

PRAXAIR INC  
Form 10-Q  
April 25, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2012**

**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**  
(Commission File Number)

**06-1249050**  
(IRS Employer Identification No.)

**39 OLD RIDGEBURY ROAD, DANBURY, CT**  
(Address of principal executive offices)

**06810-5113**  
(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)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

At March 31, 2012, 298,689,341 shares of common stock (\$0.01 par value) of the Registrant were outstanding.

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**Table of Contents****PRAXAIR, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(Millions of dollars, except per share data)

(UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
<b>SALES</b>	\$ 2,840	\$ 2,702
Cost of sales, exclusive of depreciation and amortization	1,616	1,536
Selling, general and administrative	335	308
Depreciation and amortization	252	244
Research and development	24	22
Other income (expense) - net	14	(1)
<b>OPERATING PROFIT</b>	627	591
Interest expense - net	37	35
<b>INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS</b>	590	556
Income taxes	165	156
<b>INCOME BEFORE EQUITY INVESTMENTS</b>	425	400
Income from equity investments	7	9
<b>NET INCOME (INCLUDING NONCONTROLLING INTERESTS)</b>	432	409
Less: noncontrolling interests	(13)	(11)
<b>NET INCOME - PRAXAIR, INC.</b>	\$ 419	\$ 398
<b>PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS</b>		
Basic earnings per share	\$ 1.40	\$ 1.31
Diluted earnings per share	\$ 1.38	\$ 1.29
Cash dividends per share	\$ 0.55	\$ 0.50
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (000 s):</b>		
Basic shares outstanding	299,077	304,071
Diluted shares outstanding	302,876	308,595

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

**Table of Contents****PRAXAIR, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Millions of dollars)

(UNAUDITED)

	Quarter Ended March 31,	
	2012	2011
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	\$ 432	\$ 409
OTHER COMPREHENSIVE INCOME (Net of Tax)		
Translation adjustments (Note 12)	272	230
Derivative instruments (Note 4)	1	1
Funded status - retirement obligations (Note 9)	7	3
COMPREHENSIVE INCOME (INCLUDING NONCONTROLLING INTERESTS)	712	643
Less: noncontrolling interests	(19)	(21)
COMPREHENSIVE INCOME - PRAXAIR, INC.	\$ 693	\$ 622

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

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**PRAXAIR, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollar amounts in millions)

(UNAUDITED)

	March 31, 2012	December 31, 2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 107	\$ 90
Accounts receivable - net	1,934	1,795
Inventories	482	456
Prepaid and other current assets	239	266
<b>TOTAL CURRENT ASSETS</b>	<b>2,762</b>	<b>2,607</b>
Property, plant and equipment (less accumulated depreciation of \$10,855 in 2012 and \$10,497 in 2011)	10,523	10,131
Goodwill	2,413	2,372
Other intangible assets - net	165	167
Other long-term assets	1,124	1,079
<b>TOTAL ASSETS</b>	<b>\$ 16,987</b>	<b>\$ 16,356</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 919	\$ 896
Short-term debt	256	337
Current portion of long-term debt	180	387
Other current liabilities	799	915
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,154</b>	<b>2,535</b>
Long-term debt	6,420	5,838
Other long-term liabilities	1,914	1,966
<b>TOTAL LIABILITIES</b>	<b>10,488</b>	<b>10,339</b>
<b>Commitments and contingencies (Note 10)</b>		
Redeemable noncontrolling interests (Note 12)	232	220
<b>Praxair, Inc. Shareholders' Equity:</b>		
Common stock \$0.01 par value, authorized - 800,000,000 shares, issued 2012 - 382,911,932 shares and 2011 - 382,854,272 shares	4	4
Additional paid-in capital	3,808	3,809
Retained earnings	8,762	8,510
Accumulated other comprehensive income (loss)	(1,472)	(1,746)
Treasury stock, at cost (2012 - 84,222,591 shares and 2011 - 84,324,255 shares)	(5,162)	(5,089)
<b>Total Praxair, Inc. Shareholders' Equity</b>	<b>5,940</b>	<b>5,488</b>
Noncontrolling interests	327	309

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TOTAL EQUITY	6,267	5,797
TOTAL LIABILITIES AND EQUITY	\$ 16,987	\$ 16,356

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

**Table of Contents****PRAXAIR, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Millions of dollars)

(UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
<b>OPERATIONS</b>		
Net income - Praxair, Inc.	\$ 419	\$ 398
Noncontrolling interests	13	11
Net income (including noncontrolling interests)	432	409
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	252	244
Deferred income taxes	69	34
Share-based compensation	17	14
Accounts receivable	(143)	(178)
Inventory	(31)	(17)
Prepaid and other current assets	4	(4)
Payables and accruals	(95)	(143)
Pension contributions	(106)	(8)
Long-term assets, liabilities and other	3	8
Net cash provided by operating activities	402	359
<b>INVESTING</b>		
Capital expenditures	(483)	(334)
Acquisitions, net of cash acquired	(12)	
Divestitures and asset sales	64	30
Net cash used for investing activities	(431)	(304)
<b>FINANCING</b>		
Short-term debt borrowings (repayments) - net	(88)	(46)
Long-term debt borrowings	596	506
Long-term debt repayments	(230)	(197)
Issuances of common stock	73	77
Purchases of common stock	(175)	(215)
Cash dividends - Praxair, Inc. shareholders	(164)	(152)
Excess tax benefit on share-based compensation	32	18
Noncontrolling interest transactions and other		(1)
Net cash (used for) provided by financing activities	44	(10)
Effect of exchange rate changes on cash and cash equivalents	2	2
Change in cash and cash equivalents	17	47



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Cash and cash equivalents, beginning-of-period	90	39
Cash and cash equivalents, end-of-period	\$ 107	\$ 86

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

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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 2011 Annual Report on Form 10-K. There have been no material changes to the company's significant accounting policies during 2012.

***Accounting Standards Implemented in 2012***

The following standards were effective for Praxair in 2012 and their adoption did not have a significant impact on the condensed consolidated financial statements:

**Testing for Goodwill Impairment** - In September 2011, the FASB issued updated guidance on the periodic testing of goodwill for impairment. This guidance provides companies with the option to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. Praxair will apply the updated guidance during its next annual goodwill review in the second quarter of 2012.

**Other Comprehensive Income** - In June 2011, the FASB issued (and subsequently amended in December 2011) a revised standard regarding the presentation of other comprehensive income. Praxair has elected a two-statement approach. Refer to the Condensed Consolidated Statements of Comprehensive Income following the Consolidated Statements of Income.

**Expanded Disclosures for Fair Value Measurements** - In May 2011, the FASB issued additional guidance expanding the disclosures for Fair Value Measurements, particularly Level 3 inputs. Refer to Note 5 for the additional guidance, as applicable.

***Accounting Standards to be Implemented***

**Offsetting Assets and Liabilities** - In December 2011, the FASB issued updated disclosure requirements related to a company's right or requirement to offset balance sheet items and the related arrangements associated with its financial instruments and derivative instruments. The new guidance requires the disclosure of the gross amounts subject to rights of setoff, amounts offset, and the related net exposure. This guidance will be effective for Praxair beginning with the first quarter 2013. Praxair does not expect this requirement to have any impact on the consolidated financial statements.

**Table of Contents****2. Supplemental Information*****Inventories***

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

<i>(Millions of dollars)</i>	March 31, 2012	December 31, 2011
<b>Inventories</b>		
Raw materials and supplies	\$ 168	\$ 153
Work in process	70	58
Finished goods	244	245
<b>Total inventories</b>	<b>\$ 482</b>	<b>\$ 456</b>

***Financing receivables***

The financing of receivables is not a normal practice for the company. The net financing receivables balances at March 31, 2012 and December 31, 2011 are \$56 million and \$53 million, respectively, and are included within the other long-term assets of the condensed consolidated balance sheets. The balances at both March 31, 2012 and December 31, 2011 are net of reserves of \$64 million. The balance in both periods relates primarily to government receivables in Brazil and other long-term notes receivable from customers, the majority of which are fully reserved. Collectability is reviewed regularly and uncollectible amounts are written-off as appropriate. The fluctuation within this account was due primarily to foreign currency movements.

