

PRAXAIR INC
Form 10-Q
October 25, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2006

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)

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer **Accelerated filer** **Non-accelerated filer**

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

At September 30, 2006, 322,898,901 shares of common stock (\$0.01 par value) of the Registrant were outstanding.

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Table of Contents**PART I - FINANCIAL INFORMATION***Praxair, Inc. and Subsidiaries***Item 1. Financial Statements****PRAXAIR, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(Millions of dollars, except per share data)

(UNAUDITED)

	Quarter Ended September 30,	
	2006	2005
SALES	\$ 2,099	\$ 1,890
Cost of sales, exclusive of depreciation and amortization	1,259	1,144
Selling, general and administrative	272	243
Depreciation and amortization	173	165
Research and development	21	19
Other income (expense) net	18	(2)
OPERATING PROFIT	392	317
Interest expense net	38	40
INCOME BEFORE INCOME TAXES	354	277
Income taxes	101	163
	253	114
Minority interests	(7)	(8)
Income from equity investments	1	2
NET INCOME	\$ 247	\$ 108
PER SHARE DATA:		
Basic earnings per share	\$ 0.76	\$ 0.33
Diluted earnings per share	\$ 0.75	\$ 0.33
Cash dividends per share	\$ 0.25	\$ 0.18
WEIGHTED AVERAGE SHARES OUTSTANDING (000 s):		
Basic shares outstanding	323,582	324,137
Diluted shares outstanding	329,498	329,993

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

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

(Millions of dollars, except per share data)

(UNAUDITED)

	Nine Months Ended September 30,	
	2006	2005
SALES	\$ 6,201	\$ 5,636
Cost of sales, exclusive of depreciation and amortization	3,704	3,420
Selling, general and administrative	816	735
Depreciation and amortization	518	490
Research and development	64	58
Other income (expense) net	27	15
OPERATING PROFIT	1,126	948
Interest expense net	117	123
INCOME BEFORE INCOME TAXES	1,009	825
Income taxes	274	296
	735	529
Minority interests	(22)	(28)
Income from equity investments	6	11
NET INCOME	\$ 719	\$ 512
PER SHARE DATA:		
Basic earnings per share	\$ 2.22	\$ 1.58
Diluted earnings per share	\$ 2.18	\$ 1.55
Cash dividends per share	\$ 0.75	\$ 0.54
WEIGHTED AVERAGE SHARES OUTSTANDING (000 s):		
Basic shares outstanding	323,635	323,951
Diluted shares outstanding	329,512	329,853

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

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PRAXAIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Millions of dollars)

(UNAUDITED)

	September 30, 2006	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 22	\$ 173
Accounts receivable - net	1,469	1,386
Inventories	400	373
Prepaid and other current assets	213	201
TOTAL CURRENT ASSETS	2,104	2,133
Property, plant and equipment (less accumulated depreciation of \$7,107 at September 30, 2006 and \$6,553 at December 31, 2005)	6,516	6,108
Goodwill	1,598	1,545
Other intangible assets - net	71	81
Other long-term assets	636	624
TOTAL ASSETS	\$ 10,925	\$ 10,491
LIABILITIES AND EQUITY		
Accounts payable	\$ 603	\$ 639
Short-term debt	303	231
Current portion of long-term debt	47	290
Other current liabilities	940	841
TOTAL CURRENT LIABILITIES	1,893	2,001
Long-term debt	2,824	2,926
Other long-term obligations	1,505	1,460
TOTAL LIABILITIES	6,222	6,387
Commitments and contingencies (Note 10)		
Minority interests	209	202
Shareholders' equity	4,494	3,902
TOTAL LIABILITIES AND EQUITY	\$ 10,925	\$ 10,491

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)

	Nine Months Ended September 30,	
	2006	2005
OPERATIONS		
Net income	\$ 719	\$ 512
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	518	490
Deferred income taxes	105	125
Stock option expense	32	
Accounts receivable	(98)	(115)
Inventory	(33)	(41)
Prepaid and other current assets	(5)	(24)
Payables and accruals	109	257
Pension contributions	(119)	(78)
Other	(39)	(27)
Net cash provided by operating activities	1,189	1,099
INVESTING		
Capital expenditures	(800)	(598)
Acquisitions	(7)	(8)
Divestitures and asset sales	112	25
Net cash used for investing activities	(695)	(581)
FINANCING		
Short-term debt repayments - net	(161)	(29)
Long-term debt borrowings	78	35
Long-term debt repayments	(263)	(198)
Excess tax benefit on stock option exercises	18	
Minority interest transactions and other	(18)	(18)
Issuances of common stock	203	192
Purchases of common stock	(262)	(332)
Cash dividends	(242)	(174)
Net cash used for financing activities	(647)	(524)
Effect of exchange rate changes on cash and cash equivalents	2	
Change in cash and cash equivalents	(151)	(6)
Cash and cash equivalents, beginning-of-period	173	25
Cash and cash equivalents, end-of-period	\$ 22	\$ 19

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

Table of Contents**PRAXAIR, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

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

(UNAUDITED)

Activity	Common Stock			Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss) ^(b)	Total
	Shares	Amounts	Additional Paid-In Capital	Shares	Amounts			
Balance, January 1, 2006	363,713	\$ 4	\$ 2,489	41,374	\$ (1,356)	\$ 4,022	\$ (1,257)	\$ 3,902
Net income						719		719
Translation adjustments							130	130
Minimum pension liability, net of \$8 million of taxes							(11)	(11)
Comprehensive income ^(a)								