected credit losses on financial instruments, including trade receivables, based on estimates of current expected credit losses. This guidance will be effective for Praxair beginning in the first quarter 2020, with early adoption permitted beginning in the first quarter 2019 and requires companies to apply the change in accounting on a prospective basis. We are currently evaluating the impact this update will have on our consolidated financial statements.
- Simplifying the Test for Goodwill Impairment – In January 2017, the FASB issued updated guidance on the measurement of goodwill. The new guidance eliminates the requirement to calculate the implied fair value of

goodwill to measure a goodwill impairment charge. The guidance will be effective for Praxair beginning in the first quarter 2020. Praxair does not expect this guidance to have a material impact.

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- Derivatives and Hedging - In August 2017, the FASB issued updated guidance on accounting for hedging activities. The new guidance changes both the designation and measurement for qualifying hedging relationships and the presentation of hedge results. This guidance will be effective for Praxair beginning in the first quarter 2019, with early adoption optional. Praxair is currently evaluating the impact this update will have on our consolidated financial statements.
- Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income – In February 2018, the FASB issued updated guidance which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. This new guidance will be effective for Praxair beginning in the first quarter 2019 on a retrospective basis, with early adoption optional. Praxair is currently assessing the impact and timing of adoption.

Reclassifications – Certain prior years' amounts have been reclassified to conform to the current year's presentation including reclassifications on the consolidated statements of income and segment operating profit relating to the adoption of accounting guidance on the presentation of net periodic pension and postretirement benefit costs.

2. Transaction Costs and Other Charges

Transaction costs and other charges were $31 million and $74 million ($29 million and $67 million after-tax and noncontrolling interest, or $0.10 and $0.23 per diluted share) for the quarter and nine months ended September 30, 2018, respectively. Transaction costs and other charges were $14 million and $35 million ($13 million and $34 million after-tax or $0.05 and $0.12 per diluted share) for the quarter and nine months ended September 30, 2017.

On October 31, 2018, Praxair and Linde AG combined under Linde plc, as contemplated by the Business Combination Agreement (see Note 17). Praxair incurred transaction costs and other charges primarily in connection with the intended business combination totaling $21 million and $64 million for the quarter and nine months ended September 30, 2018 ($19 million and $57 million after-tax and noncontrolling interests, or $0.07 and $0.20 per diluted share), respectively. Praxair incurred transaction costs which totaled $14 million and $35 million for the quarter and nine months ended September 30, 2017 ($13 million and $34 million after-tax, or $0.05 and $0.12 per diluted share), respectively.

Effective July 1, 2018, Argentina was deemed a highly inflationary economy. As a result, the third quarter of 2018 includes a $10 million charge ($10 million after-tax, or $0.03 per diluted share) associated with the transition to hyper-inflationary accounting in Argentina.

Classification in the condensed consolidated financial statements

The costs are shown within operating profit in a separate line item on the consolidated statements of income. On the condensed consolidated statement of cash flows, the impact of these costs, net of cash payments, is shown as an adjustment to reconcile net income to net cash provided by operating activities. In Note 13 - Segments, Praxair excluded these costs from its management definition of segment operating profit; a reconciliation of segments operating profit to consolidated operating profit is shown within the segment operating profit table.

3. Acquisitions

During the nine months ended September 30, 2018 and 2017, Praxair had acquisitions totaling $6 million and $18 million, respectively, related primarily to acquisitions of packaged gas businesses in North America.

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4. Supplemental Information

Inventories

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

(Millions of dollars)	September 30, 2018	December 31, 2017
Inventories		
Raw materials and supplies	$ 218	$ 224
Work in process	54	57
Finished goods	350	333
Total inventories	$ 622	$ 614

Long-term receivables

Long-term receivables are not material and are largely reserved. Such long-term receivables are included within other long-term assets in the condensed consolidated balance sheets and totaled $31 million and $54 million at September 30, 2018 and December 31, 2017, respectively. These amounts are net of reserves of $45 million and $51 million, respectively. The amounts in both periods relate primarily to government receivables in Brazil and other long-term notes receivable from customers. Collectability is reviewed regularly and uncollectible amounts are written off as appropriate.

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5. Debt

The following is a summary of Praxair’s outstanding debt at September 30, 2018 and December 31, 2017:

(Millions of dollars)	September 30, 2018	December 31, 2017
SHORT-TERM		
Commercial paper and U.S. bank borrowings	$ 83	$ 202
Other bank borrowings (primarily international)	32	36
Total short-term debt	115	238
LONG-TERM (a)		
U.S. borrowings (U.S. dollar denominated unless otherwise noted)		
1.20% Notes due 2018 (b)	—	498
1.25% Notes due 2018 (b, c)	475	475
1.90% Notes due 2019	500	500
4.50% Notes due 2019	599	599
1.50% Euro-denominated notes due 2020	694	717
2.25% Notes due 2020	299	299
4.05% Notes due 2021	499	498
3.00% Notes due 2021	498	497
2.45% Notes due 2022	598	598
2.20% Notes due 2022	498	498
2.70% Notes due 2023	498	498
1.20% Euro-denominated notes due 2024	636	658
2.65% Notes due 2025	398	397
1.625% Euro-denominated notes due 2025	574	594
3.20% Notes due 2026	725	725
3.55% Notes due 2042	662	662
Other	10	12
International bank borrowings	31	33
Obligations under capital leases	3	4
	8,197	8,762
Less: current portion of long-term debt	(1,582)	(979)
Total long-term debt	6,615	7,783
Total debt	$ 8,312	$ 9,000

(a) Amounts are net of unamortized discounts, premiums and/or debt issuance costs as applicable.

(b) In March 2018, Praxair repaid $500 million of 1.20% notes that became due. On November 7, 2018, Praxair repaid $475 million of 1.25% notes that became due.

(c) September 30, 2018 and December 31, 2017 include a less than $1 million fair value decrease and a less than $1 million increase, respectively, related to hedge accounting. See Note 6 for additional information.

In June 2018, the company's $500 million 364-day revolving credit facility with a syndicate of banks expired and was not renewed.

6. Financial Instruments

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

There are three types of derivatives that the company enters into: (i) those relating to fair-value exposures, (ii) those relating to cash-flow exposures, and (iii) those relating to foreign currency net investment exposures. Fair-value exposures relate to recognized assets or liabilities, and firm commitments; cash-flow exposures relate to the variability of future cash flows associated with recognized assets or liabilities, or forecasted transactions; and net investment exposures relate to the impact of foreign currency exchange rate changes on the carrying value of net assets denominated in foreign currencies.

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

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

The following table is a summary of the notional amount and fair value of derivatives outstanding at September 30, 2018 and December 31, 2017 for consolidated subsidiaries:

			Fair Value			
	Notional Amounts		Assets		Liabilities	
(Millions of dollars)	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Derivatives Not Designated as Hedging Instruments:						
Currency contracts:						
Balance sheet items (a)	$2,099	$ 2,693	$16	$ 16	$ 6	$ 16
Derivatives Designated as Hedging Instruments:						
Currency contracts:						
Balance sheet items (a)	$—	$ 38	$—	$ —	$ —	$ 2
Forecasted purchases (a)	6	4	—	1	—	—
Interest rate contracts:						
Interest rate swaps (a, b)	475	475	—	—	—	—
Total Hedges	$481	$ 517	$—	$ 1	$ —	$ 2
Total Derivatives	$2,580	$ 3,210	$16	$ 17	$ 6	$ 18

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

(b) On November 7, 2018, Praxair repaid $475 million of 1.25% notes that became due and the associated interest rate swap was settled.

Currency Contracts

Balance Sheet Items

Foreign currency contracts related to balance sheet items consist of forward contracts entered into to manage the exposure to fluctuations in foreign-currency exchange rates on recorded balance sheet assets and liabilities denominated in currencies other than the functional currency of the related operating unit. Certain forward currency contracts are entered into to protect underlying monetary assets and liabilities denominated in foreign currencies from foreign exchange risk and are not designated as hedging instruments. The fair value adjustments on these contracts are offset by the fair value adjustments recorded on the underlying monetary assets and liabilities. Praxair also enters into forward currency contracts, which are designated as hedging instruments, to limit the cash flow exposure on certain foreign-currency denominated intercompany loans. The fair value adjustments on these contracts are recorded to AOCI, with the effective portion immediately reclassified to earnings to offset the fair value adjustments on the underlying debt instrument.

Forecasted Purchases
Foreign currency contracts related to forecasted purchases consist of forward contracts entered into to manage the exposure to fluctuations in foreign-currency exchange rates on forecasted purchases of capital-related equipment and services denominated

in currencies other than the functional currency of the related operating units. These forward contracts were designated and accounted for as cash flow hedges.

Net Investment Hedge

As of September 30, 2018, the Company has €1.65 billion ($1.92 billion) of Euro-denominated notes, of which €1.63 billion ($1.89 billion) is designated as a hedge of the net investment position in its European operations. These Euro-denominated debt instruments reduce the company's exposure to changes in the currency exchange rate on investments in foreign subsidiaries with Euro functional currencies. Since hedge inception, exchange rate movements have reduced long-term debt by $162 million (long-term debt decreased by $65 million during the first nine months of 2018), with the offsetting gain shown within the cumulative translation component of AOCI in the condensed consolidated balance sheets and the consolidated statements of comprehensive income.

Interest Rate Contracts

Outstanding Interest Rate Swaps

At September 30, 2018, Praxair had one outstanding interest rate swap agreement with a $475 million notional amount related to the $475 million 1.25% notes that matured on November 7, 2018. The interest rate swap effectively converts fixed-rate interest to variable-rate interest and is designated as a fair value hedge. Fair value adjustments are recognized in earnings along with an equally offsetting charge / benefit to earnings for the changes in the fair value of the underlying debt instrument. At September 30, 2018, less than $1 million was recognized as a decrease in the fair value of these notes (increase in the fair value of less than $1 million at December 31, 2017).

Terminated Treasury Rate Locks

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

(Millions of dollars)	Year Terminated	Original Gain / (Loss)	Unrecognized Gain / (Loss) (a) September 30, 2018	December 31, 2017
Treasury Rate Locks				
Underlying debt instrument:				
$500 million 2.20% fixed-rate notes that mature in 2022 (b)	2012	$ (2)	$ —	$ (1)
$500 million 3.00% fixed-rate notes that mature in 2021 (b)	2011	(11)	(3)	(4)
$600 million 4.50% fixed-rate notes that mature in 2019 (b)	2009	16	1	3
Total - pre-tax			$ (2)	$ (2)
Less: income taxes			1	1
After- tax amounts			$ (1)	$ (1)

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

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

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The following table summarizes the impact of the company’s derivatives on the consolidated statements of income:

	Amount of Pre-Tax Gain (Loss) Recognized in Earnings *			
	Quarter Ended September 30,		Nine Months Ended September 30,	
(Millions of dollars)	2018	2017	2018	2017
Derivatives Not Designated as Hedging Instruments				
Currency contracts:				
Balance sheet items				
Debt-related	$ 17	$ 19	$ (15)	$ 128
Other balance sheet items	3	(1)	4	1
Total	$ 20	$ 18	$ (11)	$ 129

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

The following table summarizes the impacts of the company's derivatives designated as hedging instruments that impact AOCI:

Derivatives Designated as Hedging Instruments **

	Quarter Ended			
	Amount of Gain (Loss) Recognized in AOCI		Amount of Gain (Loss) Reclassified from AOCI to the Consolidated Statement of Income	
(Millions of dollars)	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Currency contracts:				
Balance sheet items	$ —	$ (1)	$ —	$ —
Forecasted purchases	—	1	—	—
Interest rate contracts:				
Treasury rate lock contracts	—	—	—	—
Total - pre tax	$ —	$ —	$ —	$ —
Less: income taxes	—	—	—	—
Total - Net of Taxes	$ —	$ —	$ —	$ —

	Nine Months Ended			
	Amount of Gain (Loss) Recognized in AOCI		Amount of Gain (Loss) Reclassified from AOCI to the Consolidated Statement of Income	
(Millions of dollars)	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Currency contracts:				

Balance sheet items	$ —	$ (1)	$ —	$ —
Forecasted purchases	—	1	—	—
Interest rate contracts:				
Treasury rate lock contracts	—	—	—	—
Total - pre tax	$ —	$ —	$ —	$ —
Less: income taxes	—	—	—	—
Total - Net of Taxes	$ —	$ —	$ —	$ —

**The gains (losses) on net investment hedges are recorded as a component of AOCI within foreign currency translation adjustments in the condensed consolidated balance sheets and the condensed consolidated statements of comprehensive income. The gains (losses) on treasury rate locks are recorded as a

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component of AOCI within derivative instruments in the condensed consolidated balance sheets and the condensed consolidated statements of comprehensive income. There was no ineffectiveness for these instruments during 2018 or 2017. The gains (losses) on net investment hedges are reclassified to earnings only when the related currency translation adjustments are required to be reclassified, usually upon sale or liquidation of the investment. The gains (losses) for interest rate contracts are reclassified to earnings as interest expense –net on a straight-line basis over the remaining maturity of the underlying debt. Net losses of $1 million are expected to be reclassified to earnings during the next twelve months.