**Table of Contents****3. Debt**

The following is a summary of Praxair's outstanding debt at March 31, 2012 and December 31, 2011:

<i>(Millions of dollars)</i>	March 31, 2012	December 31, 2011
<b>SHORT-TERM</b>		
Commercial paper and U.S. bank borrowings	\$ 180	\$ 159
Other bank borrowings (primarily international)	76	178
 Total short-term debt	 256	 337
<b>LONG-TERM</b>		
U.S. borrowings		
6.375% Notes due 2012 <sup>(b, d, e)</sup>	500	501
1.75% Notes due 2012 <sup>(a, b, d)</sup>	403	405
3.95% Notes due 2013	350	350
2.125% Notes due 2013 <sup>(a, b)</sup>	511	513
4.375% Notes due 2014 <sup>(a)</sup>	299	299
5.25% Notes due 2014	400	400
4.625% Notes due 2015	500	500
3.25% Notes due 2015 <sup>(a, b)</sup>	430	434
5.375% Notes due 2016	400	400
5.20% Notes due 2017	325	325
4.50% Notes due 2019 <sup>(a)</sup>	597	597
3.00% Notes due 2021 <sup>(a)</sup>	498	498
4.05% Notes due 2021 <sup>(a)</sup>	496	496
2.45% Notes due 2022 <sup>(a, c)</sup>	598	
Other	6	6
 International bank borrowings	 276	 490
Obligations under capital leases	11	11
	6,600	6,225
Less: current portion of long-term debt	(180)	(387)
 Total long-term debt	 6,420	 5,838
 Total debt	 \$ 6,856	 \$ 6,562

(a) Amounts are net of unamortized discounts.

(b) March 31, 2012 and December 31, 2011 include a \$45 million and \$54 million fair value increase, respectively, related to hedge accounting. See Note 4 for additional information.

(c) In February 2012, Praxair issued \$600 million of 2.45% notes due 2022. The proceeds were used for general corporate purposes.

(d) Classified as long-term because of the Company's intent to refinance this debt on a long-term basis and the availability of such financing under the terms of existing agreement.

(e) In April 2012, Praxair repaid \$500 million of 6.375% notes that were due and increased other borrowings.

**Table of Contents****4. Financial Instruments**

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

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

When a derivative is executed and hedge accounting is appropriate, it is designated as either a fair-value hedge or a cash-flow hedge. Currently, Praxair designates all interest-rate 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 March 31, 2012 and December 31, 2011:

	Notional Amounts		Fair Value			
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	Assets March 31, 2012	Liabilities December 31, 2011
<i>(Millions of dollars)</i>						
<b>Derivatives Not Designated as Hedging Instruments:</b>						
Currency contracts:						
Balance sheet items (a)	\$ 1,873	\$ 1,541	\$ 1	\$ 2	\$ 1	\$ 2
<b>Derivatives Designated as Hedging Instruments:</b>						
Currency contracts:						
Forecasted purchases (a)	\$ 35	\$ 59	\$	\$	\$	\$ 2
Interest rate contracts:						
Interest rate swaps (b)	400	400	31	35		
<b>Total</b>	\$ 435	\$ 459	\$ 31	\$ 35	\$	\$ 2
<b>Total Derivatives</b>	\$ 2,308	\$ 2,000	\$ 32	\$ 37	\$ 1	\$ 4

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

(b) Assets are recorded in long term assets.

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### **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. The fair value adjustments on these contracts are offset by the fair value adjustments recorded on the hedged assets and liabilities.

#### ***Anticipated Net Income***

Historically Praxair has entered into anticipated net income hedge contracts consisting of foreign currency options and forwards related primarily to anticipated net income in Brazil, Europe and Canada. Although such derivatives were outstanding during the respective quarters, there were no anticipated net income hedges outstanding as of March 31, 2012 and December 31, 2011. Over the term of the contracts, the fair value adjustments from net-income hedging contracts are largely offset by the impacts on reported net income resulting from the currency translation process. The accounting rules pertaining to derivatives and hedging do not allow hedges of anticipated net income to be designated as hedging instruments.

#### ***Forecasted Purchases***

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

### **Interest Rate Contracts**

#### ***Outstanding Interest Rate Swaps***

At March 31, 2012, Praxair had an interest-rate swap agreement outstanding related to the \$400 million 3.25% fixed-rate notes that mature in 2015 which effectively convert fixed-rate interest to variable-rate interest. This swap agreement was designated as a fair value hedge with the resulting fair value adjustments recognized in earnings along with an equally offsetting charge / benefit to earnings for the changes in the fair value of the underlying debt instrument. At March 31, 2012, \$31 million was recognized as an increase in the fair value of this note (\$35 million at December 31, 2011).

**Table of Contents****Terminated Interest Rate Swaps**

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

<i>(Millions of Dollars)</i>	Year Terminated	Original Gain	Amount of Gain Recognized in Earnings (a)		Unrecognized Gain (a)	
			March 31, 2012	March 31, 2011	March 31, 2012	December 31, 2011
<b>Interest Rate Swaps</b>						
<i>Underlying debt instrument (b):</i>						
\$500 million 2.125% fixed-rate notes that mature in 2013	2011	\$ 18	\$ 2	\$	\$ 11	\$ 13
\$400 million 1.75% fixed-rate notes that mature in 2012	2010	13	2	1	3	5
\$500 million 6.375% fixed-rate notes that mature in 2012	2002	47	1	1		1
<b>Total</b>		\$ 78	\$ 5	\$ 2	\$ 14	\$ 19

(a) The unrecognized gain for terminated interest rate swaps is shown as an increase to long-term debt and will be recognized on a straight line basis to interest expense - net over the term of the underlying debt agreements. Upon settlement of the underlying interest rate contract, the cash received is reflected within the Noncontrolling interest transactions and other in the financing section of the consolidated statement of cash flows.

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



**Table of Contents****Terminated Treasury Rate Locks**

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

<i>(Millions of Dollars)</i>	Year Terminated	Original Gain / (Loss)	Unrecognized Gain / (Loss) (a)	
			March 31, 2012	December 31, 2011
<b>Treasury Rate Locks</b>				
<i>Underlying debt instrument:</i>				
\$500 million 3.000% fixed-rate notes that mature in 2021 (b)	2011	\$ (11)	\$ (11)	\$ (11)
\$600 million 4.50% fixed-rate notes that mature in 2019 (b)	2009	16	12	12
\$500 million 4.625% fixed-rate notes that mature in 2015 (b)	2008	(7)	(3)	(3)
<b>Total - pre-tax</b>			\$ (2)	\$ (2)
Less: income taxes			1	1
<b>After- tax amounts</b>			\$ (1)	\$ (1)

- (a) The unrecognized gains / (losses) for the treasury rate locks are shown in accumulated other comprehensive income ( AOCI ) and will be recognized on a straight line basis to interest expense net over the term of the underlying debt agreements. Upon settlement of the treasury rate lock contracts, the cash received or paid is reflected within the noncontrolling interest transactions and other in the financing section of the consolidated statement of cash flows. Refer to the table below summarizing the impact of the company's consolidated statements of income and AOCI for current period gain (loss) recognition.
- (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.

The following table summarizes the impacts of the company's derivatives on the condensed consolidated statements of income and AOCI:

<i>(Millions of dollars)</i>	Amount of Pre-Tax Gain (Loss) Recognized in Earnings (a)	
	Quarter Ended March 31, 2012	2011
<b>Derivatives Not Designated as Hedging Instruments</b>		
<i>Currency contracts:</i>		
<i>Balance sheet items</i>		
Debt-related	\$ 37	\$ (6)
Other balance sheet items	(2)	3
Anticipated net income	(4)	(4)
<b>Total</b>	\$ 31	\$ (7)

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	Amount of Gain (Loss) Recognized in AOCI (b)		Amount of Gain (Loss) Reclassified from AOCI to the Consolidated Statement of Income (c)		Net Change in AOCI	
	March	March	March	March	March	March
	31, 2012	31, 2011	31, 2012	31, 2011	31, 2012	31, 2011
<i>(millions of dollars)</i>						

**Derivatives Designated as Hedging Instruments**

Currency contracts:

Forecasted purchases (b)	\$ 2	\$	\$	\$	\$ 2	\$
Less: income taxes	(1)				(1)	
<b>Total - Net of Taxes</b>	<b>\$ 1</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 1</b>	<b>\$</b>

- (a) The gains (losses) on balance sheet items are offset by gains (losses) recorded on the underlying hedged assets and liabilities. The gains (losses) for the derivatives and the underlying hedged assets and liabilities related to debt 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.
- (b) The gains (losses) on forecasted purchase and treasury rate locks are recorded as a component of AOCI within derivative instruments in the consolidated statements of equity. There was no ineffectiveness for these instruments during 2012 or 2011.
- (c) The gains (losses) on forecasted purchases are reclassified to the depreciation and amortization expense on a straight-line basis consistent with the useful life of the underlying asset. The gains (losses) for interest rate contracts are reclassified to earnings as interest expense net on a straight-line basis over the remaining maturity of the underlying debt. Net gains (losses) of \$1 million are expected to be reclassified to earning during the next twelve months.

