PRAXAIR INC
Form 10-Q
October 24, 2012

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, 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	**06-1249050**
(Commission File Number)	**(IRS Employer Identification No.)**
39 OLD RIDGEBURY ROAD, DANBURY, CT	**06810-5113**
(Address of principal executive offices)	**(Zip Code)**

(203) 837-2000

(Registrant s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 x 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 x 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	x	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 x

At September 30, 2012, 297,126,439 shares of common stock ($0.01 par value) of the Registrant were outstanding.

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PRAXAIR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Millions of dollars, except per share data)

(UNAUDITED)

	Quarter Ended September 30, 2012	2011
SALES	$ 2,774	$ 2,896
Cost of sales, exclusive of depreciation and amortization	1,595	1,684
Selling, general and administrative	306	307
Depreciation and amortization	248	256
Research and development	24	22
Cost reduction program and other charges	65	
Other income (expense) - net	22	5
OPERATING PROFIT	558	632
Interest expense - net	36	36
INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS	522	596
Income taxes	90	166
INCOME BEFORE EQUITY INVESTMENTS	432	430
Income from equity investments	8	13
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	440	443
Less: noncontrolling interests	(10)	(14)
NET INCOME - PRAXAIR, INC.	$ 430	$ 429
PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS		
Basic earnings per share	$ 1.44	$ 1.42
Diluted earnings per share	$ 1.43	$ 1.40
Cash dividends per share	$ 0.55	$ 0.50
WEIGHTED AVERAGE SHARES OUTSTANDING (000 s):		
Basic shares outstanding	298,416	301,594
Diluted shares outstanding	301,731	305,623

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

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PRAXAIR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Millions of dollars, except per share data)

(UNAUDITED)

	Nine Months Ended September 30, 2012	2011
SALES	$ 8,425	$ 8,456
Cost of sales, exclusive of depreciation and amortization	4,813	4,860
Selling, general and administrative	951	924
Depreciation and amortization	747	754
Research and development	73	67
Cost reduction program and other charges	65	
Other income (expense) - net	45	(1)
OPERATING PROFIT	1,821	1,850
Interest expense - net	106	107
INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS	1,715	1,743
Income taxes	424	485
INCOME BEFORE EQUITY INVESTMENTS	1,291	1,258
Income from equity investments	25	33
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	1,316	1,291
Less: noncontrolling interests	(38)	(39)
NET INCOME - PRAXAIR, INC.	$ 1,278	$ 1,252
PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS		
Basic earnings per share	$ 4.28	$ 4.13
Diluted earnings per share	$ 4.23	$ 4.07
Cash dividends per share	$ 1.65	$ 1.50
WEIGHTED AVERAGE SHARES OUTSTANDING (000 s):		
Basic shares outstanding	298,793	303,125
Diluted shares outstanding	302,352	307,581

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

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PRAXAIR, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Millions of dollars)

(UNAUDITED)

	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	$ 440	$ 443
OTHER COMPREHENSIVE INCOME (LOSS) (Net of Tax)		
Translation adjustments (Note 13)	245	(718)
Derivative instruments (Note 5)	(5)	(8)
Funded status - retirement obligations (Note 10)	6	7
COMPREHENSIVE INCOME (LOSS) (INCLUDING NONCONTROLLING INTERESTS)	686	(276)
Less: noncontrolling interests	(17)	(2)
COMPREHENSIVE INCOME (LOSS) - PRAXAIR, INC.	$ 669	$ (278)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	$ 1,316	$ 1,291
OTHER COMPREHENSIVE INCOME (LOSS) (Net of Tax)		
Translation adjustments (Note 13)	(31)	(355)
Derivative instruments (Note 5)		(8)
Funded status - retirement obligations (Note 10)	22	12
COMPREHENSIVE INCOME (INCLUDING NONCONTROLLING INTERESTS)	1,307	940
Less: noncontrolling interests	(36)	(42)
COMPREHENSIVE INCOME - PRAXAIR, INC.	$ 1,271	$ 898

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)

	September 30, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	$ 108	$ 90
Accounts receivable - net	1,901	1,795
Inventories	483	456
Prepaid and other current assets	361	266
TOTAL CURRENT ASSETS	2,853	2,607
Property, plant and equipment (less accumulated depreciation of $11,056 in 2012 and $10,497 in 2011)	11,074	10,131
Goodwill	2,381	2,372
Other intangible assets - net	146	167
Other long-term assets	1,185	1,079
TOTAL ASSETS	$ 17,639	$ 16,356
LIABILITIES AND EQUITY		
Accounts payable	$ 919	$ 896
Short-term debt	587	337
Current portion of long-term debt	160	387
Other current liabilities	882	915
TOTAL CURRENT LIABILITIES	2,548	2,535
Long-term debt	6,389	5,838
Other long-term liabilities	2,113	1,966
TOTAL LIABILITIES	11,050	10,339
Commitments and contingencies (Note 11)		
Redeemable noncontrolling interests (Note 13)	243	220
Praxair, Inc. Shareholders Equity:		
Common stock $0.01 par value, authorized - 800,000,000 shares, issued 2012 - 383,022,847 shares and 2011 - 382,854,272 shares	4	4
Additional paid-in capital	3,862	3,809
Retained earnings	9,285	8,510
Accumulated other comprehensive income (loss)	(1,753)	(1,746)
Treasury stock, at cost (2012 - 85,896,408 shares and 2011 - 84,324,255 shares)	(5,383)	(5,089)
Total Praxair, Inc. Shareholders Equity	6,015	5,488
Noncontrolling interests	331	309
TOTAL EQUITY	6,346	5,797

TOTAL LIABILITIES AND EQUITY	$	17,639	$	16,356

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

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PRAXAIR, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of dollars)

(UNAUDITED)

	Nine Months Ended September 30, 2012	2011
OPERATIONS		
Net income - Praxair, Inc.	$ 1,278	$ 1,252
Noncontrolling interests	38	39
Net income (including noncontrolling interests)	1,316	1,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Cost reduction program, net of payments	52	
Depreciation and amortization	747	754
Deferred income taxes	202	33
Share-based compensation	52	46
Accounts receivable	(107)	(202)
Inventory	(30)	(43)
Prepaid and other current assets	(106)	(5)
Payables and accruals	(75)	(48)
Pension contributions	(112)	(87)
Long-term assets, liabilities and other	(66)	(75)
Net cash provided by operating activities	1,873	1,664
INVESTING		
Capital expenditures	(1,594)	(1,225)
Acquisitions, net of cash acquired	(109)	(99)
Divestitures and asset sales	77	40
Net cash used for investing activities	(1,626)	(1,284)
FINANCING		
Short-term debt borrowings (repayments) - net	243	101
Long-term debt borrowings	1,416	1,199
Long-term debt repayments	(1,076)	(575)
Issuances of common stock	126	164
Purchases of common stock	(438)	(758)
Cash dividends - Praxair, Inc. shareholders	(492)	(453)
Excess tax benefit on share-based compensation	50	47
Noncontrolling interest transactions and other	(55)	(4)
Net cash (used for) provided by financing activities	(226)	(279)
Effect of exchange rate changes on cash and cash equivalents	(3)	(15)

Change in cash and cash equivalents		18		86
Cash and cash equivalents, beginning-of-period		90		39
Cash and cash equivalents, end-of-period	$	108	$	125

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 a quantitative two-step goodwill impairment test. Praxair applied the updated guidance during its annual goodwill review performed in the second quarter of 2012. Refer to Note 8.

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 (Loss) 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 6 for the additional guidance, as applicable.

Testing Indefinite-Lived Intangible Assets for Impairment - In July 2012, the FASB issued updated guidance on the testing of indefinite-lived intangible assets for impairment. This guidance provides companies with the option to apply a qualitative approach to determine if it is more-likely-than-not that the asset might be impaired and whether it is necessary to perform a quantitative test. Early adoption is permitted and did not have an impact on Praxair s consolidated financial statements.

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.

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2. Cost Reduction Program and Other Charges - Net

The quarter and nine months ended September 30, 2012 include the following items which are recorded in the condensed consolidated financial statements:

(Millions of dollars)	Operating Loss	Income Tax Benefit	Noncontrolling Interests	Net Income (Loss) Praxair, Inc.
Cost reduction program	($ 56)	($ 16)	($ 2)	($ 38)
Pension settlement charge	(9)	(3)		(6)
Income tax benefit		(55)		55
Total	($ 65)	($ 74)	($ 2)	$ 11

Cost Reduction Program

In the third quarter of 2012, Praxair recorded pre-tax charges totaling $56 million ($38 million after-tax and noncontrolling interest), relating to severance and business restructuring actions primarily in Europe within the industrial gases and surface technologies businesses. The cost reduction program was initiated primarily in response to the continuing economic downturn in Europe.

The following is a summary of the charges by reportable segment:

(Millions of dollars)	Severance Costs	Costs Associated with Exit or Disposal Activities	Total Cost Reduction Program
North America	$ 1	$	$ 1
Europe	28	8	36
South America	1		1
Asia	2		2
Surface Technologies	11	5	16
Total	$ 43	$ 13	$ 56

The severance costs of $43 million are for the termination of approximately 410 employees, primarily in Europe (industrial gases and surface technologies) of which approximately 65 have been terminated as of September 30, 2012. The remaining employees are expected to be terminated in the next twelve months. These actions reflect the continued business slow-down in Europe and result from a decision to eliminate and/or restructure operations and product lines.

The costs associated with exit or disposal activities of $13 million include asset write-downs and other costs associated with a decision to eliminate and/or restructure operations and product lines. In Europe the costs primarily relate to the elimination and consolidation of operations in Spain. In Surface Technologies, the costs relate to the consolidation/rationalization of operations and product lines, primarily in Germany and Italy.

The following table summarizes the activities related to the third quarter 2012:

(Millions of dollars)	Severance Costs	Costs Associated with Exit or Disposal Activities	Total Cost Reduction Program

Cost reduction program	$ 43	$ 13	$ 56
Less: Cash payments	(4)		(4)
Less: Non-cash asset write-offs		(9)	(9)
Foreign currency translation	1		1
Balance, September 30, 2012	$ 40	$ 4	$ 44

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Pension Settlement Charge

During 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. Accordingly, Praxair recorded a settlement charge related to net unrecognized actuarial losses of $9 million ($6 million after-tax) in July 2012 when cash payments were made.