7. Fair Value Disclosures

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Fair Value Measurements Using					
	Level 1		Level 2		Level 3	
(Millions of dollars)	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Assets						
Derivatives	—		$ 16	$ 17	—	—
Liabilities						
Derivatives	—		$ 6	$ 18	—	—

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

The fair values of cash and cash equivalents, short-term debt, accounts receivable-net, and accounts payable approximate carrying amounts because of the short maturities of these instruments. The fair value of long-term debt is estimated based on the quoted market prices for similar issues, which is deemed a level 2 measurement. At September 30, 2018, the estimated fair value of Praxair’s long-term debt portfolio was $8,164 million versus a carrying value of $8,197 million. At December 31, 2017, the estimated fair value of Praxair’s long-term debt portfolio was $8,969 million versus a carrying value of $8,762 million. Differences from carrying amounts are attributable to interest-rate changes subsequent to when the debt was issued.

8. Earnings Per Share – Praxair, Inc. Shareholders

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

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	Quarter Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator (Millions of dollars)				
Net income - Praxair, Inc.	$ 461	$ 419	$ 1,403	$ 1,214
Denominator (Thousands of shares)				
Weighted average shares outstanding	287,752	286,103	287,465	285,654
Shares earned and issuable under compensation plans	341	364	335	368
Weighted average shares used in basic earnings per share	288,093	286,467	287,800	286,022
Effect of dilutive securities				
Stock options and awards	3,420	2,749	3,475	2,502
Weighted average shares used in diluted earnings per share	291,513	289,216	291,275	288,524
Basic Earnings Per Share	$ 1.60	$ 1.46	$ 4.87	$ 4.24
Diluted Earnings Per Share	$ 1.58	$ 1.45	$ 4.82	$ 4.21

There were no antidilutive shares for the quarter and nine months ended September 30, 2018. There were no antidilutive shares for the quarter ended September 30, 2017. Stock options of 2,439,499 for nine months ended September 30, 2017 were antidilutive and therefore excluded in the computation of diluted earnings per share.

9. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended September 30, 2018 were as follows:

(Millions of dollars)	North America	South America	Europe	Asia	Surface Technologies	Total
Balance, December 31, 2017	$ 2,202	$ 129	$ 698	$ 61	$ 143	$ 3,233
Acquisitions	3	—	—	—	—	3
Purchase adjustments & other	12	—	—	—	—	12
Foreign currency translation	—	(27)	(16)	(1)	(3)	(47)
Balance, September 30, 2018	$ 2,217	$ 102	$ 682	$ 60	$ 140	$ 3,201

Praxair has performed its goodwill impairment tests annually during the second quarter of each year, and historically has determined that the fair value of each of its reporting units was substantially in excess of its carrying value. For the 2018 test completed last quarter, Praxair applied the FASB's accounting guidance which allows the Company to first assess qualitative factors to determine the extent of additional quantitative analysis, if any, that may be required to test goodwill for impairment (refer to Note 1 to the consolidated financial statements of Praxair's 2017 Annual Report on Form 10-K). Based on the qualitative assessments performed in the second quarter of 2018, Praxair concluded that it was more likely than not that the fair value of each reporting unit substantially exceeded its carrying value and therefore, further quantitative analysis was not required. As a result, no impairment was recorded. There were no indicators of impairment through September 30, 2018.

Changes in the carrying amounts of other intangibles for the nine months ended September 30, 2018 were as follows:

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(Millions of dollars)	Customer & License/Use Agreements	Non-compete Agreements	Patents & Other	Total
Cost:				
Balance, December 31, 2017	$ 772	$ 28	$ 52	$852
Additions	1	1	—	2
Foreign currency translation	(9)	—	(1)	(10)
Other*	(20)	(5)	—	(25)
Balance, September 30, 2018	$ 744	$ 24	$ 51	$819
Less: Accumulated amortization				
Balance, December 31, 2017	$ (260)	$ (18)	$ (21)	$(299)
Amortization expense	(28)	(3)	(3)	(34)
Foreign currency translation	3	—	—	3
Other*	19	5	—	24
Balance, September 30, 2018	$ (266)	$ (16)	$ (24)	$(306)
Net balance at September 30, 2018	$ 478	$ 8	$ 27	$513

* Other primarily relates to the write-off of fully amortized assets.

There are no expected residual values related to these intangible assets. The remaining weighted-average amortization period for intangible assets is approximately 16 years.

Total estimated annual amortization expense is as follows:

(Millions of dollars)	
Remaining 2018	$11
2019	43
2020	41
2021	39
2022	38
Thereafter	341
	$513

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10. Share-Based Compensation

Share-based compensation expense of $19 million and $16 million was recognized during the quarters ended September 30, 2018 and 2017, respectively. Share-based compensation of $40 million and $44 million was recognized during the nine months ended September 30, 2018 and 2017, respectively. The expense was recorded primarily in selling, general and administrative expenses. There was no share-based compensation cost that was capitalized. For further details regarding Praxair's share-based compensation arrangements and prior-year grants, refer to Note 15 to the consolidated financial statements of Praxair's 2017 Annual Report on Form 10-K.

Stock Options

The weighted-average fair value of options granted during the nine months ended September 30, 2018 was $19.29 ($12.40 in 2017) based on the Black-Scholes Options-Pricing model. The increase in grant date fair value year-over-year was primarily attributable to an increase in the company's stock price.

The following weighted-average assumptions were used to value the grants in 2018 and 2017:

	Nine months ended September 30, 2018	2017
Dividend yield	2.1 %	2.7 %
Volatility	14.4%	14.0%
Risk-free interest rate	2.67%	2.13%
Expected term years	5	6

The following table summarizes option activity under the plans as of September 30, 2018 and changes during the nine-month period then ended (averages are calculated on a weighted basis; life in years; intrinsic value expressed in millions):

	Number of Options (000's)	Average Exercise Price	Average Remaining Life	Aggregate Intrinsic Value
Outstanding at January 1, 2018	10,787	$ 108.70		
Granted	1,625	154.00		
Exercised	(1,502)	94.50		
Cancelled or Expired	(63)	128.91		
Outstanding at September 30, 2018	10,847	117.34	6.2	$ 471
Exercisable at September 30, 2018	7,143	$ 110.46	5.0	$ 359

The aggregate intrinsic value represents the difference between the company's closing stock price of $160.73 as of September 30, 2018 and the exercise price multiplied by the number of in the money options outstanding as of that date. The total intrinsic value of stock options exercised during the quarter and nine months ended September 30, 2018 was $19 million and $96 million, respectively ($17 million and $80 million during the same periods in 2017, respectively).

Cash received from option exercises under all share-based payment arrangements for the quarter and nine months ended September 30, 2018 was $21 million and $59 million, respectively ($18 million and $81 million for the same periods in 2017). The cash tax benefit realized from share-based compensation totaled $9 million and $28 million for the quarter and nine months ended September 30, 2018, respectively ($5 million and $31 million for the same periods in 2017, respectively).

As of September 30, 2018, $26 million of unrecognized compensation cost related to non-vested stock options is expected to be recognized over a weighted-average period of approximately 1 year.

Performance-Based and Restricted Stock Awards

During the nine months ended September 30, 2018, the company granted restricted stock units to employees of 269,433 shares. There were no performance-based stock awards granted to employees during the nine months ended September 30, 2018 as restricted stock units were granted in place of performance-based stock awards. Compensation

expense related to the restricted stock units is recognized over the vesting period, which is up to three years, based on the grant date fair value.
As of September 30, 2018 the company had performance-based stock awards outstanding, tied to either return on capital ("ROC") performance or relative total shareholder return ("TSR") performance versus that of the S&P 500. The actual number of shares issued in settlement of a vested award can range from zero to 200 percent of the target number of shares granted based upon the company’s attainment of specified performance targets at the end of a three-year period. Compensation expense

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related to these awards is recognized over the three-year performance period based on the fair value of the closing market price of the company's common stock on the date of the grant and the estimated performance that will be achieved. Compensation expense for ROC awards will be adjusted during the three-year performance period based upon the estimated performance levels that will be achieved. TSR awards are measured at their grant date fair value and not subsequently re-measured.

The weighted-average fair value of restricted stock units granted during the nine months ended September 30, 2018 was $144.79 ($111.70 for the same period in 2017). These fair values are based on the closing market price of Praxair's common stock on the grant date adjusted for dividends that will not be paid during the vesting period. The weighted-average fair value of ROC performance-based stock awards granted during the nine months ended September 30, 2017 was $109.68.

The weighted-average fair value of performance-based stock tied to relative TSR performance granted during nine months ended September 30, 2017 was $124.12 and was estimated using a Monte Carlo simulation performed as of the grant date.

The following table summarizes non-vested performance-based and restricted stock award activity as of September 30, 2018 and changes during the nine months then ended (shares based on target amounts, averages are calculated on a weighted basis):

	Performance-Based		Restricted Stock	
	Number of Shares (000's)	Average Grant Date Fair Value	Number of Shares (000's)	Average Grant Date Fair Value
Non-vested at January 1, 2018	665	$ 113.40	264	$ 107.56
Granted	—	—	269	144.79
Vested	(78)	119.98	(89)	116.22
Cancelled and Forfeited	(151)	110.32	(17)	100.23
Non-vested at September 30, 2018	436	$ 110.02	427	$ 129.52

There are approximately 6 thousand performance-based shares and 3 thousand restricted stock shares that are non-vested at September 30, 2018 which will be settled in cash due to foreign regulatory limitations. The liability related to these grants reflects the current estimate of performance that will be achieved and the current common stock price.

As of September 30, 2018, based on current estimates of future performance, $9 million of unrecognized compensation cost related to performance-based awards is expected to be recognized through the first quarter of 2020 and $30 million of unrecognized compensation cost related to the restricted stock awards is expected to be recognized primarily through the first quarter of 2021.

