

News Release



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PRAXAIR REPORTS FIRST-QUARTER EARNINGS PER SHARE OF 79 CENTS

DANBURY, Conn., April 21, 2003 – Praxair, Inc. (NYSE:PX) reported first-quarter 2003 net income of \$130 million and diluted earnings per share of 79 cents, up from income before accounting changes of \$127 million and 77 cents per share in the prior-year quarter.

Sales for the quarter were \$1,337 million compared to \$1,232 million in 2002. Sales grew 9% on a reported basis, and 6% excluding the impact of changes in natural gas prices and currency. Operating profit for the quarter was \$215 million compared to \$217 million in the 2002 quarter.

Commenting on business during the quarter, Dennis H. Reilley, chairman and chief executive officer, said, "We achieved record sales due to the excellent progress we have made on our growth initiatives. Earnings during the quarter were held back by anticipated plant turnaround activities, combined with the spike in energy costs and tough conditions in the chemical and aviation industries."

In North America, reported sales of \$893 million rose 11% from the prior year, and 5% excluding the pass-through effect of higher natural gas prices. Growth came primarily from refinery hydrogen and healthcare. Segment operating profit fell 4% to \$131 million due to the costs of plant turnarounds and higher electricity and fuel costs, which were not recovered during the quarter.

In Europe, sales grew 25% primarily due to the stronger Euro. Excluding the effect of currency and divestitures, segment sales grew 5% compared to the year-ago period. Operating profit in Europe grew 10%, excluding currency, due to positive price and volume gains combined with excellent productivity improvements. In Asia, sales grew 15% and operating profit 30% largely due to strong volume growth from new business, particularly in China. Sales in South America declined 13%, but excluding the effects of currency devaluation were up 18%, largely due to the development of new services offerings. Operating profit declined slightly as strong local sales growth and cost reductions largely offset the currency decline.

Praxair Surface Technologies was hurt by low commercial airline activity and temporarily reduced military service work, combined with plant closure costs.

Cash flow from operations for the quarter was \$171 million and capital expenditures were \$123 million. The company's debt-to-capital ratio* was reduced to 51.0%. After-tax return on capital* was 12.6%, lower than 2002's fourth quarter due to the lower operating profit and the higher effective tax rate.

Looking ahead, Reilley said, "We expect results for the remainder of the year to improve as energy markets stabilize and our U.S. operating margins improve. However, I am cautious on the long-term picture for economic growth, but still expect Praxair to continue to grow our sales and earnings through our growth initiatives."

For the second quarter, Praxair expects sales growth in the area of 5% from last year's second quarter, and diluted earnings per share of 84 to 89 cents. For the full year, earnings guidance is unchanged at \$3.40 to \$3.60 per diluted share.

Praxair is the largest industrial gases company in North and South America, and one of the largest worldwide, with 2002 sales of \$5.1 billion. The company produces, sells and distributes atmospheric and process gases, and high-performance surface coatings. Praxair products, services and technologies bring productivity and environmental benefits to a wide variety of industries, including aerospace, chemicals, food and beverage, electronics, energy, healthcare, manufacturing, metals and others. More information on Praxair is available on the Internet at www.praxair.com.

*Non-GAAP measures. Please refer to the Appendix--Non-GAAP Measures for definitions and calculations.

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Attachments: Statement of Income, Balance sheet, Statement of Cash Flows, Segment Information, Quarterly Financial Summary, and Non-GAAP Measures

A teleconference on Praxair's first-quarter results is being held this morning, April 21, at 10:00 am Eastern Time. The number is (706) 634-0777. The call also is available as a web cast at www.praxair.com/investors. Materials to be used in the teleconference are available on www.praxair.com/investors.

Forward-Looking Statements: The forward-looking statements contained in this announcement concerning demand for products and services, the expected macroeconomic environment, sales and earnings growth, and other financial goals involve risks and uncertainties, and are subject to change based on various factors. These include the impact of changes in worldwide and national economies, the cost and availability of electric power, natural gas and other materials, development of operational efficiencies, changes in foreign currencies, changes in interest rates, the continued timely development and acceptance of new products and processes, the impact of competitive products and pricing, and the impact of tax and other legislation and regulation in the jurisdictions in which the company operates.

