PRAXAIR INC
Form 10-K
February 29, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-11037

Praxair, Inc.

Praxair, Inc.
39 Old Ridgebury Road
Danbury, Connecticut 06810-5113
Tel. (203) 837-2000

State of incorporation: Delaware
IRS identification number: 06-124 9050

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	**Registered on:**
Common Stock ($0.01 par value)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

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 þ 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 þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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 þ 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 Act). Yes ¨ No þ

The aggregate market value of the voting and non-voting common stock held by non-affiliates as of June 30, 2011, was approximately $33 billion (based on the closing sale price of the stock on that date as reported on the New York Stock Exchange).

At January 31, 2012, 298,410,216 shares of common stock of Praxair, Inc. were outstanding.

Documents incorporated by reference:

Portions of the Proxy Statement of Praxair, Inc., for its 2012 Annual Meeting of Shareholders, are incorporated in Part III of this report.

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PRAXAIR, INC.

ANNUAL REPORT ON FORM 10-K

For the fiscal year ended December 31, 2011

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Praxair, Inc. and Subsidiaries

PART I

ITEM 1. BUSINESS

General

Praxair, Inc. (Praxair or the company) was founded in 1907 and became an independent publicly traded company in 1992. Praxair was the first company in the United States to produce oxygen from air using a cryogenic process and continues to be a major technological innovator in the industrial gases industry.

Praxair is the largest industrial gas supplier in North and South America, is rapidly growing in Asia, and has strong, well-established businesses in Europe. Praxair s primary products in its industrial gases business are atmospheric gases (oxygen, nitrogen, argon, rare gases) and process gases (carbon dioxide, helium, hydrogen, electronic gases, specialty gases, acetylene). The company also designs, engineers, and builds equipment that produces industrial gases for internal use and external sale. The company s surface technologies segment, operated through Praxair Surface Technologies, Inc., supplies wear-resistant and high-temperature corrosion-resistant metallic and ceramic coatings and powders. Praxair s sales were $11,252 million, $10,116 million, and $8,956 million for 2011, 2010, and 2009, respectively. Refer to Note 18 to the consolidated financial statements for additional information related to Praxair s reportable segments.

Praxair serves approximately 25 industries as diverse as healthcare and petroleum refining; computer-chip manufacturing and beverage carbonation; fiber-optics and steel making; and aerospace, chemicals and water treatment. In 2011, 94% of sales were generated in four geographic segments (North America, Europe, South America and Asia) primarily from the sale of industrial gases, with the balance generated from the surface technologies segment. Praxair provides a competitive advantage to its customers by continuously developing new products and applications, which allow them to improve their productivity, energy efficiency and environmental performance.

Industrial Gases Products and Manufacturing Processes

Atmospheric gases are the highest volume products produced by Praxair. Using air as its raw material, Praxair produces oxygen, nitrogen and argon through several air separation processes of which cryogenic air separation is the most prevalent. As a pioneer in the industrial gases industry, Praxair is a leader in developing a wide range of proprietary and patented applications and supply systems technology. Praxair also led the development and commercialization of non-cryogenic air separation technologies for the production of industrial gases. These technologies open important new markets and optimize production capacity for the company by lowering the cost of supplying industrial gases. These technologies include proprietary vacuum pressure swing adsorption (VPSA) and membrane separation to produce gaseous oxygen and nitrogen, respectively. Praxair also manufactures precious metal and ceramic sputtering targets used primarily in the production of semiconductors.

Process gases, including carbon dioxide, hydrogen, carbon monoxide, helium, specialty gases and acetylene are produced by methods other than air separation. Most carbon dioxide is purchased from by-product sources, including chemical plants, refineries and industrial processes and is recovered from carbon dioxide wells. Carbon dioxide is processed in Praxair s plants to produce commercial and food-grade carbon dioxide. Hydrogen and carbon monoxide are produced by either steam methane reforming of natural gas or by purifying by-product sources obtained from the chemical and petrochemical industries. Most of the helium sold by Praxair is sourced from certain helium-rich natural gas streams in the United States, with additional supplies being acquired from outside the United States. Acetylene is typically produced from calcium carbide and water or purchased as a chemical by-product.

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Industrial Gases Distribution

There are three basic distribution methods for industrial gases: (i) on-site or tonnage; (ii) merchant liquid; and (iii) packaged or cylinder gases. These distribution methods are often integrated, with products from all three supply modes coming from the same plant. The method of supply is generally determined by the lowest cost means of meeting the customer s needs, depending upon factors such as volume requirements, purity, pattern of usage, and the form in which the product is used (as a gas or as a cryogenic liquid).

On-site. Customers that require the largest volumes of product (typically oxygen, nitrogen and hydrogen) and that have a relatively constant demand pattern are supplied by cryogenic and process gas on-site plants. Praxair constructs plants on or adjacent to these customers sites and supplies the product directly to customers by pipeline. On-site product supply contracts generally are total requirement contracts with terms typically ranging from 10-20 years and containing minimum purchase requirements and price escalation provisions. Many of the cryogenic on-site plants also produce liquid products for the merchant market. Therefore, plants are typically not dedicated to a single customer. Advanced air separation processes allow on-site delivery to customers with smaller volume requirements. Customers using these systems usually enter into requirement contracts with terms typically ranging from 5-15 years.

Merchant. The merchant business is generally associated with distributable liquid oxygen, nitrogen, argon, carbon dioxide, hydrogen and helium. The deliveries generally are made from Praxair s plants by tanker trucks to storage containers owned or leased and maintained by Praxair or the customer at the customer s site. Due to distribution cost, merchant oxygen and nitrogen generally have a relatively small distribution radius from the plants at which they are produced. Merchant argon, hydrogen and helium can be shipped much longer distances. The agreements used in the merchant business are usually three-to five-year requirement contracts.

Packaged Gases. Customers requiring small volumes are supplied products in metal containers called cylinders, under medium to high pressure. Packaged gases include atmospheric gases, carbon dioxide, hydrogen, helium and acetylene. Praxair also produces and distributes in cylinders a wide range of specialty gases and mixtures. Cylinders may be delivered to the customer s site or picked up by the customer at a packaging facility or retail store. Packaged gases are generally sold by purchase orders.

A substantial amount of the cylinder gases sold in the United States is distributed by independent distributors that buy merchant gases in liquid form and repackage the products in their facilities. Packaged gas distributors, including Praxair, also distribute welding equipment purchased from independent manufacturers. Over time, Praxair has acquired a number of independent industrial gases and welding products distributors at various locations in the United States and continues to sell merchant gases to other independent distributors. Between its own distribution business, joint ventures and sales to independent distributors, Praxair is represented in 48 states, the District of Columbia and Puerto Rico.

Surface Technologies

Praxair s surface technologies segment supplies wear-resistant and high-temperature corrosion-resistant metallic and ceramic coatings and powders to the aircraft, energy, printing, textile, plastics, primary metals, petrochemical and other industries. It also manufactures a complete line of electric arc, plasma and high-velocity oxygen fuel spray equipment as well as arc and flame wire equipment used for the application of wear-resistant coatings. The coatings extend wear life and are applied at Praxair s facilities using a variety of thermal spray coatings processes. The coated parts are finished to the customer s precise specifications before shipment.

Inventories Praxair carries inventories of merchant and cylinder gases, hardgoods and coatings materials to supply products to its customers on a reasonable delivery schedule. On-site plants and pipeline complexes have limited inventory. Inventory obsolescence is not material to Praxair s business.

Customers Praxair is not dependent upon a single customer or a few customers.

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International Praxair is a global enterprise with approximately 63% of its 2011 sales outside of the United States. It conducts industrial gases business through consolidated companies in Argentina, Bahrain, Belgium, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Denmark, Dominican Republic, France, Germany, India, Italy, Japan, South Korea, Malaysia, Mexico, the Netherlands, Norway, Paraguay, Peru, Portugal, Puerto Rico, Russia, Saudi Arabia, Spain, Sweden, Taiwan, Thailand, United Arab Emirates, Uruguay and Venezuela. Societa Italiana Acetilene & Derivati S.p.A. (S.I.A.D.), an Italian company accounted for as an equity company, also has established positions in Austria, Bosnia, Bulgaria, Croatia, the Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Ukraine. Refrigeration and Oxygen Company Limited (ROC), a Middle Eastern company accounted for as an equity company, has operations in the United Arab Emirates, Kuwait and Qatar. Praxair s surface technologies segment has operations in Brazil, Canada, China, France, Germany, India, Italy, Japan, Singapore, South Korea, Switzerland and the United Kingdom.

Praxair s international business is subject to risks customarily encountered in foreign operations, including fluctuations in foreign currency exchange rates, import and export controls, and other economic, political and regulatory policies of local governments. Also, see Item 1A. Risk Factors and Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Seasonality Praxair s business is generally not subject to seasonal fluctuations to any significant extent.

Research and Development 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 these gases. This results in the development of new advanced air separation and hydrogen process technologies and the frequent introduction of new industrial gas applications. Research and development for industrial gases is principally conducted at Tonawanda, New York; Burr Ridge, Illinois; Rio de Janeiro, Brazil; Shanghai, China; and Bangalore, India.

Praxair 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. Surface technologies research is conducted at Indianapolis, Indiana.

Patents and Trademarks Praxair owns or licenses a large number of United States and foreign patents that relate to a wide variety of products and processes. Praxair s patents expire at various times over the next 20 years. While these patents and licenses are considered important, Praxair does not consider its business as a whole to be materially dependent upon any one particular patent or patent license. Praxair also owns a large number of trademarks.

Raw Materials and Energy Costs 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.

The supply of energy has not been a significant issue in the geographic areas where the company conducts business. However, energy availability and price is unpredictable and may pose unforeseen future risks.

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.

Competition Praxair operates within a highly competitive environment. Some of its competitors are larger in size and capital base than Praxair. Competition is based on price, product quality, delivery, reliability, technology and service to customers.

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Major competitors in the industrial gases industry both in the United States and worldwide include Air Products and Chemicals, Inc., Airgas Inc., L Air Liquide S.A., and Linde AG. Principal competitors for the surface technologies lines are Chromalloy Gas Turbine Corporation, a subsidiary of Sequa Corporation, Bodycote, PLC, and Sulzer Metco Management AG. Other competitors in surface coating technologies vary by geographic region.

Employees and Labor Relations As of December 31, 2011, Praxair had 26,184 employees worldwide. Of this number, 9,197 are employed in the United States. Praxair has collective bargaining agreements with unions at numerous locations throughout the world, which expire at various dates. Praxair considers relations with its employees to be good.

Environment Information required by this item is incorporated herein by reference to the section captioned Management s Discussion and Analysis Environmental Matters in Item 7 of this 10-K.

Available Information The company makes its periodic and current reports available, free of charge, on or through its website, www.praxair.com, as soon as practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Investors may also access from the company website other investor information such as press releases and presentations. Information on the company s website is not incorporated by reference herein.

In addition, the public may read and copy any materials filed with the SEC at the SEC s Public Reference Room located at 100 F Street NE, Washington, D.C. 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website, www.sec.gov, that contains reports, proxy information statements and other information regarding issuers that file electronically.

Executive Officers The following Executive Officers have been elected by the Board of Directors and serve at the pleasure of the Board. It is expected that the Board will elect officers annually following each annual meeting of shareholders.

Stephen F. Angel, 56, is Chairman and Chief Executive Officer of Praxair, Inc. since 2007. Before this, Mr. Angel served as President & Chief Operating Officer from March to December 2006, and as Executive Vice President from 2001 to March 2006. Prior to joining Praxair in 2001, Mr. Angel was General Manager for the General Electric Company Industrial Systems Power Equipment business from 1999 to 2001, and was General Manager, Marketing and Sales, for General Electric s Transportation Systems business from 1996 to 1999. Mr. Angel is a director of PPG Industries, Inc., a member of the Board of the U.S.-China Business Council, a member of the U.S.-Brazil CEO Forum, a member of The Business Council, and a member of the Board of the Business Roundtable.

James T. Breedlove, 64, is Senior Vice President, General Counsel and Secretary of Praxair, Inc. and served as Vice President, General Counsel and Secretary from 2004 to 2006. Prior to joining Praxair in 2004, Mr. Breedlove was Senior Vice President and General Counsel at GE Equipment Services from 2002, and from 1992 to 2002 he served as a Senior Vice President of a division of General Electric Capital Corp.

Domingos H. G. Bulus, 50, is a Senior Vice President of Praxair, Inc. overseeing Praxair s businesses in South America, and served as a Vice President from 2003 to 2011. He is also President of White Martins Gases Industriais Ltda. (White Martins), Praxair s Brazilian subsidiary, since 2003. He served as President of Praxair Asia from 2001 to 2003. Mr. Bulus also served as Executive Director of the Andean Treaty region for White Martins from 1996 to 2001.