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11. Retirement Programs

The components of net pension and postretirement benefits other than pensions (“OPEB”) costs for the quarter and nine months ended September 30, 2018 and 2017 are shown below:

	Quarter Ended September 30,				Nine Months Ended September 30,			
	Pensions		OPEB		Pensions		OPEB	
(Millions of dollars)	2018	2017	2018	2017	2018	2017	2018	2017
Amount recognized in Operating Profit								
Service cost	$ 12	$ 12	$ —	$ —	$36	$35	$1	$2
Amount recognized in Net pension and OPEB cost (benefit), excluding service cost								
Interest cost	25	25	1	2	76	76	3	4
Expected return on plan assets	(42)	(40)	—	—	(125)	(120)	—	—
Net amortization and deferral	18	17	—	—	54	51	(2)	(2)
Curtailment gain (a)	—	—	—	—	—	—	—	(18)
Settlement charge	4	2	$ —	$ —	4	2	$—	$—
	$ 5	$ 4	$ 1	$ 2	$9	$9	$1	$(16)
Net periodic benefit cost (benefit)	$ 17	$ 16	$ 1	$ 2	$45	$44	$2	$(14)

(a) The curtailment gain recorded in the first quarter of 2017 resulted from the termination of an OPEB plan in South America.

In the third quarters of 2018 and 2017, a series of lump sum benefit payments made from the U.S. supplemental pension plan and an international pension plan, respectively, triggered settlements of the related pension obligations. Accordingly, Praxair recorded pension settlement charges of $4 million ($3 million after-tax or $0.01 per diluted share) and $2 million ($1 million after-tax or less than $0.01 per diluted share) in 2018 and 2017, respectively. Praxair estimates that 2018 required contributions to its pension plans will be in the range of $20 million to $25 million, of which $17 million have been made through September 30, 2018.

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12. Commitments and Contingencies

Contingent Liabilities

Praxair is subject to various lawsuits and government investigations that arise from time to time in the ordinary course of business. These actions are based upon alleged environmental, tax, antitrust and personal injury claims, among others. Praxair has strong defenses in these cases and intends to defend itself vigorously. It is possible that the company may incur losses in connection with some of these actions in excess of accrued liabilities. Management does not anticipate that in the aggregate such losses would have a material adverse effect on the company's consolidated financial position or liquidity; however, it is possible that the final outcomes could have a significant impact on the company's reported results of operations in any given period (see Note 17 to the consolidated financial statements of Praxair's 2017 Annual Report on Form 10-K).

Significant matters are:

- During May 2009, the Brazilian government published Law 11941/2009 instituting a new voluntary amnesty program ("Refis Program") which allowed Brazilian companies to settle certain federal tax disputes at reduced amounts. During the 2009 third quarter, Praxair decided that it was economically beneficial to settle many of its outstanding federal tax disputes and such disputes were enrolled in the Refis Program, subject to final calculation and review by the Brazilian federal government. The Company recorded estimated liabilities based on the terms of the Refis Program. Since 2009, Praxair has been unable to reach final agreement on the calculations and initiated litigation against the government in an attempt to resolve certain items. Open issues relate to the following matters: (i) application of cash deposits and net operating loss carryforwards to satisfy obligations, and (ii) the amount of tax reductions available under the Refis Program. It is difficult to estimate the timing of resolution of legal matters in Brazil.
- At September 30, 2018 the most significant non-income and income tax claims in Brazil, after enrollment in the Refis Program, relate to state VAT tax matters and a federal income tax matter where the taxing authorities are challenging the tax rate that should be applied to income generated by a subsidiary company. The total estimated exposure relating to such claims, including interest and penalties, as appropriate, is approximately $205 million. Praxair has not recorded any liabilities related to such claims based on management judgments, after considering judgments and opinions of outside counsel. Because litigation in Brazil historically takes many years to resolve, it is very difficult to estimate the timing of resolution of these matters; however, it is possible that certain of these matters may be resolved within the near term. The company is vigorously defending against the proceedings.
- On September 1, 2010, CADE (Brazilian Administrative Council for Economic Defense) announced alleged anticompetitive activity on the part of five industrial gas companies in Brazil and imposed fines on all five companies. Originally, CADE imposed a civil fine of R$2.2 billion Brazilian reais (US$550 million) against White Martins, the Brazil-based subsidiary of Praxair, Inc. In response to a motion for clarification, the fine was reduced to R$1.7 billion Brazilian reais (US$425 million) due to a calculation error made by CADE. The amount of the fine is subject to indexation using SELIC. On September 2, 2010, Praxair issued a press release and filed a report on Form 8-K rejecting all claims and stating that the fine represents a gross and arbitrary disregard of Brazilian law.

On October 19, 2010, White Martins filed an annulment petition ("appeal") with the Federal Court in Brasilia seeking to have the fine against White Martins entirely overturned. In order to suspend payment of the fine pending the completion of the appeal process, Brazilian law required that the company tender a form of guarantee in the amount of the fine as security. Initially, 50% of the guarantee was satisfied by letters of credit with a financial institution and 50% by equity of a Brazilian subsidiary. On April 15, 2016, the Ninth Federal Court in Brasilia allowed White Martins to withdraw and cancel the letters of credit. Accordingly, the guarantee is currently satisfied solely by equity of a Brazilian subsidiary.

On September 14, 2015, the Ninth Federal Court of Brasilia overturned the fine against White Martins and declared the original CADE administrative proceeding to be null and void. On June 30, 2016, CADE filed an appeal against this decision with the Federal Circuit Court in Brasilia.

Praxair strongly believes that the allegations are without merit and that the fine will be entirely overturned during the appeal process. The company further believes that it has strong defenses and will vigorously defend against the allegations and related fine up to such levels of the Federal Courts in Brazil as may be necessary. Because appeals in Brazil historically take many years to resolve, it is very difficult to estimate when the appeal will be finally decided.

Based on management judgments, after considering judgments and opinions of outside counsel, no reserve has been recorded for this proceeding as management does not believe that a loss is probable.

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13. Segments

For a description of Praxair's operating segments, refer to Note 18 to the consolidated financial statements of Praxair's 2017 Annual Report on Form 10-K.

Sales and operating profit by segment for the quarters and nine months ended September 30, 2018 and 2017 are shown below. 2017 segment operating profit has been reclassified to conform with current year presentation as a result of the adoption of new accounting guidance on the presentation of net periodic pension and postretirement benefit costs (see Note 1).

	Quarter Ended September 30,		Nine Months Ended September 30,	
(Millions of dollars)	2018	2017	2018	2017
SALES[a]				
North America	$ 1,613	$ 1,518	$4,770	$4,481
Europe	425	407	1,297	1,146
South America	329	389	1,043	1,131
Asia	487	451	1,465	1,268
Surface Technologies	170	157	509	458
Total sales	$ 3,024	$ 2,922	$9,084	$8,484

	Quarter Ended September 30,		Nine Months Ended September 30,	
(Millions of dollars)	2018	2017	2018	2017
OPERATING PROFIT				
North America	$ 420	$ 386	$1,258	$1,121
Europe	81	79	248	220
South America	57	66	167	178
Asia	110	88	321	243
Surface Technologies	32	27	91	78
Segment operating profit	700	646	2,085	1,840
Transaction costs and other charges (Note 2)	(31)	(14)	(74)	(35)
Total operating profit	$ 669	$ 632	$2,011	$1,805

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

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14. Equity and Redeemable Noncontrolling Interests

Equity

A summary of the changes in total equity for the quarters and nine months ended September 30, 2018 and 2017 is provided below:

(Millions of dollars)	Quarter Ended September 30, 2018			2017		
Activity	Praxair, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity	Praxair, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, beginning of period	$6,027	$ 501	$6,528	$5,807	$ 453	$6,260
Net income (a)	461	19	480	419	16	435
Other comprehensive income (loss)	(60)	(7)	(67)	219	10	229
Noncontrolling interests:						
Additions (reductions)	—	—	—	—	2	2
Dividends and other capital changes	—	(10)	(10)	—	(6)	(6)
Redemption value adjustments	(1)	—	(1)	—	—	—
Dividends to Praxair, Inc. common stock holders ($0.825 per share in 2018 and $0.7875 per share in 2017)	(238)	—	(238)	(225)	—	(225)
Issuances of common stock:						
For the dividend reinvestment and stock purchase plan	2	—	2	2	—	2
For employee savings and incentive plans	23	—	23	18	—	18
Purchases of common stock	(1)	—	(1)	—	—	—
Share-based compensation	19	—	19	16	—	16
Balance, end of period	$6,232	$ 503	$6,735	$6,256	$ 475	$6,731

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(Millions of dollars)	Nine Months Ended September 30, 2018			2017		
Activity	Praxair, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity	Praxair, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, beginning of period	$6,018	$ 493	$6,511	$5,021	$ 420	$5,441
Net income (a)	1,403	46	1,449	1,214	44	1,258
Other comprehensive income (loss)	(558)	(17)	(575)	575	28	603
Noncontrolling interests:						
Additions (reductions)	—	7	7	—	9	9
Dividends and other capital changes	—	(26)	(26)	—	(26)	(26)
Redemption value adjustments	(3)	—	(3)	—	—	—
Dividends to Praxair, Inc. common stock holders ($2.475 per share in 2018 and $2.36 per share in 2017)	(712)	—	(712)	(675)	—	(675)
Issuances of common stock:						
For the dividend reinvestment and stock purchase plan	5	—	5	5	—	5
For employee savings and incentive plans	41	—	41	72	—	72
Other	—	—	—	—	—	—
Purchases of common stock	(2)	—	(2)	—	—	—
Share-based compensation	40	—	40	44	—	44
Balance, end of period	$6,232	$ 503	$6,735	$6,256	$ 475	$6,731

(a) Net income for noncontrolling interests excludes Net income related to redeemable noncontrolling interests of $2 million for the nine months ended September 30, 2018 ($1 million for the same time period in 2017) which is not part of total equity (see redeemable noncontrolling interests section below).

The components of AOCI are as follows:

(Millions of dollars)	September 30, 2018	December 31, 2017
Cumulative translation adjustment - net of taxes:		
North America	$ (891)	$ (885)
South America	(2,391)	(2,004)
Europe	(427)	(398)
Asia	(314)	(151)
Surface Technologies	(30)	(17)
	(4,053)	(3,455)
Derivatives - net of taxes	(1)	(1)
Pension / OPEB funded status obligation (net of $336 million and $347 million tax benefit in September 30, 2018 and December 31, 2017, respectively)	(602)	(642)
	$ (4,656)	$ (4,098)

Redeemable Noncontrolling Interests

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

does not impact net income.
At September 30, 2018 and 2017, redeemable noncontrolling interests includes one packaged gas distributor in the United States where the noncontrolling shareholder has a put option.