Income Tax Benefit

In 2011 Praxair requested a pre-filing agreement (PFA) with the U.S. Internal Revenue Service (IRS) related to a loss on a liquidated subsidiary resulting from the divestiture of the U.S. Homecare Business. During the third quarter of 2012, the IRS approved the PFA resulting in a net income tax benefit of $55 million.

Classification in the consolidated financial statements

The $65 million of operating loss from the cost reduction program and pension settlement is shown as a separate line item on the consolidated statements of income. The $74 million tax benefit resulting from the pre-filing agreement, cost reduction program and pension settlement charge is reflected in income taxes. In the balance sheets, asset write-offs are recorded as a reduction to the carrying value of the related assets and unpaid amounts are recorded as short-term liabilities. As of September 30, 2012, there is a short-term liability of $44 million which is anticipated to be paid during the next 12-month period. On the consolidated statement of cash flows, the pre-tax loss from the cost reduction program, net of cash payments, is shown as an adjustment to reconcile net income to net cash provided by operating activities. In Note 12, Praxair excluded these items in its management definition of segment operating profit; a reconciliation of segments operating profit to consolidated operating profit is shown within the operating profit table.

3. Supplemental Information

Inventories

The following is a summary of Praxair s consolidated inventories:

(Millions of dollars)	September 30, 2012	December 31, 2011
Inventories		
Raw materials and supplies	$ 165	$ 153
Work in process	63	58
Finished goods	255	245
Total inventories	$ 483	$ 456

Long-term receivables

Long-term receivables are not material and are largely reserved. Such long-term receivables are included within other long-term assets in the condensed consolidated balance sheets and totaled $47 million and $53 million at September 30, 2012 and December 31, 2011, respectively, net of reserves of $44 million and $64 million, respectively. The amounts in both periods relate primarily to government receivables in Brazil and other long-term notes receivable from customers. Collectability is reviewed regularly and uncollectible amounts are written-off as appropriate. The reduction in the balances during 2012 was due primarily to the collection of a portion of the government receivables, foreign currency movements and the write-off of a long-term note receivable which was fully reserved.

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4. Debt

The following is a summary of Praxair s outstanding debt at September 30, 2012 and December 31, 2011:

(Millions of dollars)	September 30, 2012	December 31, 2011
SHORT-TERM		
Commercial paper and U.S. bank borrowings	$ 466	$ 159
Other bank borrowings (primarily international)	121	178
Total short-term debt	587	337
LONG-TERM		
U.S. borrowings		
Commercial paper		
6.375% Notes due 2012 [e]		501
1.75% Notes due 2012 [a, b, d]	401	405
3.95% Notes due 2013 [d]	350	350
2.125% Notes due 2013[a, b, d]	506	513
4.375% Notes due 2014[a]	299	299
5.25% Notes due 2014	400	400
4.625% Notes due 2015	500	500
3.25% Notes due 2015[a, b]	431	434
5.375% Notes due 2016	400	400
5.20% Notes due 2017	325	325
4.50% Notes due 2019[a]	598	597
3.00% Notes due 2021[a]	498	498
4.05% Notes due 2021[a]	496	496
2.45% Notes due 2022[a, c]	598	
2.20% Notes due 2022[a, c]	499	
Other	5	6
International bank borrowings	233	490
Obligations under capital leases	10	11
	6,549	6,225
Less: current portion of long-term debt	(160)	(387)
Total long-term debt	6,389	5,838
Total debt	$ 7,136	$ 6,562

(a) Amounts are net of unamortized discounts.

(b) September 30, 2012 and December 31, 2011 include a $39 million and $54 million fair value increase, respectively, related to hedge accounting. See Note 5 for additional information.

(c) For the nine months ended September 30, 2012, Praxair issued the following notes totaling $1.1 billion: $600 million of 2.45% notes due 2022 and $500 million of 2.20% notes due 2022. The proceeds of both issuances 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 an existing long-term agreement.

(e) In April 2012, Praxair repaid $500 million of 6.375% notes that became due.

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5. 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 September 30, 2012 and December 31, 2011:

			Fair Value			
	Notional Amounts		Assets		Liabilities	
(Millions of dollars)	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Derivatives Not Designated as Hedging Instruments:						
Currency contracts:						
Balance sheet items (a)	$ 1,902	$ 1,541	$	$ 2	$ 4	$ 2
Derivatives Designated as Hedging Instruments:						
Currency contracts:						
Forecasted purchases (a)	$ 16	$ 59	$	$	$	$ 2
Interest rate contracts:						
Interest rate swaps (b)	400	400	32	35		
Total	$ 416	$ 459	$ 32	$ 35	$	$ 2
Total Derivatives	$ 2,318	$ 2,000	$ 32	$ 37	$ 4	$ 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 there were no anticipated net income hedges outstanding as of September 30, 2012 and December 31, 2011, such derivatives were outstanding during the nine month periods ended September 30, 2012 and 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 currency translation. 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 September 30, 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 September 30, 2012, $32 million was recognized as an increase in the fair value of this note ($35 million at December 31, 2011).

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Terminated Interest Rate Swaps

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

			Amount of Gain Recognized in Earnings (a) Quarter Ended		Amount of Gain Recognized in Earnings (a) Nine Months Ended		Unrecognized Gain (a)	
(Millions of Dollars)	Year Terminated	Original Gain	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	December 31, 2011
Interest Rate Swaps								
Underlying debt instrument (b):								
$500 million 2.125% fixed-rate notes that mature in 2013	2011	$ 18	$ 2	$ 1	$ 7	$ 1	$ 6	$ 13
$400 million 1.75% fixed-rate notes that mature in 2012	2010	13	1	2	4	3	1	5
$500 million 6.375% fixed-rate notes that matured in 2012	2002	47		1	1	2		1
Total		$ 78	$ 3	$ 4	$ 12	$ 6	$ 7	$ 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.

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Terminated Treasury Rate Locks

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

(Millions of Dollars)	Year Terminated	Original Gain / (Loss)	Unrecognized Gain / (Loss) (a) September 30, 2012	Unrecognized Gain / (Loss) (a) December 31, 2011
Treasury Rate Locks				
Underlying debt instrument:				
$500 million 2.20% fixed-rate notes that mature in 2022 (b)	2012	$ (2)	(2)	
$500 million 3.00% fixed-rate notes that mature in 2021 (b)	2011	$ (11)	(10)	(11)
$600 million 4.50% fixed-rate notes that mature in 2019 (b)	2009	16	11	12
$500 million 4.625% fixed-rate notes that mature in 2015 (b)	2008	(7)	(2)	(3)
Total - pre-tax			$ (3)	$ (2)
Less: income taxes			1	1
After- tax amounts			$ (2)	$ (1)

(a) The unrecognized gains / (losses) for the treasury rate locks are shown in accumulated other comprehensive income (AOCI) and are being recognized on a straight line basis to interest expense net over the term of the underlying debt agreements. The cash received or paid was 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 on the company s consolidated statements of income and AOCI for current period gain (loss) recognition.

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

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

	Amount of Pre-Tax Gain (Loss) Recognized in Earnings (a)			
	Quarter Ended September 30,		Nine Months Ended September 30,	
(Millions of dollars)	2012	2011	2012	2011
Derivatives Not Designated as Hedging Instruments				
Currency contracts:				
Balance sheet items				
Debt-related	$ 29	$ (10)	$ 47	$ (16)
Other balance sheet items		(9)	(5)	(4)
Anticipated net income		6	(4)	1
Total	$ 29	$ (13)	$ 38	$ (19)

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	Amount of Gain (Loss) Recognized in AOCI (b)		Quarter Ended Amount of Gain (Loss) Reclassified from AOCI to the Consolidated Statement of Income (c)		Net Change in AOCI	
(Millions of dollars)	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Derivatives Designated as Hedging Instruments						
Currency contracts:						
Forecasted purchases (b)	$ 1	$ (1)	$	$	$ 1	$ (1)
Interest rate contracts:						
Treasury rate locks (b)	(8)	(11)			(8)	(11)
Total - pre tax	$ (7)	$ (12)	$	$	$ (7)	$ (12)
Less: income taxes	2	4			2	4
Total - Net of Taxes	$ (5)	$ (8)	$	$	$ (5)	$ (8)

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(Millions of dollars)	Amount of Gain (Loss) Recognized in AOCI (b) September 30, 2012	September 30, 2011	Nine Months Ended Amount of Gain (Loss) Reclassified from AOCI to the Consolidated Statement of Income (c) September 30, 2012	September 30, 2011	Net Change in AOCI September 30, 2012	September 30, 2011
Derivatives Designated as Hedging Instruments						
Currency contracts:						
Forecasted purchases (b)	$ 1	$ (1)	$	$	$ 1	$ (1)
Interest rate contracts:						
Treasury rate locks (b)	(1)	(11)			(1)	(11)
Total - pre tax	$	$ (12)	$	$	$	$ (12)
Less: income taxes		4				4
Total - Net of Taxes	$	$ (8)	$	$	$	$ (8)

(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 purchases 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 earnings during the next twelve months.

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6. Fair Value Disclosures

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Fair Value Measurements Using					
	Level 1		Level 2		Level 3	
(Millions of dollars)	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Assets						
Derivatives			$ 32	$ 37		
Liabilities						
Derivatives			$ 4	$ 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.

The fair values of cash and cash equivalents, short-term debt, accounts receivable-net, and accounts payable approximate carrying amounts because of the short maturities of these instruments. The fair value of long-term debt is estimated based on the quoted market prices for similar issues, which is deemed a level 2 measurement. At September 30, 2012, the estimated fair value of Praxair s long-term debt portfolio was $7,019 million versus a carrying value of $6,549 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. During the first quarter 2012, 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.

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7. 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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Numerator (Millions of dollars)				
Net income - Praxair, Inc.	$ 430	$ 429	$ 1,278	$ 1,252
Denominator (Thousands of shares)				
Weighted average shares outstanding	297,843	300,966	298,224	302,499
Shares earned and issuable under compensation plans	573	628	569	626
Weighted average shares used in basic earnings per share	298,416	301,594	298,793	303,125
Effect of dilutive securities				
Stock options and awards	3,315	4,029	3,559	4,456
Weighted average shares used in diluted earnings per share	301,731	305,623	302,352	307,581
Basic Earnings Per Share	$ 1.44	$ 1.42	$ 4.28	$ 4.13
Diluted Earnings Per Share	$ 1.43	$ 1.40	$ 4.23	$ 4.07

Stock options of 1,601,765 and 1,594,165 were antidilutive and therefore excluded in the computation of diluted earnings per share for the quarter and nine months ended September 30, 2012. There were no antidilutive shares for the quarter and nine months ended September 30, 2011.

8. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended September 30, 2012 were as follows:

(Millions of dollars)	North America	South America	Europe	Asia	Surface Technologies	Total
Balance, December 31, 2011	$ 1,375	$ 215	$ 618	$ 24	$ 140	$ 2,372
Acquisitions	12		1			13
Purchase adjustments & other	(9)					(9)
Foreign currency translation	15	(19)	8		1	5
Balance, September 30, 2012	$ 1,393	$ 196	$ 627	$ 24	$ 141	$ 2,381

Praxair has performed its goodwill impairment tests annually during the second quarter of each year, and historically has determined that the fair value of each of its reporting units was substantially in excess of its carrying value. For the 2012 test completed during the second quarter, Praxair applied the FASB s updated accounting guidance (refer to Note 1) which allows the Company to first assess qualitative factors to determine the extent of additional quantitative analysis, if any, that may be required to test goodwill for impairment. Based on the qualitative assessments performed, Praxair concluded that it was more likely than not that the fair value of each reporting unit substantially exceeded its carrying value and therefore, further quantitative analysis was not required. As a result, no impairment was recorded. There were no indicators of impairment through September 30, 2012.

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Changes in the carrying amounts of other intangibles for the nine months ended September 30, 2012 were as follows:

(Millions of dollars)	Customer & License/Use Agreements	Non-compete Agreements	Patents & Other	Total
Cost:				
Balance, December 31, 2011	$ 208	$ 37	$ 27	$ 272
Additions	14	2		16
Foreign currency translation	2		1	3
Other	(22)	(5)	(6)	(33)
Balance, September 30, 2012	$ 202	$ 34	$ 22	$ 258
Less: Accumulated amortization				
Balance, December 31, 2011	$ (75)	$ (20)	$ (10)	$ (105)
Amortization expense	(10)	(4)	(1)	(15)
Foreign currency translation	(1)			(1)
Other	3	5	1	9
Balance, September 30, 2012	$ (83)	$ (19)	$ (10)	$ (112)
Net balance at September 30, 2012	$ 119	$ 15	$ 12	$ 146

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

Total estimated annual amortization expense is as follows:

(Millions of dollars)	
Remaining 2012	$ 6
2013	21
2014	19
2015	18
2016	17
Thereafter	65
	$ 146

9. Share-Based Compensation

Share-based compensation of $17 million ($12 million after-tax) and $16 million ($11 million after-tax) was recognized during the quarters ended September 30, 2012 and 2011, respectively. Share-based compensation of $52 million ($36 million after-tax) and $46 million ($32 million after-tax) was recognized for the nine months ended September 30, 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 nine months ended September 30, 2012 was $17.43 ($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.

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

	Nine Months Ended September 30, 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 September 30, 2012 and changes during the nine 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	1,650	109.64		
Exercised	(2,174)	51.92		
Cancelled or Expired	(63)	101.78		
Outstanding at September 30, 2012	12,953	73.02	5.7	$ 400
Exercisable at September 30, 2012	9,855	$ 64.23	4.8	$ 391

The aggregate intrinsic value represents the difference between the company s closing stock price of $103.88 as of September 30, 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 and nine months ended September 30, 2012 was $15 million and $129 million, respectively ($18 million and $165 million during the same time periods in 2011, respectively).

Cash received from option exercises under all share-based payment arrangements for the quarter and nine months ended September 30, 2012 was $15 million and $113 million ($18 million and $152 million for the same time periods in 2011, respectively). The cash tax benefit realized from share-based compensation totaled $7 million and $68 million for the quarter and nine months ended September 30, 2012, of which $50 million in excess tax benefits was classified as financing cash flows for the nine months ended September 30, 2012 ($5 million and $57 million tax benefit for the same periods 2011 of which $47 million represented excess tax benefit for the nine months ended September 30, 2011).

As of September 30, 2012, $32 million of unrecognized compensation cost related to non-vested stock options is expected to be recognized over a weighted-average period of approximately 1 year.

Performance-Based and Restricted Stock Awards

During the nine months ended September 30, 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.

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During the nine months ended September 30, 2012, the company also granted restricted stock units to employees. 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 and restricted stock units granted during the nine months ended September 30, 2012 was $103.13 and $103.81, respectively ($92.06 and $92.34 for the same period 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 September 30, 2012 and changes during the nine months then ended (shares based on target amounts, averages are calculated on a weighted basis):

	Performance-Based		**Restricted Stock**	
	Number of Shares (000 s)	**Average Grant Date Fair Value**	**Number of Shares (000 s)**	**Average Grant Date Fair Value**
Non-vested at January 1, 2012	962	$ 71.58	340	$ 75.51
Granted (a)	403	103.13	110	103.81
Vested	(508)	56.41	(99)	63.27
Cancelled	(15)	90.37	(12)	83.83
Non-vested at September 30, 2012	842	$ 88.87	339	$ 88.12

(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 September 30, 2012, based on current estimates of future performance, $36 million of unrecognized compensation cost related to performance-based awards is expected to be recognized through the first quarter of 2015 and $16 million of unrecognized compensation cost related to the restricted stock awards is expected to be recognized primarily through the second quarter of 2017.

10. Retirement Programs

The components of net pension and postretirement benefits other than pensions (OPEB) costs for the quarters and nine-months ended September 30, 2012 and 2011 are shown below:

	Quarter Ended September 30,				Nine Months Ended September 30,			
	Pensions		OPEB		Pensions		OPEB	
(Millions of dollars)	2012	2011	2012	2011	2012	2011	2012	2011
Service cost	$ 12	$ 11	$ 1	$ 1	$ 37	$ 33	$ 3	$ 3
Interest cost	30	31	3	4	91	94	9	12
Expected return on plan assets	(38)	(38)			(116)	(114)		
Net amortization and deferral	17	12	(2)	(2)	51	35	(5)	(6)
Net periodic benefit cost before pension settlement charge	21	16	2	3	63	48	7	9
Pension settlement charge (Note 2)	9				9			
Net periodic benefit cost	$ 30	$ 16	$ 2	$ 3	$ 72	$ 48	$ 7	$ 9

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Praxair estimates that 2012 contributions to its pension plans will be in the area of $120 million, of which $112 million have been made through September 30, 2012.

11. 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, it is possible that this review could be concluded during the next year. Any differences from amounts recorded will be adjusted to income at that time.

After enrollment in the amnesty programs, at September 30, 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 $195 million. Praxair has not recorded any liabilities related to such claims based on management judgments, after considering judgments and opinions of outside counsel. Because litigation in Brazil historically takes many years to resolve, it is very difficult to estimate the timing of resolution of these matters; however, it is possible that certain of these matters may be resolved within the near term. The company is vigorously defending against the proceedings.

- On September 1, 2010, CADE (Brazilian Administrative Council for Economic Defense) announced alleged anticompetitive activity on the part of five industrial gas companies in Brazil and imposed fines on all five companies. Originally, CADE imposed a civil fine of R$2.2 billion Brazilian reais (US$1.1 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$840 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.

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.

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12. Segments

Sales and operating profit by segment for the quarters and nine-month periods ended September 30, 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.

(Millions of dollars)	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011 (b)	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011 (b)
SALES[(a)]				
North America	$ 1,391	$ 1,416	$ 4,182	$ 4,102
Europe	352	361	1,111	1,076
South America	516	607	1,598	1,776
Asia	358	349	1,040	1,014
Surface Technologies	157	163	494	488
	$ 2,774	$ 2,896	$ 8,425	$ 8,456
OPERATING PROFIT				
North America	$ 374	$ 340	$ 1,098	$ 978
Europe	60	68	196	208
South America	112	140	337	412
Asia	52	58	177	174
Surface Technologies	25	26	78	78
Segment operating profit	623	632	1,886	1,850
Cost reduction program and other charges (Note 2)	(65)		(65)	
Total operating profit	$ 558	$ 632	$ 1,821	$ 1,850

(a) Intersegment sales, primarily from North America to other segments, were not significant for the quarters and nine months ended September 30, 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 segments with offsetting declines in the North America segment. Prior period amounts have been reclassified to conform to the current year presentation.

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13. Equity and Redeemable Noncontrolling Interests

Equity

A summary of the changes in total equity for the quarters and nine months ended September 30, 2012 and 2011 is provided below:

(Millions of dollars)

	Quarter Ended September 30,					
	2012			2011		
Activity	**Praxair, Inc. Shareholders Equity**	**Noncontrolling Interests**	**Total Equity**	**Praxair, Inc. Shareholders Equity**	**Noncontrolling Interests**	**Total Equity**
Balance, beginning of period	$ 5,615	$ 279	$ 5,894	$ 6,400	$ 370	$ 6,770
Net income (b)	430	5	435	429	14	443
Translation adjustments	238	7	245	(706)	(12)	(718)
Derivative instruments, net of $2 million taxes in 2012 and $4 million taxes 2011	(5)		(5)	(8)		(8)
Funded status - retirement obligations, net of $4 million in 2012 and $5 million taxes in 2011	6		6	7		7
Noncontrolling interests:						
Additions (reductions) (a)		45	45			
Dividends and other capital reductions		(5)	(5)		(4)	(4)
Redemption value adjustments	(5)		(5)			
Dividends to Praxair, Inc. common stock holders ($0.55 per share in 2012 and $0.50 per share in 2011)	(164)		(164)	(150)		(150)
Issuances of common stock:						
For the dividend reinvestment and stock purchase plan	3		3	2		2
For employee savings and incentive plans	20		20	23		23
Purchases of common stock	(146)		(146)	(275)		(275)
Tax benefit from share-based compensation	6		6	15		15
Share-based compensation	17		17	16		16
Balance, end of period	$ 6,015	$ 331	$ 6,346	$ 5,753	$ 368	$ 6,121

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Activity	2012 Praxair, Inc. Shareholders Equity	2012 Noncontrolling Interests	2012 Total Equity	2011 Praxair, Inc. Shareholders Equity	2011 Noncontrolling Interests	2011 Total Equity
	Nine Months Ended September 30,					
Balance, beginning of period	$ 5,488	$ 309	$ 5,797	$ 5,792	$ 353	$ 6,145
Net income (b)	1,278	23	1,301	1,252	39	1,291
Translation adjustments	(29)	(2)	(31)	(358)	3	(355)
Derivative instruments, net of less than $1 million taxes in 2012 and $4 million taxes in 2011				(8)		(8)
Funded status - retirement obligations, net of $11 million taxes in 2012 and $1 million taxes in 2011	22		22	12		12
Noncontrolling interests:						
Additions (reductions) (a)		45	45		(1)	(1)
Dividends and other capital reductions		(44)	(44)		(26)	(26)
Redemption value adjustments	(11)		(11)			
Dividends to Praxair, Inc. common stock holders ($1.65 per share in 2012 and $1.50 per share in 2011)	(492)		(492)	(453)		(453)
Issuances of common stock:						
For the dividend reinvestment and stock purchase plan	6		6	6		6
For employee savings and incentive plans	108		108	167		167
Purchases of common stock	(459)		(459)	(753)		(753)
Tax benefit from stock options	52		52	50		50
Share-based compensation	52		52	46		46
Balance, end of period	$ 6,015	$ 331	$ 6,346	$ 5,753	$ 368	$ 6,121

(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 and $15 million for the quarter and nine months ended September 30, 2012, respectively, which is not part of total equity (see below). There were no redeemable noncontrolling interests recorded at September 30, 2011.