Elizabeth T. Hirsch, 58, is Vice President and Controller of Praxair, Inc. since December 2010. Prior to becoming Controller, she served as Praxair s Director of Investor Relations since 2002 and as Vice President of Investor

Relations since October 2010. She joined Praxair in 1995 as Director of Corporate Finance and later served as Assistant Treasurer. Previously, she had fifteen years of experience in corporate banking, primarily at Manufacturers Hanover Trust Company.

Ricardo S. Malfitano, 53, is an Executive Vice President of Praxair, Inc. who is retiring from Praxair effective March 1, 2012 and has overseen Praxair s South America and Asia regions, and the electronics businesses, global hydrogen business, global supply systems, global operations excellence, safety and environmental compliance and global sustainability. Mr. Malfitano served as a Senior Vice President of Praxair from 2003 to 2006 and was President of White Martins, and President, Praxair South America from 2001 to 2003. He served as President, North American Industrial Gases and President of Praxair Canada from 1998 to 2001.

Eduardo F. Menezes, 48, was promoted to Executive Vice President from Senior Vice President effective March 1, 2012. He oversees Praxair s North American Industrial Gases and Mexico businesses and Praxair Distribution, Inc. (the packaged gases business). From 2010 to March 2011, he was a Vice President of Praxair with responsibility for the North American Industrial Gases business. From 2007 to 2010, he was President of Praxair Europe. He served as Managing Director of Praxair s business in Mexico from 2004 to 2007, as Vice President and General Manager for Praxair Distribution, Inc. from 2003 to 2004 and as Vice President, U.S. West Region, for North American Industrial Gases, from 2000 to 2003.

Sally A. Savoia, 56, is Vice President, Human Resources of Praxair since 2002. She joined Praxair in 1981, holding positions in marketing, operations and quality before being named business manager, merchant gases, North America, in 1989. In 1993, she was named associate director, Investor Relations, and the following year became director of Praxair s worldwide re-engineering and quality programs. She was named vice president and general manager, Helium and Rare gases, in 1996 and became vice president, Healthcare, in 1998.

James S. Sawyer, 55, has been Chief Financial Officer of Praxair since 2000 and was named Executive Vice President and Chief Financial Officer in 2006. He was Vice President and Treasurer from 1994 until 2000. He joined Praxair in 1985 and held various financial roles including Finance Director for Europe between 1989 and 1992 and Assistant Treasurer from 1992 through 1994.

Scott E. Telesz, 44, was promoted to Executive Vice President from Senior Vice President, effective March 1, 2012. He is responsible for Praxair s business in Asia, Europe/Russia, the Middle East, Praxair Surface Technologies, Strategic Planning, and the Company s Global Procurement and Materials Management group. Before joining Praxair in 2010, he was a Vice President from 2007 to 2010 of SABIC Innovative Plastics, a major division of Riyadh-based Saudi Basic Industries Corporation, a global manufacturer of chemicals, fertilizers, plastics and metals. From 1998 to 2007, he held a variety of general management positions with General Electric, and from 1989 to 1998, Mr. Telesz held several positions, including Engagement Manager in the United States and Australia, with McKinsey & Company.

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

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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 (see Note 2 to the consolidated financial statements). At December 31, 2011, Praxair s sales and net assets in Venezuela were less than 1% of Praxair s consolidated amounts.

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

Volatility and disruption in the U.S. and global credit and equity markets, from time to time, could make it more difficult for Praxair to obtain financing for its operations and/or could increase the cost of obtaining financing. In addition, the company s borrowing costs can be affected by short and long-term debt ratings assigned by independent rating agencies which are based, in significant part, on the company s performance as measured by certain criteria such as interest coverage and leverage ratios. A decrease in these debt ratings could increase the cost of borrowing or make it more difficult to obtain financing. While the impact of volatility in the

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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. 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 this 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.

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 this Form 10-K.

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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 this Form 10-K.

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

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

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

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

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

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

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

- The need to implement or remediate controls, procedures and policies appropriate for a larger public company at companies that prior to the acquisition lacked these controls, procedures and policies;
- 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 1B. UNRESOLVED STAFF COMMENTS

Praxair has received no written SEC staff comments regarding any of its Exchange Act reports which remain unresolved.

ITEM 2. PROPERTIES

Praxair s worldwide headquarters are located in leased office space in Danbury, Connecticut. Other principal administrative offices are owned in Tonawanda, New York, and leased in Rio de Janeiro, Brazil; Shanghai, China and Madrid, Spain.

Praxair designs, engineers, manufactures and operates facilities that produce and distribute industrial gases. These industrial gas production facilities and certain components are designed and/or manufactured at its facilities in Tonawanda, New York; Burr Ridge, Illinois; Rio de Janeiro, Brazil; Monterrey, Mexico; Shanghai, China; and Bangalore, India. Praxair s Italian equity affiliate, S.I.A.D., also has such capacity.

Due to the nature of Praxair s industrial gas products, it is generally uneconomical to transport them distances greater than a few hundred miles from the production facility. As a result, Praxair operates a significant number of production facilities spread globally throughout a number of geographic regions.

The following is a description of production facilities for Praxair by segment. No significant portion of these assets was leased at December 31, 2011. Generally, these facilities are fully utilized and are sufficient to meet our manufacturing needs.

North America

The North America segment operates production facilities in the U.S., Canada and Mexico, approximately 245 of which are cryogenic air separation plants, hydrogen plants and carbon dioxide plants. There are five major

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pipeline complexes in North America located in Northern Indiana, Houston, along the Gulf Coast of Texas, Detroit and Louisiana. Also located throughout North America are packaged gas facilities, specialty gas plants, helium plants and other smaller plant facilities.

Europe

The Europe segment has production facilities primarily in Italy, Spain, Germany, the Benelux region, France and Scandinavia which include more than 55 cryogenic air separation plants. There are three major pipeline complexes in Europe located in Northern Spain and the Rhine and Saar regions of Germany. These pipeline complexes are primarily supplied by cryogenic air separation plants. Also located throughout Europe are specialty gas plants, packaged gas facilities and other smaller plant facilities.

South America

The South America segment operates more than 45 cryogenic air separation plants, primarily located in Brazil. Many of these plants support a major pipeline complex in Southern Brazil. Also located throughout South America are carbon dioxide plants, packaged gas facilities and other smaller plant facilities.

Asia

The Asia segment has production facilities located primarily in China, Korea, India and Thailand, approximately 40 of which are cryogenic air separation plants. Also located throughout Asia are noncryogenic air separation, carbon dioxide, hydrogen, packaged gas and other production facilities.

Surface Technologies

The surface technologies segment provides coating services and manufactures coating equipment at approximately 40 sites. The majority of these sites are located in the United States and Europe, with smaller operations in Asia, Brazil, India and headquarters located in Indianapolis, Indiana.

ITEM 3. LEGAL PROCEEDINGS

Information required by this item is incorporated herein by reference to the section captioned Notes to Consolidated Financial Statements 17 Commitments and Contingencies in Item 8 of this 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market for the company s common stock is the New York Stock Exchange (NYSE). At December 31, 2011 there were 15,463 shareholders of record.

NYSE quarterly stock price and dividend information

Market Price	Trading High	Trading Low	Close	Dividend Per Share
2011				
First Quarter	$ 102.19	$ 90.04	$ 101.60	$ 0.50
Second Quarter	$ 108.51	$ 99.55	$ 108.39	$ 0.50
Third Quarter	$ 111.74	$ 88.64	$ 93.48	$ 0.50
Fourth Quarter	$ 107.81	$ 89.78	$ 106.90	$ 0.50
2010				
First Quarter	$ 83.29	$ 73.13	$ 83.00	$ 0.45
Second Quarter	$ 89.00	$ 73.13	$ 75.99	$ 0.45
Third Quarter	$ 90.99	$ 75.70	$ 90.26	$ 0.45
Fourth Quarter	$ 96.34	$ 88.60	$ 95.47	$ 0.45

Praxair s annual dividend on its common stock for 2011 was $2.00 per share. On January 24, 2012, Praxair s Board of Directors declared a dividend of $0.55 per share for the first quarter of 2012, or $2.20 per share annualized, which may be changed as Praxair s earnings and business prospects warrant. The declaration of dividends is a business decision made by the Board of Directors based on Praxair s earnings and financial condition and other factors the Board of Directors considers relevant.

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 three months ended December 31, 2011 is provided below:

Period	Total Number of Shares Purchased *(Thousands)*	Average Price Paid Per Share	Total Number 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)*
October 2011	593	$ 101.78	593	$ 233
November 2011	1,013	$ 98.63	1,013	$ 134
December 2011	188	$ 103.33	188	$ 114
Fourth Quarter 2011	1,794	$ 100.16	1,794	$ 114

(1) As of December 31, 2011, the company had purchased $1,386 million of its common stock, pursuant to the 2010 program, leaving an additional $114 million remaining authorized under the 2010 program. The 2010 program does not have any stated expiration date.

(2) 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.

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Peer Performance Table The graph below compares the most recent five-year cumulative returns of Praxair s common stock with those of the Standard & Poor s 500 Index (SPX) and the S5 Materials Index (S5MATR) which covers 30 companies, including Praxair. The figures assume an initial investment of $100 on December 31, 2006 and that all dividends have been reinvested.

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ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR FINANCIAL SUMMARY

(Dollar amounts in millions, except per share data)

Year Ended December 31,	2011 (a)	2010 (a)	2009 (a)	2008 (a)	2007
From the Income Statement					
Sales	$ 11,252	$ 10,116	$ 8,956	$ 10,796	$ 9,402
Cost of sales, exclusive of depreciation and amortization	6,458	5,754	5,032	6,495	5,557
Selling, general and administrative	1,239	1,196	1,088	1,312	1,190
Depreciation and amortization	1,003	925	846	850	774
Research and development	90	79	74	97	98
Cost reduction program and other charges net	1	85	306	194	
Other income (expenses) net	7	5	(35)	35	3
Operating profit	2,468	2,082	1,575	1,883	1,786
Interest expense net	145	118	133	198	173
Income before income taxes and equity investments	2,323	1,964	1,442	1,685	1,613
Income taxes	641	768	169	465	419
Income before equity investments	1,682	1,196	1,273	1,220	1,194
Income from equity investments	40	38	24	36	26
Net income (including noncontrolling interests)	1,722	1,234	1,297	1,256	1,220
Noncontrolling interests	(50)	(39)	(43)	(45)	(43)
Net income Praxair, Inc.	$ 1,672	$ 1,195	$ 1,254	$ 1,211	$ 1,177
Per Share Data Praxair, Inc. Shareholders					
Basic earnings per share	$ 5.53	$ 3.90	$ 4.08	$ 3.87	$ 3.69
Diluted earnings per share	$ 5.45	$ 3.84	$ 4.01	$ 3.80	$ 3.62
Cash dividends per share	$ 2.00	$ 1.80	$ 1.60	$ 1.50	$ 1.20
Weighted Average Shares Outstanding (000 s)					
Basic shares outstanding	302,237	306,720	307,676	312,658	318,997
Diluted shares outstanding	306,722	311,395	312,382	318,302	324,842
Other Information and Ratios					
Total assets	$ 16,356	$ 15,274	$ 14,317	$ 13,054	$ 13,382
Total debt	$ 6,562	$ 5,557	$ 5,055	$ 5,025	$ 4,192
Cash flow from operations	$ 2,455	$ 1,905	$ 2,168	$ 2,038	$ 1,958
Capital expenditures	$ 1,797	$ 1,388	$ 1,352	$ 1,611	$ 1,376
Acquisitions	$ 294	$ 148	$ 131	$ 130	$ 476
Return on equity (b)	28.2%	26.4%	27.0%	26.8%	24.6%
After-tax return on capital (b)	14.7%	14.4%	13.8%	15.3%	15.3%
Debt-to-capital ratio (b)	52.2%	47.5%	47.2%	53.8%	43.4%
Shares outstanding (000 s)	298,530	303,997	306,478	306,861	315,488
Number of employees	26,184	26,261	26,164	26,936	27,992

(a) Amounts for 2011 include: (i) a pre-tax net gain on acquisition of $39 million ($37 million net income Praxair, Inc.); and (ii) a pretax charge of $40 million ($31 million net income Praxair, Inc.) relating to the 2011 cost reduction program. Amounts for 2010 include: (i) an income tax charge of $250 million related to a Spanish income tax settlement; (ii) a pre-tax charge of $58 million ($40 million after-tax) related to the US homecare divestiture; (iii) a net repatriation tax benefit of $35 million; and (iv) a pre-tax charge of $27 million ($26 million after-tax) related to the Venezuela currency devaluation. Amounts for 2009 include the impact of the Brazil tax amnesty program and other charges of $306 million ($7 million after-tax benefit). Amounts for 2008 include the impact of the cost reduction program and other charges of $194 million ($125 million after-tax and noncontrolling interests).

