

PRAXAIR INC  
Form 10-K  
February 25, 2009  
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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, 2008**

**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.**

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**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:**  
**Common Stock (\$0.01 par value)**  
**Common Stock Purchase Rights**

**Registered on:**  
**New York Stock Exchange**  
**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  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

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

Indicate by check mark 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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates as of June 30, 2008, was approximately \$30 billion (based on the closing sale price of the stock on that date as reported on the New York Stock Exchange).

At January 31, 2009, 307,084,235 shares of common stock of Praxair, Inc. were outstanding.

**Documents incorporated by reference:**

Portions of the Proxy Statement of Praxair, Inc., for its 2009 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, 2008**

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**Praxair, Inc. and Subsidiaries**

**PART I**

**ITEM 1. BUSINESS**

**General**

Praxair, Inc. (Praxair or 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 for 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. Sales for Praxair were \$10,796 million, \$9,402 million, and \$8,324 million for 2008, 2007, and 2006, respectively. Refer to Note 19 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 2008, 95% 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, including small non-cryogenic nitrogen plants. 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 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 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. 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. These businesses also distribute welding equipment purchased from independent manufacturers. Over time, Praxair has acquired several 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, 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 and backlogs are 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 56% of its 2008 sales outside of the United States. It conducts industrial gases business through subsidiary and affiliated companies in Argentina, Belgium, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, France, Germany, India, Italy, Japan, South Korea, Malaysia, Mexico, the Netherlands, Norway, the People's Republic of China, Paraguay, Peru, Portugal, Spain, Taiwan, Thailand, Uruguay and Venezuela. S.I.A.D. (Societa Italiana Acetilene & Derivati S.p.A.), an Italian company accounted for as an equity company, also has established positions in Austria, Bulgaria, Croatia, the Czech Republic, Hungary, Romania and Slovenia. Praxair's surface technologies segment has operations in Brazil, China, France, Germany, India, Italy, Japan, Singapore, South Korea, Taiwan, Spain, 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 Note 1 to the consolidated financial statements 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 frequent introduction of new industrial gas applications, and the development of new advanced air separation process technologies. Research and development for industrial gases is principally conducted at Tonawanda, New York; Burr Ridge, Illinois; Rio de Janeiro, Brazil; and Shanghai, China.

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, the outcome of regional energy situations or new energy situations 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.

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 domestic competitors for

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the surface technologies business are Chromalloy Gas Turbine Corporation, a subsidiary of Sequa Corporation, Sermatech International, Inc., a subsidiary of Teleflex, Inc., and Chemtronics, Inc., a subsidiary of GKN p.l.c. International competitors in surface technologies vary from country to country.

**Employees and Labor Relations** As of December 31, 2008, Praxair had 26,936 employees worldwide. Of this number, 10,855 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](http://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](http://www.sec.gov), that contains reports, proxy information statements and other information regarding issuers that file electronically.

## **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:

### **External factors**

Significant external factors include:

General economic conditions;

Cost and availability of raw materials and energy;

International events and circumstances;

Global financial markets conditions;

Competitor actions;

Governmental regulations; and

Catastrophic events.

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*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 30 countries, which generally leads to financial stability through various business cycles, however, demand for Praxair's products could be adversely affected by a broad decline in general economic or business conditions in the industries served by its customers. In addition, many of the company's customers are in businesses that are cyclical in nature, such as the chemicals, metals and refining industries. Downturns in these industries may adversely impact the company during these cycles.

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Recent turmoil in the financial markets has adversely affected global economic activity. A sustained decline in economic activity could adversely affect demand for the company's products and impair the ability of our customers to satisfy their obligations to the company, resulting in additional uncollected receivables and/or unanticipated contract terminations or project delays. 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.

*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, which typically have escalation and pass-through clauses for the company's larger contracts. Such attempts may not successfully mitigate the impact of 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.

*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 fluctuations 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, and current and changing regulatory environments. 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, financial condition or results of operations.

*Macroeconomic factors, including the recent turmoil in the U.S. and global credit and equity markets, 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 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.

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The current United States credit environment has not had, and at this time is not expected to have, a significant adverse impact on the company's liquidity. The company continues to have access to the commercial paper markets, and expects to continue to generate strong operating cash flows. While the impact of continued volatility in the global credit markets cannot be predicted with certainty, the company believes that it has sufficient operating flexibility, cash reserves, and funding sources to maintain adequate amounts of liquidity to meet its business needs around the world.

*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 operations.

*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, including laws regulating greenhouse gas emissions and other potential climate-change legislation (see the section captioned "Management's Discussion and Analysis - Environmental Matters" in Item 7 of this 10-K);

Domestic and international tax laws and currency controls;

Transportation;

Safety;

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

Patents;

Trade restrictions;

Antitrust matters; and

Home 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.

*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 ranging from natural disasters such as hurricanes, to epidemics such as health epidemics, to acts of war and terrorism, could disrupt or delay the company's ability to produce and distribute its products to customers and could potentially expose the

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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 results of operations.

### **Internal Factors**

Significant internal factors include:

Retaining qualified personnel;

Technological advances;

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Litigation and governmental investigations;

Environmental laws and regulations;

Tax liabilities;

Operational risks; and

Acquisitions.

*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 business, results of operations and financial condition.