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Following is a summary of the changes in redeemable noncontrolling interests for the nine months ended September 30, 2018 and 2017:

(Millions of dollars)	2018	2017
Balance, January 1	$11	$11
Net income	2	1
Distributions to noncontrolling interest and other	(1)	(1)
Redemption value adjustments/accretion	3	—
Balance, September 30	$15	$11

15. Revenue Recognition

Effective January 1, 2018, Praxair adopted the FASB's Accounting Standards Update No. 2014-09 ("ASC 606") relating to Revenue Recognition using the modified retrospective transition method. The new accounting standard requires revenue to be recognized as control of goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled to receive in exchange for the goods or services. No material differences in revenue recognition were identified as compared to the Company's historical revenue recognition accounting; accordingly, there is no adjustment to opening retained earnings at January 1, 2018 and therefore no need to present comparable revenue in accordance with the prior accounting policy. The following sections include updated accounting policies and disclosures required by ASC 606. Praxair's significant accounting policies for periods through December 31, 2017 are summarized in Note 1 to its 2017 Annual Report on Form 10-K.
Contracts with Customers
Approximately 94% of Praxair's consolidated sales are generated from industrial gases and related products in four geographic segments (North America, Europe, South America and Asia) and the remaining 6% is related to the global surface technologies segment. Praxair serves a diverse group of industries including healthcare, petroleum refining, manufacturing, food, beverage carbonation, fiber-optics, steel making, aerospace, chemicals and water treatment.
Industrial Gases
Within each of the Company's geographic segments for industrial gases, there are three basic distribution methods: (i) on-site or tonnage; (ii) merchant or bulk liquid; and (iii) packaged or cylinder gases. The distribution method used by Praxair to supply a customer is determined by many factors, including the customer's volume requirements and location. The distribution method generally determines the contract terms with the customer and, accordingly, the revenue recognition accounting practices. Praxair's primary products in its industrial gases business are atmospheric gases (oxygen, nitrogen, argon, rare gases) and process gases (carbon dioxide, helium, hydrogen, electronic gases, specialty gases, acetylene). These products are generally sold through one of the three distribution methods.
Following is a description of each of the three industrial gases distribution methods and the respective revenue recognition policies:
On-site. Customers that require the largest volumes of product and that have a relatively constant demand pattern are supplied by cryogenic and process gas on-site plants. Praxair constructs plants on or adjacent to these customers' sites and supplies the product directly to customers by pipeline. Where there are large concentrations of customers, a single pipeline may be connected to several plants and customers. On-site product supply contracts generally are total requirement contracts with terms typically ranging from 10-20 years and contain minimum purchase requirements and price escalation provisions. Many of the cryogenic on-site plants also produce liquid products for the merchant market. Therefore, plants are typically not dedicated to a single customer. Additionally, Praxair is responsible for the design, construction, operations and maintenance of the plants and our customers typically have no involvement in these activities. Advanced air separation processes also allow on-site delivery to customers with smaller volume requirements.
The Company's performance obligations related to on-site customers are satisfied over time as customers receive and obtain control of the product. Praxair has elected to apply the practical expedient for measuring progress towards the completion of a performance obligation and recognizes revenue as the company has the right to invoice each

customer, which generally corresponds with product delivery. Accordingly, revenue is recognized when product is delivered to the customer and the Company has the right to invoice the customer in accordance with the contract terms. Consideration in these contracts is generally based on pricing which fluctuates with various price indices. Variable components of consideration exist within on-site contracts but are considered constrained.

Merchant. Merchant deliveries generally are made from Praxair’s plants by tanker trucks to storage containers at the customer's

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site. Due to the relatively high distribution cost, merchant oxygen and nitrogen generally have a relatively small distribution radius from the plants at which they are produced. Merchant argon, hydrogen and helium can be shipped much longer distances. The customer agreements used in the merchant business are usually three-to seven-year supply agreements based on the requirements of the customer. These contracts generally do not contain minimum purchase requirements or volume commitments.

The Company’s performance obligations related to merchant customers are generally satisfied at a point in time as the customers receive and obtain control of the product. Revenue is recognized when product is delivered to the customer and the Company has the right to invoice the customer in accordance with the contract terms. Any variable components of consideration within merchant contracts are constrained however this consideration is not significant.

Packaged Gases. Customers requiring small volumes are supplied products in containers called cylinders, under medium to high pressure. Praxair distributes merchant gases from its production plants to Company-owned cylinder filling plants where cylinders are then filled for distribution to customers. Cylinders may be delivered to the customer’s site or picked up by the customer at a packaging facility or retail store. Praxair invoices the customer for the industrial gases and the use of the cylinder container(s). The Company also sells hardgoods and welding equipment purchased from independent manufacturers. Packaged gases are generally sold under one to three-year supply contracts and purchase orders and do not contain minimum purchase requirements or volume commitments.

The Company’s performance obligations related to packaged gases are satisfied at a point in time. Accordingly, revenue is recognized when product is delivered to the customer or when the customer picks up product from a packaged gas facility or retail store, and the Company has the right to payment from the customer in accordance with the contract terms. Any variable consideration is constrained and will be recognized when the uncertainty related to the consideration is resolved.

Surface Technologies

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

The Company’s performance obligation related to surface technologies customers are generally satisfied at a point in time when the customer receives and takes control of product. Accordingly, revenue is recognized when product is delivered to the customer or when the customer picks up the product from the Company’s facility, and the Company has the right to invoice the customer in accordance with the contract terms.

Payment Terms and Other

Praxair generally receives payment after performance obligations are satisfied, and customer prepayments are not typical. Payment terms vary based on the country where sales originate and local customary payment practices. Praxair does not offer extended financing outside of customary payment terms. Contract asset and liability balances and the changes in these balances are not material. Amounts billed for sales and use taxes, value-added taxes, and certain excise and other specific transactional taxes imposed on revenue producing transactions are presented on a net basis and are not included in sales within the consolidated statement of income. Additionally, sales returns and allowances are not a normal practice in the industry and are not significant.

Disaggregated Revenue Information

As described above and in Note 18 of the 2017 10-K, the Company manages its industrial gases business on a geographic basis, while the surface technologies business is managed on a global basis. Further, the Company believes that reporting sales by distribution method by reportable geographic segment best illustrates the nature, timing, type of customer, and contract terms for its revenues, including terms and pricing.

The following table shows sales by distribution method for each reportable segment and at the consolidated level for the quarter and nine months ended September 30, 2018.

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Quarter Ended September 30,

(Dollars in Millions)	Industrial Gases						
Sales	North America	Europe	South America	Asia	Surface Technologies	Total	%
Merchant	$ 604	$ 146	$ 125	$ 163	$ —	$ 1,038	34 %
On-Site	474	78	112	241	—	905	30 %
Packaged Gas	495	184	86	55	—	820	27 %
Other	40	17	6	28	170	261	9 %
	$ 1,613	$ 425	$ 329	$ 487	$ 170	$ 3,024	100 %

Nine Months Ended September 30,

(Dollars in Millions)	Industrial Gases						
Sales	North America	Europe	South America	Asia	Surface Technologies	Total	%
Merchant	$ 1,768	$ 446	$ 399	$ 474	$ —	$ 3,087	34 %
On-Site	1,392	235	343	737	—	2,707	30 %
Packaged Gas	1,496	564	277	166	—	2,503	28 %
Other	114	52	24	88	509	787	8 %
	$ 4,770	$ 1,297	$ 1,043	$ 1,465	$ 509	$ 9,084	100 %

Remaining Performance Obligations

As described above, Praxair's contracts with on-site customers are under long-term supply arrangements which generally require the customer to purchase their requirements from Praxair and also have minimum purchase requirements. The Company estimates the consideration related to minimum purchase requirements is approximately $19 billion. This amount excludes all sales above minimum purchase requirements, which can be significant depending on customer needs. In the future, actual amounts will be different due to impacts from several factors, many of which are beyond the Company's control including, but not limited to, timing of newly signed, terminated and renewed contracts, inflationary price escalations, currency exchange rates, and pass-through costs related to natural gas and electricity. The actual duration of long-term supply contracts ranges up to twenty years. The Company estimates that approximately half of the revenue related to minimum purchase requirements are estimated to be earned in the next six years and the remaining thereafter.

Note 16. Income Taxes

U.S. Tax Cuts and Jobs Act (Tax Act)

On December 22, 2017 the U.S. government enacted the Tax Cuts and Jobs Act (Tax Act). This comprehensive tax legislation significantly revises the U.S. corporate income tax rules by, among other things, lowering the corporate income tax rate from 35% to 21%, implementing a territorial tax system and imposing a one-time tax on accumulated earnings of foreign subsidiaries. Given the substantial uncertainties surrounding the Tax Act and the short period of time between December 22, 2017 and December 31, 2017 to calculate the U.S. Federal, U.S. state, and non-U.S. tax impacts of the Tax Act, the Company is accounting for its income tax charge on a provisional (estimated) basis as allowed by SEC Staff Accounting Bulletin No. 118. In 2017, the Company recorded a net provisional income tax charge of $394 million with three main components: (i) an estimated $467 million U.S. federal and state tax charge for deemed repatriation of accumulated foreign earnings; (ii) an estimated $260 million charge for foreign withholding taxes related to anticipated future repatriation of foreign earnings; and (iii) an estimated $333 million deferred tax benefit for the revaluation of net deferred tax liabilities from 35% to the new 21% tax rate. Refer to Note 5 to the consolidated financial statements of Praxair's 2017 Annual Report on Form 10-K.

The Company continues to evaluate the Tax Act, additional guidance from the Internal Revenue Service, its historical foreign earnings and taxes and other items that could impact its net provisional tax charge. As of September 30, 2018, there have been no adjustments to the net provisional income tax charge recognized in 2017. In October 2018, the Company completed and filed its U.S. federal income tax return including the tax on deemed repatriation. During the fourth quarter, the Company will continue to evaluate the tax impacts related to the Tax Act and will complete its accounting as required under SEC Staff Accounting Bulletin 118. Any changes to the net provisional estimate will be recorded to income tax expense at that time.

17. Business Combination with Linde AG

Completion of the Business Combination

On October 31, 2018, Praxair and Linde AG combined under Linde plc., as contemplated by the business combination agreement, dated June 1, 2017, as amended on August 10, 2017 (the “Business Combination Agreement”), by and among Praxair, Linde AG, Linde plc, Zamalight Holdco LLC and Zamalight Subco, Inc. (the “Business Combination”). Pursuant to the Business Combination Agreement, (i) Praxair became an indirect wholly-owned subsidiary of Linde plc through the merger of Zamalight Subco, Inc., an indirect wholly-owned Delaware subsidiary of Linde plc with and into Praxair (the “Merger”), and (ii) Linde AG became an indirect subsidiary of Linde plc through an exchange offer by Linde plc for each issued and outstanding bearer share of Linde AG (the “Exchange Offer”).

In the Merger, each issued and outstanding share of common stock of Praxair, par value $0.01 per share (the “Praxair Shares”), was converted into the right to receive one ordinary share, nominal value€0.001 per share, of Linde plc (the “Linde plc Shares”). Each issued and outstanding ordinary bearer share, without par value, of Linde AG (the “Linde AG Shares”) that was validly tendered in the Exchange Offer was exchanged for 1.540 Linde plc Shares.
The issuance of Linde plc Shares in connection with the Business Combination, as described above, was registered under the Securities Act of 1933, as amended, pursuant to a registration statement on Form S-4 (the “Registration Statement”) (File No. 333-218485), which was declared effective by the Securities and Exchange Commission (the “SEC”) on August 14, 2017.

Pursuant to Rule 12g-3(a) under the Exchange Act, as of October 31, 2018, Linde plc is the successor issuer to Praxair, the Linde plc Shares are deemed to be registered under Section 12(b) of the Exchange Act, and Linde plc is subject to the informational requirements of the Exchange Act and the rules and regulations promulgated thereunder. The Linde plc Shares trade on the New York Stock Exchange (“NYSE”) and the Frankfurt Stock Exchange under the ticker symbol “LIN”. Prior to the Business Combination, the Praxair Shares were registered pursuant to Section 12(b) of the Exchange Act and listed on the NYSE. In connection with the completion of the Business Combination, the Praxair Shares were suspended from trading on the NYSE as of close of business (New York Time) on October 30, 2018. On November 1, 2018, Praxair filed a Form 25 to delist and deregister its three series of Euro-denominated notes (the “Euro Notes”), including its 1.50% Notes due 2020, 1.20% Notes due 2024 and 1.625% Notes due 2025, that are currently listed on the NYSE. Trading in the Euro Notes on the NYSE is expected to be suspended as of close of business (New York Time) on November 9, 2018. Praxair expects to file a Form 15 with the SEC to terminate the registration under the Exchange Act of the Praxair Shares and its Euro Notes and to suspend the Company’s reporting obligations under Section 15(d) of the Exchange Act on November 12, 2018. Linde plc, as the new holding company of the combined group, will file reports under the Exchange Act.