(b) Non-GAAP measures. See the Non-GAAP Financial Measures section in Item 7 for definitions and reconciliation to reported amounts.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
The following discussion of the company s financial condition and results of operations should be read together with its consolidated financial statements and notes to the consolidated financial statements included in Item 8 of this Form 10-K.

BUSINESS OVERVIEW

Praxair is the largest industrial gases supplier in North and South America, is rapidly growing in Asia, and has strong, well-established businesses in Europe. The company s primary products are oxygen, hydrogen, nitrogen, argon, carbon dioxide, helium, electronic gases and a wide range of specialty gases. Praxair Surface Technologies supplies high-performance coatings that protect metal parts from wear, corrosion and high heat. Praxair s industrial gas operations are managed on a geographical basis and in 2011, 94% of sales were generated in four geographic segments (North America, Europe, South America, and Asia). The surface technologies segment generated the remaining 6% of sales.

Praxair serves approximately 25 industries as diverse as healthcare and petroleum refining; computer-chip manufacturing and beverage carbonation; fiber-optics and steel making; and aerospace, chemicals and water treatment. The diversity of end markets creates financial stability for Praxair in varied business cycles.

Praxair generates most of its revenues and earnings through the following 11 core geographies where the company has its strongest market positions and where distribution and production operations allow the company to deliver the highest level of service to its customers at the lowest cost.

North America	**South America**	**Europe**	**Asia**
United States	Brazil	Spain	China
Canada		Italy	India
Mexico		Germany/Benelux	Thailand
			Korea

Praxair manufactures and distributes its products through a network of hundreds of production plants, pipeline complexes, distribution centers and delivery vehicles. Major pipeline complexes are located in the United States, Brazil, Spain and Germany. These networks are a competitive advantage, providing the foundation of reliable product supply to the company s customer base. The majority of Praxair s business is conducted through long-term contracts which provide stability in cash flow and the ability to pass through changes in energy and feedstock costs to customers. The company has significant growth opportunities in diverse markets including: hydrogen for refining; oxygen for gasification and oxy-fuel applications; and nitrogen and carbon dioxide for oil and gas production.

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EXECUTIVE SUMMARY FINANCIAL RESULTS & OUTLOOK

Adjusted Amounts and Comparisons

The discussion of consolidated results and outlook in this Management s Discussion and Analysis (MD&A) is based on adjusted amounts and comparisons with adjusted amounts. Adjusted amounts 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.

2011 Year in review

Praxair delivered strong financial performance in 2011. Sales were up 11% with adjusted diluted earnings per share up 15% versus 2010. Sales growth was driven by strong volume growth in North America, Asia and South America and higher pricing. Adjusted operating profit grew 14% by leveraging volume growth and new plant start-ups with continued price, productivity gains and cost reduction efforts. The company continued to invest in capital projects for future growth and has established a presence in two growing geographies, Russia and the Middle East.

Sales increased 11% to $11,252 million versus $10,116 million in 2010, due primarily to strong volume growth in most geographic segments.

Reported operating profit of $2,468 million increased from $2,082 million in 2010. Adjusted operating profit of $2,469 increased 14% from 2010. Operating profit grew faster than sales from higher pricing and continued leverage from productivity and cost reduction programs.

Reported net income Praxair, Inc. of $1,672 million and diluted earnings per share of $5.45, increased from $1,195 million and $3.84, respectively, in 2010. Adjusted net income Praxair, Inc. and diluted earnings per share increased 13% and 15% from 2010, respectively.

Cash flow from operations was a record $2,455 million.

Capital expenditures were $1,797 million, primarily for the construction of new on-site production plants under contract with customers around the world. Acquisition expenditures of $294 million were primarily related to several packaged gas acquisitions in the United States, the acquisition of increased ownership of Yara Praxair Holding AS (Yara Praxair) in Scandinavia and the investment in a 49% interest in the ROC group s industrial gas operations in the United Arab Emirates. This supplements similar investments made in 2010 in the ROC Group s operations in Kuwait and Qatar.

2012 Outlook

Sales are forecasted in the area of $11.7 to $12 billion.

Diluted earnings per share are forecasted to be in the range of $5.70 to $5.90. This represents an increase of 5% to 9% from the 2011 adjusted diluted earnings per share.

Effective tax rate of about 28%.

Capital expenditures in the range of $2.1 to $2.4 billion.

The above guidance should be read in conjunction with the section entitled Forward-Looking Statements.

Praxair provides quarterly updates on operating results, material trends that may affect financial performance, and financial earnings guidance via earnings releases and investor teleconferences. These materials are available on the company s website, www.praxair.com/investors but are not incorporated herein.

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CONSOLIDATED RESULTS AND OTHER INFORMATION

The following table provides selected data for 2011, 2010, and 2009:

(Dollar amounts in millions, except per share data)

Year Ended December 31,	2011	2010	2009	Variance 2011 vs. 2010	Variance 2010 vs. 2009
Reported Amounts:					
Sales	$ 11,252	$ 10,116	$ 8,956	11%	13%
Gross margin (a)	$ 4,794	$ 4,362	$ 3,924	10%	11%
As a percent of sales	42.6%	43.1%	43.8%		
Selling, general and administrative	$ 1,239	$ 1,196	$ 1,088	4%	10%
As a percent of sales	11.0%	11.8%	12.1%		
Depreciation and amortization	$ 1,003	$ 925	$ 846	8%	9%
Cost reduction program and other charges net (b)	$ 1	$ 85	$ 306		
Other income (expenses) net	$ 7	$ 5	$ (35)		
Operating profit	$ 2,468	$ 2,082	$ 1,575	19%	32%
As a percent of sales	21.9%	20.6%	17.6%		
Interest expense net	$ 145	$ 118	$ 133	23%	(11)%
Effective tax rate	27.6%	39.1%	11.7%		
Income from equity investments	$ 40	$ 38	$ 24	5%	58%
Noncontrolling interests	$ (50)	$ (39)	$ (43)	28%	(9)%
Net income Praxair, Inc.	$ 1,672	$ 1,195	$ 1,254	40%	(5)%
Diluted earnings per share	$ 5.45	$ 3.84	$ 4.01	42%	(4)%
Diluted shares outstanding	306,722	311,395	312,382	(2)%	%
Number of employees	26,184	26,261	26,164		
Adjusted Amounts (c):					
Operating profit	$ 2,469	$ 2,167	$ 1,881	14%	15%
As a percent of sales	21.9%	21.4%	21.0%		
Effective tax rate	27.8%	27.9%	27.6%		
Net income Praxair, Inc.	$ 1,666	$ 1,476	$ 1,247	13%	18%
Diluted earnings per share	$ 5.43	$ 4.74	$ 3.99	15%	19%

(a) Gross margin excludes depreciation and amortization expense.

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

(c) Adjusted amounts are non-GAAP measures. Variances are calculated using adjusted amounts, where indicated. Non-GAAP adjustments 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.

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

Year Ended December 31, 2011

(Millions of dollars)	Operating Profit (Loss)	Income Tax Provision (Benefit)	Noncontrolling Interest	Net Income (Loss)

Net gain on acquisition	$	39	$	3	$	(1)	$	37
Cost reduction program		(40)		(9)				(31)
Total	$	(1)	$	(6)	$	(1)	$	6

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Gain on Acquisition

During the fourth quarter 2011 Praxair increased its ownership in its Yara Praxair Holding AS (Yara Praxair) joint venture in Scandinavia from 50% to 66% and consolidated the company. Previously, Praxair accounted for its 50% ownership interest in the joint venture as an equity method investment. In accordance with U. S. accounting rules, upon consolidation Praxair was required to fair value the entire Yara Praxair joint venture, including its original 50% ownership interest. Accordingly, Praxair recorded a net gain of $39 million ($37 million net income Praxair, Inc.) during the fourth quarter of 2011 primarily for the amount that the fair value of its original 50% ownership interest exceeded the equity investment book value.

Cost Reduction Program

In the fourth quarter 2011, Praxair recorded pre-tax charges totaling $40 million ($31 million net income Praxair, Inc.), 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.

Year Ended December 31, 2010

(Millions of dollars)	Operating Profit (Loss)	Income Tax Provision (Benefit)	Net Income (Loss)
Spanish income tax settlement	$	$ 250	$ (250)
US homecare divestiture	(58)	(18)	(40)
Repatriation tax benefit		(35)	35
Venezuela currency devaluation	(27)	(1)	(26)
Total	$ (85)	$ 196	$ (281)

Spanish Income Tax Settlement

During the fourth quarter 2010, the Company s Spanish subsidiaries settled various income tax disputes with the Spanish Government. As a result, Praxair recorded an income tax charge of $250 million representing the settlement amount in excess of previously recorded expenses. The settlement requires cash payments of approximately $500 million, $481 million of which was paid in the fourth quarter 2010, and the remaining amounts were paid in 2011.

US Homecare Divestiture

During the fourth quarter 2010, the company announced its intent to sell the U.S. homecare portion of its North American healthcare business and recorded a pre-tax charge of $58 million ($40 million after-tax) representing an adjustment to estimated fair value. On February 2, 2011, the company announced that it had entered into a definitive agreement for sale of the U.S. homecare business to Apria Healthcare Group Inc. The sale was finalized on March 4, 2011.

Repatriation Tax Benefit

Also during the fourth quarter 2010, the company recognized an income tax benefit of $35 million related to the repatriation of highly-taxed foreign earnings.

Venezuela Currency Devaluation

In the first quarter 2010, Praxair recorded a $27 million charge ($26 million after-tax) due primarily to the remeasurement of the local Venezuelan balance sheet to reflect the new official 4.3 exchange rate (representing a 50% devaluation).

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Year Ended December 31, 2009

Brazil Tax Amnesty Program and Other Charges

In the third quarter 2009, Praxair recorded a pre-tax charge of $306 million (net after-tax benefit of $7 million) related primarily to a Federal tax amnesty program in Brazil. The program required a cash outlay of $34 million in the 2009 fourth quarter and is expected to require up to an additional $31 million of cash payments in the next twelve months depending on timing of the Brazilian government consolidation process.

Results of Operations

As previously described, references to adjusted amounts refer to reported amounts adjusted to exclude the impact of non-GAAP adjustments 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.

2011 Compared With 2010

	% Change from Prior Year	
	2011	**2010**
Sales		
Volume	6%	9%
Price/Mix/Other	2%	%
Cost pass-through	1%	1%
Currency	3%	2%
Acquisitions/Divestitures	(1)%	1%
Total sales change	11%	13%

Sales in 2011 increased $1,136 million, or 11% versus 2010, primarily due to 8% organic growth from 6% higher volume and 2% higher price. The favorable impact of currency, primarily in South America, Canada and Mexico, increased sales by 3%.

Gross margin in 2011 increased $432 million, or 10%, versus 2010. The modest decrease in the gross margin percentage to 42.6% in 2011 versus 43.1% in 2010 was due primarily to higher power cost pass-through to customers.

Selling, general and administrative (SG&A) expenses in 2011 were $1,239 million, or 11% of sales, versus $1,196 million, or 11.8% of sales, for 2010. The increase in SG&A expenses was primarily due to benefit costs, incentive compensation and other labor costs associated with increased business activity and currency effects. These increases were partially offset by the impact of the US Homecare divestiture which was completed in March 2011, resulting in lower expense as a percentage of sales.

Depreciation and amortization expense in 2011 increased $78 million versus 2010. The increase was due to increased depreciation associated with project start-ups and currency effects.

Other income (expenses) net in 2011 was a $7 million benefit versus a $5 million benefit in 2010. The change in 2011 versus 2010 was primarily due to higher partnership income and positive currency related items in 2011. See Note 7 to the consolidated financial statements for a summary of the major components of Other income (expenses) net.

Adjusted operating profit of $2,469 million in 2011 was $302 million, or 14%, higher than adjusted operating profit of $2,167 million in 2010. As a percentage of sales, adjusted operating profit improved to 21.9% in 2011 versus 21.4% in 2010. This improvement is a result of a higher volumes and price, and productivity gains.

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Interest expense net in 2011 increased $27 million, or 23% versus 2010 primarily due to higher debt levels.