**5. 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	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
<i>(Millions of dollars)</i>						
<b>Assets</b>						
Derivative assets			\$ 32	\$ 37		
<b>Liabilities</b>						
Derivative liabilities			\$ 1	\$ 4		

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.



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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 the same or similar issues, which is deemed a level 2 measurement. At March 31, 2012, the estimated fair value of Praxair's long-term debt portfolio was \$7,025 million versus a carrying value of \$6,600 million. At December 31, 2011, the estimated fair value of Praxair's long-term debt portfolio was \$6,692 million versus a carrying value of \$6,225 million. Differences from carrying amounts are attributable to interest-rate changes subsequent to when the debt was issued.

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

Certain assets are valued at fair value on a non-recurring basis. As a result of various business restructuring actions during the current quarter, the company reduced the value of certain assets in Brazil, Colombia and Chile to estimated fair value which resulted in a \$21 million pre-tax charge to other income (expense) net in the South America segment.

**6. 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:

	Quarter Ended March 31,	
	2012	2011
<b>Numerator (Millions of dollars)</b>		
Net income - Praxair, Inc.	\$ 419	\$ 398
<b>Denominator (Thousands of shares)</b>		
Weighted average shares outstanding	298,512	303,449
Shares earned and issuable under compensation plans	565	622
Weighted average shares used in basic earnings per share	299,077	304,071
Effect of dilutive securities		
Stock options and awards	3,799	4,524
Weighted average shares used in diluted earnings per share	302,876	308,595
<b>Basic Earnings Per Share</b>	\$ 1.40	\$ 1.31
<b>Diluted Earnings Per Share</b>	\$ 1.38	\$ 1.29

Stock options of 1,626,080 and 1,630,690 were antidilutive and therefore excluded in the computation of diluted earnings per share for the quarters ended March 31, 2012 and 2011, respectively.

**Table of Contents****7. Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill for the three months ended March 31, 2012 were as follows:

<i>(Millions of dollars)</i>	North America	South America	Europe	Asia	Surface Technologies	Total
Balance, December 31, 2011	\$ 1,375	\$ 215	\$ 618	\$ 24	\$ 140	\$ 2,372
Acquisitions			1			1
Purchase adjustments & other	(5)					(5)
Foreign currency translation	14	7	21	1	2	45
<b>Balance, March 31, 2012</b>	<b>\$ 1,384</b>	<b>\$ 222</b>	<b>\$ 640</b>	<b>\$ 25</b>	<b>\$ 142</b>	<b>\$ 2,413</b>

Impairment tests have been performed annually during the second quarter of each year since the initial adoption of the goodwill accounting standard in 2002, and no impairments were indicated. We determined that the fair value of each of our reporting units is substantially in excess of its carrying value and, there were no indicators of impairment through March 31, 2012.

Changes in the carrying amounts of other intangibles for the three months ended March 31, 2012 were as follows:

<i>(Millions of dollars)</i>	Customer & License/Use Agreements	Non-compete Agreements	Patents & Other	Total
<b>Cost:</b>				
Balance, December 31, 2011	\$ 208	\$ 37	\$ 27	\$ 272
Additions	3			3
Foreign currency translation	4		1	5
Other	3	(4)	(3)	(4)
<b>Balance, March 31, 2012</b>	<b>\$ 218</b>	<b>\$ 33</b>	<b>\$ 25</b>	<b>\$ 276</b>
<b>Less: Accumulated amortization</b>				
Balance, December 31, 2011	\$ (75)	\$ (20)	\$ (10)	\$ (105)
Amortization expense	(4)	(2)		(6)
Foreign currency translation	(3)			(3)
Other	(1)	4		3
<b>Balance, March 31, 2012</b>	<b>\$ (83)</b>	<b>\$ (18)</b>	<b>\$ (10)</b>	<b>\$ (111)</b>
<b>Net balance at March 31, 2012</b>	<b>\$ 135</b>	<b>\$ 15</b>	<b>\$ 15</b>	<b>\$ 165</b>

There are no expected residual values related to these intangible assets. The remaining weighted-average amortization period for intangible asset is approximately 12 years.

Total estimated annual amortization expense is as follows:

*(Millions of dollars)*

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Remaining 2012	\$ 18
2013	22
2014	20
2015	20
2016	18
Thereafter	67
	\$ 165

**Table of Contents****8. Share-Based Compensation**

Share-based compensation of \$17 million (\$11 million after tax) and \$14 million (\$10 million after tax) was recognized during the quarters ended March 31, 2012 and 2011, 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 2011 Annual Report on Form 10-K.

**Stock Options**

The weighted-average fair value of options granted during three months ended March 31, 2012 was \$17.46 (\$17.70 in 2011) based on the Black-Scholes Options-Pricing model. The decrease in grant date fair value year-over-year is attributable to the impact of lower interest rates partially offset by increases in Praxair's stock price.

The following weighted-average assumptions were used for grants in 2012 and 2011 :

	Quarter Ended March 31,	
	2012	2011
Dividend yield	2.0%	2.0%
Volatility	22.5%	22.3%
Risk-free interest rate	0.86%	2.2%
Expected term years	5	5

The following table summarizes option activity under the plans as of March 31, 2012 and changes during the three months 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, 2012	13,540	\$ 65.30		
Granted	1,635	109.67		
Exercised	(1,294)	53.00		
Cancelled or Expired	(11)	99.26		
<b>Outstanding at March 31, 2012</b>	<b>13,870</b>	<b>71.65</b>	<b>6.0</b>	<b>\$ 596</b>
Exercisable at March 31, 2012	10,722	\$ 63.06	5.1	\$ 553

The aggregate intrinsic value represents the difference between the company's closing stock price of \$114.64 as of March 31, 2012 and the exercise price multiplied by the number of options outstanding as of that date. The total intrinsic value of stock options exercised during the quarter was \$74 million (\$69 million during the same time period in 2011).

Cash received from option exercises under all share-based payment arrangements for the quarter was \$69 million (\$73 million for the same time period in 2011). The cash tax benefit realized from share-based compensation totaled \$46 million, of which \$32 million in excess tax benefits was classified as financing cash flows for the three months ended March 31, 2012 (\$24 million and \$18 million for the same period in 2011).

As of March 31, 2012, \$44 million of unrecognized compensation cost related to non-vested stock options is expected to be recognized over a weighted-average period of approximately 1.2 years.

**Table of Contents****Performance-Based and Restricted Stock Awards**

During the three months ended March 31, 2012, the company granted performance-based stock units to employees which vest on the third anniversary of their grant date. The actual number of shares issued in settlement of a vested award can range from zero to 150 percent of the target number of shares granted based upon the company's attainment of specified performance targets at the end of a three-year period. Compensation expense related to these awards is recognized over the three-year performance period based on the fair value of the closing market price of the company's common stock on the date of the grant and the estimated performance that will be achieved. Compensation expense will be adjusted during the three-year performance period based upon the estimated performance levels that will be achieved.

The majority of the restricted stock units vest at the end of or ratably over a three-year service period. Compensation expense related to the restricted stock units is recognized on a straight-line basis over the vesting period.

The weighted-average fair value of performance-based stock units granted during the quarter ended March 31, 2012 was \$103.16 (\$92.06 for the same periods in 2011). This is 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 following table summarizes non-vested performance-based and restricted stock award activity as of March 31, 2012 and changes during the three 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, 2012	962	\$ 71.58	340	\$ 75.51
Granted (a)	401	103.16		
Vested	(507)	56.30	(87)	61.20
Cancelled	(2)	89.37	(7)	75.82
Non-vested at March 31, 2012	854	\$ 88.86	246	\$ 80.61

(a) Performance-based stock unit grants during 2012 include 120 thousand shares relating to the actual payout of the 2009 PSU grants. The original grant date fair value of these shares was \$56.02, the cost of which was expensed in prior periods.

As of March 31, 2012, based on current estimates of future performance, \$51 million of unrecognized compensation cost related to performance-based awards is expected to be recognized through the first quarter of 2015 and \$10 million of unrecognized compensation cost related to the restricted stock awards is expected to be recognized through the first quarter of 2017.

In April 2012 the company granted 89 thousand restricted stock units to employees at a weighted average grant date fair value of \$108.54.



**Table of Contents****9. Retirement Programs**

The components of net pension and postretirement benefits other than pensions ( OPEB ) costs for the quarters ended March 31, 2012 and 2011 are shown below:

<i>(Millions of dollars)</i>	Quarter Ended March 31,			
	Pensions		OPEB	
	2012	2011	2012	2011
Service cost	\$ 13	\$ 11	\$ 1	\$ 1
Interest cost	31	31	3	4
Expected return on plan assets	(39)	(38)		
Net amortization and deferral	17	11	(1)	(2)
<b>Net periodic benefit cost</b>	<b>\$ 22</b>	<b>\$ 15</b>	<b>\$ 3</b>	<b>\$ 3</b>

Praxair estimates that 2012 contributions to its pension plans will be in the area of \$120 million, of which \$106 million have been made through March 31, 2012.