Divestitures

On July 5, 2018, Praxair entered into a sale and purchase agreement to sell the majority of its businesses in Europe to Taiyo Nippon Sanso Corporation, an affiliate of Mitsubishi Chemical Holdings Corporation (the “Praxair Europe SPA”). The Praxair Europe SPA was entered into as part of the commitments in connection with the merger control review of the Business Combination by the European Commission. The assets to be sold include Praxair’s industrial gases businesses in Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom with approximately 2,500 employees. The businesses generated annual sales of approximately €1.3 billion in 2017. The purchase price for this transaction is €5.0 billion in cash consideration and is subject to customary adjustments at closing. Under the Praxair Europe SPA, Linde plc has given an independent guarantee as of the completion of the Business Combination for the full, due and timely performance and observance of all obligations of Praxair and its local subsidiaries holding shares in the companies operating the businesses to be sold. The Praxair Europe SPA contains representations, warranties and covenants that are customary for a transaction of this nature.

Following the closing of the Praxair Europe SPA and the closing of another agreement dated December 5, 2017 (the “SIAD SPA”) under which Praxair, inter alia, agreed to sell its participation in its Italian joint venture Società Italiana Acetilene e Derivati S.p.A. (“SIAD”) to its joint venture partner Flow Fin S.p.A. (“Flow Fin”) in exchange for Flow Fin’s participation in another Italian joint venture, Rivoira S.p.A., and a net purchase price of approximately €90 million payable by Praxair to Flow Fin, Praxair will have minor remaining operations in Europe which will be outside of the industrial gases business and mainly

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related to coatings.

In the course of the merger control proceedings in the United States, Linde plc, Praxair and Linde AG entered into an agreement with the U.S. Federal Trade Commission dated October 1, 2018 which provides for the divestitures under the Americas SPA and provides for certain additional divestiture commitments in the United States. Under the agreement, Linde plc, Praxair and Linde AG will (i) continue to operate The Linde Group and Praxair as independent, ongoing, economically viable, competitive businesses held separate, distinct, and apart from each other's operations; (ii) not coordinate any aspect of the operations of The Linde Group and Praxair, including the marketing or sale of any products; and (iii) maintain separate financial ledgers, books, and records that report on a periodic basis, consistent with past practices, the assets, liabilities, expenses, revenues, and income of each, until certain divestitures have been completed.

In addition, in connection with the merger control proceedings in China, India and South Korea, Praxair and Linde AG have made certain divestiture commitments to the relevant antitrust authorities to divest certain assets in the those jurisdictions.

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

The following table provides summary data for the quarter and nine months ended September 30, 2018 and 2017:

	Quarter Ended September 30,			Nine Months Ended September 30,		
(Dollar amounts in millions, except per share data)	2018	2017 (c)	Variance	2018	2017 (c)	Variance
Reported Amounts						
Sales	$3,024	$2,922	3 %	$9,084	$8,484	7 %
Cost of sales, exclusive of depreciation and amortization	$1,714	$1,652	4 %	$5,114	$4,800	7 %
Gross margin (a)	$1,310	$1,270	3 %	$3,970	$3,684	8 %
As a percent of sales	43.3 %	43.5 %		43.7 %	43.4 %	
Selling, general and administrative	$294	$300	(2)%	$911	$895	2 %
As a percent of sales	9.7 %	10.3 %		10.0 %	10.5 %	
Depreciation and amortization	$306	$298	3 %	$928	$877	6 %
Transaction costs and other charges (b)	$31	$14		$74	$35	
Other income (expense) - net	$13	$(3)		$25	$(3)	
Operating profit	$669	$632	6 %	$2,011	$1,805	11 %
Operating margin	22.1 %	21.6 %		22.1 %	21.3 %	
Interest expense - net	$40	$41	(2)%	$130	$120	8 %
Net pension and OPEB cost (benefit), excluding service cost	$6	$6		$10	$(7)	
Effective tax rate	25.0 %	27.7 %		24.7 %	27.7 %	
Income from equity investments	$13	$12	8 %	$42	$35	20 %
Noncontrolling interests	$(19)	$(16)	19 %	$(48)	$(45)	7 %
Net income - Praxair, Inc.	$461	$419	10 %	$1,403	$1,214	16 %
Diluted earnings per share	$1.58	$1.45	9 %	$4.82	$4.21	14 %
Diluted shares outstanding	291,513	289,216	1 %	291,275	288,524	1 %
Number of employees	26,714	26,531		26,714	26,531	
Adjusted Amounts (b)						
Operating profit	$700	$646	8 %	$2,085	$1,840	13 %
Operating margin	23.1 %	22.1 %		23.0 %	21.7 %	
Net pension and OPEB cost (benefit), excluding service cost	$2	$4		$6	$(9)	
Effective tax rate	24.2 %	27.3 %		24.1 %	27.2 %	
Noncontrolling interests	$(19)	$(16)	19 %	$(47)	$(45)	4 %
Net income - Praxair, Inc.	$493	$433	14 %	$1,474	$1,249	18 %
Diluted earnings per share	$1.69	$1.50	13 %	$5.06	$4.33	17 %
Other Financial Data (b)						
EBITDA	$988	$942		$2,981	$2,717	
EBITDA Margin	32.7 %	32.2 %		32.8 %	32.0 %	
Adjusted EBITDA	$1,019	$956		$3,055	$2,752	
Adjusted EBITDA Margin	33.7 %	32.7 %		33.6 %	32.4 %	

(a) Gross margin excludes depreciation and amortization expense.

(b) Adjusted amounts and other financial data are non-GAAP performance measures. A reconciliation of reported amounts to adjusted amounts and other financial data can be found in the "Non-GAAP Financial Measures" section of this MD&A. See Note 2 to the condensed consolidated financial statements.

(c) Prior period information has been reclassified to conform with current year presentation as a result of the adoption of new accounting guidance on the presentation of net periodic pension and postretirement benefit costs. See Note

1 to the condensed consolidation financial statements.

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Consolidated Results

In the third quarter of 2018, Praxair’s sales were $3,024 million, 3% above the prior–year quarter. Excluding higher cost pass-through which increased sales by 1% with minimal impact on operating profit and unfavorable currency translation impact which decreased sales by 4%, underlying sales growth was 6% driven by higher volumes, including new project start-ups, and price attainment, across most segments. Reported operating profit for the third quarter of 2018 of $669 million, 22.1% of sales, was 6% above the prior-year quarter. Operating profit included transaction costs and other charges of $31 million primarily related to the potential Linde merger and the impact of transitioning to hyper-inflationary accounting in Argentina. Excluding these costs, adjusted operating profit was $700 million, 23.1% of sales and 8% above the 2017 adjusted third quarter driven by higher volumes and price. The company's EBITDA margin was 32.7% and adjusted EBITDA margin was 33.7%. The reported effective tax rate ("ETR") was 25.0% versus 27.7% in the third quarter of 2017, reflecting the impact of U.S. tax reform. The adjusted ETR was 24.2% versus 27.3% in the third quarter of 2017. Diluted earnings per share ("EPS") was $1.58, 9% above reported EPS of $1.45 in the third quarter of 2017. On an adjusted basis, EPS was $1.69, 13% above the 2017 EPS of $1.50, driven by higher adjusted net income and a lower adjusted ETR.

Outlook

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 one indicator of future sales growth. At September 30, 2018, Praxair’s backlog of 23 large projects under construction was $2.2 billion. This represents the total estimated capital cost of large plants under construction. These plants will supply customers in the energy, chemical, manufacturing, and electronics end-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.

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Results of Operations

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

	Quarter Ended September 30, 2018 vs. 2017		Nine Months Ended September 30, 2018 vs. 2017	
	% Change		% Change	
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume	4 %	4 %	4 %	7 %
Price/Mix	2 %	10 %	2 %	9 %
Cost pass-through	1 %	— %	1 %	— %
Currency	(4)%	(4)%	— %	— %
Acquisitions/divestitures	— %	— %	— %	— %
Other	— %	(4)%	— %	(5)%
Reported	3 %	6 %	7 %	11 %
Add: Transaction costs and other charges	— %	2 %	— %	2 %
Adjusted	3 %	8 %	7 %	13 %

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*
	2018	2017		2018	2017	
Sales by End Markets						
Manufacturing	22 %	22 %	6 %	22 %	22 %	7 %
Metals	16 %	17 %	4 %	17 %	17 %	8 %
Energy	12 %	11 %	8 %	11 %	12 %	4 %
Chemicals	11 %	10 %	18 %	11 %	10 %	15 %
Electronics	9 %	9 %	6 %	9 %	9 %	7 %
Healthcare	8 %	8 %	6 %	8 %	8 %	6 %
Food & Beverage	10 %	10 %	7 %	9 %	9 %	6 %
Aerospace	4 %	3 %	15 %	4 %	3 %	13 %
Other	8 %	10 %	(1)%	9 %	10 %	1 %
	100 %	100 %		100 %	100 %	

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales		% of Sales	
	2018	2017	2018	2017
Sales by Distribution Method				
On-Site	30 %	30 %	30 %	30 %
Merchant	34 %	34 %	34 %	34 %
Packaged Gas	27 %	27 %	28 %	28 %
Other	9 %	9 %	8 %	8 %
	100 %	100 %	100 %	100 %

Sales increased $102 million, or 3%, for the third quarter and increased $600 million, or 7% for the nine months ended September 30, 2018 versus the respective 2017 periods. Volume growth contributed 4% to sales in both the quarter and nine-month periods primarily driven by higher volumes in North America and Asia, including new project start-ups. Higher overall pricing across all segments contributed 2% to sales in both the quarter and nine-month periods. Currency translation impact decreased sales by 4% in the quarter and had no impact for the nine-month period. Higher cost pass-through increased sales by 1% in the quarter and the nine-month period with minimal impact on operating profit.

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Gross margin increased $40 million, or 3%, for the third quarter of 2018 and increased $286 million or 8% for the nine months ended September 30, 2018 versus the respective 2017 periods, primarily due to higher volumes and price. Gross margin as a percentage of sales decreased to 43.3% from 43.5% for the third quarter of 2018 and increased to 43.7% from 43.4% for the nine months ended September 30, 2018 versus the respective 2017 periods.

Selling, general and administrative expense ("SG&A") decreased $6 million, or 2%, for the third quarter of 2018 and increased $16 million for the nine months ended September 30, 2018 versus the respective 2017 periods. Currency impacts decreased SG&A by $11 million in the quarter and $2 million for the nine-month period. Excluding currency effects in the quarter and nine-month periods, SG&A was higher driven by cost inflation partially offset by cost reduction actions.

Depreciation and amortization expense increased $8 million, or 3%, for the third quarter and increased $51 million, or 6%, for the nine months ended September 30, 2018 versus the respective 2017 periods. Currency impacts decreased depreciation and amortization by $10 million in the quarter and increased depreciation and amortization by $1 million for the nine-month period. Excluding currency effects, depreciation and amortization expense increased $18 million for the quarter and $50 million for the nine-month period primarily driven by large project start-ups.

Praxair recorded transaction costs and other charges of $31 million and $14 million in the third quarters of 2018 and 2017, respectively, primarily related to the potential merger and charges related to the transition to hyper-inflationary accounting in Argentina during the 2018 quarter (refer to Note 2 to the condensed consolidated financial statements). Transaction costs and other charges were $74 million and $35 million, respectively, for the nine-month periods ended September 30, 2018 and 2017.

Other income (expense) – net was $13 million income for the 2018 third quarter compared to $3 million expense for the 2017 third quarter and was $25 million income for the nine months ended September 30, 2018 compared to $3 million expense for the respective 2017 period. In North America, the nine-month period of 2018 included a $30 million asset impairment charge which was more than offset by $43 million of gains on asset disposals. In Asia, the nine-month period of 2018 included a first quarter $22 million asset impairment charge, offset by a litigation settlement gain.

