

News Release



Praxair, Inc.
39 Old Ridgebury Road
Danbury, CT 06810, U.S.A
www.praxair.com

Contacts

Susan Szita Gore, Media (203) 837-2311 – susan_szita-gore@praxair.com

Elizabeth Hirsch, Investors (203) 837-2354 -liz_hirsch@praxair.com

PRAXAIR REPORTS SECOND-QUARTER EARNINGS PER SHARE OF 91 CENTS

DANBURY, Conn., July 23, 2003 – Praxair, Inc. (NYSE: PX) reported second- quarter 2003 net income of \$150 million and diluted earnings per share of 91 cents, both unchanged from the prior-year. Net income for the quarter included a \$6 million net gain, 4 cents per share, resulting from an income tax benefit and the recognition of currency hedge losses related to future quarters. Last year's quarterly earnings included a net gain of 7 cents per share, resulting from a litigation settlement and currency hedge gains related to future quarters. Excluding these items, diluted earnings per share were 87 cents as compared to 84 cents in the prior-year period.*

Sales for the quarter were \$1,401 million compared to \$1,307 million in 2002. Sales grew 7% on a reported basis, and 4% excluding the impact of changes in natural gas price and currency. Operating profit was \$223 million compared to \$244 million in the prior year. Excluding the special items in both periods, operating profit was in line with the prior-year.

"Praxair performed well during the quarter, given the soft global economy," said Dennis H. Reilley, chairman and chief executive officer. "The actions we have taken to strengthen our market position in hydrogen, healthcare, electronics and Asia are taking hold and beginning to deliver profitable growth. Overall customer demand, however, remains soft, particularly in the U.S. manufacturing, chemical, automobile and aerospace markets. We are continuing to carefully manage costs and capital spending to deliver growing earnings during the downturn and to increase operating leverage when the economy recovers."

In North America, reported sales of \$893 million grew 5% from the prior year. Excluding the pass-through effect of higher natural gas prices, sales grew 2%. The growth in sales came from higher pricing overall and new business gained in the healthcare market. Overall volume was relatively unchanged due to the soft economy. Segment operating profit of \$135 million was lower than a year ago, primarily as a result of higher energy costs.

In Europe, sales increased 17% to \$175 million and operating profit increased 21% to \$41 million. The year-over-year increase was attributable to currency appreciation partially offset by a divestiture. South America sales grew 8% to \$185 million, but excluding the effect of currency devaluation, sales grew 23% from both higher volume and improved pricing. Operating profit declined to \$26 million as a result of currency devaluation and the effects of hedging. Asia's segment sales grew 16% to \$92 million, and operating profit grew 15% to \$15 million due to strong volume growth in China and Thailand.

Praxair Surface Technologies' sales were unchanged at \$99 million, but operating profit declined to \$6 million due to weak market conditions and restructuring costs.

Cash flow from operations for the quarter was \$276 million. Capital expenditures were \$154 million, excluding the purchase of leased assets. During the quarter the company issued \$300 million of five-year bonds at 2.75%, and \$350 million of 10-year bonds at 3.95%. The proceeds of these debt issues were used to refinance commercial paper, and purchase \$339 million of leased assets, to lower overall financing costs. The company's debt-to-capital ratio* decreased to 49.2%. After-tax return on capital* improved to 12.9%, from 12.6% in the first quarter due to higher operating profit and a lower effective tax rate.* The purchase of the leased assets reduced after-tax return on capital by 0.4% in the quarter, and will have a 0.8% effect in future quarters.

For the third quarter of 2003, Praxair expects sales growth in the area of 8% versus last year's third quarter, and diluted earnings per share of 88 cents to 92 cents. For the full year, earnings guidance is \$3.45 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; see Quarterly Financial Summary and Appendix: Non-GAAP Measures.

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

A teleconference on Praxair's second-quarter 2003 results is being held this morning, July 23, at 10:00 am Eastern Standard 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.