The adjusted effective tax rate for 2011 was 27.8%, versus 27.9% in 2010, which was essentially unchanged.

Praxair s significant sources of equity income are from companies based in China, Italy, and the Middle East. The company s share of net income from equity investments increased $2 million in 2011 related primarily to higher earnings from our affiliates and the investment in the ROC Group in the Middle East.

At December 31, 2011, noncontrolling interests consisted primarily of noncontrolling shareholders investments in Asia (primarily in China and India), Europe (primarily in Italy and Scandinavia), and North America (primarily within the U.S. packaged gas business). The $11 million increase in noncontrolling interests in 2011 was due primarily to higher earnings from these business affiliates.

Adjusted net income Praxair, Inc. of $1,666 million in 2011 was $190 million, or 13% higher than adjusted net income Praxair, Inc. of $1,476 million in 2010. The increase was due to higher operating profit and increased income from equity investments. Adjusted net income grew less than operating profit primarily due to higher interest expense.

Adjusted diluted earnings per share (EPS) of $5.43 in 2011 increased $0.69 per diluted share, or 15%, from adjusted diluted EPS of $4.74 in 2010. The increase in adjusted diluted EPS was primarily due to higher net income Praxair, Inc. and benefited from the 2% decrease in the number of diluted shares outstanding as a result of the impact of the company s net repurchases of common stock during 2011.

The number of employees at December 31, 2011 was 26,184, reflecting a decrease of 77 employees from December 31, 2010. This decrease includes the US Homecare divestiture in March 2011, partially offset by acquisitions and additions in growing businesses.

2010 compared with 2009

	% Change from Prior Year	
	2010	**2009**
Sales		
Volume	9%	(10)%
Price/Mix/Other	%	2%
Cost pass-through	1%	(4)%
Currency	2%	(5)%
Acquisitions/Divestitures	1%	%
Total sales change	13%	(17)%

Sales in 2010 increased $1,160 million, or 13% versus 2009. Excluding the impacts of currency, cost pass-through and acquisitions/divestitures, sales increased primarily due to 9% volume growth. The favorable impact of currency, primarily in South America, Canada and Mexico, increased sales by 2%. Higher cost pass-through increased sales by 1%, with a negligible impact on operating profit.

Gross margin in 2010 improved $438 million, or 11%, versus 2009. The decrease in the gross margin percentage to 43.1% in 2010 versus 43.8% in 2009 was due primarily to higher cost pass-through to customers.

Selling, general and administrative (SG&A) expenses in 2010 were $1,196 million, or 11.8% of sales, versus $1,088 million, or 12.1% of sales, for 2009. The decrease in SG&A as a percentage of sales was due to realized benefits from ongoing productivity initiatives.

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Depreciation and amortization expense in 2010 increased $79 million versus 2009. The increase was due to increased depreciation associated with project start-ups and currency impacts.

Other income (expenses) net in 2010 was a $5 million benefit versus a $(35) million expense in 2009. The change in 2010 versus 2009 was primarily due to negative currency related items in 2009 and a benefit from an amnesty program in the State of Rio de Janeiro, Brazil in 2010. See Note 7 to the consolidated financial statements for a summary of the major components of Other income (expenses) net.

Adjusted operating profit of $2,167 million in 2010 was $286 million, or 15%, higher than adjusted operating profit of $1,881 million in 2009. As a percentage of sales, adjusted operating profit improved to 21.4% in 2010 versus 21.0% in 2009. This improvement is a result of strong volume recovery in all geographies and the continued impact of productivity and cost reduction initiatives.

Interest expense net in 2010 decreased $15 million, or 11% versus 2009 due to lower interest rates on variable rate debt during 2010 and higher capitalized interest.

The adjusted effective tax rate for 2010 was 27.9%, versus 27.6% in 2009, which was essentially unchanged.

Praxair s significant sources of equity income are from companies based in China, Italy, the Middle East and Scandinavia. The company s share of net income from equity investments increased $14 million in 2010 related primarily to higher earnings in Italy (including a tax benefit), China and Norway and the acquisition of ROC in the Middle East in 2010.

At December 31, 2010, noncontrolling interests consisted primarily of noncontrolling shareholders investments in Asia (primarily in China and India), Europe (primarily in Italy), and North America (primarily within the U.S. packaged gas business). The $4 million decrease in noncontrolling interests in 2010 was due primarily to a tax on the distribution of earnings in India and negative currency effects.

Adjusted net income Praxair, Inc. of $1,476 million in 2010 was $229 million, or 18%, higher than adjusted net income Praxair, Inc. of $1,247 million in 2009. The increase was due to higher operating profit, higher income from equity investments and lower interest expense.

Adjusted diluted earnings per share (EPS) of $4.74 in 2010 increased $0.75 per diluted share, or 19%, from adjusted diluted EPS of $3.99 in 2009. The underlying increase in adjusted diluted EPS was due to higher net income Praxair, Inc. and the lower number of diluted shares outstanding due to the impact of the company s net repurchases of common stock during 2010.

The number of employees at December 31, 2010 was 26,261, reflecting an increase of 97 employees from December 31, 2009.

Related Party Transactions

The company s related parties are primarily unconsolidated equity affiliates. The company did not engage in any material transactions involving related parties that included terms or other aspects that differ from those which would be negotiated with independent parties.

Environmental Matters

Praxair s principal operations relate to the production and distribution of atmospheric and other industrial gases, which historically have not had a significant impact on the environment. However, worldwide costs relating to environmental protection may continue to grow due to increasingly stringent laws and regulations, and Praxair s ongoing commitment to rigorous internal standards.

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Climate Change

Praxair operates in jurisdictions that have, or are developing, laws and/or regulations to reduce or mitigate the perceived adverse effects of greenhouse gas (GHG) emissions and faces a highly uncertain regulatory environment in this area. For example, the U.S. Environmental Protection Agency (EPA) has promulgated rules requiring monitoring and controlling GHG emissions and one of these rules regulates GHG emissions from light-duty vehicles and certain large manufacturing facilities, many of which are Praxair suppliers or customers. In addition to these developments in the United States, there has been regulation of GHGs in the European Union under the Emissions Trading System, which have wide implications for our customers and impact certain operations of Praxair in Europe. There are also requirements for mandatory reporting in Quebec, Canada, which apply to certain Praxair operations and will be used in developing cap-and-trade regulations on GHG emissions, which are expected to impact certain Praxair facilities. Among other impacts, such regulations are expected to raise the costs of energy, which is a significant cost for Praxair. Nevertheless, Praxair s customer contracts routinely provide rights to recover increased electricity, natural gas, and other costs that are incurred by the company.

Praxair anticipates continued growth in its hydrogen business, as hydrogen is essential to refineries which use it to remove sulfur from transportation fuels in order to meet ambient air quality standards in the United States. Hydrogen production plants and a large number of other manufacturing and electricity-generating plants have been identified under California law as a source of carbon dioxide emissions and these plants have also become subject to recently promulgated cap-and-trade regulations in that state. Praxair believes it will be able to mitigate some potential costs through the terms of its product supply contracts; however, legislation that limits GHG emissions may impact growth in this area by increasing operating costs and/or decreasing demand.

To manage these potential business risks from potential GHG emission regulation, Praxair actively monitors current developments, evaluates the direct and indirect business risks, and takes appropriate actions. Among others, actions include: increasing relevant resources and training; consulting with vendors, insurance providers and industry experts; incorporating GHG provisions in commercial agreements; and conducting regular reviews of the business risks with management. Although there are considerable uncertainties, Praxair believes that the business risk from potential regulations can be effectively managed through its commercial contracts. Additionally, Praxair does not anticipate any material effects regarding its plant operations or business arising from potential physical risks of climate change. Also, Praxair continuously seeks opportunities to reduce its own energy use and GHG footprint.

At the same time, governmental regulation of GHG and other emissions and the growth of renewable energy alternatives may provide Praxair with business opportunities. Praxair continues to develop new applications technologies that can lower emissions, including GHG emissions, in Praxair s processes and help customers lower energy consumption and increase product throughout. Stricter regulation of water quality in emerging economies such as China provide a growing market for a number of gases, e.g., oxygen for wastewater treatment. Renewable fuel standards in the European Union and U.S. create a market for second-generation biofuels which are users of industrial gases such as oxygen, carbon dioxide, and hydrogen.

Costs Relating to the Protection of the Environment

Environmental protection costs in 2011 included approximately $23 million in capital expenditures and $28 million of expenses. Praxair anticipates that future annual environmental protection expenditures will be similar to 2011, subject to any significant changes in existing laws and regulations. Based on historical results and current estimates, management does not believe that environmental expenditures will have a material adverse effect on the consolidated financial position, the consolidated results of operations or cash flows in any given year.

Legal Proceedings

See Note 17 to the consolidated financial statements for information concerning legal proceedings.

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Retirement Benefits

Pensions

The net periodic benefit cost for the U.S. and International pension plans was $66 million in 2011, $57 million in 2010 and $43 million in 2009. Consolidated net periodic benefit cost included settlement charges of $6 million, $3 million and $4 million in 2011, 2010 and 2009, respectively.

The funded status (pension benefit obligation (PBO) less the fair value of plan assets) for the U.S. plans was a deficit of $583 million as December 31, 2011 versus a deficit of $354 million at December 31, 2010. This increased deficit was due to lower discount rates and lower investment performance in 2011, partially offset by the contributions of $75 million.

Global pension contributions were $94 million in 2011, $124 million in 2010 and $128 million in 2009. Estimates for total 2012 contributions are in the area of $120 million. A $100 million contribution was made in January 2012 to the primary U.S. pension plan.

Praxair assumes an expected return on plan assets for 2012 in the U.S of 8.25%, which is consistent with the long-term expected return on its investment portfolio. Excluding the impact of settlements, 2012 consolidated pension expense is expected to be approximately $90 million versus $60 million in 2011. The increase is due primarily to an increase in the amortization of net actuarial gains/losses, partially attributable to lower discount rates. The amortization is recognized based on the amount of net actuarial gains/losses above certain thresholds and over the period of either the average remaining service lives or average remaining life expectancies of the retirees.

OPEB

The net periodic benefit cost for postretirement benefits other than pensions (OPEB) was $12 million in 2011, $20 million in 2010, and 2009. The decrease is primarily due to the favorable impact of a plan amendment within the U.S. plans. The funded status deficit increased $1 million during 2011 due primarily to benefit payments and the impact of foreign currencies.

In 2012, consolidated net periodic benefit costs for the OPEB plans is expected to be approximately $10 million compared to $12 million in 2011.

See the Critical Accounting Policies section and Note 16 to the consolidated financial statements for a more detailed discussion of the company s retirement benefits, including a description of the various retirement plans and the assumptions used in the calculation of net periodic benefit cost and funded status.

Insurance

Praxair purchases insurance to limit a variety of risks, including those related to property, business interruption, third-party liability and workers compensation. Currently, the company self-retains the first $5 million per occurrence for workers compensation, general and vehicle liability and retains $2.5 million to $5 million per occurrence at its various properties worldwide. To mitigate its aggregate loss potential above varying retentions, the company purchases insurance coverage from highly rated insurance companies at what it believes are reasonable coverage levels.

At December 31, 2011 and 2010, the company had recorded a total of $27 million and $28 million, respectively, representing an estimate of the retained liability for the ultimate cost of claims incurred and unpaid as of the balance sheet dates. The estimated liability is established using statistical analyses and is based upon historical experience, actuarial assumptions and professional judgment. These estimates are subject to the effects of trends in loss severity and frequency and are subject to a significant degree of inherent variability. If actual claims differ from the company s estimates, they will be adjusted at that time and financial results could be impacted.

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Praxair recognizes estimated insurance proceeds relating to damages at the time of loss only to the extent of incurred losses. Any insurance recoveries for business interruption and for property damages in excess of the net book value of the property are recognized only when realized.

SEGMENT DISCUSSION

The following summary of sales and operating profit by segment provides a basis for the discussion that follows (for additional information concerning Praxair s segments, see Note 18 to the consolidated financial statements). Praxair evaluates the performance of its reportable segments based on operating profit, excluding the items not indicative of ongoing business trends. Accordingly, segment operating profit and the following discussion of segment results, including comparisons with prior periods, exclude the impact of: (i) The net gain on acquisition and cost reduction program in 2011, (ii) the US homecare divestiture and Venezuela currency devaluation in 2010, and (iii) the Brazil tax amnesty program and other charges in 2009.