Reported operating profit increased $37 million, or 6%, for the third quarter of 2018 and increased $206 million, or 11%, for the nine months ended September 30, 2018 versus the respective 2017 periods. The third quarter and nine-month period of 2018 included $31 million and $74 million, respectively, of transaction costs and other charges primarily related to the potential merger and the transition to hyper-inflationary accounting in Argentina in the third quarter 2018 ($14 million and $35 million for the respective 2017 periods). Excluding these charges, adjusted operating profit increased $54 million, or 8%, for the third quarter of 2018 and increased $245 million, or 13%, for the nine months ended September 30, 2018 versus the respective 2017 periods driven by higher volumes and price.

Interest expense-net decreased $1 million, or 2%, for the third quarter of 2018 and increased $10 million, or 8%, for the nine months ended September 30, 2018 versus the respective 2017 periods. The increase for the nine month period was primarily attributable to lower capitalized interest.

The reported effective tax rate ("ETR") for the third quarter of 2018 and 2017 was 25.0% and 27.7%, respectively. The reported ETR for the third quarters of 2018 and 2017 include transaction costs and other charges of $21 million ($19 million after-tax), and $14 million ($13 million after-tax), respectively, related to the potential merger. The 2018 third quarter also includes charges of $14 million ($13 million after-tax) related to the transition to hyper-inflationary accounting in Argentina and a pension settlement charge. The 2017 third quarter also includes a pension settlement charge of $2 million ($1 million after-tax). Excluding these impacts, on an adjusted basis the ETR for the third quarters of 2018 and 2017 was 24.2% and 27.3%, respectively. The reported ETR for the nine months ended

September 30, 2018 and 2017 was 24.7% and 27.7%, respectively. The reported ETR for the nine-month periods of 2018 and 2017 include transaction costs and other charges of $78 million ($71 million after-tax) and $37 million ($35 million after-tax), respectively. Excluding these impacts, on an adjusted basis the ETR for the nine months ended September 30, 2018 and 2017 was 24.1% and 27.2%, respectively. The decrease in both the quarter and nine-month periods was driven primarily by the impact of the U.S. Tax Cuts and Jobs Act enacted in the fourth quarter of 2017 (see Note 16 to the condensed consolidated financial statements).

Income from equity investments for the third quarters of 2018 and 2017 was $13 million and $12 million, respectively, largely in China and Italy. Income from equity investments for the nine months ended September 30, 2018 and 2017 was $42 million and $35 million, respectively.

At September 30, 2018, non-controlling interests consisted primarily of non-controlling shareholders' investments in Asia (primarily China), Europe (primarily Italy) and surface technologies. Reported non-controlling interests increased $3 million for the third quarter and nine months ended September 30, 2018 versus the respective 2017 periods. The increase in the third

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quarter and nine-month period was driven by higher earnings. In the nine-month period, higher earnings were largely offset by the impact of an asset impairment charge in the first quarter.

Reported Net income-Praxair, Inc. increased $42 million, or 10%, for the third quarter of 2018 and increased $189 million, or 16%, for the nine months ended September 30, 2018 versus the respective 2017 periods. Included within the third quarter and nine-month periods of 2018 were transaction costs and other charges of $32 million and $71 million, respectively, after-tax and noncontrolling interests. Included within the third quarter and nine-month periods of 2017 were transaction costs and other charges of $14 million and $35 million, respectively, after-tax (see Note 2 to the condensed consolidated financial statements). Excluding these charges, adjusted Net income-Praxair, Inc increased $60 million, or 14%, for the third quarter of 2018 and increased $225 million, or 18%, for the nine months ended September 30, 2018 due to higher adjusted operating profit and a lower effective tax rate.

Reported Earnings per share of $1.58 increased $0.13, or 9%, for the third quarter of 2018 and reported earnings per share of $4.82 increased $0.61, or 14%, for the nine months ended September 30, 2018 versus the respective 2017 periods. Included within the 2018 third quarter and nine-month period were charges of $0.11 and $0.24, respectively, for transaction costs and other charges related primarily to the potential merger ($0.05 and $0.12 for the respective 2017 periods, see Note 2 to the condensed consolidated financial statements). Excluding these charges, adjusted EPS increased $0.19, or 13% for the third quarter of 2018 and increased $0.73, or 17%, for the nine months ended September 30, 2018 versus the respective 2017 periods primarily due to higher adjusted net income.

The number of employees at September 30, 2018 was 26,714, an increase of 183 employees from September 30, 2017.

Other Financial Data

EBITDA increased $46 million to $988 million for the third quarter 2018 from $942 million for the third quarter of 2017 and increased $264 million to $2,981 million for the nine-month period of 2018 from $2,717 million for the nine-month period of 2017. Included within the 2018 third quarter and nine-month period were charges of $31 million and $74 million, respectively, for transaction costs and other charges ($14 million and $35 million for the respective 2017 periods, see Note 2 to the condensed consolidated financial statements). Adjusted EBITDA increased $63 million to $1,019 million for the third quarter 2018 from $956 million for the third quarter 2017 and increased $303 million to $3,055 million for the nine-month period of 2018 from $2,752 million for the nine-month period of 2017. The increase in EBITDA and adjusted EBITDA in the third quarter and nine-month periods is primarily due to higher net income plus depreciation and amortization on both a reported and adjusted basis versus the prior year periods.

See the "Non-GAAP Financial Measures" section below for definitions and reconciliations of these non-GAAP measures to reported GAAP amounts.
Other Comprehensive Income (Loss)

Other comprehensive losses for the third quarter and nine months ended September 30, 2018 of $67 million and $575 million resulted primarily from adverse currency translation adjustments of $87 million and $615 million. The adverse translation adjustments reflect the impact of translating local currency foreign subsidiary financial statements to U.S. dollars, and are largely driven by the strengthening of the U.S. dollar against major currencies including the Euro, Brazilian Real, and Canadian dollar. See the "Currency" section of the MD&A for exchange rates used for translation purposes and Note 14 to the condensed consolidated financial statements for a summary of the currency translation adjustment component of accumulated other comprehensive income by segment.

Retirement Benefits

The net periodic benefit cost for pension and OPEB plans was $18 million in the quarters ended September 30, 2018 and September 30, 2017 and $47 million and $30 million for the nine months ended September 30, 2018 and September 30, 2017, respectively. The increase in expense versus the prior year for the nine months ended September 30, 2018 is related to a curtailment gain recorded in the first quarter of 2017 on a South American OPEB plan for $18 million (see Note 11 to the condensed consolidated financial statements).

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Segment Discussion

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

(Dollar amounts in millions)	Quarter Ended September 30, 2018	2017*	Variance	Nine Months Ended September 30, 2018	2017*	Variance
SALES						
North America	$1,613	$1,518	6 %	$4,770	$4,481	6 %
Europe	425	407	4 %	1,297	1,146	13 %
South America	329	389	(15)%	1,043	1,131	(8)%
Asia	487	451	8 %	1,465	1,268	16 %
Surface Technologies	170	157	8 %	509	458	11 %
	$3,024	$2,922	3 %	$9,084	$8,484	7 %
OPERATING PROFIT						
North America	$420	$386	9 %	$1,258	$1,121	12 %
Europe	81	79	3 %	248	220	13 %
South America	57	66	(14)%	167	178	(6)%
Asia	110	88	25 %	321	243	32 %
Surface Technologies	32	27	19 %	91	78	17 %
Segment operating profit	700	646	8 %	2,085	1,840	13 %
Transaction costs and other charges (Note 2)	(31)	(14)		(74)	(35)	
Total operating profit	$669	$632	6 %	$2,011	$1,805	11 %

* Prior period segment operating profit has been reclassified to conform with current year presentation as a result of the adoption of new accounting guidance on the presentation of net periodic pension and postretirement benefit costs. See Note 1 to the condensed consolidation financial statements.

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North America

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Sales	$1,613	$1,518	6 %	$4,770	$4,481	6 %
Cost of sales, exclusive of depreciation and amortization	857	796		2,493	2,363	
Gross margin	756	722		2,277	2,118	
Operating expenses	171	180		525	530	
Depreciation and amortization	165	156		494	467	
Operating profit	$420	$386	9 %	$1,258	$1,121	12 %
Margin %	26.0 %	25.4 %		26.4 %	25.0 %	

	Quarter Ended September 30, 2018 vs. 2017		Nine Months Ended September 30, 2018 vs. 2017	
	% Change		% Change	
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume	5 %	5 %	4 %	8 %
Price/Mix	2 %	8 %	2 %	7 %
Cost pass-through	— %	— %	— %	— %
Currency	(1)%	(1)%	— %	— %
Acquisitions/divestitures	— %	— %	— %	— %
Other	— %	(3)%	— %	(3)%
	6 %	9 %	6 %	12 %

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*
	2018	2017		2018	2017	
Sales by End Markets						
Manufacturing	28 %	28 %	6 %	29 %	29 %	6 %
Metals	11 %	12 %	3 %	12 %	12 %	5 %
Energy	17 %	17 %	4 %	17 %	18 %	— %
Chemicals	11 %	9 %	31 %	10 %	9 %	24 %
Electronics	5 %	6 %	— %	5 %	5 %	6 %
Healthcare	7 %	7 %	8 %	7 %	7 %	8 %
Food & Beverage	11 %	10 %	9 %	10 %	10 %	8 %
Aerospace	2 %	2 %	23 %	2 %	2 %	21 %
Other	8 %	9 %	(1)%	8 %	8 %	(2)%
	100 %	100 %		100 %	100 %	

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales		% of Sales	
	2018	2017	2018	2017

Sales by Distribution Method				
On- Site	29 %	29 %	29 %	30 %
Merchant	37 %	37 %	37 %	37 %
Packaged Gas	31 %	31 %	31 %	31 %
Other	3 %	3 %	3 %	2 %
	100 %	100 %	100%	100%

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North America segment sales increased $6% for both the third quarter and the nine months ended September 30, 2018 as compared to prior year. Currency translation impact decreased sales by 1% in the quarter and had no impact for the nine-month period. Excluding currency, sales were 7% above the prior-year quarter and 6% above the prior year nine-month period primarily due to higher volumes to most end-markets and higher pricing.

North America segment operating profit increased $34 million, or 9% in the third quarter of 2018 and increased $137 million, or 12% for the nine months ended September 30, 2018 as compared to prior year driven by higher volumes and pricing. Currency translation impact decreased operating profit by 1% in the quarter with minimal impact for the nine-month period. Operating profit for the nine-month period also included a $30 million asset impairment charge which was more than offset by $43 million of gains on asset disposals.

