

PRAXAIR INC
Form 10-Q
April 28, 2010
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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 March 31, 2010

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)

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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, 2010, 305,948,086 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)

	Quarter Ended March 31,	
	2010	2009
SALES	\$ 2,428	\$ 2,123
Cost of sales, exclusive of depreciation and amortization	1,381	1,195
Selling, general and administrative	294	265
Depreciation and amortization	228	199
Research and development	18	18
Venezuela currency devaluation	27	
Other income (expense) - net	(1)	(4)
OPERATING PROFIT	479	442
Interest expense - net	32	35
INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS	447	407
Income taxes	131	114
INCOME BEFORE EQUITY INVESTMENTS	316	293
Income from equity investments	7	5
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	323	298
Less: noncontrolling interests	(9)	(8)
NET INCOME - PRAXAIR, INC.	\$ 314	\$ 290
PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS		
Basic earnings per share	\$ 1.02	\$ 0.94
Diluted earnings per share	\$ 1.01	\$ 0.93
Cash dividends per share	\$ 0.45	\$ 0.40
WEIGHTED AVERAGE SHARES OUTSTANDING (000 s):		
Basic shares outstanding	306,793	307,818
Diluted shares outstanding	311,159	311,311

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

Table of Contents**PRAXAIR, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Millions of dollars)

(UNAUDITED)

	March 31, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 376	\$ 45
Accounts receivable - net	1,645	1,579
Inventories	377	377
Prepaid and other current assets	224	222
TOTAL CURRENT ASSETS	2,622	2,223
Property, plant and equipment (less accumulated depreciation of \$9,570 at March 31, 2010 and \$9,448 at December 31, 2009)	8,998	8,990
Goodwill	2,046	2,070
Other intangible assets - net	139	142
Other long-term assets	922	892
TOTAL ASSETS	\$ 14,727	\$ 14,317
LIABILITIES AND EQUITY		
Accounts payable	\$ 704	\$ 730
Short-term debt	101	227
Current portion of long-term debt	571	71
Other current liabilities	813	785
TOTAL CURRENT LIABILITIES	2,189	1,813
Long-term debt	4,732	4,757
Other long-term obligations	2,076	2,099
TOTAL LIABILITIES	8,997	8,669
Commitments and contingencies (Note 11)		
Praxair, Inc. Shareholders' Equity:		
Common stock \$0.01 par value, authorized - 800,000,000 shares, issued 2010 - 379,885,789 shares and 2009 - 379,415,678 shares	4	4
Additional paid-in capital	3,501	3,473
Retained earnings	7,008	6,831
Accumulated other comprehensive income (loss)	(1,198)	(1,155)
Treasury stock, at cost (2010 - 73,937,703 shares and 2009 - 72,938,074 shares)	(3,917)	(3,838)
Total Praxair, Inc. Shareholders' Equity	5,398	5,315
Noncontrolling interests	332	333
TOTAL EQUITY	5,730	5,648
TOTAL LIABILITIES AND EQUITY	\$ 14,727	\$ 14,317

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)

	Quarter Ended March 31,	
	2010	2009
OPERATIONS		
Net income - Praxair, Inc.	\$ 314	\$ 290
Noncontrolling interests	9	8
Net income (including noncontrolling interests)	323	298
Adjustments to reconcile net income to net cash provided by operating activities:		
Venezuela currency devaluation and other charges, net of payments	25	(18)
Depreciation and amortization	228	199
Deferred income taxes	46	36
Share-based compensation	10	9
Accounts receivable	(84)	94
Inventory	(2)	20
Prepaid and other current assets	(5)	11
Payables and accruals		(259)
Pension contributions	(8)	(8)
Other	(50)	(33)
Net cash provided by operating activities	483	349
INVESTING		
Capital expenditures	(288)	(293)
Acquisitions, net of cash acquired	(4)	(2)
Divestitures and asset sales	8	5
Net cash used for investing activities	(284)	(290)
FINANCING		
Short-term debt borrowings - net	(126)	4
Long-term debt borrowings	846	313
Long-term debt repayments	(364)	(246)
Issuances of common stock	22	16
Purchases of common stock	(90)	
Cash dividends - Praxair, Inc. shareholders	(138)	(123)
Excess tax benefit on stock option exercises	5	3
Noncontrolling interest transactions and other	(5)	(3)
Net cash provided by (used for) financing activities	150	(36)
Effect of exchange rate changes on cash and cash equivalents	(18)	(1)
Change in cash and cash equivalents	331	22
Cash and cash equivalents, beginning-of-period	45	32

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Cash and cash equivalents, end-of-period	\$ 376	\$ 54
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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 2009 Annual Report on Form 10-K. There have been no material changes to the company's significant accounting policies during 2010.

Accounting Standards Implemented in 2010

Improving Disclosures about Fair Value Measurements - The standard added new requirements for disclosures about transfers into and out of Levels 1 and 2 and clarified existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The portion of this standard related to these items was effective for Praxair in 2010 and its adoption did not have a significant impact on the condensed consolidated financial statements. In addition, the standard added requirements for separate disclosures about the activity relating to Level 3 fair value measurements effective for Praxair on January 1, 2011. Praxair does not expect this requirement to have a significant impact on the condensed consolidated financial statements.

The following standards were effective for Praxair in 2010 and their adoption did not have a significant impact on the condensed consolidated financial statements. Refer to Note 1 to the consolidated financial statements of Praxair's 2009 Annual Report on Form 10-K for a summary of these standards:

Accounting for Transfers of Financial Assets, and

Consolidation of Variable Interest Entities.

2. Venezuela Currency Devaluation and Other Charges

2010 First Quarter Venezuela Currency Devaluation

On January 8, 2010, Venezuela announced a devaluation of the Venezuelan bolivar and created a two tier exchange rate system. Under the new system, a 2.60 exchange rate between the bolivar and the U.S. dollar (which implies 17.3% devaluation) will apply for essential goods while an exchange rate of 4.3 (implying 50% devaluation) will apply for all remaining sectors, including Praxair's operations. In the first quarter 2010, Praxair recorded a \$27 million charge (\$26 million after-tax or \$ 0.08 per diluted share) due primarily to the remeasurement of the local Venezuelan balance sheet to reflect the new official 4.3 exchange rate. The company does not expect the impact of the devaluation on future results of operations to be significant.

2008 Cost Reduction Program

In the fourth quarter 2008, Praxair recorded charges relating to severance and other exit costs associated with a global cost reduction program which was initiated in response to the global economic downturn (see Note 2 to the consolidated financial statements of Praxair's 2009 Annual Report on Form 10-K). The program required payments of \$2 million and \$18 million in the first quarter 2010 and 2009, respectively. At March 31, 2010, remaining payments are not significant.

Table of Contents**3. Inventories**

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

<i>(Millions of dollars)</i>	March 31, 2010	December 31, 2009
Raw materials and supplies	\$ 138	\$ 137
Work in process		