(Dollar amounts in millions)				**Variance**	
Year Ended December 31,	**2011**	**2010**	**2009**	**2011 vs. 2010**	**2010 vs. 2009**
Sales					
North America	$ 5,531	$ 5,111	$ 4,626	8%	10%
Europe	1,448	1,334	1,283	9%	4%
South America	2,308	1,970	1,645	17%	20%
Asia	1,317	1,133	885	16%	28%
Surface Technologies	648	568	517	14%	10%
	$ 11,252	$ 10,116	$ 8,956	11%	13%
Operating Profit					
North America	$ 1,372	$ 1,196	$ 1,044	15%	15%
Europe	260	267	268	(3)%	%
South America	530	454	350	17%	30%
Asia	205	166	138	23%	20%
Surface Technologies	102	84	81	21%	4%
Segment operating profit	2,469	2,167	1,881	14%	15%
Cost reduction program and other charges (Note 2)	(1)	(85)	(306)		
Total operating profit	$ 2,468	$ 2,082	$ 1,575		

North America

	% Change from Prior Year	
	2011	**2010**
Sales		
Volume	6%	8%
Price/Mix/Other	2%	(1)%
Cost pass-through	1%	1%
Currency	1%	2%
Acquisitions/Divestitures	(2)%	%
Total sales change	8%	10%

The North America segment includes Praxair s industrial gases operations in the U.S., Canada and Mexico.

Sales for 2011 increased $420 million, or 8%, versus 2010, due to higher volumes and higher price. Sales to metals, chemical and manufacturing end-markets increased significantly from 2010. Sales to the energy market,

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primarily hydrogen for refining, were higher than 2011 due to strong demand and a new plant start-up. Currency appreciation in Canada and Mexico increased sales by $60 million, or 1%. Higher cost pass-through increased sales by $38 million, with a minimal impact on operating profit. Sales were reduced by 2% as a result of the divestiture of the US Homecare business.

Operating profit for 2011 increased $176 million, or 15% versus 2010 driven primarily by higher volumes and productivity gains. The operating margin increased to 24.8% from 23.4% in 2010 due to higher volumes, price, productivity and the divestiture of the US Homecare business.

Sales for 2010 increased $485 million, or 10%, versus 2009. Excluding the impacts of currency and cost pass-through, sales increased 7% due largely to higher volumes. Sales to metals and chemical end-markets increased significantly from 2009. Sales to manufacturing customers also improved throughout the year as the economy continued to improve. Sales to the energy market, primarily hydrogen for refining, were higher than 2009 due to strong demand and a new plant start-up. Currency appreciation in Canada and Mexico increased sales by $108 million, or 2%. Higher cost pass-through increased sales by $44 million, or 1%, with a minimal impact on operating profit.

Operating profit for 2010 increased $152 million, or 15% versus 2009 driven by higher volumes and productivity gains.

Europe

	% Change from Prior Year	
	2011	**2010**
Sales		
Volume	%	6%
Price/Mix/Other	%	1%
Cost pass-through	%	1%
Currency	5%	(5)%
Acquisitions/Divestitures	4%	1%
Total sales change	9%	4%

Praxair s European industrial gases business is primarily in Italy, Spain, Germany, France, Scandinavia and the Benelux region. In addition, Praxair has recently established a presence in Russia.

Sales for 2011 increased $114 million, or 9% versus 2010. Excluding favorable currency effects, sales increased 4% primarily due to the acquisition of a majority interest in Yara Praxair in the fourth quarter of 2011 (See Note 3). Underlying sales growth in Germany and Italy was offset by lower sales in Spain versus prior year. Cost pass-through to customers increased sales by $6 million, with a minimal impact on operating profit.

Operating profit for 2011 of $260 million was comparable to 2010. The positive contribution to operating profit from the Yara Praxair acquisition and currency was offset by cost inflation and the negative impact on sales from product mix.

Sales for 2010 increased $51 million, or 4% versus 2009. Excluding unfavorable currency effects, sales increased 9% primarily due to 6% volume growth. Sales grew to the metals, energy and electronics end-markets. Cost pass-through to customers increased sales by $11 million, or 1%, with a minimal impact on operating profit.

Operating profit for 2010 of $267 million was comparable to 2009. Excluding the negative impact currency, underlying operating profit increased due to higher volumes.

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South America

	% Change from Prior Year	
	2011	2010
Sales		
Volume	6%	8%
Price/Mix/Other	5%	3%
Cost pass-through	1%	%
Currency	5%	9%
Total sales change	17%	20%

Praxair s South American industrial gases operations are conducted by its subsidiary, White Martins Gases Industriais Ltda. (White Martins), the largest industrial gases company in Brazil. White Martins also manages Praxair s operations in Argentina, Bolivia, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.

Sales in 2011 increased $338 million, or 17% versus 2010. Excluding the impact of currency and cost pass-through, underlying sales grew 11% from higher volumes, including new plant start-ups, and higher pricing. Sales grew to metals, electronics and manufacturing customers.

Operating profit in 2011 increased $76 million, or 17% versus 2010. Operating profit grew in line with sales growth primarily as a result of higher volumes, price, and productivity. Operating profit also included a gain from an asset sale largely offset by asset write-downs.

Sales in 2010 increased $325 million, or 20% versus 2009. Excluding currency effects, underlying sales grew 11% due to higher sales to metals and manufacturing customers and higher pricing.

Operating profit in 2010 increased $104 million, or 30% versus 2009. Operating profit included currency related net losses of $3 million and $13 million, in 2010 and 2009, respectively which primarily pertained to net income hedges (see Note 12 to the consolidated financial statements). Excluding the impact of currency and net income hedges, underlying operating profit grew 19% as a result of higher volumes and higher pricing. Operating profit for 2010 included a benefit from a decision to settle certain disputes under a special amnesty program recently enacted by the State of Rio de Janeiro, which was largely offset by charges in connection with a non-core service business restructuring.

Asia

	% Change from Prior Year	
	2011	2010
Sales		
Volume	10%	22%
Price/Mix/Other	1%	(1)%
Cost pass-through	2%	6%
Currency	3%	4%
Equipment sale	%	(3)%
Total sales change	16%	28%

The Asia segment includes Praxair s industrial gases operations in China, India, Korea and Thailand, with smaller operations in Japan, Malaysia, Taiwan and the Middle East.

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Sales for 2011 increased $80 million, or 16% versus 2010 primarily due to 10% volume growth and 1% higher prices. Currency and cost pass-through increased sales by 5%. Volume growth was driven by strong growth in on-site and merchant gas volumes in China, India and Korea and includes new plant start-ups. Sales grew to the electronics, metals, chemicals and manufacturing end-markets.

Operating profit for 2011 increased $39 million, or 23% versus the respective 2010 periods, due primarily to higher volumes, price and productivity.

Sales for 2010 increased $248 million, or 28% versus 2009. Excluding currency and cost pass-through effects, and an equipment sale in the prior year, sales increased 21% versus 2009. The underlying increase was driven by strong growth in on-site and merchant gas volumes in China, India and Korea due to large plant start-ups and higher sales to the electronics, metals and manufacturing end-markets. Cost pass-through, primarily higher precious metals prices used in electronic materials, increased sales by $55 million, or 6%, with a minimal impact on operating profit.

Operating profit for 2010 increased $28 million, or 20% versus the respective 2009 periods, due primarily to higher volumes.

Surface Technologies

	% Change from Prior Year	
	2011	**2010**
Sales		
Volume/Price	9%	3%
Currency	4%	(1)%
Cost pass-through	1%	%
Acquisitions	%	8%
Total sales change	14%	10%

Surface technologies provides high-performance coatings and thermal-spray powders and equipment in the U.S. and Europe, with smaller operations in Asia and Brazil.

Sales for 2011 increased $80 million, or 14% versus 2010. Underlying sales increased 9% driven by increased jet engine coatings and coatings to both the energy as well as industrial markets.

Operating profit increased $18 million, or 21%, versus 2010 periods driven by higher volumes and pricing.

Sales for 2010 increased $51 million, or 10% versus 2009. The acquisition of Sermatech in 2009 contributed 8% to year-over-year sales growth. Underlying sales increased 3% driven by higher jet engine and industrial coatings volumes, and higher coatings to the energy market.

Operating profit increased $3 million, or 4%, versus 2009 periods driven by higher volumes partially offset by the negative impact of currency, a pension settlement charge and restructuring costs.

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.

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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 2011 Consolidated Sales (a)	Statements of Income Average Year Ended December 31, 2011	2010	2009	Balance Sheets December 31, 2011	2010
Brazil real	18%	1.67	1.76	2.00	1.88	1.67
Euro	14%	0.72	0.75	0.72	0.77	0.76
Canada dollar	8%	0.99	1.04	1.15	1.02	1.00
Mexico peso	6%	12.32	12.69	13.61	13.95	12.38
China yuan	4%	6.48	6.78	6.83	6.31	6.62
India rupee	2%	46.28	45.95	48.62	52.96	45.10
Korea won	2%	1,107	1,163	1,287	1,157	1,137
Singapore dollar	1%	1.26	1.37	1.46	1.30	1.30
Argentina peso	1%	4.13	3.91	3.73	4.30	3.98
Colombia peso	1%	1,846	1,897	2,155	1,943	1,914
Taiwan dollar	1%	29.40	31.69	33.10	30.30	29.42
Thailand bhat	1%	30.50	31.92	34.44	31.54	30.12
Venezuela bolivar (b)	<1%	4.30	4.30	2.15	4.30	4.30

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

b) Effective January 8, 2010, the Venezuelan government announced a devaluation of the Venezuelan bolivar to 4.30 (see Note 2 to the consolidated financial statements).

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LIQUIDITY, CAPITAL RESOURCES AND OTHER FINANCIAL DATA

(Millions of dollars)

Year Ended December 31,	2011	2010 (a)	2009
Net Cash Provided by (Used for)			
Operating Activities			
Net income Praxair, Inc. plus depreciation and amortization	$ 2,675	$ 2,120	$ 2,100
Noncontrolling interests	50	39	43
Net income plus depreciation and amortization (including noncontrolling interests)	2,725	2,159	2,143
Adjustments to reconcile net income to net cash provided by operating activities:			
Cost reduction program and other charges net, net of payments (b)	(5)	80	234
Working capital	(87)	16	(58)
Spanish income tax settlement (b)		(231)	
Pension contributions	(94)	(124)	(128)
Other net	(84)	5	(23)
Total provided by operating activities	$ 2,455	1,905	$ 2,168
Investing Activities			
Capital expenditures	$ (1,797)	$ (1,388)	$ (1,352)
Acquisitions, net of cash acquired	(294)	(148)	(131)
Divestitures and asset sales	86	52	31
Total used for investing	$ (2,005)	$ (1,484)	$ (1,452)
Financing Activities			
Debt increases (reductions) net	$ 914	$ 490	($ 62)
Issuances (purchases) of common stock net	(742)	(404)	(141)
Cash dividends Praxair, Inc. shareholders	(602)	(551)	(491)
Excess tax benefit on stock option exercises	53	51	23
Noncontrolling interest transactions and other	(3)	(5)	(40)
Total used for financing	$ (380)	$ (419)	$ (711)
Other Financial Data (c)			
Debt-to-capital ratio	52.2%	47.5%	47.2%
After-tax return on capital	14.7%	14.4%	13.8%

(a) The total payments related to the Spanish income tax settlement in the fourth quarter 2010 were $481 million and are shown in the consolidated statement of cash flows as follows:

Net income Praxair, Inc. plus depreciation and amortization	$ (250)
Spanish income tax settlement payment of previously recorded expense	(231)
Net operating cash flow impact	$ (481)

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

(c) Non-GAAP measures. See the Non-GAAP Financial Measures section for definitions and reconciliations to reported amounts. For the 2011 full year, cash flow from operations was a record $2,455 million, capital expenditures were $1,797 million, and acquisition expenditures were $294 million. The company paid $602 million of dividends and repurchased $742 million of stock, net of issuances. In addition, debt increased by approximately $900 million.

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Cash Flows From Operations

* Includes Spanish income tax settlement payment of $481 million.

2011 compared with 2010

Cash flow from operations increased $550 million to $2,455 million from $1,905 million in 2010. The increase was due primarily to higher net income before depreciation and amortization and other non-cash charges in 2011 versus 2010 partially offset by higher working capital investments and other payments to support growth. Cash flow from operations in 2010 included the impact of the Spanish income tax settlement.

2010 compared with 2009

Cash flow from operations decreased $263 million to $1,905 million from $2,168 million in 2009. The decrease was due primarily to the Spanish income tax settlement payment partially offset by higher net income Praxair, Inc., and benefits from working capital changes.

Investing

2011 compared with 2010

Net cash used for investing activities of $2,005 million increased $521 million versus 2010 primarily due to increased capital expenditures and acquisitions.