In 2011 a number of senior managers retired. These retirees are covered by the U.S. supplemental pension plan which provides for a lump sum benefit payment option. Under certain circumstances, such lump sum payments must be accounted for as a settlement of the related pension obligation, but only when paid. As a result, Praxair anticipates that it will record a pension settlement expense of approximately \$7 million in the third quarter 2012 when the payments are made to the retirees.

**10. Commitments and Contingencies**

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 2011 Annual Report on Form 10-K).

Among such matters are:

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

During May 2009, the Brazilian government published Law 11941/2009 instituting a new voluntary amnesty program ( Refis Program ) which allowed Brazilian companies to settle certain federal tax disputes at reduced amounts. During the 2009 third quarter, Praxair decided that it was economically beneficial to settle many of its outstanding federal tax disputes and these disputes were enrolled in the Refis Program and settled (see Note 2 of Praxair's 2011 Annual Report on Form 10-K). The final settlement related to the Refis Program is subject to final calculation and review by the Brazilian federal government and, although the timing is very difficult to estimate, the company currently anticipates this review will conclude during the next year. Any differences from amounts recorded will be adjusted to income at that time.

After enrollment in the amnesty programs, at March 31, 2012 the most significant remaining claims relate to state VAT tax matters associated with procedural issues and a federal income tax matter where the taxing authorities are challenging the tax rate that should be applied to income generated by a subsidiary company. The total estimated exposure relating to such claims, including interest and penalties, as appropriate, is approximately \$205 million. Praxair has not recorded any liabilities related to such claims based on



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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\$1.2 billion) 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\$935 million) due to a calculation error made by CADE. 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. Currently, 50% of the guarantee is satisfied by letters of credit with a financial institution and 50% of the guarantee is satisfied by equity of a Brazilian subsidiary.

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

From 2003 to 2012, Praxair and several other co-defendants were the subject of welding fume litigation in which thousands of welders alleged personal injury caused by manganese contained in welding fumes. In January 2012, Praxair and the other co-defendants in this litigation entered into a Resolution Agreement ( Agreement ) that will, subject to certain conditions, resolve all remaining cases against Praxair. Accordingly, in the 2011 fourth quarter, Praxair recorded an amount less than \$1 million as a liability for its estimated payment obligation under the Agreement.

### ***Contingent Asset-Resolution***

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

**Table of Contents****11. Segments**

Sales and operating profit by segment for the quarters ended March 31, 2012 and 2011 are shown below. For a description of Praxair's operating segments, refer to Note 18 to the consolidated financial statements of Praxair's 2011 Annual Report on Form 10-K.

<i>(Millions of dollars)</i>	Quarter Ended March 31,	
	2012	2011 (b)
<b>SALES<sup>(a)</sup></b>		
North America	\$ 1,398	\$ 1,325
Europe	377	345
South America	562	558
Asia	334	317
Surface Technologies	169	157
	<b>\$ 2,840</b>	<b>\$ 2,702</b>
<b>OPERATING PROFIT</b>		
North America	\$ 361	\$ 312
Europe	68	68
South America	115	133
Asia	57	53
Surface Technologies	26	25
Total operating profit	<b>\$ 627</b>	<b>\$ 591</b>

- (a) Intersegment sales, primarily from North America to other segments, were not significant for the periods ended March 31, 2012 and 2011.
- (b) During the 2012 first quarter, Praxair changed the measurement of its segment sales and operating profit to be based on the country in which the customer is domiciled instead of where the company's selling subsidiary is domiciled. The company believes these changes better represent the sales and profitability by geographic segment. These changes primarily relate to helium and specialty gas sales and result in slightly higher sales and operating profit in the Europe and Asia segment with offsetting declines in the North America segment. Prior period amounts have been reclassified to conform to the current year presentation.

**Table of Contents****12. Equity and Redeemable Noncontrolling Interests***Equity*

A summary of the changes in total equity for the quarters ended March 31, 2012 and 2011 is provided below:

(Millions of dollars)

Activity	2012			Quarter Ended March 31, 2011		
	Praxair, Inc. Shareholders Equity	Noncontrolling Interests	Total Equity	Praxair, Inc. Shareholders Equity	Noncontrolling Interests	Total Equity
Balance, beginning of period	\$ 5,488	\$ 309	\$ 5,797	\$ 5,792	\$ 353	\$ 6,145
Net Income (b)	419	8	427	398	11	409
Translation Adjustments	266	6	272	220	10	230
Derivative Instruments, net of \$1 million taxes in 2012 and net of less than \$1 million 2011	1		1	1		1
Funded Status - retirement obligations, net of \$4 million in 2012 and \$1 million taxes in 2011	7		7	3		3
Comprehensive income (loss)	693	14	707	622	21	643
Dividends and other capital changes to noncontrolling interests		4	4		(3)	(3)
Additions (Reductions) to noncontrolling interests (a)					1	1
Redemption value adjustment to redeemable noncontrolling interests	(4)		(4)			
Dividends to Praxair, Inc. common stock holders (\$0.55 per share in 2012 and \$0.50 per share in 2011)	(164)		(164)	(152)		(152)
Issuances of common stock:						
For the dividend reinvestment and stock purchase plan	3		3	2		2
For employee savings and incentive plans	58		58	77		77
Purchases of common stock	(182)		(182)	(210)		(210)
Tax benefit from share-based compensation	31		31	20		20
Share-based compensation	17		17	14		14
Balance, end of period	\$ 5,940	\$ 327	\$ 6,267	\$ 6,165	\$ 372	\$ 6,537

(a) Praxair increased (decreased) its ownership in certain consolidated subsidiaries. The difference between the purchase price and the related noncontrolling interests was recorded as a decrease in Praxair's additional paid-in-capital.

(b) In 2012, Net income for noncontrolling interests excludes Net income related to redeemable noncontrolling interests of \$5 million, which is not part of total equity (see below). There were no redeemable noncontrolling interests recorded at March 31, 2011.

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The components of AOCI are as follows:

<i>(Millions of dollars)</i>	March 31, 2012	December 31, 2011
Cumulative translation adjustments (CTA)	\$ (785)	\$ (1,057)
Derivative instruments	(4)	(5)
Funded status - retirement obligations	(677)	(684)
	(1,466)	(1,746)
Less: noncontrolling interests (CTA)	6	
AOCI - Praxair, Inc.	\$ (1,472)	\$ (1,746)

*Redeemable Noncontrolling Interests*

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

The following is a summary of redeemable noncontrolling interests for the quarter ended March 31, 2012:

<i>(Millions of dollars)</i>	
<i>Balance, December 31, 2011</i>	\$ 220
Net income	5
Distributions to noncontrolling interest	(2)
Redemption value adjustment/accretion	4
Foreign currency translation and other	5
<i>Balance, March 31, 2012</i>	\$ 232

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Consolidated Results**

Praxair's first-quarter results reflect growth in sales, operating profit, net income and diluted earnings per share (EPS). Reported sales increased 5%, operating profit 6%, and EPS 7%. Underlying growth was mitigated by 2% due to negative currency impacts, as foreign currencies weakened against the US Dollar from the prior-year quarter. Sales grew 8% ex-currency and excluding the impact of lower cost pass-through, primarily due to lower natural gas prices. Underlying sales growth came from new plant start-ups and higher volumes in all geographic segments except Europe, and by higher overall pricing. Acquisitions contributed 2% growth. Underlying sales growth was strongest in North America, driven by strong sales to metals, energy and manufacturing markets. Sales growth continued in South America and Asia from new projects and new applications for industrial gases. In Europe, sales were higher than the prior year due to the increased ownership and consolidation of an industrial gas business in Scandinavia. Excluding this acquisition and negative currency effects, sales in Europe were below prior year due to the weak economic environment, particularly in Southern Europe. Operating profit grew 6% from the prior-year quarter. Higher volumes, higher overall pricing, productivity gains and an increase in other income contributed to the growth in operating profit. By end market, overall sales growth was strongest to energy, metals and manufacturing customers, with lower sales to the electronics market.