The components of AOCI are as follows:

(Millions of dollars)	September 30, 2012	December 31, 2011
Cumulative translation adjustments (CTA)	$ (1,088)	$ (1,057)
Derivative instruments	(5)	(5)
Funded status - retirement obligations	(662)	(684)
	(1,755)	(1,746)
Noncontrolling interests (CTA)	2	
AOCI - Praxair, Inc.	$ (1,753)	$ (1,746)

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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 nine months ended September 30, 2012:

(Millions of dollars)	
Balance, December 31, 2011	$ 220
Net income	15
Distributions to noncontrolling interest	(8)
Redemption value adjustment/accretion	11
Foreign currency translation and other	5
Balance, September 30, 2012	$ 243

14. Income Taxes

In June 2012, the Company settled its 2007 and 2008 U.S. income tax audit with the Internal Revenue Service. The settlement was not significant to the consolidated financial statements.

In 2011, the Company requested a pre-filing agreement (PFA) with the U.S. Internal Revenue Service related to a loss of a liquidated subsidiary as a result of the divestiture of the U.S. Homecare business. The PFA was settled during the third quarter of 2012. Refer to Note 2.

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

Adjusted Amounts and Comparisons

The discussion of consolidated results and outlook in this Management s Discussion and Analysis (MD&A) as it relates to the quarter and nine month periods are based on adjusted amounts for 2012. The adjusted amounts for 2012 are non-GAAP measures that supplement an understanding of the company s financial information by presenting information that investors, financial analysts and management use to help evaluate the company s performance and ongoing business trends on a comparable basis. See the Consolidated Results section of this MD&A for a summary of these adjusted amounts. A reconciliation of reported amounts to adjusted amounts can be found in the Non-GAAP Financial Measures section of this MD&A.

Consolidated Results

Praxair s sales in the third quarter were 4% below the prior-year quarter. Sales grew 4% from higher prices and acquisitions. This growth was offset by the negative effects of foreign currency translation due to the strengthening of the US dollar against most major currencies, and lower cost pass-through, primarily lower natural gas prices. Overall volumes were flat as compared to the prior year. Sales growth was strongest to metals and energy markets. Higher volumes in Asia from new plant start-ups were offset primarily by lower volumes in Europe and South America due to softer macroeconomic conditions, which reduced demand in those geographies from manufacturing and metals customers. Sales growth in North America was mitigated by lower cost pass-through and negative currency effects. North America volumes were flat as compared to prior year as weaker demand from electronics and chemicals customers was offset by growth in other markets. New project development activity continues to be strong in North America, South America, and Asia. Adjusted operating profit was 1% below the prior-year quarter. Excluding currency effects, adjusted operating profit grew 7% from price, productivity gains, acquisitions, and an increase in other income.

The following table provides summary data for the quarters and nine months ended September 30, 2012 and 2011:

	Quarter Ended September 30,			Nine Months Ended September 30,		
(Dollar amounts in millions, except per share data)	2012	2011	Variance	2012	2011	Variance
Reported Amounts						
Sales	$ 2,774	$ 2,896	(4)%	$ 8,425	$ 8,456	(0)%
Cost of sales, exclusive of depreciation and amortization	$ 1,595	$ 1,684	(5)%	$ 4,813	$ 4,860	(1)%
Gross margin	$ 1,179	$ 1,212	(3)%	$ 3,612	$ 3,596	0%
As a percent of sales	42.5%	41.9%		42.9%	42.5%	
Selling, general and administrative	$ 306	$ 307		$ 951	$ 924	3%
As a percent of sales	11.0%	10.6%		11.3%	10.9%	
Depreciation and amortization	$ 248	$ 256	(3)%	$ 747	$ 754	(1)%
Cost reduction program and other charges (a)	$ 65	$		$ 65	$	
Other income (expense) - net	$ 22	$ 5		$ 45	$ (1)	
Operating profit	$ 558	$ 632	(12)%	$ 1,821	$ 1,850	(2)%
As a percent of sales	20.1%	21.8%		21.6%	21.9%	
Interest expense - net	$ 36	$ 36		$ 106	$ 107	(1)%
Effective tax rate	17.2%	27.9%		24.7%	27.8%	
Income from equity investments	$ 8	$ 13	(38)%	$ 25	$ 33	(24)%
Noncontrolling interests	$ (10)	$ (14)	(29)%	$ (38)	$ (39)	(3)%
Net income - Praxair, Inc.	$ 430	$ 429		$ 1,278	$ 1,252	2%
Diluted earnings per share	$ 1.43	$ 1.40	2%	$ 4.23	$ 4.07	4%
Diluted shares outstanding	301,731	305,623	(1)%	302,352	307,581	(2)%
Adjusted Amounts for 2012 (a,b)						
Operating profit	$ 623	$ 632	(1)%	$ 1,886	$ 1,850	2%
As a percent of sales	22.5%	21.8%		22.4%	21.9%	
Effective tax rate	27.9%	27.9%		28.0%	27.8%	
Noncontrolling interests	$ (12)	$ (14)	(14)%	$ (40)	$ (39)	3%
Net income - Praxair, Inc.	$ 419	$ 429	(2)%	$ 1,267	$ 1,252	1%
Diluted earnings per share	$ 1.39	$ 1.40	(1)%	$ 4.19	$ 4.07	3%

(a) See Note 2 to the condensed consolidated financial statements.
(b) Adjusted amounts for 2012 are non-GAAP measures and are presented to facilitate comparisons with 2011, which are not adjusted. Non-GAAP adjustments for 2012 are summarized below and a reconciliation of reported amounts to adjusted amounts can be found in the Non-GAAP Financial Measures section of this MD&A.

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The following items were recorded in the condensed consolidated financial statements and were excluded for adjusted amounts. See Note 2 to the condensed consolidated financial statements for a more detailed description of these items.

(Millions of dollars)	Operating Loss	Income Tax Benefit	Noncontrolling Interests	Net Income (Loss) Praxair, Inc.
Cost reduction program	$ (56)	$ (16)	$ (2)	$ (38)
Pension settlement Charge	(9)	(3)		(6)
Income tax benefit		(55)		55
Total	$ (65)	$ (74)	$ (2)	$ 11

Cost Reduction Program

In the third quarter 2012, Praxair recorded pre-tax charges totaling $56 million ($38 million after-tax and noncontrolling interest), relating to severance and business restructuring actions primarily in Europe within the industrial gases and surface technologies businesses. The cost reduction program was initiated primarily in response to the continuing economic downturn in Europe.

Pension Settlement Charge

During 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. Accordingly, Praxair recorded a settlement charge related to net unrecognized actuarial losses of $9 million ($6 million after-tax) in July 2012 when cash payments were made.

Pre-filing Agreement

In 2011 Praxair requested a pre-filing agreement (PFA) with the U.S. Internal Revenue Service (IRS) related to a loss on a liquidated subsidiary resulting from the divestiture of the US Homecare Business. During the third quarter of 2012, the IRS approved the PFA resulting in a net income tax benefit of $55 million.

Results of Operations

As previously described, references to adjusted amounts refer to reported amounts adjusted to exclude the impact of special items and are non-GAAP measures. A reconciliation of reported amounts to adjusted amounts can be found in the Non-GAAP Financial Measures section of this MD&A.

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

	Quarter Ended September 30, 2012 vs. 2011 % Change		Nine Months Ended September 30, 2012 vs. 2011 % Change	
	Sales	Adjusted Operating Profit	Sales	Adjusted Operating Profit
Factors Contributing to Changes				
Volume	%	(4)%	2%	1%
Price	2%	6%	2%	7%
Cost pass-through	(1)%	%	(1)%	%
Currency	(7)%	(8)%	(5)%	(6)%
Acquisitions/divestitures	2%	2%	2%	1%
Other	%	3%	%	(1)%
	(4)%	(1)%	%	2%

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

	Quarter Ended September 30, % of Sales		% Change	Nine Months Ended September 30, % of Sales		% Change
	2012	2011	Organic Sales*	2012	2011	Organic Sales*
Sales by End Markets						
Manufacturing	25%	24%	3%	25%	24%	6%
Metals	17%	17%	6%	18%	18%	6%
Energy	12%	12%	5%	11%	11%	13%
Chemicals	10%	10%	(3)%	10%	10%	(1)%
Electronics	9%	9%	(3)%	9%	9%	(2)%
Healthcare	8%	8%	6%	8%	9%	6%
Food & Beverage	7%	6%	%	6%	6%	%
Aerospace	3%	3%	11%	3%	3%	10%
Other	9%	11%	(10)%	10%	10%	(4)%
	100%	100%		100%	100%	

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

	Quarter Ended September 30, % of Sales		Nine Months Ended September 30, % of Sales	
	2012	2011	2012	2011
Sales by Distribution Method				
On- Site	26%	25%	25%	25%
Packaged Gas	28%	27%	29%	28%
Merchant	32%	31%	31%	31%
Other	14%	17%	15%	16%
	100%	100%	100%	100%

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Sales declined $122 million, or 4%, for the third quarter and decreased $31 million for the nine months ended September 30, 2012, versus the respective 2011 periods. For the quarter, sales growth from higher pricing and acquisitions was offset by the negative effects of foreign currency translation and lower cost pass-through. Overall volumes were flat as compared to the prior year, as growth in Asia from new project start-ups was offset by lower volumes in other geographic segments, primarily Europe and South America, resulting from weaker macroeconomic conditions in those regions which curtailed customer demand. For the nine-month period, sales were comparable to the prior year. Underlying sales grew 4% from higher volumes and higher price. Acquisitions added 2% to sales growth. This growth was offset by negative currency translation effects and lower cost pass-through. By end-market, organic sales increased to energy, metals, manufacturing, and healthcare customers, for both the quarter and nine-month periods. Sales were lower to the chemical and electronics end-markets.