Capital expenditures in 2011 were $1,797 million, an increase of $409 million from 2010. Capital expenditures during 2011 related largely to new production plants under contract for customers in North and South America, and Asia.

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Acquisition expenditures in 2011 were $294 million. 2011 included the acquisition of a controlling interest in Yara Praxair, several packaged gas distributors in the United States, and a 49% ownership in ROC Group s industrial gases business operating in the United Arab Emirates. 2010 included the acquisition of 49% ownership interest in the ROC group s Kuwait and Qatar operations (see Note 3 to the consolidated financial statements).

Divestitures and asset sales in 2011 totaled $86 million, which includes proceeds from the US Homecare business sale that closed in March 2011.

2010 compared with 2009

Net cash used for investing activities of $1,484 million in 2010 increased $32 million versus 2009 primarily due to increased capital expenditures and acquisitions.

Capital expenditures in 2010 were $1,388 million, an increase of $36 million from 2009. Capital expenditures during 2010 related largely to new production plants under contract for customers in North and South America, China and India.

Acquisition expenditures in 2010 were $148 million, an increase of $17 million from 2009. 2010 included the acquisition of 49% ownership interest in the ROC group s Kuwait and Qatar operations. 2009 included the acquisition of Sermatech, a global supplier of protective coatings and advanced processes with operations in the U.S., Canada, United Kingdom, Germany and South Korea, and several small acquisitions, primarily related to North American packaged gas distributors (see Note 3 to the consolidated financial statements).

Divestitures and asset sales in 2010 totaled $52 million, an increase of $21 million from 2009.

Financing

Praxair s financing strategy is to secure long-term committed funding at attractive interest rates by issuing U.S. public notes and debentures and commercial paper backed by long-term bank credit agreements. Praxair s international operations are funded through a combination of local borrowing and inter-company funding to minimize the total cost of funds and to manage and centralize currency exchange exposures. As deemed necessary, Praxair manages its exposure to interest-rate changes through the use of financial derivatives (see Note 12 to the consolidated financial statements and Item 7A. Quantitative and Qualitative Disclosures About Market Risk).

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. At December 31, 2011, the company s credit ratings as reported by Standard & Poor s and Moody s were A-1 and P-1 for short-term debt, respectively, and A and A-2 for long-term debt, respectively. Additionally, the company plans to maintain its undistributed earnings of foreign subsidiaries to support foreign growth opportunities and reduce local debt.

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In March 2011, Praxair issued $500 million of 4.05% notes, and on September 6, 2011, Praxair issued $500 million of 3.00% notes. Both notes are due in 2021, and the proceeds were used to reduce short-term debt, fund share repurchases and for general corporate purposes.

In July 2011, the company entered into a $1.75 billion senior unsecured credit facility with a syndicate of banks which expires in 2016. This facility replaces the company s $1.0 billion senior unsecured credit facility which was set to expire in December 2011. The covenants contained in the new credit facility are similar to those under Praxair s previous facility. In addition, the company cancelled its $200 million revolving credit facility in Canada in August 2011.

Note 11 to the consolidated financial statements includes information with respect to the company s debt refinancing in 2011, current debt position, debt covenants and available credit facilities; and Note 12 includes information relating to derivative financial instruments. Such credit facilities are with major financial institutions and are non-cancellable until maturity. Therefore, the company believes the risk of the financial institutions being unable to make required loans under the credit facilities, if requested, to be low. Praxair s major bank credit and long-term debt agreements contain standard financial covenants which the company is in compliance with at December 31, 2011 and expects to remain in compliance with for the foreseeable future.

Cash used for financing activities was $380 million in 2011 compared to $419 million in 2010. This decrease was primarily due to higher net debt issuances in 2011 partially offset by higher stock repurchases net of issuances, and dividends. Cash dividends of $602 million increased $51 million from the year ago period.

At December 31, 2011, Praxair s total debt outstanding was $6,562 million, $1,005 million higher than $5,557 million at December 31, 2010 due to current year debt issuances. The proceeds from debt issuances and credit facility borrowings during 2011 were used primarily to reduce short-term debt, fund share repurchases and for general corporate purposes. The December 31, 2011 debt balance includes $5,872 million in public securities and $690 million representing primarily worldwide bank borrowings. Praxair s global effective borrowing rate was approximately 3.7% for 2011.

On February 6, 2012, Praxair issued $600 million of 2.45% notes due 2022. The proceeds will be used to reduce short-term debt, to fund share repurchases under the share repurchase program and for general corporate purposes.

Other Financial Data

Praxair s debt-to-capital ratio was 52.2% at December 31, 2011 versus 47.5% at December 31, 2010. The modest increase is attributed to higher debt levels and lower shareholders equity. The higher debt levels are discussed in the preceding section and shareholders equity decreased because of currency and pension/OPEB funded status adjustments to accumulated other comprehensive income. (See Note 7 to the consolidated financial statements.)

After-tax return on capital increased to 14.7% at December 31, 2011 versus 2010 due primarily to the increase in net operating profit after tax partially offset by an increase in average capital year over year.

See the Non-GAAP Financial Measures section for definitions and reconciliation of these non-GAAP measures to reported amounts.

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CONTRACTUAL OBLIGATIONS

The following table sets forth Praxair s material contract obligations and other commercial commitments as of December 31, 2011:

(Millions of dollars)	Due or expiring by December 31,						
	2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Long-term debt obligations:							
Debt and capitalized lease maturities	$ 387	$ 902	$ 766	$ 935	$ 1,311	$ 1,924	$ 6,225
Contractual interest	207	180	161	116	98	230	992
Operating leases	98	86	72	59	51	62	428
Retirement obligations	160	38	38	36	35	170	477
Unconditional purchase obligations	566	434	384	333	327	942	2,986
Construction commitments	1,226	296					1,522
Total Contractual Obligations	$ 2,644	$ 1,936	$ 1,421	$ 1,479	$ 1,822	$ 3,328	$ 12,630

Long-term debt and capitalized lease maturities of $6,225 million are more fully described in Note 11 to the consolidated financial statements and are included on the company s balance sheet as long-term liabilities and current portion of long-term debt.

Contractual interest on long-term debt of $992 million represents interest the company is contracted to pay on outstanding long-term debt, current portion of long-term debt and capital lease obligations, calculated on a basis consistent with planned debt maturities, excluding the interest impact of interest rate swaps. At December 31, 2011, Praxair had fixed-rate debt of $5,366 million and floating-rate debt of $1,196 million. The rate assumed for floating-rate debt was the rate in effect at December 31, 2011.

Obligations under operating leases of $428 million represent non-cancelable contractual obligations primarily for manufacturing and distribution equipment and office space. See Note 4 to the consolidated financial statements for further details.

Retirement obligations of $477 million include estimates of pension plan contributions and expected future benefit payments for unfunded pension and postretirement benefits other than pensions (OPEB). Pension plan contributions are forecast through 2012 only. For purposes of the table, $120 million of contributions have been included for 2012. Expected future unfunded pension and OPEB benefit payments are forecast through 2021. Contribution and unfunded benefit payment estimates are based upon current valuation assumptions. Estimates of pension contributions after 2012 and unfunded benefit payments after 2021 are not included in the table because the timing of their resolution cannot be estimated. Retirement obligations are more fully described in Note 16 to the consolidated financial statements.

Unconditional purchase obligations of $ 2,986 million represent contractual commitments under various long and short-term take-or-pay arrangements with suppliers. These obligations are primarily minimum-purchase commitments for helium, electricity, natural gas and feedstock used to produce atmospheric and process gases. During 2011, payments under these contracts totaled $1,162 million, including $677 million for electricity and $237 million for natural gas. A significant portion of these obligations is passed on to customers through similar take-or-pay or other contractual arrangements. Purchase obligations that are not passed along to customers through such contractual arrangements are subject to market conditions, but do not represent a material risk to Praxair.

Construction commitments of $1,522 million represent outstanding commitments to complete authorized construction projects as of December 31, 2011. A significant portion of Praxair s capital spending is related to the construction of new production facilities to satisfy customer commitments which may take a year or more to complete.

Liabilities for uncertain tax positions totaling $99 million, including interest and penalties, are not included in the table because the timing of their resolution cannot be estimated. See Note 5 to the consolidated financial statements for disclosures surrounding uncertain income tax positions.

OFF-BALANCE SHEET ARRANGEMENTS

As discussed in Note 17 to the consolidated financial statements, at December 31, 2011, Praxair had entered into various guarantees and other arrangements, and had undrawn outstanding letters of credit from financial institutions. These arrangements were entered into in connection with normal business operations and they are not reasonably likely to have a material impact on Praxair s consolidated financial condition, results of operations, or liquidity.

CRITICAL ACCOUNTING POLICIES

The policies discussed below are considered by management to be critical to understanding Praxair s financial statements and accompanying notes prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Their application places significant importance on management s judgment as a result of the need to make estimates of matters that are inherently uncertain. Praxair s financial position, results of operations and cash flows could be materially affected if actual results differ from estimates made. These policies are determined by management and have been reviewed by Praxair s Audit Committee.

Depreciable Lives of Property, Plant and Equipment

Praxair s net property, plant and equipment at December 31, 2011 was $10,131 million, representing 62% of the company s consolidated total assets. Depreciation expense for the year ended December 31, 2011 was $982 million, or 11% of total operating costs. Management judgment is required in the determination of the estimated depreciable lives that are used to calculate the annual depreciation expense and accumulated depreciation.

Property, plant and equipment are recorded at cost and depreciated over the assets estimated useful lives on a straight-line basis for financial reporting purposes. The estimated useful life represents the projected period of time that the asset will be productively employed by the company and is determined by management based on many factors, including historical experience with similar assets, technological life cycles, geographic locations and contractual supply relationships with on-site customers. Circumstances and events relating to these assets, such as on-site contract modifications, are monitored to ensure that changes in asset lives or impairments (see Asset Impairments) are identified and prospective depreciation expense or impairment expense is adjusted accordingly. Praxair s largest asset values relate to cryogenic air-separation production plants with depreciable lives of principally 15 years.

Based upon the assets as of December 31, 2011, if depreciable lives of machinery and equipment, on average, were increased or decreased by one year, annual depreciation expense would be decreased by approximately $49 million or increased by approximately $55 million, respectively.

Pension Benefits

Pension benefits represent 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, significant estimates are required to calculate pension expense and liabilities related to the company s plans. The company utilizes the services of several independent actuaries, whose models are used to facilitate these calculations.

Several key assumptions are used in actuarial models to calculate pension expense and liability amounts recorded in the financial statements. Management believes the three most significant variables in the models are

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the expected long-term rate of return on plan assets, the discount rate, and the expected rate of compensation increase. The actuarial models also use assumptions for various other factors, including employee turnover, retirement age, and mortality. Praxair management believes the assumptions used in the actuarial calculations are reasonable, reflect the company s experience and expectations for the future and are within accepted practices in each of the respective geographic locations in which it operates. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

The weighted-average expected long-term rates of return on pension plan assets were 8.25% for U.S. plans and 8.60% for international plans for the year ended December 31, 2011 and 2010. These rates are determined annually by management based on a weighted average of current and historical market trends, historical and expected portfolio performance and the current and expected portfolio mix of investments. A 0.50% change in these expected long-term rates of return, with all other variables held constant, would change Praxair s pension expense by approximately $9 million.

The company has consistently used a market-related value of assets rather than the fair value at the measurement date to determine annual pension expense. The market-related value recognizes investment gains or losses over a five-year period. As a result, changes in the fair value of assets from year to year are not immediately reflected in the company s annual pension expense. Instead, annual pension expense in future periods will be impacted as deferred investment gains or losses are recognized in the market-related value of assets over the five-year period. The consolidated market-related value of assets was $1,797 million, or $155 million higher than the fair value of assets of $1,642 million at December 31, 2011. These net deferred investment losses of $155 million will be recognized in the calculation of the market-related value of assets ratably over the next four years and will impact future pension expense. Future actual investment gains or losses will impact the market-related value of assets and, therefore, will impact future annual pension expense in a similar manner.

The weighted-average discount rates for pension plan liabilities were 4.70% for U.S. plans and 7.00% for international plans at December 31, 2011 (5.40% and 7.40%, respectively, at December 31, 2010). These rates are used to calculate the present value of plan liabilities and are determined annually by management. The discount rate for the U.S. plans is established utilizing a cash flow matching model provided by the company s independent actuaries. The model includes a portfolio of corporate bonds graded Aa or better by at least half of the ratings agencies and matches the U.S. plan s projected cash flows to the calculated spot rates and develops the single equivalent discount rate which produces the same present value. The discount rates for the remaining international plans are based on market yields for high-quality fixed income investments representing the approximate duration of the pension liabilities on the measurement date. A 0.50% increase/decrease in discount rates, with all other variables held constant, would decrease/increase Praxair s pension expense by approximately $10 million and would impact the projected benefit obligation (PBO) by approximately $143 million.