P-34/03

PRAXAIR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Millions of dollars, except per share data)
(UNAUDITED)

	Quarter Ended March 31,	
	2003 (a,b)	2002
SALES	\$ 1,337	\$ 1,232
Cost of sales	804	699
Selling, general and administrative	185	184
Depreciation and amortization	122	121
Research and development	17	17
Other Income - net	6	6
OPERATING PROFIT	<u>215</u>	<u>217</u>
Interest expense	42	51
INCOME BEFORE INCOME TAXES	<u>173</u>	<u>166</u>
Income taxes	41	37
INCOME OF CONSOLIDATED ENTITIES	<u>132</u>	<u>129</u>
Minority interests	(5)	(4)
Income from equity investments	3	2
INCOME BEFORE ACCOUNTING CHANGES	<u>130</u>	<u>127</u>
Cumulative effect of accounting changes (c)	-	(139)
NET INCOME	<u><u>\$ 130</u></u>	<u><u>\$ (12)</u></u>
 PER SHARE DATA:		
Basic earnings per share:		
Before accounting changes	\$ 0.80	\$ 0.78
Accounting changes	-	(0.85)
Net income	<u><u>\$ 0.80</u></u>	<u><u>\$ (0.07)</u></u>
 Diluted earnings per share:		
Before accounting changes	\$ 0.79	\$ 0.77
Accounting changes	-	(0.84)
Net income	<u><u>\$ 0.79</u></u>	<u><u>\$ (0.07)</u></u>
 Cash dividends	 \$ 0.21	 \$ 0.19
 WEIGHTED AVERAGE SHARES OUTSTANDING (000's):		
Basic shares outstanding	162,881	163,524
Diluted shares outstanding	164,635	165,936

- (a) Results for the quarter ended March 31, 2003 include a \$19 million decrease in sales; a \$1 million decrease in operating profit; and a \$-0- million decrease in net income from currency effects worldwide compared to the 2002 results.
- (b) Results for the quarter ended March 31, 2003 include a \$47 million increase in sales from the contractual pass-through of higher on-site hydrogen raw material costs tied to natural gas prices, with no impact on operating profit.
- (c) In the 2002 first quarter, the Company recorded a \$139 million non-cash transition charge to earnings for the adoption SFAS 142 as a cumulative effect of an accounting change.

PRAXAIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Millions of dollars)
(UNAUDITED)

	March 31, 2003	December 31, 2002
ASSETS		
Cash and cash equivalents	\$ 58	\$ 39
Accounts receivable	937	860
Inventories	285	277
Prepaid and other current assets	132	110
TOTAL CURRENT ASSETS	1,412	1,286
Property, plant and equipment - net	4,684	4,666
Goodwill	1,012	985
Other intangibles	53	50
Other assets	400	414
TOTAL ASSETS	\$ 7,561	\$ 7,401
LIABILITIES AND EQUITY		
Accounts payable	\$ 360	\$ 378
Short-term debt	192	215
Current portion of long-term debt	22	23
Other current liabilities	515	484
TOTAL CURRENT LIABILITIES	1,089	1,100
Long-term debt	2,528	2,510
Other long-term liabilities	1,307	1,287
TOTAL LIABILITIES	4,924	4,897
Minority interests	160	164
Shareholders' equity	2,477	2,340
TOTAL LIABILITIES AND EQUITY	\$ 7,561	\$ 7,401

PRAXAIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Millions of dollars)
(UNAUDITED)

	Quarter Ended	
	March 31,	
	2003	2002
OPERATIONS		
Net income	\$ 130	\$ (12)
Adjustments:		
Depreciation and amortization	122	121
Accounting change	-	139
Other non-cash (benefits)/charges	9	(6)
Working capital	(89)	(78)
Long-term assets and liabilities and other	(1)	(17)
Net cash provided by operating activities	<u>171</u>	<u>147</u>
INVESTING		
Capital expenditures	(123)	(107)
Acquisitions	(14)	(60)
Divestitures and asset sales	52	14
Net cash used for investing activities	<u>(85)</u>	<u>(153)</u>
FINANCING		
Debt (decrease)/increase - net	(8)	22
Issuance of common stock	43	106
Purchases of common stock	(61)	(95)
Cash dividends	(35)	(31)
Minority transactions and other	(5)	4
Net cash (used for)/provided by financing activities	<u>(66)</u>	<u>6</u>
Effect of exchange rate changes on cash and Cash equivalents	<u>(1)</u>	<u>(1)</u>
Change in cash and cash equivalents	19	(1)
Cash and cash equivalents beginning-of-period	<u>39</u>	<u>39</u>
Cash and cash equivalents end-of-period	<u>\$ 58</u>	<u>\$ 38</u>