Gross margin decreased $33 million, or 3%, for the third quarter and increased $16 million for the year-to-date period, as compared to 2011. For the quarter, the decrease was primarily a result of negative currency effects which more than offset the increased margin from improved pricing. The increase for the year-to-date period came from higher volumes and price, largely offset by negative currency effects. Gross margin as a percentage of sales for the quarter and year-to-date periods increased modestly versus the respective prior year periods. Excluding the effect of lower cost pass-through, the gross margin percentage was comparable to the prior-year periods.

Selling, general and administrative expenses decreased $1 million for the quarter and increased $27 million for the nine-month period, as compared to 2011. The increase for the nine-month period is due to higher pension and benefit costs, and acquisitions, partially offset by negative currency effects.

Depreciation and amortization expense decreased $8 million for the quarter and $7 million for the nine months. In both periods, higher expense due to new plant start-ups and acquisitions was offset by currency impacts.

Other income (expense) net was $22 million and $45 million benefit for the quarter and nine-month period, respectively, versus a $5 million benefit and $1 million expense in the respective 2011 periods. The quarter included, among other items, a gain on asset sale in North America, partially offset by other expenses. The nine-month period also included a gain on an asset sale in Korea, and a litigation settlement in South America, partially offset by severance and business restructuring charges in South America.

Adjusted operating profit decreased $9 million for the quarter and increased $36 million for the year-to-date period, versus 2011. Excluding currency effects, adjusted operating profit grew 7% for the quarter and 8% for the nine months as compared to the prior year from higher pricing and productivity. A discussion of operating profit by segment is included in the segment discussion that follows.

Interest expense-net is flat with the prior year for both the quarter and nine-month period despite higher debt levels due to lower interest rates.

The adjusted effective tax rate was 27.9% in both the third quarters of 2012 and 2011. For the 2012 year-to-date period, the adjusted effective tax rate was 28.0%, versus 27.8% in the respective 2011 period.

Praxair s significant sources of equity income are in China, Italy, and the Middle East. Income from equity investments decreased $5 million for the quarter and $8 million for the nine months due primarily to the acquisition in 2011 of a controlling interest in an industrial gas business in Scandinavia, which required consolidation.

At September 30, adjusted non-controlling interests consisted primarily of non-controlling shareholders investments in Asia (primarily China and India), Europe (primarily Italy and Scandinavia), and North America (primarily within the US packaged gas business). Adjusted non-controlling interests decreased $2 million for the quarter and increased $1 million for the nine- month period versus the respective periods in 2011 due to lower earnings of these entities, including currency effects, which offset the consolidation of the Scandinavian business.

Adjusted net income-Praxair, Inc. decreased $10 million, or 2%, for the quarter due to lower operating profit. For the nine-month period, adjusted net income increased $15 million, or 1%. Adjusted EPS of $1.39 for the quarter compares to $1.40 in the 2011 quarter. Adjusted EPS is 1% below prior year, due to lower net income, partially offset by a lower outstanding diluted share count due to the company s net repurchase of common stock. For the nine months, adjusted EPS of $4.19 is 3% above the prior year of $4.07.

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Comprehensive income of $669 million includes a positive currency adjustment of $245 million, reflecting the impact of translating foreign subsidiary balance sheets to U.S. dollars using exchange rates as of September 30, 2012. In the 2011 quarter, this currency impact was a negative $718 million. For the nine-month period in 2012, the currency translation impact is not significant.

Segment Discussion

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

	Quarter ended September 30,			Nine Months Ended September 30,		
(Dollar amounts in millions)	2012	2011 (a)	Variance	2012	2011 (a)	Variance
SALES						
North America	$ 1,391	$ 1,416	(2)%	$ 4,182	$ 4,102	2%
Europe	352	361	(2)%	1,111	1,076	3%
South America	516	607	(15)%	1,598	1,776	(10)%
Asia	358	349	3%	1,040	1,014	3%
Surface Technologies	157	163	(4)%	494	488	1%
	$ 2,774	$ 2,896		$ 8,425	$ 8,456	
OPERATING PROFIT						
North America	$ 374	$ 340	10%	$ 1,098	$ 978	12%
Europe	60	68	(12)%	196	208	(6)%
South America	112	140	(20)%	337	412	(18)%
Asia	52	58	(10)%	177	174	2%
Surface Technologies	25	26	(4)%	78	78	%
Segment operating profit	623	632	(1)%	1,886	1,850	2%
Cost reduction program and other charges (Note 2)	(65)			(65)		
Total operating profit	$ 558	$ 632		$ 1,821	$ 1,850	

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.

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North America

	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011	Variance	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Variance
Sales	$ 1,391	$ 1,416	(2)%	$ 4,182	$ 4,102	2%
Cost of sales, exclusive of depreciation and amortization	743	791		2,226	2,254	
Gross margin	648	625		1,956	1,848	
Operating expenses	149	161		487	499	
Depreciation and amortization	125	124		371	371	
Operating profit	$ 374	$ 340	10%	$ 1,098	$ 978	12%
Margin %	26.9%	24.0%		26.3%	23.8%	

	Quarter Ended September 30, 2012 vs. 2011 % Change		Nine Months Ended September 30, 2012 vs. 2011 % Change	
	Sales	Operating Profit	Sales	Operating Profit
Factors Contributing to Changes				
Volume	%	%	4%	7%
Price	2%	7%	2%	8%
Cost pass-through	(4)%	%	(3)%	%
Currency	(2)%	(2)%	(2)%	(2)%
Acquisitions/divestitures	2%	1%	1%	1%
Other	%	4%	%	(2)%
	(2)%	10%	2%	12%

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

	Quarter Ended September 30, % of Sales		% Change	Nine Months Ended September 30, % of Sales		% Change
	2012	2011	Organic Sales	2012	2011	Organic Sales
Sales by End Markets						
Manufacturing	32%	29%	7%	32%	29%	10%
Metals	13%	13%	5%	14%	13%	6%
Energy	17%	19%	6%	16%	18%	15%
Chemicals	10%	11%	(10)%	11%	11%	(5)%
Electronics	5%	6%	(15)%	5%	6%	(10)%
Healthcare	7%	7%	(1)%	7%	8%	(1)%
Food & Beverage	5%	5%	(2)%	5%	5%	(1)%
Aerospace	1%	1%	7%	1%	1	1%
Other	10%	9%	(7)%	9%	9%	1%
	100%	100%		100%	100%	

	Quarter Ended September 30, % of Sales		Nine Months Ended September 30, % of Sales	
	2012	2011	2012	2011
Sales by Distribution Method				
On- Site	27%	29%	27%	28%
Packaged Gas	34%	30%	34%	31%
Merchant	33%	32%	32%	32%
Other	6%	9%	7%	9%
	100%	100%	100%	100%

Segment sales decreased $25 million, or 2%, for the third quarter and increased $80 million, or 2%, for the nine months ended September 30, 2012 versus the respective 2011 periods. In the quarter, sales grew $53 million, or 4%, due to increased pricing and acquisitions of packaged gas distributors. Volumes in the quarter were flat compared to the prior year as higher volumes to the manufacturing, metals and energy end-markets were offset by weaker volumes to the chemicals and electronics end-markets. Negative currency, primarily the Mexican Peso and Canadian Dollar against the U.S. Dollar, and cost pass-through, primarily lower natural gas prices passed through to hydrogen customers, reduced sales by 6%. For the nine month period, sales increased $275 million, or 7%, excluding currency and cost pass-through. Volumes, pricing and acquisitions increased sales by 4%, 2% and 1%, respectively, and were partially offset by the effects of currency and cost pass-through which reduced sales by 5%.

Operating profit increased $34 million, or 10%, for the third quarter and increased $120 million, or 12%, for the nine months ended September 30, 2012 versus the respective 2011 periods. Higher pricing, productivity savings and a gain on asset sale drove the increase and more than offset inflationary cost increases and the negative impact of currency translation. Higher volumes also contributed to the increase in the year-to-date period. The operating margin rose to 26.9% for the quarter and 26.3% for the year-to-date period.

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Europe

	Quarter Ended September 30, 2012	2011	Variance %	Nine Months Ended September 30, 2012	2011	Variance %
Sales	$ 352	$ 361	(2)%	$ 1,111	$ 1,076	3%
Cost of sales, exclusive of depreciation and amortization	204	213		634	625	
Gross margin	148	148		477	451	
Operating expenses	52	44		170	140	
Depreciation and amortization	36	36		111	103	
Operating profit	$ 60	$ 68	(12)%	$ 196	$ 208	(6)%
Margin %	17.0%	18.8%		17.6%	19.3%	

	Quarter ended September 30, 2012 vs. 2011 % Change Sales	% Change Operating Profit	Nine Months Ended September 30, 2012 vs. 2011 % Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume	(2)%	(10)%	(2)%	(9)%
Price	1%	3%	1%	3%
Cost pass-through	(1)%	%	(1)	
Currency	(13)%	(17)%	(8)%	(9)%
Acquisitions/divestitures	13%	12%	13%	10%
Other	%	%	%	(1)%
	(2)%	(12)%	3%	(6)%

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

	Quarter Ended September 30, % of Sales 2012	2011	% Change Organic Sales	Nine Months Ended September 30, % of Sales 2012	2011	% Change Organic Sales
Sales by End Markets						
Manufacturing	22%	21%	(7)%	23%	21%	(4)%
Metals	16%	17%	(4)%	16%	18%	(3)%
Energy	4%	3%	(12)%	3%	3%	(11)%
Chemicals	16%	18%	(1)%	17%	18%	%
Electronics	8%	8%	(3)%	8%	8%	(9)%
Healthcare	12%	12%	7%	11%	12%	2%
Food & Beverage	10%	7%	(8)%	9%	7%	(6)%
Aerospace	1%	1%	%	1%	1%	%
Other	11%	13%	(2)%	12%	12%	5%
	100%	100%		100%	100%	

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	Quarter Ended September 30, % of Sales		Nine Months Ended September 30, % of Sales	
	2012	2011	2012	2011
Sales by Distribution Method				
On- Site	19%	21%	20%	21%
Packaged Gas	42%	42%	42%	41%
Merchant	33%	32%	33%	32%
Other	6%	5%	5%	6%
	100%	100%	100%	100%

Segment sales decreased $9 million, or 2%, for the third quarter and increased $35 million, or 3%, for the nine months ended September 30, 2012 versus the respective 2011 periods. For the quarter underlying sales were relatively flat when compared to the prior year as improved pricing partially offset lower volume. Volumes in Spain and Italy were below prior year quarter primarily attributable to packaged gases, and Germany experienced decreased on-site volumes as customer demand has weakened due to lower industrial economic activity. The consolidation of Yara Praxair Holding AS (Yara Praxair) in October 2011 increased revenues by 13% for both the quarter and nine-months ended September 30, 2012. Excluding the impact of Yara Praxair and the 8% decrease in sales due to weaker currency (primarily the Euro) sales were slightly down for the nine-month period versus the prior year comparable period, as 1% higher pricing could not fully offset lower volumes. Volumes in Spain and Italy were below the prior year comparable period primarily due to packaged gases, where customer demand was weaker due to lower industrial economic activity.