Europe

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Variance %	2018	2017	Variance %
Sales	$ 425	$ 407	4 %	$ 1,297	$ 1,146	13 %
Cost of sales, exclusive of depreciation and amortization	252	235		761	655	
Gross margin	173	172		536	491	
Operating expenses	48	49		154	146	
Depreciation and amortization	44	44		134	125	
Operating profit	$ 81	$ 79	3 %	$ 248	$ 220	13 %
Margin %	19.1 %	19.4 %		19.1 %	19.2 %	

	Quarter Ended September 30, 2018 vs. 2017		Nine Months Ended September 30, 2018 vs. 2017	
	% Change	% Change	% Change	% Change
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume	1 %	(2)%	1 %	1 %
Price/Mix	3 %	14 %	2 %	12 %
Cost pass-through	2 %	— %	3 %	— %
Currency	(2)%	(2)%	7 %	8 %
Acquisitions/divestitures	— %	— %	— %	— %
Other	— %	(7)%	— %	(8)%
	4 %	3 %	13 %	13 %

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*
	2018	2017		2018	2017	
Sales by End Markets						
Manufacturing	20 %	20 %	7 %	21 %	20 %	9 %
Metals	16 %	16 %	9 %	16 %	16 %	11 %

Energy	5 %	5 %	(2)%	4 %	5 %	(3)%
Chemicals	12 %	12 %	10 %	12 %	12 %	8 %
Electronics	7 %	7 %	10 %	7 %	7 %	3 %
Healthcare	12 %	12 %	5 %	12 %	12 %	8 %
Food & Beverage	16 %	15 %	8 %	14 %	14 %	5 %
Aerospace	— %	1 %	(19)%	1 %	1 %	(12)%
Other	12 %	12 %	(3)%	13 %	13 %	1 %
	100 %	100 %		100%	100%	

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

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	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales		% of Sales	
	2018	2017	2018	2017
Sales by Distribution Method				
On- Site	19 %	18 %	18 %	18 %
Merchant	34 %	36 %	34 %	35 %
Packaged Gas	43 %	43 %	43 %	42 %
Other	4 %	3 %	5 %	5 %
	100 %	100 %	100%	100%

Europe segment sales increased by $18 million, or 4% in the third quarter of 2018 and increased by $151 million, or 13%, for the nine months ended September 30, 2018 as compared to the prior year. Currency translation impacts decreased sales by 2% in the quarter and increased sales by 7% in the nine-month period. Cost pass-through increased sales by 2% in the quarter and 3% in the nine-month period with minimal impact on operating profit.

Europe segment operating profit increased by $2 million, or 3% in the third quarter of 2018 and increased by $28 million, or 13%, for the nine months ended September 30, 2018 as compared to the prior year. Currency translation impact decreased operating profit by 2% in the quarter and increased operating profit by 8% in the nine-month period. Excluding currency translation, operating profit increased 5% in the quarter and nine-month period driven by higher volumes and price partially offset by cost inflation.

South America

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Sales	$ 329	$ 389	(15)%	$ 1,043	$ 1,131	(8)%
Cost of sales, exclusive of depreciation and amortization	195	231		623	675	
Gross margin	134	158		420	456	
Operating expenses	42	51		140	160	
Depreciation and amortization	35	41		113	118	
Operating profit	$ 57	$ 66	(14)%	$ 167	$ 178	(6)%
Margin %	17.3 %	17.0 %		16.0 %	15.7 %	

	Quarter Ended September 30, 2018 vs. 2017		Nine Months Ended September 30, 2018 vs. 2017	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume	(1)%	(14)%	1 %	(3)%
Price/Mix	3 %	19 %	2 %	10 %
Cost pass-through	1 %	— %	— %	— %
Currency	(18)%	(24)%	(11)%	(16)%
Acquisitions/divestitures	— %	— %	— %	— %
Other	— %	5 %	— %	3 %
	(15)%	(14)%	(8)%	(6)%

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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		%	% of Sales		%
	2018	2017	Change*	2018	2017	Change*
Sales by End Markets						
Manufacturing	16 %	17 %	(6)%	16 %	17 %	(4)%
Metals	32 %	33 %	— %	32 %	31 %	6 %
Energy	2 %	2 %	10 %	2 %	2 %	2 %
Chemicals	10 %	9 %	14 %	10 %	10 %	5 %
Electronics	— %	— %	— %	— %	— %	— %
Healthcare	19 %	18 %	3 %	19 %	19 %	2 %
Food & Beverage	12 %	12 %	6 %	12 %	13 %	2 %
Aerospace	— %	— %	— %	— %	— %	— %
Other	9 %	9 %	9 %	9 %	8 %	10 %
	100 %	100 %		100%	100%	

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales		% of Sales	
	2018	2017	2018	2017
Sales by Distribution Method				
On- Site	34 %	35 %	33 %	33 %
Merchant	38 %	37 %	38 %	38 %
Packaged Gas	26 %	26 %	27 %	27 %
Other	2 %	2 %	2 %	2 %
	100 %	100 %	100%	100%

South America segment sales decreased $60 million, or 15% in the third quarter of 2018 and decreased $88 million, or 8%, for the nine months ended September 30, 2018 as compared to the prior year. Cost pass-through increased sales by 1% in the quarter and had no impact in the nine-month period. Unfavorable currency impacts decreased sales by 18% in the quarter and 11% in the nine-month period driven by the weakening of the Brazilian real and Argentine peso against the U.S. dollar. Excluding currency in the quarter and nine-month period, sales increased 3% driven by higher pricing.

South America segment operating profit decreased $9 million, or 14% in the third quarter of 2018 and decreased $11 million, or 6%, for the nine months ended September 30, 2018 versus the prior year. Excluding unfavorable currency impacts in the quarter and nine-month periods, operating profit increased 10% driven by higher price and lower costs partially offset by unfavorable sales mix.

Effective July 1, 2018, Argentina was deemed a highly inflationary economy (see Note 2 to the condensed consolidated financial statements).

Asia

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Variance	2018	2017	Variance

Sales	$ 487	$ 451	8 %	$ 1,465	$ 1,268	16 %
Cost of sales, exclusive of depreciation and amortization	299	287		905	804	
Gross margin	188	164		560	464	
Operating expenses	27	29		84	84	
Depreciation and amortization	51	47		155	137	
Operating profit	$ 110	$ 88	25 %	$ 321	$ 243	32 %
Margin %	22.6 %	19.5 %		21.9 %	19.2 %	

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	Quarter Ended September 30, 2018 vs. 2017		Nine Months Ended September 30, 2018 vs. 2017	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume	7 %	14 %	9 %	15 %
Price/Mix	2 %	13 %	3 %	15 %
Cost pass-through	1 %	— %	1 %	— %
Currency	(2)%	(2)%	3 %	3 %
Acquisitions/divestitures	— %	— %	— %	— %
Other	— %	— %	— %	(1)%
	8 %	25 %	16 %	32 %

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*
	2018	2017		2018	2017	
Sales by End Markets						
Manufacturing	10 %	9 %	19 %	9 %	9 %	20 %
Metals	26 %	27 %	9 %	27 %	27 %	15 %
Energy	5 %	2 %	117 %	5 %	3 %	— %
Chemicals	14 %	15 %	1 %	15 %	15 %	7 %
Electronics	34 %	33 %	7 %	33 %	34 %	8 %
Healthcare	1 %	1 %	28 %	1 %	1 %	10 %
Food & Beverage	2 %	2 %	(11)%	2 %	2 %	(10)%
Aerospace	— %	— %	— %	— %	— %	— %
Other	8 %	11 %	(5)%	8 %	9 %	2 %
	100 %	100 %		100 %	100 %	

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	% of Sales		% of Sales	
	2018	2017	2018	2017
Sales by Distribution Method				
On- Site	50 %	50 %	50 %	50 %
Merchant	33 %	31 %	32 %	30 %
Packaged Gas	11 %	13 %	11 %	13 %
Other	6 %	6 %	7 %	7 %
	100 %	100 %	100 %	100 %

Asia segment sales increased $36 million, or 8% in the third quarter of 2018 and increased $197 million, or 16%, for the nine months ended September 30, 2018 as compared to the prior year. Cost pass-through, primarily energy, increased sales by 1% in both the quarter and nine-month periods with minimal impact on operating profit. Currency translation impacts decreased sales by 2% in the quarter and increased sales by 3% in the nine-month period. Volume growth of 7% in the quarter and 9% in the nine-month period was primarily attributable to base volume growth in

China, Korea and India and new project start-ups in China. Higher price increased sales by 2% in the quarter and 3% in the nine-month period primarily driven by China. Sales growth was strongest in the metals, energy and electronics end-markets.

Asia segment operating profit increased $22 million, or 25% in the third quarter of 2018 and increased $78 million, or 32% for the nine months ended September 30, 2018 as compared to the prior year driven primarily by higher volumes and price. Currency translation impacts decreased operating profit by 2% in the quarter and increased operating profit by 3% in the nine-month period. Operating profit for the nine-month period included a $22 million asset impairment charge, offset by a litigation settlement gain.

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Surface Technologies

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Sales	$ 170	$ 157	8 %	$ 509	$ 458	11 %
Cost of sales, exclusive of depreciation and amortization	111	103		331	298	
Gross margin	59	54		178	160	
Operating expenses	16	17		55	52	
Depreciation and amortization	11	10		32	30	
Operating profit	$ 32	$ 27	19 %	$ 91	$ 78	17 %
Margin %	18.8 %	17.2 %		17.9 %	17.0 %	

	Quarter Ended September 30, 2018 vs. 2017		Nine Months Ended September 30, 2018 vs. 2017	
	% Change	% Change	% Change	% Change
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume/Price	8 %	20 %	8 %	19 %
Cost pass-through	1 %	— %	1 %	— %
Currency	(1)%	— %	2 %	2 %
Acquisitions/divestitures	— %	— %	— %	— %
Other	— %	(1)%	— %	(4)%
	8 %	19 %	11 %	17 %

The following table provides sales by end-market:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	% of Sales		% Change*	% of Sales		% Change*
	2018	2017		2018	2017	
Sales by End Markets						
Manufacturing	13 %	11 %	31 %	12 %	11 %	23 %
Metals	8 %	8 %	1 %	8 %	9 %	(2)%
Energy	18 %	19 %	4 %	19 %	19 %	5 %
Chemicals	2 %	2 %	(18)%	2 %	2 %	(2)%
Electronics	1 %	1 %	66 %	1 %	1 %	51 %
Healthcare	— %	— %	— %	— %	— %	— %
Food & Beverage	3 %	3 %	(11)%	3 %	3 %	(1)%
Aerospace	45 %	44 %	13 %	44 %	44 %	10 %
Other	10 %	12 %	(2)%	11 %	11 %	3 %
	100 %	100 %		100 %	100 %	

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

Surface Technologies segment sales increased $13 million, or 8% in the third quarter of 2018 and increased $51 million, or 11%, for the nine months ended September 30, 2018 as compared to the prior year. Currency translation decreased sales by 1% for the quarter and increased sales by 2% for the nine-month period. Cost pass-through increased sales by 1% in both the quarter and nine-month periods with minimal impact on operating profit. Excluding currency and cost pass-through, sales increased 8% in the quarter and nine-month periods due to higher volumes to the aerospace and manufacturing end-markets and higher price.

Surface Technologies segment operating profit increased $5 million, or 19% in the third quarter of 2018 and increased $13 million, or 17%, for the nine months ended September 30, 2018 as compared to the prior year. Currency translation had no

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impact on operating profit for the quarter and increased operating profit by 2% for the nine-month period. Excluding currency, operating profit increased 19% for the quarter and 15% for the nine-month period due to increased volumes and price.

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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):

	Percentage of YTD 2018 Consolidated Sales		Exchange Rate for Income Statement		Exchange Rate for Balance Sheet	
			Year-To-Date Average		September 30,	December 31,
Currency			2018	2017	2018	2017
Euro	14	%	0.84	0.90	0.86	0.83
Brazilian real	9	%	3.58	3.17	4.00	3.31
Canadian dollar	7	%	1.29	1.31	1.29	1.26
Chinese yuan	7	%	6.51	6.81	6.87	6.51
Mexican peso	5	%	19.00	18.82	18.72	19.66
Korean won	4	%	1,091	1,139	1,109	1,067
India rupee	3	%	67.07	65.22	72.49	63.87
Argentine peso (a)	1	%	23.86	16.19	41.25	18.65
British pound	1	%	0.74	0.78	0.77	0.74
Norwegian krone	1	%	8.03	8.29	8.15	8.20

(a) Effective July 1, 2018 Argentina was deemed a highly inflationary economy (see Note 2 to the condensed consolidated financial statements).