The weighted-average expected rate of compensation increase was 3.25% for U.S. plans and 3.90% for international plans at December 31, 2011 and 2010. The estimated annual compensation increase is determined by management every year and is based on historical trends and market indices. A 0.50% change in the expected rate of compensation increase, with all other variables held constant, would change Praxair s pension expense by approximately $5 million and would impact the PBO by approximately $28 million.

Asset Impairments

Goodwill

At December 31, 2011, the company had goodwill of $ 2,372 million, which represents the aggregate of the excess purchase price for acquired businesses over the fair value of the net assets acquired.

The company performs a goodwill impairment test annually in the second quarter or more frequently if events or circumstances indicate that an impairment loss may have been incurred, and no impairments were indicated. The company has continuously re-evaluated the likelihood of goodwill impairments in its reporting units subsequent to the second quarter test, and does not believe there is indication of impairment for any of its reporting units. At December 31, 2011, Praxair s enterprise value was approximately $38 billion (outstanding shares multiplied by the year-end stock price plus debt, and without any control premium) while its total capital was $13 billion.

The impairment test requires that the company estimate and compare the fair value of its reporting units to their carrying value, including goodwill. Reporting units are determined based on one level below the operating segment level. Fair value is determined through the use of projected future cash flows, multiples of earnings and sales and other factors.

Such analysis requires the use of certain future market assumptions and discount factors, which are subjective in nature. Estimated values can be affected by many factors beyond the company s control such as business and economic trends, government regulation, and technological changes. Management believes that the assumptions used to determine fair value are appropriate and reasonable. Although current calculations indicate that no reporting units are at risk of goodwill impairment, changes in circumstances or conditions affecting these assumptions could have a significant impact on the fair value determination, which could then result in a material impairment charge to the company s results of operations.

See Note 9 to the consolidated financial statements for disclosures concerning the carrying value of goodwill by reportable segment.

Property, Plant and Equipment

Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset or asset group may not be recoverable. To assess recoverability, the company compares the estimated undiscounted future cash flows expected to be generated from the asset or asset group to the carrying amount of the asset or asset group. If the undiscounted future cash flows are less than the carrying amount of the asset or asset group, an impairment charge reducing the carrying amount to fair value is required. Fair value is determined based on the most appropriate valuation technique, including discounted cash flows. This analysis requires management to make various subjective estimates and assumptions, including the amount of projected future cash flows related to the asset or asset group, the useful life over which cash flows will occur and the asset s residual value, if any.

Income Taxes

At December 31, 2011, Praxair had deferred tax assets of $903 million (net of valuation allowances of $107 million), and deferred tax liabilities of $1,284 million. At December 31, 2011, uncertain tax positions totaled $163 million (see Notes 1 and 5 to the consolidated financial statements). Income tax expense was $641 million for the year ended December 31, 2011, or about 28% of pre-tax income.

In the preparation of consolidated financial statements, Praxair estimates income taxes based on diverse legislative and regulatory structures that exist in various jurisdictions where the company conducts business. Deferred income tax assets and liabilities represent tax benefits or obligations that arise from temporary differences due to differing treatment of certain items for accounting and income tax purposes. Praxair evaluates deferred tax assets each period to ensure that estimated future taxable income will be sufficient in character (e.g. capital gain versus ordinary income treatment), amount and timing to result in their recovery. A valuation allowance is established when management determines that it is more likely than not that a deferred tax asset will not be realized to reduce the assets to their realizable value. Considerable judgments are required in establishing deferred tax valuation allowances and in assessing exposures related to tax matters. As events and circumstances change, related reserves and valuation allowances are adjusted to income at that time. Praxair s tax returns are subject to audit and local taxing authorities could challenge the company s tax positions. The company s practice is to review tax filing positions by jurisdiction and to record provisions for uncertain income tax positions, including interest and penalties when applicable. Praxair believes it records and/or discloses such potential tax liabilities as appropriate and has reasonably estimated its income tax liabilities and recoverable tax assets. If new information becomes available, adjustments are charged against income at that time. Management does not anticipate that such adjustments 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 material impact on the company s reported results of operations.

Contingencies

The company accrues liabilities for non-income tax contingencies when management believes that a loss is probable and the amounts can be reasonably estimated, while contingent gains are recognized only when realized. If new information becomes available or losses are sustained in excess of recorded amounts, adjustments are charged against income at that time. 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 material impact on the company s reported results of operations.

Praxair is subject to various claims, legal proceedings 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 (see Note 17 to the consolidated financial statements). Such contingencies are significant and the accounting requires considerable management judgments in analyzing each matter to assess the likely outcome and the need for establishing appropriate liabilities and providing adequate disclosures. Praxair believes it records and/or discloses such potential contingencies as appropriate and has reasonably estimated its liabilities.

NEW ACCOUNTING STANDARDS

See Note 1 to the consolidated financial statements for information concerning new accounting standards and the impact of the implementation of these standards on the company s financial statements.

FAIR VALUE MEASUREMENTS

Praxair does not expect changes in the aggregate fair value of its financial assets and liabilities to have a material impact on the consolidated financial statements. See Note 13 to the consolidated financial statements.

NON-GAAP FINANCIAL MEASURES

The company presents the following non-GAAP financial measures in the discussion of financial condition, results of operations and liquidity throughout the MD&A. These measures are intended to supplement investors understanding of the company s financial information by providing information which investors, financial analysts and management use to help evaluate the company s financial leverage, return on capital 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.

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The following are the non-GAAP measures presented in the Selected Financial Data (Item 6) or this MD&A:

(Dollar amounts in millions, except for per share data)

Year ended December 31,	**2011**	**2010**	**2009**	**2008**	**2007**
After-tax return on capital (ROC)	14.7%	14.4%	13.8%	15.3%	15.3%
Return on equity (ROE)	28.2%	26.4%	27.0%	26.8%	24.6%
Debt-to-capital	52.2%	47.5%	47.2%	53.8%	43.4%
Adjusted Amounts:					
Operating profit	$ 2,469	$ 2,167	$ 1,881	$ 2,077	$ 1,786
As a percent of sales	21.9%	21.4%	21.0%	19.2%	19.0%
Effective tax rate	27.8%	27.9%	27.6%	28.2%	26.0%
Noncontrolling interests	$ 51	$ 39	$ 43	$ 45	$ 43
Net income Praxair, Inc.	$ 1,666	$ 1,476	$ 1,247	$ 1,336	$ 1,177
Diluted earnings per share	$ 5.43	$ 4.74	$ 3.99	$ 4.20	$ 3.62

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 capital 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).

(Dollar amounts in millions)

Year Ended December 31,	**2011**	**2010**	**2009**	**2008**	**2007**
Adjusted operating profit (see below)	$ 2,469	$ 2,167	$ 1,881	$ 2,077	$ 1,786
Less: adjusted income taxes (see below)	(647)	(572)	(482)	(530)	(419)
Less: tax benefit on interest expense (a)	(41)	(33)	(37)	(56)	(45)
Add: income from equity investments	40	38	24	36	26
Net operating profit after-tax (NOPAT)	$ 1,821	$ 1,600	$ 1,386	$ 1,527	$ 1,348
Beginning capital	$ 11,702	$ 10,703	$ 9,336	$ 9,655	$ 7,943
First quarter ending capital	$ 12,375	$ 11,134	$ 9,420	$ 10,127	$ 8,433
Second quarter ending capital	$ 12,889	$ 10,793	$ 10,053	$ 10,584	$ 8,784
Third quarter ending capital	$ 12,430	$ 11,407	$ 10,642	$ 10,142	$ 9,120
Year-end ending capital	$ 12,579	$ 11,702	$ 10,703	$ 9,336	$ 9,655
Five-quarter average capital	$ 12,395	$ 11,148	$ 10,031	$ 9,969	$ 8,787
After-tax return on capital	14.7%	14.4%	13.8%	15.3%	15.3%

(a) Tax benefit on interest expense is computed using the effective rate adjusted for non-recurring income tax benefits and charges. The effective tax rates used were as follows: 2011, 28%, 2010, 28%, 2009, 28%, 2008, 28%, and 2007, 26%.

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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.

(Dollar amounts in millions)

Year Ended December 31,	**2011**	**2010**	**2009**	**2008**	**2007**
Adjusted net income Praxair, Inc. (see below)	$ 1,666	$ 1,476	$ 1,247	$ 1,336	$ 1,177
Beginning Praxair, Inc. shareholders equity	$ 5,792	$ 5,315	$ 4,009	$ 5,142	$ 4,554
First quarter ending Praxair, Inc. shareholders equity	$ 6,165	$ 5,398	$ 4,073	$ 5,209	$ 4,467
Second quarter ending Praxair, Inc. shareholders equity	$ 6,400	$ 5,452	$ 4,638	$ 5,671	$ 4,850
Third quarter ending Praxair, Inc. shareholders equity	$ 5,753	$ 5,991	$ 5,085	$ 4,891	$ 4,862
Year-End ending Praxair, Inc. shareholders equity	$ 5,488	$ 5,792	$ 5,315	$ 4,009	$ 5,142
Five-quarter average Praxair, Inc. shareholders equity	$ 5,920	$ 5,590	$ 4,624	$ 4,984	$ 4,775
Return on Praxair, Inc. Shareholders Equity	28.2%	26.4%	27.0%	26.8%	24.6%

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)

Year Ended December 31,	**2011**	**2010**	**2009**	**2008**	**2007**
Total debt	$ 6,562	$ 5,557	$ 5,055	$ 5,025	$ 4,192
Equity and redeemable noncontrolling interests					
Redeemable noncontrolling interests	220				
Praxair, Inc. shareholders equity	5,488	5,792	5,315	4,009	5,142
Noncontrolling interests	309	353	333	302	321
Total equity and redeemable noncontrolling interests	6,017	6,145	5,648	4,311	5,463
Total capital	$ 12,579	$ 11,702	$ 10,703	$ 9,336	$ 9,655
Debt-to-capital ratio	52.2%	47.5%	47.2%	53.8%	43.4%

Adjusted Amounts

2011 amounts are adjusted for the impact of a net gain on acquisition and the cost reduction program. 2010 amounts are adjusted for the impact of the: (i) Spanish income tax settlement, (ii) US homecare divestiture, (iii) repatriation tax benefit and (iv) Venezuela currency devaluation. 2009 amounts were adjusted for the Brazil tax amnesty program and other charges, and the 2008 amounts were adjusted for the impact of the cost reduction program and other charges. The company does not believe these items are indicative of on-going business trends and, accordingly, their impacts are excluded from the reported amounts so that investors can better evaluate and analyze historical and future business trends on a consistent basis. There were no special items in 2007.

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(Dollar amounts in millions, except per share data) **Year Ended December 31,**	**2011**	**2010**	**2009**	**2008**	**2007**
Adjusted Operating Profit and Margin					
Reported operating profit	$ 2,468	$ 2,082	$ 1,575	$ 1,883	$ 1,786
Less: Net gain on acquisition	(39)				
Add: Cost reduction program	40			194	
Add: US homecare divestiture		58			
Add: Venezuela currency devaluation		27			
Add: Brazil tax amnesty and other charges			306		
Total adjustments	1	85	306	194	
Adjusted operating profit	$ 2,469	$ 2,167	$ 1,881	$ 2,077	$ 1,786
Reported percent change	19%	32%	(16)%	5%	
Adjusted percent change	14%	15%	(9)%	16%	
Reported sales	$ 11,252	$ 10,116	$ 8,956	$ 10,796	$ 9,402
Reported operating profit margin	21.9%	20.6%	17.6%	17.4%	19.0%
Adjusted operating profit margin	21.9%	21.4%	21.0%	19.2%	19.0%
Adjusted Income Taxes and Effective Tax Rate					
Reported income taxes	$ 641	$ 768	$ 169	$ 465	$ 419
Less: Spanish income tax settlement		(250)			
Less: Net gain on acquisition	(3)				
Add: US homecare divestiture		18			
Add: Repatriation tax benefit		35			
Add: Venezuela currency devaluation		1			
Add: Brazil tax amnesty and other charges			313		
Add: Cost reduction program	9			65	
Total adjustments	6	(196)	313	65	
Adjusted income taxes	$ 647	$ 572	$ 482	$ 530	$ 419
Reported income before income taxes and equity investments	$ 2,323	$ 1,964	$ 1,442	$ 1,685	$ 1,613
Less: Net gain on acquisition	(39)				
Add: US homecare divestiture		58			
Add: Venezuela currency devaluation		27			
Add: Brazil tax amnesty and other charges			306		
Add: Cost reduction program	40			194	
Total adjustments	1	85	306	194	
Adjusted income before income taxes and equity investments	$ 2,324	$ 2,049	$ 1,748	$ 1,879	$ 1,613
Adjusted effective tax rate	27.8%	27.9%	27.6%	28.2%	26.0%
Adjusted Noncontrolling Interests					
Reported noncontrolling interests	$ 50	$ 39	$ 43	$ 45	$ 43
Add: Net gain on acquisition	1				
Adjusted noncontrolling interests	51	39	43	45	43
Adjusted Net Income Praxair, Inc.					