The following table provides summary data for the quarters ended March 31, 2012 and 2011:

<i>(Dollar amounts in millions, except per share data)</i>	2012	Quarter Ended March 31, 2011	Variance
<b>Reported Amounts</b>			
Sales	\$ 2,840	\$ 2,702	5%
Cost of sales, exclusive of depreciation and amortization	\$ 1,616	\$ 1,536	5%
Gross margin	\$ 1,224	\$ 1,166	5%
As a percent of sales	43.1%	43.2%	
Selling, general and administrative	\$ 335	\$ 308	9%
As a percent of sales	11.8%	11.4%	
Depreciation and amortization	\$ 252	\$ 244	3%
Other income (expense) - net	\$ 14	\$ (1)	
Operating profit	\$ 627	\$ 591	6%
As a percent of sales	22.1%	21.9%	
Interest expense - net	\$ 37	\$ 35	6%
Effective tax rate	28.0%	28.1%	
Income from equity investments	\$ 7	\$ 9	(22)%
Noncontrolling interests	\$ (13)	\$ (11)	18%
Net income - Praxair, Inc.	\$ 419	\$ 398	5%
Diluted earnings per share	\$ 1.38	\$ 1.29	7%
Diluted shares outstanding	302,876	308,595	(2)%

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The change in consolidated sales and operating profit compared to the prior year is attributable to the following:

<b>Factors Contributing to Changes</b>	<b>Quarter Ended March</b>	
	<b>31, 2012 vs. 2011 % Change</b>	
	<b>Sales</b>	<b>Operating Profit</b>
Volume	4%	7%
Price	2%	10%
Cost pass-through	(1)%	%
Currency	(2)%	(3)%
Acquisitions/divestitures	2%	2%
Other	%	(10)%
	5%	6%

The following tables provide sales by end-market and distribution method for the quarters ended:

	<b>March 31,</b>		<b>% Change Organic Sales*</b>
	<b>% of Sales</b>		
	<b>2012</b>	<b>2011</b>	
<b>Sales by End Markets</b>			
Manufacturing	25%	24%	7%
Metals	18%	18%	8%
Energy	11%	11%	17%
Chemicals	10%	10%	3%
Electronics	8%	9%	(6)%
Healthcare	8%	9%	5%
Food & Beverage	6%	6%	3%
Aerospace	3%	3%	9%
Other	11%	10%	5%
	100%	100%	

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

	<b>March 31,</b>	
	<b>% of Sales</b>	
	<b>2012</b>	<b>2011</b>
<b>Sales by Distribution Method</b>		
On- Site	24%	25%
Packaged Gas	29%	28%
Merchant	31%	31%
Other	16%	16%





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Sales increased \$138 million, or 5%, for the first quarter versus 2011. Sales grew 6% from higher volumes and higher overall pricing. Volume growth of 4% reflects higher volumes versus the prior year in all major geographies except Europe. Higher overall pricing increased sales by 2%. Acquisitions increased sales by 2%, primarily due to the increased ownership and consolidation of an industrial gas business in Scandinavia. Weakening foreign currencies relative to the US Dollar reduced sales by 2% as compared to the prior-year quarter, and lower cost pass-through due to low natural gas prices reduced sales by 1%. By customer end-market, organic sales growth to energy, metals, and manufacturing customers was strongest compared with the prior year. A further discussion of sales by segment is included in the segment discussion that follows.

Gross margin in 2012 increased \$58 million, or 5%, in line with the sales increase primarily due to higher volumes and price. The gross margin as a percentage of sales was in line with the prior year. Excluding the effect of lower cost pass-through on sales, the gross margin percentage was modestly below the prior-year quarter.

Selling, general and administrative (SG&A) expenses increased \$27 million, or 9%, versus the 2011 quarter. The increase was due primarily to increased pension and other benefit costs, incentive compensation and other labor costs associated with increased business activity.

Depreciation and amortization expense increased \$8 million, or 3%, for the first quarter versus the 2011 quarter. Excluding currency impacts, depreciation and amortization increased 5% due to new project start-ups and other asset purchases supporting sales growth.

Other income (expense) net for the 2012 first quarter included, among other items, gains from litigation settlements in South America and a land sale in Korea, partially offset by business restructuring costs in South America.

Operating profit increased \$36 million, or 6%, for the first quarter 2012 versus the same period in 2011 and the operating margin was in-line with the prior year. A discussion of operating profit by segment is included in the segment discussion that follows.

Interest expense net increased \$2 million or 6%, for the first quarter versus 2011 primarily due to higher debt levels, incurred primarily to fund capital project expenditures and share repurchases.

The effective tax rate for the first quarter 2012 was 28.0%, consistent with the effective tax rate for the same period in 2011.

Praxair's significant sources of equity income are in China, Italy and the Middle East. Income from equity investments decreased \$2 million as compared to the same period in 2011. This decrease relates to the acquisition of a controlling interest in an industrial gas business in Scandinavia in October 2011, which required consolidation. This decrease was partially offset by higher earnings from affiliates in Italy, the Middle East, and China.

At March 31, 2012, noncontrolling interests consisted primarily of noncontrolling shareholders' investments in Asia (primarily in China and India), Europe (primarily in Italy and Scandinavia), and North America (primarily within the U.S. packaged gas business). The \$2 million increase in noncontrolling interests in the first quarter of 2012 was due to higher earnings of these entities and the consolidation of the Scandinavian industrial gas business.

Net income Praxair, Inc. for the first quarter 2012 increased \$21 million, or 5%, as compared to the net income Praxair, Inc. for the same period in 2011. The increase was due primarily to higher operating profit partially offset by higher interest and income taxes.

EPS for the first quarter 2012 increased \$0.09 per diluted share, or 7%, as compared to 2011. The increase in EPS is attributable to an increase in net income Praxair, Inc. coupled with a lower number of diluted shares outstanding due to the impact of the company's net repurchases of common stock.

**Table of Contents****Segment Discussion**

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

<i>(Dollar amounts in millions)</i>	Quarter ended March 31,		
	2012	2011 (a)	Variance
<b>SALES</b>			
North America	\$ 1,398	\$ 1,325	6%
Europe	377	345	9%
South America	562	558	1%
Asia	334	317	5%
Surface Technologies	169	157	8%
	\$ 2,840	\$ 2,702	
<b>OPERATING PROFIT</b>			
North America	\$ 361	\$ 312	16%
Europe	68	68	%
South America	115	133	(14)%
Asia	57	53	8%
Surface Technologies	26	25	4%
Total operating profit	\$ 627	\$ 591	

a) During the 2012 first quarter, Praxair changed the measurement of its segment sales and operating profit. Prior period amounts have been reclassified to conform to the current year classification (See Note 11). These reclassified amounts are reflected in the segment tables below.

**North America**

	Quarter Ended March 31,		
	2012	2011	Variance
Sales	\$ 1,398	\$ 1,325	6%
Cost of sales, exclusive of depreciation and amortization	742	715	
Gross margin	656	610	
Operating expenses	171	176	
Depreciation and amortization	124	122	
Operating profit	\$ 361	\$ 312	16%
Margin %	25.8%	23.5%	

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<b>Factors Contributing to Changes</b>	2012 vs. 2011 % Change	
	Sales	Operating Profit
Volume	7%	15%
Price	3%	10%
Cost pass-through	(3)%	%
Currency	(1)%	(2)%
Acquisitions/divestitures	%	2%
Other	%	(9)%
	6%	16%

The following tables provide sales by end-market and distribution method for the quarters ended:

<b>Sales by End Markets</b>	March 31, % of Sales		% Change Organic Sales
	2012	2011	
Manufacturing	31%	28%	11%
Metals	14%	14%	10%
Energy	16%	17%	20%
Chemicals	11%	11%	2%
Electronics	5%	6%	(3)%
Healthcare	7%	10%	%
Food & Beverage	5%	5%	4%
Other	11%	9%	11%
	100%	100%	

<b>Sales by Distribution Method</b>	March 31, % of Sales	
	2012	2011
On- Site	27%	28%
Packaged Gas	34%	32%
Merchant	32%	32%
Other	7%	8%
	100%	100%

Segment sales increased \$73 million, or 6%, in the first quarter versus 2011 driven by 10% growth from higher volumes and pricing. The negative effects of currency and cost pass-through, primarily lower natural gas prices which are contractually passed on to customers, reduced sales by 4%. Volume growth of 7% came from higher packaged gases, on-site and merchant liquid volumes. Overall volumes were above the prior year in the US, Canada, and Mexico. Year-over-year organic sales growth was strongest to the energy, manufacturing and metals end-markets.

Operating profit increased \$49 million, or 16%, versus 2011. Higher volumes and higher pricing drove the increase and more than offset inflationary cost increases and the negative impact of currency translation. The divestiture of the US Homecare business contributed 2% to operating profit by reducing net operating expenses. Depreciation increased \$2 million as a result of new plant start-ups. The increase in the operating margin to 25.8% in 2012 was primarily driven by higher volumes and pricing, productivity gains and the divestiture of the US Homecare business.