PRAXAIR, INC. AND SUBSIDIARIES
SEGMENT INFORMATION
(Millions of dollars)
(UNAUDITED)

	Quarter Ended	
	March 31,	
	2003	2002
SALES		
North America (a)	\$ 893	\$ 802
South America (b)	148	170
Europe (c)	165	132
Asia	84	73
Surface Technologies	98	99
Elimination	(51)	(44)
Total sales	\$ 1,337	\$ 1,232
SEGMENT OPERATING PROFIT		
North America (a)	\$ 131	\$ 137
South America (b)	29	31
Europe (c)	38	30
Asia	13	10
Surface Technologies	4	9
All Other	-	-
Total operating profit	\$ 215	\$ 217

- (a) North American results for the quarter ended March 31, 2003 include a \$47 million increase in sales from the contractual pass-through of higher on-site hydrogen raw material costs tied to natural gas prices, with no impact on operating profit.
- (b) South American results for the quarter ended March 31, 2003 include a \$52 million decrease in sales; and a \$6 million decrease in operating profit from currency effects versus the 2002 period.
- (c) European results for the quarter ended March 31, 2003 include a \$29 million increase in sales; and a \$5 million increase in operating profit from currency effects versus the 2002 period.

PRAXAIR, INC. AND SUBSIDIARIES
QUARTERLY FINANCIAL SUMMARY
(Millions of dollars, except per share data)
(UNAUDITED)

	2003		2002		
	Q1	Q4*	Q3*	Q2*	Q1
FROM THE INCOME STATEMENT					
Sales	\$ 1,337	\$ 1,297	\$ 1,292	\$ 1,307	\$ 1,232
Cost of sales	804	747	749	755	699
Selling, general and administrative	185	189	187	191	184
Depreciation and amortization	122	122	120	120	121
Research and development	17	20	16	16	17
Other income (expenses) – net	6	8	15	19	6
Operating profit	\$ 215	\$ 227	\$ 235	\$ 244	\$ 217
Interest expense	42	45	63	47	51
Income taxes	41	40	38	43	37
Minority interests	(5)	(5)	(5)	(6)	(4)
Income from equity investments	3	3	2	2	2
Income before cumulative effect of accounting changes	130	140	131	150	127
Cumulative effect of accounting changes	-	-	-	-	(139)
Net income	\$ 130	\$ 140	\$ 131	\$ 150	\$ (12)
PER SHARE DATA					
Diluted earnings per share:					
Income before cumulative effect of accounting changes	\$ 0.79	\$ 0.85	\$ 0.80	\$ 0.91	\$ 0.77
Accounting changes	-	-	-	-	(0.84)
Net income	\$ 0.79	\$ 0.85	\$ 0.80	\$ 0.91	\$ (0.07)
Cash dividends per share	\$ 0.21	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING (000's)	164,635	164,315	163,956	164,835	165,936
FROM THE BALANCE SHEET					
Total debt	\$ 2,742	\$ 2,748	\$ 2,875	\$ 3,022	\$ 3,009
Total capital (non-GAAP measure, see Appendix)	5,379	5,252	5,231	5,526	5,605
Debt-to-capital ratio (non-GAAP measure, see Appendix)	51.0%	52.3%	55.0%	54.7%	53.7%
FROM THE STATEMENT OF CASH FLOWS					
Cash flow from operations	\$ 171	\$ 338	\$ 256	\$ 260	\$ 147
Capital expenditures	123	158	119	114	107
Acquisitions	14	37	7	9	60
Cash dividends	35	30	31	31	31
OTHER INFORMATION					
Number of employees	24,730	25,010	24,375	24,627	24,809
After-tax return on capital (ROC) (non-GAAP measure, see Appendix)	12.6%	13.7%	13.8%	13.8%	12.2%
SEGMENT DATA					
SALES					
North America	\$ 893	\$ 852	\$ 845	\$ 852	\$ 802
South America	148	136	154	172	170
Europe	165	157	151	149	132
Asia	84	88	84	79	73
Surface Technologies	98	97	99	99	99
Eliminations	(51)	(33)	(41)	(44)	(44)
Total	\$ 1,337	\$ 1,297	\$ 1,292	\$ 1,307	\$ 1,232
SEGMENT OPERATING PROFIT					
North America	\$ 131	\$ 142	\$ 139	\$ 139	\$ 137
South America	29	26	37	41	31
Europe	38	39	36	34	30
Asia	13	14	14	13	10
Surface Technologies	4	6	9	10	9
All Other	-	-	-	7	-
Total	\$ 215	\$ 227	\$ 235	\$ 244	\$ 217