Operating profit decreased by $8 million, or 12%, for the third quarter and $12 million, or 6% for the nine months ended September 30, 2012 versus the respective 2011 periods. Excluding the Yara Praxair acquisition and the negative currency impact, underlying operating profit decreased primarily driven by lower sales volumes. Volumes decreased operating profit by 10% for the third quarter and 9% for the nine month period, partially offset by improved pricing. Excluding the impact of currency, depreciation increased $5 million and $16 million for the quarter and nine-months period ended September 30, 2012, respectively, due primarily to the acquisition of Yara Praxair and the start up of a plant in Germany. Operating margins were below the prior-year periods, primarily due to difficulties increasing prices in line with operating cost inflation.

South America

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2012	2011	Variance	2012	2011	Variance
Sales	$ 516	$ 607	(15)%	$ 1,598	$ 1,776	(10)%
Cost of sales, exclusive of depreciation and amortization	294	339		921	989	
Gross margin	222	268		677	787	
Operating expenses	65	76		201	224	
Depreciation and amortization	45	52		139	151	
Operating profit	$ 112	$ 140	(20)%	$ 337	$ 412	(18)%
Margin %	21.7%	23.1%		21.1%	23.2%	

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	Quarter ended September 30, 2012 vs. 2011		Nine Months Ended September 30, 2012 vs. 2011	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume	(1)%	(11)%	%	(4)%
Price	2%	9%	2%	10%
Cost pass-through	1%	%	1%	%
Currency	(17)%	(18)%	(13)%	(15)%
Other	%	%	%	(9)%
	(15)%	(20)%	(10)%	(18)%

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

	Quarter Ended September 30, % of Sales		% Change Organic Sales	Nine Months Ended September 30, % of Sales		% Change Organic Sales
	2012	2011		2012	2011	
Sales by End Markets						
Manufacturing	22%	24%	(2)%	23%	24%	(2)%
Metals	28%	27%	6%	28%	28%	7%
Energy	4%	5%	(11)%	4%	5%	(9)%
Chemicals	6%	6%	(6)%	6%	6%	(6)%
Healthcare	17%	14%	13%	16%	14%	16%
Food & Beverage	11%	11%	1%	12%	11%	%
Other	12%	13%	(8)%	11%	12%	(1)%
	100%	100%		100%	100%	

	Quarter Ended September 30, % of Sales		Nine Months Ended September 30, % of Sales	
	2012	2011	2012	2011
Sales by Distribution Method				
On- Site	23%	22%	22%	22%
Packaged Gas	25%	27%	24%	27%
Merchant	38%	38%	37%	39%
Other	14%	13%	17%	12%
	100%	100%	100%	100%

Sales decreased $91 million, or 15%, in the third quarter and $178 million, or 10%, for the nine-months ended September 30, 2012 versus the respective 2011 periods. Underlying sales grew 1% for the quarter and 2% for the nine-months, primarily due to improved pricing in both periods partially offset by lower volumes in the current quarter versus 2011. Negative currency impacts, primarily the weakening of the Brazilian Real against the U.S. Dollar, reduced sales by 17% in the quarter and 13% for the nine months versus 2011. Higher volumes from new

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on-site production facilities were more than offset by lower volumes to merchant and packaged gas customers largely attributable to the lower industrial production rates in Brazil. By end-market, year-over-year sales increased to metals and healthcare customers, and were lower to general manufacturing customers.

Operating profit decreased in the 2012 periods versus 2011, primarily due to currency translation impacts which reduced operating profit by 18% in the quarter and 15% for the nine-months versus the respective 2011 periods. Excluding currency effects, operating profit in the quarter decreased 2% from the prior year, and decreased 3% for the nine-months versus 2011. Higher pricing in the 2012 periods was more than offset by the impact of a lower mix of higher margin packaged gas and merchant liquid volumes. Reported operating expenses were below prior year amounts due primarily to currency impacts. Depreciation and amortization increased due to the start up of new on-site production facilities but was more than offset by the impacts of currency translation. The nine-month period also included a first-quarter benefit from litigation settlements, which was largely offset by charges in connection with business restructurings in Brazil, Chile and Colombia.

Asia

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2012	2011	Variance	2012	2011	Variance
Sales	$ 358	$ 349	3%	$ 1,040	$ 1,014	3%
Cost of sales, exclusive of depreciation and amortization	249	233		707	671	
Gross margin	109	116		333	343	
Operating expenses	27	25		63	73	
Depreciation and amortization	30	33		93	96	
Operating profit	$ 52	$ 58	(10)%	$ 177	$ 174	2%
Margin %	14.5%	16.6%		17.0%	17.2%	

	Quarter ended September 30, 2012 vs. 2011		Nine Months Ended September 30, 2012 vs. 2011	
	% Change Sales	% Change Operating Profit	% Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume	5%	%	5%	%
Price	(1)%	(3)%	(1)%	(4)%
Cost pass-through	3%	%	2%	%
Currency	(4)%	(4)%	(3)%	(3)%
Other	%	(3)%	%	9%
	3%	(10)%	3%	2%

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

	Quarter Ended September 30, % of Sales			Nine Months Ended September 30, % of Sales		%
	2012	2011	% Change Organic Sales	2012	2011	Change Organic Sales
Sales by End Markets						
Manufacturing	11%	13%	(4)%	12%	13%	(2)%
Metals	24%	23%	19%	25%	22%	18%
Energy	%	1%	%	%	1%	%
Chemicals	11%	10%	17%	11%	10%	11%
Electronics	39%	39%	4%	38%	40%	(1)%
Healthcare	1%	1%	%	1%	1%	%
Food & Beverage	3%	4%	(12)%	3%	4%	(9)%
Aerospace	%	%	%	%	%	%
Other	11%	9%	23%	10%	9%	19%
	100%	100%		100%	100%	

	Quarter Ended September 30, % of Sales		Nine Months Ended September 30, % of Sales	
	2012	2011	2012	2011
Sales by Distribution Method				
On- Site	42%	38%	41%	38%
Packaged Gas	11%	13%	12%	14%
Merchant	29%	32%	29%	31%
Other	18%	17%	18%	17%
	100%	100%	100%	100%

Segment sales increased $9 million, or 3%, in the third quarter and $26 million, or 3% for the nine-months ended September 30, 2012 versus the respective 2012 periods. Volume growth increased sales by 5% for the third quarter and nine-month periods due to higher on-site sales from new plant start-ups in China. Overall volume growth was mitigated by lower demand from the electronics end-market including semiconductor, flat panel display, and solar customers. Lower merchant pricing, primarily due to the electronics end-market, reduced sales for the quarter and nine-month periods as compared to the prior year. Negative currency impacts, primarily the weakening of the Indian Rupee against the U.S. Dollar, reduced sales by 4% in the quarter and 3% for the nine months versus 2011. By end-market, sales increased to metals and chemicals customers, and decreased to manufacturing and photovoltaic customers for both periods. Cost pass-through increased sales by 3% for the quarter and 2% for the nine-month period and relates to the contractual pass through of precious metals and power costs fluctuations, with minimal impact on operating profit.

Operating profit decreased $6 million, or 10%, for the third quarter and increased $3 million, or 2%, for nine months ended September 30, 2012 versus the respective 2011 periods. Higher volumes in both periods due to new plant start-ups increased operating profit; however, this was offset by lower sales of higher margin merchant volumes in China and Thailand. Lower price decreased operating profit by 3% and 4% in the quarter and nine-month period, respectively. Operating profit included a gain on a land sale in Korea for the nine-months ended September 30, 2012. This gain was partially offset by inflationary cost increases.

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Surface Technologies

	Quarter Ended September 30, 2012	2011	Variance	Nine Months Ended September 30, 2012	2011	Variance
Sales	$ 157	$ 163	(4)%	$ 494	$ 488	1%
Cost of sales, exclusive of depreciation and amortization	105	108		325	321	
Gross margin	52	55		169	167	
Operating expenses	17	18		59	56	
Depreciation and amortization	10	11		32	33	
Operating profit	$ 25	$ 26	(4)%	$ 78	$ 78	%
Margin %	15.9%	16.0%		15.8%	16.0%	

	Quarter ended September 30, 2012 vs. 2011 % Change Sales	% Change Operating Profit	Nine Months Ended September 30, 2012 vs. 2011 % Change Sales	% Change Operating Profit
Factors Contributing to Changes				
Volume/Price	2%	9%	4%	12%
Currency	(6)%	(8)%	(3)%	(5)%
Other	%	(5)%	%	(7)%
	(4)%	(4)%	1%	%

The following table provides sales by end-market:

	Quarter Ended September 30, 2012 % of Sales 2012	2011	% Change Organic Sales	Nine Months Ended September 30, 2012 % of Sales 2012	2011	% Change Organic Sales
Sales by End Markets						
Manufacturing	14%	14%	3%	14%	14%	7%
Metals	8%	10%	(14)%	8%	10%	(18)%
Energy	28%	26%	10%	28%	25%	18%
Chemicals	3%	3%	%	3%	3%	12%
Electronics	1%	%	%	1%	%	%
Food & Beverage	2%	2%	21%	3%	3%	14%
Aerospace	35%	31%	12%	34%	31%	12%
Other	9%	14%	(31)%	9%	14%	(25)%
	100%	100%		100%	100%	

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Segment sales decreased $6 million, or 4% for the quarter and increased $6 million, or 1%, for the nine months ended September 30, 2012 versus 2011. Underlying sales increased 2% and 4% driven by higher volumes and pricing. The underlying sales growth came from increased aerospace coatings and increased coatings for energy markets, particularly coatings for parts used in the oil and gas markets. Currency translation negatively impacted sales by 6% and 3% for the quarter and nine month periods, due primarily to the weakening of the Euro versus the U.S. Dollar.