**Table of Contents****Europe**

	2012	Quarter Ended March 31, 2011	Variance %
Sales	\$ 377	\$ 345	9%
Cost of sales, exclusive of depreciation and amortization	213	199	
Gross margin	164	146	
Operating expenses	58	45	
Depreciation and amortization	38	33	
Operating profit	\$ 68	\$ 68	%
Margin %	18.0%	19.7%	

	2012 vs. 2011	
	% Change Sales	% Change Operating Profit
<b>Factors Contributing to Changes</b>		
Volume	(2)%	(8)%
Price	1%	3%
Currency	(3)%	(3)%
Acquisitions/divestitures	13%	8%
	9%	%

The following tables provide sales by end-market and distribution method for the quarters ended:

	March 31,		% Change
	2012	2011	Organic Sales
<b>Sales by End Markets</b>			
Manufacturing	23%	22%	(3)%
Metals	16%	18%	(6)%
Energy	3%	3%	(6)%
Chemicals	17%	18%	(1)%
Electronics	7%	8%	(20)%
Healthcare	12%	12%	9%
Food & Beverage	9%	7%	(7)%
Other	13%	12%	10%
	100%	100%	

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	March 31,	
	% of Sales	
	2012	2011
<b>Sales by Distribution Method</b>		
On- Site	20%	21%
Packaged Gas	42%	41%
Merchant	34%	31%
Other	4%	7%
	100%	100%

Segment sales increased \$32 million, or 9%, for the first quarter versus 2011. The increase was due to the acquisition of an increased ownership interest in Yara Praxair Holding AS (Yara Praxair) in October 2011 which required consolidation. This was partially offset by a 3% negative impact from currency as the Euro devalued versus the U.S. Dollar. Excluding these items, underlying sales decreased from lower overall volumes, partially offset by higher pricing. Volumes in Spain, Italy, and Western Europe were below prior year primarily attributable to packaged gases, where customer demand was weaker due to lower industrial economic activity. Higher volumes in Germany versus prior year partially offset this impact. Pricing was slightly higher across the region due to pricing initiatives taken to offset cost increases.

Operating profit of \$68 million was comparable to the prior year. Excluding the favorable impact of the Yara Praxair acquisition and the negative currency impact, underlying operating profit decreased 5% versus the 2011 period. Lower volumes decreased operating profit by 8%, partially offset by higher pricing. Operating margins were below the prior-year period. Excluding the impact of currency, depreciation increased \$6 million, due primarily to the acquisition of Yara Praxair and the start up of a plant in Germany.

**South America**

	Quarter Ended March 31,		
	2012	2011	Variance
Sales	\$ 562	\$ 558	1%
Cost of sales, exclusive of depreciation and amortization	326	310	
Gross margin	236	248	
Operating expenses	73	68	
Depreciation and amortization	48	47	
Operating profit	\$ 115	\$ 133	(14)%
Margin %	20.5%	23.8%	

	2012 vs. 2011	
	% Change Sales	% Change Operating Profit
<b>Factors Contributing to Changes</b>		
Volume	2%	(1)%
Price	3%	14%
Cost pass-through	1%	%
Currency	(5)%	(6)%
Other	%	(21)%
	1%	(14)%





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The following tables provide sales by end-market and distribution method for the quarters ended:

	March 31		% Change Organic Sales
	% of Sales		
	2012	2011	
<b>Sales by End Markets</b>			
Manufacturing	23%	24%	2%
Metals	27%	27%	11%
Energy	4%	4%	4%
Chemicals	6%	6%	1%
Healthcare	14%	14%	14%
Food & Beverage	11%	12%	10%
Other	15%	13%	(8)%
	100%	100%	

	March 31	
	% of Sales	
	2012	2011
<b>Sales by Distribution Method</b>		
On- Site	20%	21%
Packaged Gas	25%	25%
Merchant	38%	39%
Other	17%	15%
	100%	100%

Segment sales increased 1% in the 2012 quarter versus 2011. Underlying sales grew 5% from higher volumes and higher pricing. This growth was offset by negative currency impacts, primarily the weakening of the Brazilian Real against the US Dollar, which reduced sales by 5%. Higher volumes increased sales by 2% and were driven by new on-site production facilities. Volumes to merchant and packaged gas customers were below prior year largely attributable to the lower industrial production rates in Brazil. Higher pricing increased sales by 3% and helped offset cost increases. The cost pass-through impact of 1% relates to the contractual pass through of power costs primarily to on-site customers, with no impact on operating profit. By end-market, year-over-year sales increased to metals, healthcare and food and beverage customers and were relatively flat to manufacturing customers.

Operating profit decreased in the 2012 quarter versus 2011. Currency reduced operating profit by 6%. Excluding currency effects operating profit was 8% below the prior year. Higher pricing increased operating profit which partially offset cost increases primarily related to power, distribution and cost inflation. A lower mix of higher margin merchant liquid volumes contributed to a lower gross margin and reduced operating profit by 1%. Other operating expenses were slightly above prior year. Operating profit for the current quarter included a benefit from litigation settlements, which was largely offset by charges in connection with business restructurings in Brazil, Chile and Colombia.

**Table of Contents****Asia**

	2012	Quarter Ended March 31, 2011	Variance
Sales	\$ 334	\$ 317	5%
Cost of sales, exclusive of depreciation and amortization	225	209	
Gross margin	109	108	
Operating expenses	21	24	
Depreciation and amortization	31	31	
Operating profit	\$ 57	\$ 53	8%
Margin %	17.1%	16.7%	

	2012 vs. 2011	
	% Change Sales	% Change Operating Profit
<b>Factors Contributing to Changes</b>		
Volume	5%	2%
Price	(1)%	(4)%
Cost pass-through	2%	%
Currency	(1)%	%
Other	%	10%
	5%	8%

The following tables provide sales by end-market and distribution method for the quarters ended:

	March 31, % of Sales		% Change Organic Sales
	2012	2011	
<b>Sales by End Markets</b>			
Manufacturing	12%	13%	(3)%
Metals	25%	22%	19%
Chemicals	11%	10%	14%
Electronics	38%	40%	(5)%
Other	14%	15%	4%
	100%	100%	

	March 31, % of Sales	
	2012	2011
<b>Sales by Distribution Method</b>		
On- Site	40%	38%

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Packaged Gas	13%	15%
Merchant	30%	31%
Other	17%	16%
	100%	100%

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Segment sales increased 5% in the 2012 quarter versus 2011 primarily due to volume growth. Volume growth of 5% came primarily from new plant start-ups in China and India which resulted in higher on-site and merchant volumes. Overall volume growth was mitigated by sales to electronics customers which were 5% lower than the prior year, due to lower demand from semiconductor, flat panel display, and solar customers. Lower pricing, primarily to the electronics end-market, reduced sales by 1% from the prior year. By end-market, sales increased to metals and chemicals customers, and decreased to electronics customers. Cost pass-through impact of 2% relates to the contractual pass through of higher precious metals and power costs, with minimal impact on operating profit.

Operating profit grew 8% from the prior-year quarter. Lower price, primarily to electronics customers, decreased operating profit by 4%. Higher volumes contributed 2% to operating profit due to unfavorable product mix from lower sales of higher margin products. Operating profit included a gain from the sale of land to the Korean government in an eminent domain proceeding. This gain was partially offset by inflationary cost increases. Praxair Korea anticipates that it will have an additional gain in 2012 related to the eminent domain proceeding depending on the outcome and timing of continuing government proceedings.

**Surface Technologies**

	Quarter Ended March 31,		
	2012	2011	Variance
Sales	\$ 169	\$ 157	8%
Cost of sales, exclusive of depreciation and amortization	110	103	
Gross margin	59	54	
Operating expenses	22	18	
Depreciation and amortization	11	11	
Operating profit	\$ 26	\$ 25	4%
Margin %	15.4%	15.9%	

	2012 vs. 2011	
	% Change Sales	% Change Operating Profit
<b>Factors Contributing to Changes</b>		
Volume/Price	8%	14%
Cost pass-through	1%	%
Currency	(1)%	(1)%
Other	%	(9)%
	8%	4%

The following table provide sales by end-market for the quarters ended:

	March 31,		
	% of Sales		% Change Organic Sales
	2012	2011	
<b>Sales by End Markets</b>			
Manufacturing	14%	15%	5%
Metals	8%	10%	(15)%
Energy	28%	25%	18%
Aerospace	34%	32%	15%

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Other	16%	18%	(3)%
	100%	100%	

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Segment sales increased 8% in the 2012 quarter versus 2011 from higher volumes and pricing. Sales growth came from increased aerospace coatings and increased coatings for energy markets, particularly coatings for parts used in the oil and gas market. Cost pass-through impact of 1% relates to the pass through of precious metal costs, used to make powders used in thermal spray coatings, with no impact on operating profit. Currency decreased sales by 1% due to the weakening of the Euro versus the U.S. Dollar.