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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, 2018	2017
NET CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net income (including noncontrolling interests)	$1,451	$1,259
Non-cash charges (credits):		
Add: Depreciation and amortization	928	877
Add: Deferred income taxes	(6)	22
Add: Share-based compensation	40	44
Add: Transaction costs and other charges, net of payments (a)	35	27
Net income adjusted for non-cash charges	2,448	2,229
Less: Working capital	(46)	(147)
Less: Pension contributions	(17)	(14)
Other	(36)	137
Net cash provided by operating activities	$2,349	$2,205
INVESTING ACTIVITIES		
Capital expenditures	(1,056)	(972)
Acquisitions, net of cash acquired	(6)	(18)
Divestitures and asset sales	77	22
Net cash used for investing activities	$(985)	$(968)
FINANCING ACTIVITIES		
Debt increase (decrease) - net	(625)	(502)
Issuances (purchases) of common stock - net	68	79
Cash dividends - Praxair, Inc. shareholders	(712)	(675)
Noncontrolling interest transactions and other	(33)	(85)
Net cash provided by (used for) financing activities	$(1,302)	$(1,183)
Effect of exchange rate changes on cash and cash equivalents	$(79)	$29
Cash and cash equivalents, end-of-period	$600	$607

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

Cash Flow from Operations

Cash provided by operations of $2,349 million for the nine months ended September 30, 2018 increased $144 million, or 7%, versus 2017. The increase was driven by higher net income adjusted for non-cash charges and lower working capital requirements, partially offset by timing of dividends from equity investments, primarily in China.

Praxair estimates that total 2018 required contributions to its pension plans will be in the range of $20 million to $25 million, of which $17 million has been made through September 30, 2018. 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 $985 million for the nine months ended September 30, 2018 increased $17 million versus 2017.

Capital expenditures for the nine months ended September 30, 2018 were $1,056 million, $84 million higher than the prior year. Capital expenditures related primarily to investments in new plant and production equipment for growth and density. Approximately 62% of the capital expenditures were in North America.

Acquisitions for the nine months ended September 30, 2018 and 2017 were $6 million and $18 million, respectively, and related to acquisitions of packaged gases business in North America.

Divestitures and asset sales for the nine months ended September 30, 2018 and 2017 were $77 million and $22 million, respectively. The 2018 period includes proceeds related to asset disposals primarily in North America.

Financing

Cash used by financing activities was $1,302 million for the nine months ended September 30, 2018. Cash dividends of $712 million were higher than the prior year due to a 5% increase in quarterly dividends per share from 78.75 cents per share to 82.5 cents per share. Net issuances of common stock decreased $11 million. Noncontrolling interest transactions and other for the nine months ended September 30, 2018 and 2017 were $33 million and $85 million, respectively. Amounts paid in 2017 include dividends paid to noncontrolling interests and repayment of project advances.

In March 2018, Praxair repaid $500 million of 1.20% rate notes that became due.

In June 2018, the company's $500 million 364-day revolving credit facility with a syndicate of banks expired and was not renewed.

On November 7, 2018, Praxair repaid $475 million of 1.25% rate notes that became due.

Praxair's debt-to-capital ratio was 53.3% at September 30, 2018 versus 56.1% at September 30, 2017. This decrease was primarily attributable to a reduction in net debt of $918 million and an increase in equity due to earnings net of dividends declared. See the "Non-GAAP Financial Measures" section below for definitions and reconciliations of these non-GAAP measures to reported GAAP amounts.

Debt Covenants

Praxair’s $2.5 billion senior unsecured credit facility and long-term debt agreements contain various covenants (refer to Note 5 to the condensed consolidated financial statements and Note 11 to the consolidated financial statements of Praxair’s 2017 Annual Report on Form 10-K). The only financial covenant requires Praxair not to exceed a maximum 70% leverage ratio, as defined in the agreements. For purposes of the leverage ratio calculation, consolidated shareholders' equity excludes changes in the cumulative foreign currency translation adjustments after June 30, 2011. At September 30, 2018 and December 31, 2017, the actual leverage ratio calculated in accordance with the agreements was 45% and 49%, respectively.

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 and operating performance. Special items which the company does not believe to be indicative of on-going business performance are excluded from these calculations so that investors can better evaluate and analyze historical and future business trends on a consistent basis. Definitions of these non-GAAP measures may not be comparable to similar definitions used by other companies and are not a substitute for similar GAAP measures. The non-GAAP measures in the following reconciliations are presented in the MD&A.

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Adjusted Amounts

	Quarter Ended September 30,		Nine Months Ended September 30,	
(Dollar amounts in millions, except per share data)	2018	2017	2018	2017
Adjusted Operating Profit				
Reported operating profit	$ 669	$ 632	$2,011	$1,805
Add: Argentina currency devaluation	10	—	10	—
Add: Transaction costs and other charges	21	14	64	35
Total adjustments	31	14	74	35
Adjusted operating profit	$ 700	$ 646	$2,085	$1,840
Reported percent change	6 %		11 %	
Adjusted percent change	8 %		13 %	
Adjusted Net Pension and OPEB cost (benefit), excluding service cost				
Reported net pension and OPEB cost (benefit), excluding service cost	$ 6	$ 6	$10	$(7)
Less: Pension settlement charge	(4)	(2)	(4)	(2)
Adjusted net Pension and OPEB cost (benefit), excluding service cost	2	4	6	(9)
Adjusted Income Taxes				
Reported income taxes	$ 156	$ 162	$462	$468
Add: Cost reduction program	—	—	—	—
Add: Pension settlement charge	1	1	1	1
Add: Tax reform	—	—	—	—
Add: Transaction costs	2	1	7	1
Total adjustments	3	2	8	2
Adjusted income taxes	$ 159	$ 164	$470	$470

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Adjusted Effective Tax Rate				
Reported income before income taxes and equity investments	$623	$585	$1,871	$1,692
Add: Pension settlement charge	4	2	4	2
Add: Argentina currency devaluation	10	—	10	—
Add: Transaction costs	21	14	64	35
Total adjustments	35	16	78	37
Adjusted income before income taxes and equity investments	$658	$601	$1,949	$1,729
Reported effective tax rate	25.0 %	27.7 %	24.7 %	27.7 %
Adjusted effective tax rate	24.2 %	27.3 %	24.1 %	27.2 %
Adjusted Noncontrolling Interests				
Reported noncontrolling interests	$19	$16	$48	$45
Add: Cost reduction program	—	—	(1)	—
Adjusted Noncontrolling Interests	$19	$16	$47	$45
Adjusted Net Income - Praxair, Inc.				
Reported net income - Praxair, Inc.	$461	$419	$1,403	$1,214
Add: Cost reduction program	—	—	1	—
Add: Pension settlement charge	3	1	3	1
Add: Argentina currency devaluation	10	—	10	—
Add: Transaction costs	19	13	57	34
Total adjustments	32	14	71	35
Adjusted net income - Praxair, Inc.	$493	$433	$1,474	$1,249
Reported percent change	10 %		16 %	
Adjusted percent change	14 %		18 %	

Adjusted Diluted Earnings Per Share				
Reported diluted EPS	$1.58	$1.45	$4.82	$4.21
Add: Cost reduction program	—	—	—	—
Add: Pension settlement charge	0.01	—	0.01	—
Add: Tax reform	—	—	—	—
Add: Argentina currency devaluation	0.03	—	0.03	—
Add: Transaction costs	0.07	0.05	0.20	0.12
Total adjustments	$0.11	$0.05	$0.24	$0.12
Adjusted diluted EPS	$1.69	$1.50	$5.06	$4.33
Reported percent change	9 %		14 %	
Adjusted percent change	13 %		17 %	

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EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin

These measures are used by investors, financial analysts and management to assess a company's profitability.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(Dollar amounts in millions)				
Reported net income - Praxair, Inc.	$ 461	$ 419	$1,403	$1,214
Add: noncontrolling interest	19	16	48	45
Add: interest expense - net	40	41	130	120
Add: net pension and OPEB cost (benefit), excluding service cost	6	6	10	(7)
Add: income taxes	156	162	462	468
Add: depreciation and amortization	306	298	928	877
EBITDA	$ 988	$ 942	$2,981	$2,717
Adjustments:				
Add: Argentina currency devaluation	$ 10	$ —	$10	$—
Add: Transaction costs	21	14	64	35
ADJUSTED EBITDA	$ 1,019	$ 956	$3,055	$2,752
Reported Sales	$ 3,024	$ 2,922	$9,084	$8,484
EBITDA Margin	32.7 %	32.2 %	32.8 %	32.0 %
Adjusted EBITDA Margin	33.7 %	32.7 %	33.6 %	32.4 %

Net Debt, Capital and 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,	
	2018	2017
(Dollar amounts in millions)		
Debt	$8,312	$9,237
Less: cash and cash equivalents	(600)	(607)
Net debt	7,712	8,630
Equity and redeemable noncontrolling interests		
Redeemable noncontrolling interests	15	11
Praxair, Inc. shareholders' equity	6,232	6,256
Noncontrolling interests	503	475
Total equity and redeemable noncontrolling interests	6,750	6,742
Capital	$14,462	$15,372
DEBT-TO-CAPITAL RATIO	53.3 %	56.1 %

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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: regulatory or other limitations imposed as a result of the business combination that could reduce anticipated benefits of the transaction; the ability to successfully integrate the Praxair and Linde businesses; the risk that the combined company may be unable to achieve expected synergies or that it may take longer or be more costly than expected to achieve those synergies; 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, including the impact of the U.S. Tax Cuts and Jobs Act of 2017; the cost and outcomes of investigations, litigation and regulatory proceedings; the impact of potential unusual or non-recurring items; 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 GAAP or adjusted 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 the company's latest Annual Report on Form 10-K filed with the SEC 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 2017 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

There have been no material changes to the risk factors disclosed in Item 1a to Part I of Praxair’s 2017 Annual Report on Form 10-K.

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, 2018 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 2018	—	$ —	—	$ 1,579
August 2018	2	$ 151.89	2	$ 1,579
September 2018	—	$ —	—	$ 1,579
Third Quarter 2018	2	$ 151.89	2	$ 1,579

(1) On January 28, 2014, the Company's board of directors approved the repurchase of $1.5 billion of its common stock ("2014 program") which could take place from time to time on the open market (which could include the use of 10b5-1 trading plans) or through negotiated transactions, subject to market and business conditions.

(2) As of June 30, 2018, the Company purchased $1,421 million of its common stock pursuant to the 2014 program, leaving an additional $79 million remaining authorized under the 2014 program. The 2014 program does not have any stated expiration date. In addition, on July 28, 2015, the Company’s board of directors approved the repurchase of $1.5 billion of its common stock (“2015 program”) which could take place from time to time on the open market (which could include the use of 10b5-1 trade plans) or through negotiated transactions, subject to market and business conditions. The 2015 program does not have any stated expiration date. The 2015 program is in addition to the 2014 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

**2.1	Sale and Purchase Agreement, dated July 5, 2018, by and among Praxair, Inc., Taiyo Nippon Sanso Corporation (“Taiyo”), and Linde plc, a public limited company incorporated under the laws of Ireland with respect to the sale of a majority of Praxair’s businesses in Europe to Taiyo in connection with the Business Combination Agreement dated as of June 1, 2017, as amended, to effect a combination of the businesses of Linde AG and Praxair, Inc., is filed herewith.
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.

** Certain schedules or similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant agrees to furnish supplemental copies of any of the omitted schedules or attachments upon request by the SEC.

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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: November 9, 2018	By: /s/ Matthew J. White
	Matthew J. White Chief Financial Officer (On behalf of the Registrant and as principal financial officer)