Operating profit decreased 4% for the quarter and remained unchanged for the nine months ended September 30, 2012 versus the respective 2011 periods. For the quarter and nine-month period higher volumes and higher pricing increased operating profit by 9% and 12%, respectively. These increases were offset by negative currency impacts and higher costs as compared to the prior year, primarily relating to employee wages and benefit costs, 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 [(a)]	Exchange Rate for Income Statement Year-To-Date Average		Exchange Rate for Balance Sheet	
		2012	2011	September 30, 2012	December 31, 2011
Brazil real	16%	1.91	1.63	2.03	1.88
Euro	14%	0.78	0.71	0.78	0.77
Canada dollar	9%	1.01	0.98	0.98	1.02
Mexico peso	6%	13.32	11.95	12.92	13.95
China yuan	4%	6.31	6.52	6.34	6.31
Korea won	3%	1,144	1,094	1,121	1,157
India rupee	2%	53.17	45.10	53.58	52.96
Singapore dollar	2%	1.26	1.25	1.23	1.30
Argentina peso	1%	4.46	4.09	4.70	4.30
Colombia peso	1%	1,794	1,822	1,801	1,943
Taiwan dollar	1%	29.79	29.10	29.36	30.30
Thailand bhat	1%	31.22	30.33	30.98	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.

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Liquidity, Capital Resources and Other Financial Data

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

(Millions of dollars)	Nine Months Ended September 30, 2012	2011
NET CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net income - Praxair, Inc. plus depreciation and amortization	$ 2,025	$ 2,006
Noncontrolling interests	38	39
Net income plus depreciation and amortization (including noncontrolling interests)	2,063	2,045
Adjustments to reconcile net income to net cash provided by operating activities:		
Cost reduction program (a)	52	
Deferred income taxes	202	33
Working capital	(318)	(293)
Pension contributions	(112)	(87)
Long-term assets, liabilities and other	(14)	(34)
Net cash provided by operating activities	$ 1,873	$ 1,664
INVESTING ACTIVITIES		
Capital expenditures	(1,594)	(1,225)
Acquisitions, net of cash acquired	(109)	(99)
Divestitures and asset sales	77	40
Net cash used for investing activities	$ (1,626)	$ (1,284)
FINANCING ACTIVITIES		
Debt increases (reductions) - net	583	725
Issuances (purchases) of common stock - net	(312)	(594)
Cash dividends - Praxair, Inc. shareholders	(492)	(453)
Excess tax benefit on share-based compensation	50	47
Noncontrolling interest transactions and other	(55)	(4)
Net cash (used for) provided by financing activities	$ (226)	$ (279)

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

Cash Flow from Operations

Cash provided by operations of $1,873 million for the nine months ended September 30, 2012 increased $209 million versus 2011. The increase was primarily due to higher net income Praxair, Inc., and the impact of higher deferred income tax liabilities. These increases were partially offset by a $25 million increase in pension contributions.

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Praxair estimates that total 2012 contributions to its pension plans will be in the area of $120 million, of which $112 million have been made through September 30, 2012. In addition, Praxair expects to make $44 million of cash payments in the next twelve months related to the cost reduction program (see Note 2).

In July the Moving Ahead for Progress in the 21st Century Act was passed in the United States that could impact companies pension funding requirements and pension expense. Praxair does not expect it to have a significant impact on future pension contributions or pension expense.

Investing

Net cash used for investing of $1,626 million for the nine months ended September 30, 2012 increased $342 million versus 2011 primarily due to the $369 million increase in capital expenditures related largely to new production plants under contract for customers. Acquisitions of $109 million primarily relate to several acquisitions within North America. Divestitures and asset sales of $77 million include the sale of an electronics business in the United States and a land sale in Korea.

Financing

Cash used by financing activities was $226 million in 2012 versus $279 million in 2011.

In 2012, net debt increases of $583 million contributed to the funding of $312 million of net common stock repurchases and $492 million of cash dividends. Cash dividends increased $39 million from the year ago period to $1.65 per share ($1.50 per share for 2011).

At September 30, 2012, Praxair s total debt outstanding was $7,136 million, an increase of $574 million from December 31, 2011. In February 2012, Praxair issued $600 million of 2.45% notes due 2022, and in August 2012, Praxair issued $500 million of 2.20% notes due 2022. In April 2012, Praxair repaid $500 million of 6.375% notes that became due.

Legal Proceedings

See Note 11 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.

To be more consistent with the methodology used for annual reporting and to improve comparability, effective in the third quarter 2012 the company changed the methodology that it uses for calculating the following non-GAAP measures: Debt to capital, After-tax ROC, ROE, Debt-to-Adjusted EBITDA These calculations are now based on a rolling four quarters approach for the earnings component of the calculations (NOPAT, Net income- Praxair, Inc., Adjusted EBITDA) and a five quarter average for the balance sheet component of the calculation (capital, equity, debt). In addition, the company decided to use net debt instead of debt in the calculations. Net debt is defined as debt less cash and cash equivalents. Prior period amounts have been adjusted to conform to the current methodology.

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

(Dollar amounts in millions, except per share data)	September 30, 2012	September 30, 2011
Debt-to-capital	51.6%	51.8%*
After-tax return on capital	14.2%	14.8%
Return on equity	29.2%	27.2%
Debt-to-EBITDA	1.9	1.7

* As of December 31, 2011

	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Adjusted amounts:				
Operating profit	$ 623	$ 632	$ 1,886	$ 1,850
As a percent of sales	22.5%	21.8%	22.4%	21.9%
Effective tax rate	27.9%	27.9%	28.0%	27.8%
Net income - Praxair, Inc.	$ 419	$ 429	$ 1,267	$ 1,252
Diluted earnings per share	$ 1.39	$ 1.40	$ 4.19	$ 4.07

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.

(Dollar amounts in millions)	September 30, 2012	December 31, 2011
Debt	7,136	6,562
Less: cash and cash equivalents	(108)	(90)
Net debt	7,028	6,472
Equity and redeemable noncontrolling interests		
Redeemable noncontrolling interests	243	220
Praxair, Inc. shareholders equity	6,015	5,488
Noncontrolling interests	331	309
Total equity and redeemable noncontrolling interests	6,589	6,017
Capital	13,617	12,489
DEBT-TO-CAPITAL RATIO	51.6%	51.8%

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After-tax Return on Capital (ROC)

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

	2012			2011		
(Dollar amounts in millions)	Four Quarter Trailing	Nine Months Ended September 30, 2012	Quarter Ended December 31, 2011	Four Quarter Trailing	Nine Months Ended September 30, 2011	Quarter Ended December 31, 2010
Adjusted operating profit (see below)	2,505	1,886	619	2,413	1,850	563
Less: adjusted income taxes (see below)	(660)	(498)	(162)	(634)	(485)	(149)
Less: tax benefit on interest expense*	(40)	(29)	(11)	(38)	(30)	(8)
Add: equity income	32	25	7	44	33	11
Net operating profit after-tax (NOPAT)	1,837	1,384	453	1,785	1,368	417
Capital:						
September 30th	13,617			12,306		
June 30th	13,017			12,809		
March 31st	13,248			12,289		
December 31st, 2011 & 2010 respectively	12,489			11,663		
September 30th, 2011 & 2010 respectively	12,306			11,336		
Five-quarter average	12,935			12,081		
After-tax ROC	14.2%			14.8%		

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

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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.

	2012			2011		
(Dollar amounts in millions)	Four Quarter Trailing	Nine Months Ended September 30, 2012	Quarter Ended December 31, 2011	Four Quarter Trailing	Nine Months Ended September 30, 2011	Quarter Ended December 31, 2010
Adjusted Net income - Praxair, Inc. (see below)	1,681	1,267	414	1,640	1,252	388
Praxair, Inc. shareholders equity						
September 30th	6,015			5,753		
June 30th	5,615			6,400		
March 31st	5,940			6,165		
December 31st, 2011 & 2010 respectively	5,488			5,792		
September 30th, 2011 & 2010 respectively	5,753			5,991		
Five-quarter average	5,762			6,020		
ROE	29.2%			27.2%		

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Adjusted EBITDA and Debt-to-Adjusted EBITDA Ratio

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

	2012			2011		
(Dollar amounts in millions)	Four Quarter Trailing	Nine Months Ended September 30, 2012	Quarter Ended December 31, 2011	Four Quarter Trailing	Nine Months Ended September 30, 2011	Quarter Ended December 31, 2010
Adjusted net income - Praxair, Inc. (see below)	$ 1,681	$ 1,267	$ 414	$ 1,640	$ 1,252	$ 388
Add: adjusted noncontrolling interest (see below)	52	40	12	48	39	9
Add: interest expense - net	144	106	38	135	107	28
Add: adjusted income taxes (see below)	660	498	162	634	485	149
Add: depreciation and amortization	996	747	249	994	754	240
Adjusted EBITDA	$ 3,533	$ 2,658	$ 875	$ 3,451	$ 2,637	$ 814
Net Debt:						
September 30th	$ 7,028			$ 6,185		
June 30th	$ 6,891			$ 6,039		
March 31st	$ 6,749			$ 5,752		
December 31st, 2011 & 2010 respectively	$ 6,472			$ 5,518		
September 30th, 2011 & 2010 respectively	$ 6,185			$ 5,006		
Five-quarter average	$ 6,665			$ 5,700		
DEBT-TO-ADJUSTED EBITDA RATIO	1.9			1.7		

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Adjusted Amounts

Adjusted amounts for the quarter and nine month period ended September 30, 2012 exclude the impact of the pension settlement charge, cost reduction program and income tax benefit . The company does not believe these items are indicative of on-going business trends and, accordingly, the impact is excluded from the reported amounts so that investors can better evaluate and analyze historical and future business trends on a consistent basis. Certain 2011 amounts are included for reference purposes. Adjusted amounts for the fourth quarter 2011 and fourth quarter 2010 have been included for reference purposes and to facilitate the calculations contained herein.