Operating profit increased 4% in the 2012 quarter versus 2011. Higher coatings volumes and leverage from improved pricing increased operating profit. These benefits were partially offset by cost increases primarily relating to employee wages and benefit cost, incentive plans expense and general cost inflation.

**Currency**

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

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

Currency	Percent of YTD 2012 Consolidated Sales <sup>(a)</sup>	Exchange Rate for Income Statement Year-To-Date Average		Exchange Rate for Balance Sheet	
		2012	2011	March 31, 2012	December 31, 2011
Brazil real	17%	1.77	1.67	1.82	1.88
Euro	14%	0.76	0.74	0.75	0.77
Canada dollar	9%	1.01	0.99	1.00	1.02
Mexico peso	6%	13.27	12.18	12.77	13.95
China yuan	4%	6.31	6.60	6.29	6.31
Korea won	3%	1,136	1,127	1,137	1,157
India rupee	2%	50.59	45.36	51.28	52.96
Singapore dollar	2%	1.27	1.28	1.26	1.30
Argentina peso	1%	4.34	4.01	4.38	4.30
Colombia peso	1%	1,798	1,877	1,729	1,943
Taiwan dollar	1%	29.88	29.37	29.55	30.30
Thailand bhat	1%	31.02	30.57	30.75	31.54
Venezuela bolivar	<1%	4.30	4.30	4.30	4.30

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

**Table of Contents****Liquidity, Capital Resources and Other Financial Data**

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

<i>(Millions of dollars)</i>	Three Months Ended	
	March 31,	
	2012	2011
<b>NET CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
Net income - Praxair, Inc. plus depreciation and amortization	\$ 671	\$ 642
Noncontrolling interests	13	11
Net income plus depreciation and amortization (including noncontrolling interests)	684	653
Adjustments to reconcile net income to net cash provided by operating activities:		
Working capital	(265)	(342)
Pension contributions	(106)	(8)
Long-term assets, liabilities and other	89	56
Net cash provided by operating activities	\$ 402	\$ 359
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(483)	(334)
Acquisitions, net of cash acquired	(12)	
Divestitures and asset sales	64	30
Net cash used for investing activities	\$ (431)	\$ (304)
<b>FINANCING ACTIVITIES</b>		
Debt increases (reductions) - net	278	263
Issuances (purchases) of common stock - net	(102)	(138)
Cash dividends - Praxair, Inc. shareholders	(164)	(152)
Excess tax benefit on share-based compensation	32	18
Noncontrolling interest transactions and other		(1)
Net cash (used for) provided by financing activities	\$ 44	\$ (10)

**Cash Flow from Operations**

Cash provided by operations of \$402 million for the three months ended March 31, 2012 increased \$43 million versus 2011. The increase was primarily due to higher net income Praxair Inc. plus lower working capital requirements partially offset by a \$98 million increase in pension contributions year over year.

Praxair estimates that total 2012 contributions to its pension plans will be in the area of \$120 million, of which \$106 million have been made through March 31, 2012.

**Table of Contents****Investing**

Net cash used for investing of \$431 million for the three months ended March 31, 2012 increased \$127 million versus 2011 primarily due to the \$149 million increase in capital expenditures related largely to new production plants under contract for customers. Acquisitions of \$12 million primarily relate to the acquisition of an industrial gas distributor in Russia and a small packaged gas distributor in North America. Divestitures and asset sales of \$64 million include the sale of an electronics business and a land sale in Korea.

**Financing**

Cash provided by financing activities was \$44 million in 2012 versus a use of \$10 million in 2011.

In 2012, net debt increases of \$278 million funded \$102 million of net common stock repurchases and \$164 million of cash dividends. Cash dividends of \$164 million increased \$12 million from the year ago period to \$0.55 per share (\$0.50 per share for 2011).

At March 31, 2012, Praxair's total debt outstanding was \$6,856 million, an increase of \$294 million from December 31, 2011. On February 6, 2012, Praxair issued \$600 million of 2.45% notes due 2022. The proceeds were used to reduce short-term debt, fund share repurchases and for general corporate purposes.

In April 2012, Praxair repaid \$500 million of 6.375% notes that were due and increased other borrowings.

**Legal Proceedings**

See Note 10 to the condensed consolidated financial statements for a description of current legal proceedings.

**Non-GAAP Financial Measures**

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

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

<i>(Dollar amounts in millions, except per share data)</i>	<b>Quarter Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Debt-to-capital	51.3%	52.2%*
After-tax return on capital	14.2%	14.4%
Return on equity	29.4%	26.6%

\* As of December 31, 2011



**Table of Contents***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.

	March 31, 2012	December 31, 2011
<i>(Dollar amounts in millions)</i>		
Total debt	6,856	6,562
Equity and redeemable noncontrolling interests		
Redeemable noncontrolling interests	232	220
Praxair, Inc. shareholders' equity	5,940	5,488
Noncontrolling interests	327	309
Total equity and redeemable noncontrolling interests	6,499	6,017
Total capital	13,355	12,579
DEBT-TO-CAPITAL RATIO	51.3%	52.2%

*After-tax Return on Capital (ROC)*

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

	Quarter Ended March 31,	
	2012	2011
<i>(Dollar amounts in millions)</i>		
Operating profit	627	591
Less: income taxes	(165)	(156)
Less: tax benefit on interest expense*	(10)	(10)
Add: equity income	7	9
Net operating profit after-tax (NOPAT)	\$ 459	\$ 434
Beginning capital	\$ 12,579	\$ 11,702
Ending capital	\$ 13,355	\$ 12,375
Average capital	\$ 12,967	\$ 12,039
ROC%	3.5%	3.6%
ROC% (annualized)	14.2%	14.4%

\* Tax benefit on interest expense is computed using the effective rate. The effective tax rate used was 28% for 2012 and 2011.

**Table of Contents***Return on Praxair, Inc. Shareholders' Equity (ROE)*

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

	<b>Quarter Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<i>(Dollar amounts in millions)</i>		
Net income - Praxair, Inc.	\$ 419	\$ 398
Beginning Praxair, Inc. shareholders' equity	\$ 5,488	\$ 5,792
Ending Praxair, Inc. shareholders' equity	\$ 5,940	\$ 6,165
Average Praxair, Inc. shareholders' equity	\$ 5,714	\$ 5,979
<b>ROE%</b>	<b>7.3%</b>	<b>6.7%</b>
ROE% (annualized)	29.4%	26.6%

*EBITDA and Debt-to-EBITDA Ratio*

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

	<b>Quarter Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<i>(Dollar amounts in millions)</i>		
Net income - Praxair, Inc.	\$ 419	\$ 398
Add: noncontrolling interests	13	11
Add: interest expense - net	37	35
Add: income taxes	165	156
Add: depreciation and amortization	252	244
<b>EBITDA</b>	<b>\$ 886</b>	<b>\$ 844</b>
Beginning total debt	\$ 6,562	\$ 5,557
Ending total debt	\$ 6,856	\$ 5,838
Average total debt	\$ 6,709	\$ 5,698
<b>DEBT-TO-EBITDA RATIO</b>	<b>7.6</b>	<b>6.8</b>
<b>DEBT-TO-EBITDA RATIO (annualized)</b>	<b>1.9</b>	<b>1.7</b>

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### **New Accounting Standards**

Refer to Note 1 of the condensed consolidated financial statements for information regarding new accounting standards.

### **Outlook**

For the second quarter of 2012, diluted earnings per share are expected to be in the range of \$1.40 to \$1.45.

For the full year of 2012, Praxair expects sales in the range of \$11.6 to \$11.9 billion. Reported diluted earnings per share are expected to be in the range of \$5.75 to \$5.90. As of March 31, 2012, full-year capital expenditures are expected to be in the range of \$2.1 to \$2.4 billion. The effective tax rate is forecasted to remain at about 28%.

At March 31, 2012 Praxair's backlog of large plants under construction was \$2.7 billion. This represents the total estimated capital cost of large plants under construction. The company's core business is to build, own, and operate industrial gas plants in order to supply atmospheric and process gases to customers. As such, Praxair believes that its backlog is an indicator of future sales growth.

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](http://www.praxair.com), but are not incorporated herein.

### **Forward-looking Statements**

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

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Refer to Item 7A. to Part II of Praxair's 2011 Annual Report on Form 10-K for discussion.

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**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 10 to the condensed consolidated financial statements for a description of current legal proceedings.