*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. The results of these research and development activities help Praxair to create a competitive advantage and provide a platform for the company to grow its business at greater percentages than the rate of industrial production growth in the geographies where it operates. If Praxair's research and development activities did not keep pace with competitors or if it did not create new applications that benefit customers, then the company's future results of operations could be adversely affected.

*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.

*The costs of complying with environmental laws and regulations may adversely impact the company's financial position and results of operations.*

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, and the remediation of contamination. 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

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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 10-K.

*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 results of operations for the period when such determination is made. See Note 18 to the consolidated financial statements.

*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 results of operations, cash flows and reputation.

*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 transactions. Many of these transactions, 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.

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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 write-offs of goodwill, any of which could adversely impact the company's financial condition.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Praxair has received no written SEC staff comments regarding any of its Exchange Act reports which were issued 180 days or more preceding the end of its 2008 fiscal year and that 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; and Rio de Janeiro, Brazil. Praxair's Italian equity affiliate, Societa Italiana Acetilene & Derivati S.p.A. (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 throughout certain 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, 2008. 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 250 of which are cryogenic air separation plants, hydrogen plants and carbon dioxide plants. There are five major 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 and France which include more than 50 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 supported 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 40 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.

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*Asia*

The Asia segment has production facilities located primarily in China, Korea and India which include more than 25 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 and Brazil.

**ITEM 3. LEGAL PROCEEDINGS**

Information required by this item is incorporated herein by reference to the section captioned "Notes to Consolidated Financial Statements - Note 18 Commitments and Contingencies" in Part II Item 8 of this 10-K.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Praxair did not submit any matters to a shareholder vote during the fourth quarter of 2008.

**Table of Contents****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, 2008 there were 18,241 shareholders of record.

*NYSE quarterly stock price and dividend information*

Market Price	Trading High	Trading Low	Close	Dividend Per Share
<b>2008</b>				
First Quarter	\$ 89.39	\$ 69.96	\$ 84.23	\$ 0.375
Second Quarter	\$ 99.73	\$ 84.04	\$ 94.24	\$ 0.375
Third Quarter	\$ 96.70	\$ 67.78	\$ 71.74	\$ 0.375
Fourth Quarter	\$ 74.40	\$ 47.40	\$ 59.36	\$ 0.375
<b>2007</b>				
First Quarter	\$ 65.00	\$ 58.32	\$ 62.96	\$ 0.30
Second Quarter	\$ 74.27	\$ 62.34	\$ 71.99	\$ 0.30
Third Quarter	\$ 84.13	\$ 68.10	\$ 83.76	\$ 0.30
Fourth Quarter	\$ 91.99	\$ 78.43	\$ 88.71	\$ 0.30

Praxair's annual dividend on its common stock for 2008 was \$1.50 per share. On January 27, 2009, Praxair's Board of Directors declared a dividend of \$0.40 per share for the first quarter of 2009, or \$1.60 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.

*Recent Sales of Unregistered Securities* On October 28, 2008, the Board of Directors of Praxair, Inc. approved a limited arrangement to allow each Praxair Director and Executive Officer to purchase up to 25,000 shares of Praxair Common Stock directly from Praxair at market values in one or more purchase transactions beginning on October 31, 2008 through and including December 1, 2008. Pursuant to this arrangement, Praxair issued 14,475 shares of Praxair Common Stock for aggregate proceeds of less than \$1 million. Issuances of the shares under this purchase arrangement were exempt from registration under Section 4(2) of the Securities Act of 1933. The shares may not be resold until six months after their issuance absent registration or an applicable exemption from the registration requirements under the Securities Act or other applicable law.

*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, 2008 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 Plans or Programs (1) (Thousands)	Maximum Number (or approximate dollar value) of Shares that May Yet be Purchased Under the Programs (2) (Millions)
October 2008	1,800	\$ 62.91	1,800	\$ 378
November 2008				378
December 2008				378

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Fourth Quarter 2008

1,800

\$ 62.91

1,800

\$

378

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(1) On July 25, 2007, the company's board of directors approved a share repurchase program pursuant to which the company could repurchase up to \$1 billion of shares of its common stock from time to time at prices and on terms satisfactory to the company. On July 23, 2008, the company's board of directors approved the repurchase of an additional \$1 billion of its common stock 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.

(2) As of December 31, 2008, the company completed the \$1 billion of share repurchases authorized under the 2007 program and had purchased \$622 million of its common stock pursuant to the 2008 program, leaving an additional \$378 million remaining authorized for purchase under the 2008 program. The 2008 program does not have any stated expiration date.

*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 and the S5 Materials Index which covers 28 companies, including Praxair. The figures assume an initial investment of \$100 on December 31, 2003 and that all dividends have been reinvested.

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA****FIVE-YEAR FINANCIAL SUMMARY***(Dollar amounts in millions, except per share data)*

<b>Year Ended December 31,</b>	<b>2008 (a)</b>	<b>2007</b>	<b>2006</b>	<b>2005 (b)</b>	<b>2004</b>
<b>From the Income Statement</b>					
Sales	\$ 10,796	\$ 9,402	\$ 8,324	\$ 7,656	\$ 6,594
Cost of sales, exclusive of depreciation and amortization	6,495	5,557	4,968	4,641	3,987
Selling, general and administrative	1,312	1,190	1,086	987	869
Depreciation and amortization	850	774	696	665	578
Research and development	97	98	87	80	77
Cost reduction program and other charges	177				