Reported net income Praxair, Inc.	$ 1,672	$ 1,195	$ 1,254	$ 1,211	$ 1,177
Less: Net gain on acquisition	(37)				
Add: Spanish tax settlement		250			
Add: US homecare divestiture		40			
Less: Repatriation tax benefit		(35)			
Add: Venezuela currency devaluation		26			
Less: Brazil tax amnesty and other charges			(7)		
Add: Cost reduction program	31			125	
Total adjustments	(6)	281	(7)	125	
Adjusted net income Praxair, Inc.	$ 1,666	$ 1,476	$ 1,247	$ 1,336	$ 1,177
Reported percent change	40%	(5)%	4%	3%	
Adjusted percent change	13%	18%	(7)%	14%	

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(Dollar amounts in millions, except per share data) **Year Ended December 31,**	**2011**	**2010**	**2009**	**2008**	**2007**
Adjusted Diluted Earnings Per Share					
Reported diluted earnings per share	$ 5.45	$ 3.84	$ 4.01	$ 3.80	$ 3.62
Less: Net gain on acquisition	(0.12)				
Add: Spanish income tax settlement		0.80			
Add: US homecare divestiture		0.13			
Less: Repatriation tax benefit		(0.11)			
Add: Venezuela currency devaluation		0.08			
Less: Brazil tax amnesty program and other charges			(0.02)		
Add: Cost reduction program	0.10			0.40	
Total adjustments	(0.02)	0.90	(0.02)	0.40	
Adjusted diluted earnings per share	$ 5.43	$ 4.74	$ 3.99	$ 4.20	$ 3.62
Reported percent change	42%	(4)%	6%	5%	
Adjusted percent change	15%	19%	(5)%	16%	

2012 Diluted Earnings Per Share Outlook

	Low End	**High End**
2012 diluted EPS outlook	$ 5.70	$ 5.90
2011 adjusted diluted EPS (see above)	$ 5.43	$ 5.43
Percentage change from 2010	5%	9%

FORWARD-LOOKING STATEMENTS

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

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Praxair is exposed to market risks relating to fluctuations in interest rates and currency exchange rates. The objective of financial risk management at Praxair is to minimize the negative impact of interest rate and foreign exchange rate fluctuations on the company s earnings, cash flows and equity.

To manage these risks, Praxair uses various derivative financial instruments, including interest-rate swaps, currency swaps, forward contracts, currency options and commodity contracts. Praxair only uses commonly traded and non-leveraged instruments. These contracts are entered into primarily with major banking institutions thereby minimizing the risk of credit loss. Also, see Notes 1 and 12 to the consolidated financial statements for a more complete description of Praxair s accounting policies and use of such instruments.

The following discussion presents the sensitivity of the market value, earnings and cash flows of Praxair s financial instruments to hypothetical changes in interest and exchange rates assuming these changes occurred at December 31, 2011. The range of changes chosen for these discussions reflects Praxair s view of changes which are reasonably possible over a one-year period. Market values represent the present values of projected future cash flows based on interest rate and exchange rate assumptions.

Interest Rate and Debt Sensitivity Analysis

At December 31, 2011, Praxair had debt totaling $6,562 million ($5,557 million at December 31, 2010). At December 31, 2011, there was one interest-rate swap agreement outstanding with notional amounts totaling $400 million that convert fixed-rate interest to variable-rate interest on the $400 million 3.25% notes that mature in 2015. At December 31, 2010, there were two interest-rate swap agreements outstanding with notional amounts totaling $900 million that convert fixed-rate interest to variable-rate interest on the $500 million 2.125% notes due 2013 and the $400 million 3.25% notes that mature in 2015. When considered necessary, interest-rate swaps are entered into as hedges of underlying financial instruments to effectively change the characteristics of the interest rate without actually changing the underlying financial instrument.

For fixed-rate instruments, interest-rate changes affect the fair market value but do not impact earnings or cash flows. Conversely, for floating-rate instruments, interest-rate changes generally do not affect the fair market value but impact future earnings and cash flows, assuming other factors are held constant.

At December 31, 2011, Praxair had fixed-rate debt of $5,366 million and floating-rate debt of $1,196 million, representing 82% and 18%, respectively, of total debt. At December 31, 2010, Praxair had fixed-rate debt of $3,834 million and floating-rate debt of $1,723 million, representing 69% and 31%, respectively, of total debt. Praxair increased its percentage of fixed rate debt instruments, as a percentage of total debt in 2011, to take advantage of historically low fixed interest rate debt. Holding other variables constant (such as foreign exchange rates, swaps and debt levels), a one-percentage-point decrease in interest rates would increase the unrealized fair market value of the fixed-rate debt by approximately $244 million ($191 million in 2010). At December 31, 2011 and 2010, the after-tax earnings and cash flows impact for the subsequent year resulting from a one-percentage-point increase in interest rates would be approximately $8 million and $12 million, respectively, holding other variables constant.

Exchange Rate Sensitivity Analysis

Praxair s exchange-rate exposures result primarily from its investments and ongoing operations in South America (primarily Brazil, Argentina, Colombia and Venezuela), Europe (primarily Germany, Italy, Scandinavia and Spain), Canada, Mexico, Asia (primarily China, India, Korea and Thailand) and other business transactions such as the procurement of equipment from foreign sources. From time to time, Praxair utilizes foreign exchange forward contracts to hedge these exposures. At December 31, 2011, Praxair had $1,541 million notional amount ($1,148 million at December 31, 2010) of foreign exchange contracts all of which were to hedge recorded

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balance sheet exposures. Of the notional amount of foreign exchange forward contracts outstanding at December 31, 2010 $1,011 million were to hedge balance sheet exposures, and $137 million were to hedge anticipated future net income. See Note 12 to the consolidated financial statements.

Holding other variables constant, if there were a 10% adverse change in foreign-currency exchange rates for the portfolio, the fair market value of foreign-currency contracts outstanding at December 31, 2011 and 2010 would decrease by approximately $22 million and $3 million, respectively, which would be largely offset by an offsetting gain or loss on the foreign-currency fluctuation of the underlying exposure being hedged.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT S STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

Praxair s consolidated financial statements are prepared by management, which is responsible for their fairness, integrity and objectivity. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applied on a consistent basis, except for accounting changes as disclosed, and include amounts that are estimates and judgments. All historical financial information in this annual report is consistent with the accompanying financial statements.

Praxair maintains accounting systems, including internal accounting controls, monitored by a staff of internal auditors, that are designed to provide reasonable assurance of the reliability of financial records and the protection of assets. The concept of reasonable assurance is based on recognition that the cost of a system should not exceed the related benefits. The effectiveness of those systems depends primarily upon the careful selection of financial and other managers, clear delegation of authority and assignment of accountability, inculcation of high business ethics and conflict-of-interest standards, policies and procedures for coordinating the management of corporate resources, and the leadership and commitment of top management. In compliance with Section 404 of the Sarbanes-Oxley Act of 2002, Praxair assessed its internal control over financial reporting and issued a report (see below).

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has completed an integrated audit of Praxair s 2011, 2010 and 2009 consolidated financial statements and of its internal control over financial reporting as of December 31, 2011 in accordance with the standards of the Public Company Accounting Oversight Board (United States) as stated in their report.

The Audit Committee of the Board of Directors, which consists solely of non-employee directors, is responsible for overseeing the functioning of the accounting system and related controls and the preparation of annual financial statements. The Audit Committee periodically meets with management, internal auditors and the independent accountants to review and evaluate their accounting, auditing and financial reporting activities and responsibilities, including management s assessment of internal control over financial reporting. The independent registered public accounting firm and internal auditors have full and free access to the Audit Committee and meet with the committee, with and without management present.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Praxair s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the company s principal executive officer and principal financial officer, the company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (often referred to as COSO). Based on this evaluation, management concluded that the company s internal control over financial reporting was effective as of December 31, 2011.

Praxair s evaluation of internal control over financial reporting as of December 31, 2011 did not include the internal control over financial reporting related to Texas Welders Supply Company, Yara Praxair Holding AS, and American Gas Group because they was acquired by Praxair in purchase business combinations consummated during 2011. Total assets and sales for these acquisitions represent 3% and 0.5%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011 (See Note 3).

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has issued their opinion on the company s internal control over financial reporting as of December 31, 2011 as stated in their report.

/s/ STEPHEN F. ANGEL

Stephen F. Angel

Chairman, President and

Chief Executive Officer

/s/ ELIZABETH T. HIRSCH

Elizabeth T. Hirsch

Vice President and Controller

/s/ JAMES S. SAWYER

James S. Sawyer

Danbury, Connecticut

February 29, 2012

Executive Vice President and

Chief Financial Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Shareholders of Praxair, Inc:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, equity and cash flows present fairly, in all material respects, the financial position of Praxair, Inc. and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, and on the company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management s Report on Internal Control Over Financial Reporting, management has excluded Texas Welders Supply Company, Yara Praxair Holding AS, and American Gas Group from its assessment of internal control over financial reporting as of December 31, 2011 because these businesses were acquired by the Company in purchase business combinations during 2011. We have also excluded Texas Welders Supply Company, Yara Praxair Holding AS, and American Gas Group from our audit of internal control over financial reporting. Texas Welders Supply Company and American Gas Group are wholly owned subsidiaries, and Yara Praxair Holding AS is a 66% owned subsidiary of the Company. The aggregate total assets and total sales of these 3 entities represent 3% and 0.5%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers

Stamford, Connecticut

February 29, 2012

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CONSOLIDATED STATEMENTS OF INCOME

PRAXAIR, INC. AND SUBSIDIARIES

(Dollar amounts in millions, except per share data)

Year Ended December 31,	2011	2010	2009
Sales	$ 11,252	$ 10,116	$ 8,956
Cost of sales, exclusive of depreciation and amortization	6,458	5,754	5,032
Selling, general and administrative	1,239	1,196	1,088
Depreciation and amortization	1,003	925	846
Research and development	90	79	74
Cost reduction program and other charges net	1	85	306
Other income (expenses) net	7	5	(35)
Operating Profit	2,468	2,082	1,575
Interest expense net	145	118	133
Income Before Income Taxes and Equity Investments	2,323	1,964	1,442
Income taxes	641	768	169
Income Before Equity Investments	1,682	1,196	1,273
Income from equity investments	40	38	24
Net Income (Including Noncontrolling Interests)	1,722	1,234	1,297
Less: noncontrolling interests	(50)	(39)	(43)
Net Income Praxair, Inc.	$ 1,672	$ 1,195	$ 1,254
Per Share Data Praxair, Inc. Shareholders			
Basic earnings per share	$ 5.53	$ 3.90	$ 4.08
Diluted earnings per share	$ 5.45	$ 3.84	$ 4.01
Weighted Average Shares Outstanding (000 s):			
Basic shares outstanding	302,237	306,720	307,676
Diluted shares outstanding	306,722	311,395	312,382

The accompanying Notes on pages 54 to 96 are an integral part of these financial statements.

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CONSOLIDATED BALANCE SHEETS

PRAXAIR, INC. AND SUBSIDIARIES

(Dollar amounts in millions)

December 31,	**2011**	**2010**
Assets		
Cash and cash equivalents	$ 90	$ 39
Accounts receivable net	1,795	1,664
Inventories	456	399
Prepaid and other current assets	266	276
Total Current Assets	2,607	2,378
Property, plant and equipment net	10,131	9,532
Equity investments	523	564
Goodwill	2,372	2,066
Other intangible assets net	167	132
Other long-term assets	556	602
Total Assets	$ 16,356	$ 15,274
Liabilities and Equity		
Accounts payable	$ 896	$ 830
Short-term debt	337	370
Current portion of long-term debt	387	32
Accrued taxes	145	90
Other current liabilities	770	788
Total Current Liabilities	2,535	2,110
Long-term debt	5,838	5,155
Other long-term liabilities	1,228	9