**Item 1A. Risk Factors**

Due to the size and geographic reach of the company's operations, a wide range of factors, many of which are outside of the company's control, could materially affect the company's future operations and financial performance. Management believes the following risks may significantly impact the company:

*General Economic Conditions - Weakening economic conditions in markets in which the company does business may adversely impact the company's financial results and/or cash flows.*

Praxair serves approximately 25 diverse industries across more than 50 countries, which generally leads to financial stability through various business cycles. However, a broad decline in general economic or business conditions in the industries served by its customers could adversely affect the demand for Praxair's products and impair the ability of our customers to satisfy their obligations to the company, resulting in uncollected receivables and/or unanticipated contract terminations or project delays. In addition, many of the company's customers are in businesses that are cyclical in nature, such as the chemicals, electronics, metals and refining industries. Downturns in these industries may adversely impact the company during these cycles. Additionally, such conditions could impact the utilization of the company's manufacturing capacity which may require the company to recognize impairment losses on tangible assets such as property, plant and equipment as well as intangible assets such as intellectual property or goodwill.

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

Energy is the single largest cost item in the production and distribution of industrial gases. Most of Praxair's energy requirements are in the form of electricity, natural gas and diesel fuel for distribution. Praxair attempts to minimize the financial impact of variability in these costs through the management of customer contracts. Large customer contracts typically have escalation and pass-through clauses to recover energy and feedstock costs. Such attempts may not successfully mitigate cost variability which could negatively impact its financial condition or results of operations. The supply of energy has not been a significant issue in the geographic areas where it conducts business. However, regional energy conditions are unpredictable and may pose future risk.

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

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

Praxair has substantial international operations which are subject to risks including devaluations in currency exchange rates, transportation delays and interruptions, political and economic instability and disruptions, restrictions on the transfer of funds, the imposition of duties and tariffs, import and export controls, changes in governmental policies, labor unrest, possible nationalization and/or expropriation of assets, domestic and international tax laws and compliance with governmental regulations. These events could have an adverse effect on the international operations in the future by reducing the demand for its products, decreasing the prices at which it can sell its products, reducing the U.S. dollar value of revenue from international operations or otherwise having an



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adverse effect on its business. In particular, due to government actions related to business and currency regulations, there is considerable risk associated with operations in Venezuela. At March 31, 2012, Praxair's sales and net assets in Venezuela were less than 1% of Praxair's consolidated amounts.

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

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

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

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

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

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

Environmental protection;

Domestic and international tax laws and currency controls;

Safety;

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

Trade and import/ export restrictions;

Antitrust matters;

Global anti-bribery laws; and

Healthcare reimbursement regulations

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

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and healthcare reimbursement legislation are discussed further below.

Praxair is subject to various environmental and occupational health and safety laws and regulations, including those governing the discharge of pollutants into the air or water, the storage, handling and disposal of chemicals, hazardous substances and wastes, the remediation of contamination, the regulation of greenhouse gas emissions, and other potential climate change initiatives. Violations of these laws could result in substantial penalties, third party claims for property damage or personal injury, or sanctions. The company may also be subject to liability for the investigation and remediation of environmental contamination at properties that it owns or operates and at other properties where Praxair or its predecessors have operated or arranged for the disposal of hazardous wastes. Although management does not believe that any such liabilities will have a material adverse impact on its financial position and results of operations, management cannot provide assurance that such costs will not increase in the future or will not become material. See the section captioned Management's Discussion and Analysis Environmental Matters in Item 7 of Praxair's 2011 Annual Report on Form 10-K.



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

The occurrence of catastrophic events or natural disasters such as hurricanes, health epidemics, acts of war or terrorism, could disrupt or delay the company's ability to produce and distribute its products to customers and could potentially expose the company to third-party liability claims. In addition, such events could impact the company's customers and suppliers resulting in temporary or long-term outages and/or the limitation of supply of energy and other raw materials used in normal business operations. These situations are outside the company's control and may have a significant adverse impact on the company's financial results.

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

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

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

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

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

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

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

Praxair is subject to income and other taxes in both the United States and numerous foreign jurisdictions. The determination of the company's worldwide provision for income taxes and other tax liabilities requires judgment and is based on diverse legislative and regulatory structures that exist in the various jurisdictions where the company operates. Although management believes its estimates are reasonable, the ultimate tax outcome may differ from the

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amounts recorded in its financial statements and may materially affect the company's financial results for the period when such determination is made. See Notes 5 and 17 to the consolidated financial statements of Praxair's 2011 Annual Report on Form 10-K.

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

Pension benefits represent significant financial obligations that will be ultimately settled in the future with employees who meet eligibility requirements. Because of the uncertainties involved in estimating the timing and amount of future payments and asset returns, significant estimates are required to calculate pension expense and liabilities related to the company's plans. The company utilizes the services of independent actuaries, whose models are used to facilitate these calculations. Several key assumptions are used in the actuarial models to calculate pension expense and liability amounts recorded in the consolidated financial statements. In particular, significant changes in actual investment returns on pension assets, discount rates, or legislative or regulatory changes could impact future results of operations and required pension contributions. For information regarding the potential impacts regarding significant assumptions used to estimate pension expense, including discount rates and the expected long-term rates of return on plan assets. See Critical Accounting Policies - Pension Benefits included in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of Praxair's 2011 Annual Report on Form 10-K.

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

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

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

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

Praxair utilizes an enterprise resource planning system and other technologies for the exchange of information both within the company and in communicating with third parties. These systems are susceptible to outages due to fire, floods, power loss, telecommunications failures, viruses, break-ins and similar events, or breaches of security. The occurrence of these or other events could disrupt or damage the company's information technology systems and inhibit the ability to access Praxair's information systems. Management has taken steps to address these risks and concerns by implementing advanced security technologies, internal controls, network and data center resiliency and recovery processes. Despite these steps, however, a failure of the company's information technology systems could have a material adverse impact on Praxair's operations, reputation and financial results.

*Acquisitions - The inability to effectively integrate acquisitions could adversely impact the company's financial position and results of operations.*

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

The need to implement or remediate controls, procedures and policies appropriate for a larger public company at companies that prior to the acquisition lacked these controls, procedures and policies;

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Diversion of management time and focus from operating existing business to acquisition integration challenges;

Cultural challenges associated with integrating employees from the acquired company into the existing organization;

The need to integrate each company's accounting, management information, human resource and other administrative systems to permit effective management;

Difficulty with the assimilation of acquired operations and products;

Failure to achieve targeted synergies; and

Inability to retain key employees and business relationships of acquired companies.

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

**Item 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 March 31, 2012 is provided below:

Period	Total Number of Shares Purchased (Thousands)	Average Price Paid Per Share	Total Numbers of Shares Purchased as Part		Maximum Number (or approximate dollar value) of Shares that May Yet be Purchased Under the Program (2) (Millions)
			of Publicly Announced Program (1) (Thousands)		
January 2012	501	\$ 107.58	501		\$ 1,450
February 2012	613	\$ 108.16	613		\$ 1,494
March 2012	535	\$ 110.58	535		\$ 1,435
First Quarter 2012	1,649	\$ 108.77	1,649		\$ 1,435

- (1) During the quarter ended March 31, 2012, the Company repurchased shares of its common stocks pursuant to the following two stock repurchase programs previously approved by the Board of Directors: (a) a \$1.5 billion repurchase program announced on July 28, 2010 (2010 program), and (b) a \$1.5 billion repurchase program announced on January 24, 2012 (2012 program). Repurchases could take place under both of these programs from time to time on the open market (which could include the use of 10b5-1 trading plans) or through negotiated transactions, subject to market and business conditions. The 2010 and 2012 programs do not have any stated expiration date.

- (2) During the first quarter, the Company completed the purchase of its common stock pursuant to the 2010 program and purchased \$65 million of its common stock pursuant to the 2012 program, leaving an additional \$1,435 million remaining authorized under the 2012 program.

**Item 3. Defaults Upon Senior Securities**

None.

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**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

On April 24, 2012, the Board of Directors of the Company approved amendments to the Praxair, Inc. Variable Compensation Plan (the Plan) so that the Plan would not terminate on its stated termination date (being the date of the 2012 Annual Meeting of Shareholders) but would instead continue in effect unless terminated by the Board of Directors. The Plan, filed as Exhibit 10.01 to this Form 10-Q, provides the general parameters pursuant to which the Compensation Committee of the Board of Directors sets variable compensation goals and determines variable compensation payouts for executives and other eligible participants of the Company.

**Item 6. Exhibits**

(a) Exhibits:

*10.01	Praxair, Inc. Variable Compensation Plan Amended and Restated as of April 24, 2012 is filed here within
12.01	Computation of Ratio of Earnings to Fixed Charges.
31.01	Rule 13a-14(a) Certification
31.02	Rule 13a-14(a) Certification
32.01	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
32.02	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
101.INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

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

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**SIGNATURE**

*Praxair, Inc. and Subsidiaries*

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

PRAXAIR, INC.

(Registrant)

Date: April 25, 2012

By: /s/ Elizabeth T. Hirsch

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