(Dollar amounts in millions, except per share data)	**Quarter Ended September 30, 2012**	**2011**	**Nine Months Ended September 30, 2012**	**2011**	**Quarter Ended December 31, 2011**	**Quarter Ended December 31 2010**
Adjusted Operating Profit and Margin						
Reported operating profit	$ 558	$ 632	$ 1,821	$ 1,850	$ 618	$ 505
Add: Pension settlement charge	9		9			
Add: Cost reduction program	56		56		40	
Less: Gain on acquisition					(39)	
Add: U.S. Homecare divestiture						58
Total adjustments	65		65		1	58
Adjusted operating profit	$ 623	$ 632	$ 1,886	$ 1,850	$ 619	$ 563
Reported percent change	(12)%		(2)%			
Adjusted percent change	(1)%		2%			
Adjusted Income Taxes and Effective Tax Rate						
Reported income taxes	$ 90	$ 166	$ 424	$ 485	$ 156	$ 346
Add: Pension settlement charge	3		3			
Add: Income tax benefit	55		55			
Add: Cost reduction program	16		16		9	
Less: Gain on acquisition					(3)	
Less: Spanish income tax settlement						(250)
Add: U.S. Homecare divestiture						18
Add: Repatriation tax benefit						35
Total adjustments	74		74		6	(197)
Adjusted income taxes	$ 164	$ 166	$ 498	$ 485	$ 162	$ 149

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(Dollar amounts in millions, except per share data)	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Quarter Ended December 31, 2011	Quarter Ended December 31 2010
Reported income before income taxes and equity investments	$ 522	$ 596	$ 1,715	$ 1,743	$ 580	$ 477
Add: Pension settlement charge	9		9			
Add: Cost reduction program	56		56		40	
Less: Gain on acquisition					(39)	
Add: U.S. Homecare divestiture						58
Total adjustments	65		65		1	58
Adjusted income before income taxes and equity investments	$ 587	$ 596	$ 1,780	$ 1,743	$ 581	$ 535
Adjusted effective tax rate	27.9%	27.9%	28.0%	27.8%	27.9%	27.9%
Adjusted Noncontrolling Interests						
Reported noncontrolling interests	$ 10	$ 14	$ 38	$ 39	$ 11	$ 9
Add: Cost reduction program attributable to noncontrolling interests	2		2			
Add: Gain on acquisition					1	
Total adjustments	2		2		1	
Adjusted Noncontrolling Interests	$ 12	$ 14	$ 40	$ 39	$ 12	$ 9
Adjusted Net Income - Praxair, Inc.						
Reported net income - Praxair, Inc.	$ 430	$ 429	$ 1,278	$ 1,252	$ 420	$ 133
Add: Pension settlement charge	6		6			
Less: Income tax benefit	(55)		(55)			
Add: Cost reduction program	38		38		31	
Less: Gain on acquisition					(37)	
Add: Spanish income tax settlement						250
Add: U.S. Homecare divestiture						40
Less: Repatriation tax benefit						(35)
Total adjustments	(11)		(11)		(6)	255
Adjusted net income - Praxair, Inc.	$ 419	$ 429	$ 1,267	$ 1,252	$ 414	$ 388
Reported percent change	0%		2%			
Adjusted percent change	(2)%		1%			

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(Dollar amounts in millions, except per share data)	Quarter Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011	Quarter Ended December 31, 2011	Quarter Ended December 31 2010
Adjusted Diluted Earnings Per Share						
Reported diluted earnings per share	$ 1.43	$ 1.40	$ 4.23	$ 4.07	$ 1.38	$ 0.43
Add: Pension settlement charge	0.02		0.02			
Less: Income tax benefit	(0.18)		(0.18)			
Add: Cost reduction program	0.12		0.12		0.10	
Less: Gain on acquisition					(0.12)	
Add: Spanish income tax settlement						0.80
Add: U.S. Homecare divestiture						0.13
Less: Repatriation tax benefit						(0.11)
Total adjustments	(0.04)		(0.04)		(0.02)	0.82
Adjusted diluted earnings per share	$ 1.39	$ 1.40	$ 4.19	$ 4.07	$ 1.36	$ 1.25
Reported percent change	2%		4%			
Adjusted percent change	(1)%		3%			

Adjusted Full Year 2012 Diluted EPS Guidance

	Full Year 2012 Low End	High End
Diluted EPS guidance	$ 5.58	$ 5.63
Non-GAAP adjustments:		
Add: Pension settlement charge	0.02	0.02
Less: Income tax benefit	(0.18)	(0.18)
Add: Cost reduction program	0.12	0.12
Adjusted diluted EPS	$ 5.54	$ 5.59

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Contractual Obligations Update

In its 2011 Annual Report on Form 10-K on pages 35 and 92, Praxair disclosed unconditional purchase obligations which included a multi-year contract for the purchase of silane. At September 30, 2012 the total purchase obligation for this contract is $169 million. Since the contract was signed, the market for silane has not developed as expected and prices have decreased due to lower demand from photovoltaics and consumer electronics markets, primarily in Asia. At September 30, 2012, Praxair s current selling prices and estimated future demand for silane are in excess of its contractual purchase obligations under the contract. The company is continuously monitoring market developments.

New Accounting Standards

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

Outlook

Diluted earnings per share for the fourth quarter of 2012 are expected to be in the range of $1.35 to $1.40.

Diluted earnings per share for the full year 2012 are expected to be in the range of $5.58 to $5.63. Adjusted diluted earnings per share for the full year 2012 are expected to be in the range of $5.54 to $5.59 which excludes the impact of the third quarter 2012 cost reduction program; pension settlement charge and income tax benefit and assumes an adjusted effective tax rate of about 28%.

For the full year of 2012, Praxair expects sales in the area of $11.2 billion. As of September 30, 2012, full-year capital expenditures are expected to be about $2.2 billion.

At September 30, 2012, Praxair s backlog of large plants under construction was $2.6 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, but are not incorporated herein.

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Forward-looking Statements

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

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

(a) Based on an evaluation of the effectiveness of Praxair s disclosure controls and procedures, which was made under the supervision and with the participation of management, including Praxair s principal executive officer and principal financial officer, the principal executive officer and principal financial officer have each concluded that, as of the end of the quarterly period covered by this report, such disclosure controls and procedures are effective in ensuring that information required to be disclosed by Praxair in reports that it files under the Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and accumulated and communicated to management including Praxair s principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

(b) There were no changes in Praxair s internal control over financial reporting that occurred during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, Praxair s internal control over financial reporting.

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PART II - OTHER INFORMATION

Praxair, Inc. and Subsidiaries

Item 1. Legal Proceedings

See Note 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

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 September 30, 2012, Praxair s sales and net assets in Venezuela were less than 1% of Praxair s consolidated amounts. Also, the Company is monitoring developments regarding the collectability of government receivables from healthcare sales to public hospitals in Spain and Italy where economic conditions remain challenging and uncertain. Historically, collection of such government receivables has extended well beyond the contractual terms of sale; however, payment has always been received. At September 30, 3012, government receivables in Spain and Italy totaled about $100 million.

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

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

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

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

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

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

- Environmental protection;
- Domestic and international tax laws and currency controls;
- Safety;
- Securities laws (e.g., SEC and generally accepted accounting principles in the United States);
- Trade and import/ export restrictions;
- Antitrust matters;
- Global anti-bribery laws; and
- Healthcare reimbursement regulations

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

Praxair is subject to various environmental and occupational health and safety laws and regulations, including those governing the discharge of pollutants into the air or water, the storage, handling and disposal of chemicals, hazardous substances and wastes, the remediation of contamination, the regulation of greenhouse gas emissions, and other potential climate change initiatives. Violations of these laws could result in substantial penalties, third party claims for property damage or personal injury, or sanctions. The company may also be subject to liability for the investigation and remediation of environmental contamination at properties that it owns or operates and at other properties where Praxair or its predecessors have operated or arranged for the disposal of hazardous wastes.

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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.

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.

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

Praxair is subject to income and other taxes in both the United States and numerous foreign jurisdictions. The determination of the company s worldwide provision for income taxes and other tax liabilities requires judgment and is based on diverse legislative and regulatory structures that exist in the various jurisdictions where the company operates. Although management believes its estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in its financial statements and may materially affect the company s financial results for the period when such determination is made. See Notes 5 and 17 to the consolidated financial statements of Praxair s 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.

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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;
- 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 September 30, 2012 is provided below:

Period	**Total Number of Shares Purchased** *(Thousands)*	**Average Price Paid Per Share**	**Total Numbers of Shares Purchased as Part of Publicly Announced Program (1)** *(Thousands)*	**Maximum Number (or approximate dollar value) of Shares that May Yet be Purchased Under the Program (2)** *(Millions)*
July 2012	199	$ 105.70	199	$ 1,283

August 2012	617	$ 105.52	617	$	1,218
September 2012	568	$ 105.46	568	$	1,158
Third Quarter 2012	1,384	$ 105.52	1,384	$	1,158

(1) On January 24, 2012, the company s board of directors approved the repurchase of an additional $1.5 billion of its common stock (2012 program) which could take place from time to time on the open market (which could include the use of 10b5-1 trading plans) or through negotiated transactions, subject to market and business conditions. The 2012 program does not have any stated expiration date.

(2) As of September 30, 2012, the Company purchased $342 million of its common stock pursuant to the 2012 program, leaving an additional $1,158 million remaining authorized under the 2012 program. The 2012 program does not have any stated expiration date.

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Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits:

12.01	Computation of Ratio of Earnings to Fixed Charges.
31.01	Rule 13a-14(a) Certification
31.02	Rule 13a-14(a) Certification
32.01	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
32.02	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

* Indicates a management contract or compensatory plan or arrangement.

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SIGNATURE

Praxair, Inc. and Subsidiaries

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

PRAXAIR, INC.

(Registrant)

Date: October 24, 2012

By: /s/ Elizabeth T. Hirsch

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

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