* Diluted EPS for the second quarter of 2002 included a benefit of \$0.07 per share resulting from a litigation settlement and recognition of currency hedge gains related to earnings in future quarters. Diluted EPS for the third quarter of 2002 included a charge of \$0.07 per share for the early retirement of debt and a benefit of \$0.02 per share from the recognition of currency hedge gains related to fourth quarter 2002 earnings.

PRAXAIR, INC. AND SUBSIDIARIES
APPENDIX
NON-GAAP MEASURES
(Dollar amounts in millions)
(UNAUDITED)

Definitions of the following non-GAAP measures may not be comparable to similar definitions used by other companies. Praxair believes that its debt-to-capital ratio is appropriate for measuring its financial leverage. The Company believes that its after-tax return on invested capital ratio is an appropriate measure for judging performance as it reflects the approximate after-tax profit earned as a percentage of investments by all parties in the business (debt, minority interest, preferred stock, and shareholders' equity).

	2003	2002			
	Q1	Q4*	Q3*	Q2*	Q1
<u>TOTAL CAPITAL</u>					
Debt	\$ 2,742	\$ 2,748	\$ 2,875	\$ 3,022	\$ 3,009
Minority interests	160	164	152	155	148
Preferred stock	-	-	-	20	20
Shareholders' equity	2,477	2,340	2,204	2,329	2,428
	<u>\$ 5,379</u>	<u>\$ 5,252</u>	<u>\$ 5,231</u>	<u>\$ 5,526</u>	<u>\$ 5,605</u>
<u>DEBT-TO-CAPITAL RATIO</u>					
	<u>51.0%</u>	<u>52.3%</u>	<u>55.0%</u>	<u>54.7%</u>	<u>53.7%</u>
<u>AFTER-TAX RETURN ON CAPITAL (ROC)</u>					
Operating profit	\$ 215	\$ 227	\$ 235	\$ 244	\$ 217
Less: reported taxes	(41)	(40)	(38)	(43)	(37)
Less: tax benefit on interest expense	(10)	(10)	(14)	(11)	(11)
Add: equity income	3	3	2	2	2
Net operating profit after-tax (NOPAT)	<u>\$ 167</u>	<u>\$ 180</u>	<u>\$ 185</u>	<u>\$ 192</u>	<u>\$ 171</u>
Beginning capital	\$ 5,252	\$ 5,231	\$ 5,526	\$ 5,605	\$ 5,627
Ending capital	\$ 5,379	\$ 5,252	\$ 5,231	\$ 5,526	\$ 5,605
Average capital	\$ 5,316	\$ 5,241	\$ 5,378	\$ 5,565	\$ 5,616
After-tax ROC %	3.1%	3.4%	3.4%	3.5%	3.0%
After-tax ROC % (annualized)	12.6%	13.7%	13.8%	13.8%	12.2%

* NOPAT for the second quarter of 2002 included a benefit of \$11 million (0.8% ROC annualized) resulting from a litigation settlement and recognition of currency hedge gains related to earnings in future quarters. NOPAT for the third quarter of 2002 included a benefit of \$4 million (0.3% ROC annualized) from the recognition of currency hedge gains related to fourth quarter 2002 earnings.