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-57/03

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003 (a,b)	2002	2003 (a,b)	2002
SALES	\$ 1,401	\$ 1,307	\$ 2,738	\$ 2,539
Cost of sales	833	755	1,637	1,454
Selling, general and administrative	192	191	377	375
Depreciation and amortization	127	120	249	241
Research and development	19	16	36	33
Other Income (expense) - net (c)	(7)	19	(1)	25
OPERATING PROFIT	<u>223</u>	<u>244</u>	<u>438</u>	<u>461</u>
Interest expense	35	47	77	98
INCOME BEFORE INCOME TAXES	<u>188</u>	<u>197</u>	<u>361</u>	<u>363</u>
Income taxes (d)	35	43	76	80
	<u>153</u>	<u>154</u>	<u>285</u>	<u>283</u>
Minority interests	(6)	(6)	(11)	(10)
Income from equity investments	3	2	6	4
INCOME BEFORE ACCOUNTING CHANGES	<u>150</u>	<u>150</u>	<u>280</u>	<u>277</u>
Cumulative effect of an accounting change (e)	-	-	-	(139)
NET INCOME	<u><u>\$ 150</u></u>	<u><u>\$ 150</u></u>	<u><u>\$ 280</u></u>	<u><u>\$ 138</u></u>
PER SHARE DATA:				
Basic earnings per share:				
Before accounting change	\$ 0.92	\$ 0.92	\$ 1.72	\$ 1.70
Accounting change (e)	-	-	-	(0.85)
Net income	<u><u>\$ 0.92</u></u>	<u><u>\$ 0.92</u></u>	<u><u>\$ 1.72</u></u>	<u><u>\$ 0.85</u></u>
Diluted earnings per share:				
Before accounting change	\$ 0.91	\$ 0.91	\$ 1.70	\$ 1.67
Accounting change (e)	-	-	-	(0.84)
Net income	<u><u>\$ 0.91</u></u>	<u><u>\$ 0.91</u></u>	<u><u>\$ 1.70</u></u>	<u><u>\$ 0.83</u></u>
Cash dividends	\$ 0.21	\$ 0.19	\$ 0.42	\$ 0.38
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic shares outstanding (000's)	163,344	162,697	163,113	163,111
Diluted shares outstanding (000's)	165,425	164,835	165,045	165,383

- (a) Consolidated sales for the quarter and six months ended June 30, 2003 increased \$18 million and decreased \$1 million, respectively, due to currency effects versus 2002.
- (b) Results for the quarter and six months ended June 30, 2003 compared to the 2002 results include a \$22 million and \$69 million increase in sales, respectively, from the incremental contractual pass-through of higher on-site hydrogen raw material costs tied to natural gas prices, with no impact on operating profit.
- (c) Other income (expense) - net includes a \$9 million loss for the quarter and a \$8 million loss for the six months ended June 30, 2003 for net income hedge losses, of which \$5 million and \$2 million, respectively, related to anticipated second half net income. Other income (expense) - net for the quarter and six months ended June 30, 2002 included \$8 million of currency hedge gains related to anticipated second half net income in Brazil, and a net gain of \$7 million related to the settlement of litigation with Airgas, Inc.
- (d) In the 2003 second quarter, the Company recorded a \$10 million income tax benefit, \$0.06 per diluted share, resulting from the resolution of various tax matters for previous years.
- (e) In the 2002 first quarter, the Company recorded a \$139 million non-cash transition charge to earnings for the adoption of SFAS 142 as a cumulative effect of an accounting change.

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

	<u>June 30,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
ASSETS		
Cash and cash equivalents	\$ 54	\$ 39
Accounts receivable	965	860
Inventories	294	277
Prepaid and other current assets	123	110
TOTAL CURRENT ASSETS	<u>1,436</u>	<u>1,286</u>
Property, plant and equipment - net	5,068	4,666
Goodwill	1,041	985
Other intangibles	53	50
Other assets	425	414
TOTAL ASSETS	<u>\$ 8,023</u>	<u>\$ 7,401</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 369	\$ 378
Short-term debt	154	215
Current portion of long-term debt	22	23
Other current liabilities	494	484
TOTAL CURRENT LIABILITIES	<u>1,039</u>	<u>1,100</u>
Long-term debt (a)	2,776	2,510
Other long-term liabilities	1,160	1,287
TOTAL LIABILITIES	<u>4,975</u>	<u>4,897</u>
Minority interests	168	164
Shareholders' equity (b)	2,880	2,340
TOTAL LIABILITIES AND EQUITY	<u>\$ 8,023</u>	<u>\$ 7,401</u>

(a) In June 2003, Praxair purchased U.S. liquid storage and distribution equipment, and production facilities along the U.S. Gulf Coast, which were previously accounted for as operating leases, for a total of \$339 million.

(b) Shareholders' equity in 2003 includes a net increase of \$272 million for currency translation movements primarily in South America, Europe and North America versus December 31, 2002.

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

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
OPERATIONS				
Net income	\$ 150	\$ 150	\$ 280	\$ 138
Adjustments:				
Depreciation and amortization	127	120	249	241
Accounting change	-	-	-	139
Other non-cash (benefits)/charges	7	1	16	(5)
Working capital	(53)	9	(142)	(69)
Long-term assets and liabilities and other	45	(20)	44	(37)
Net cash provided by operating activities	<u>276</u>	<u>260</u>	<u>447</u>	<u>407</u>
INVESTING				
Capital expenditures, excluding purchase of leased assets	(154)	(114)	(277)	(221)
Purchase of leased assets (a)	<u>(339)</u>	<u>-</u>	<u>(339)</u>	<u>-</u>
Total capital expenditures	(493)	(114)	(616)	(221)
Acquisitions	(25)	(9)	(39)	(69)
Divestitures and asset sales	2	1	54	15
Net cash used for investing activities	<u>(516)</u>	<u>(122)</u>	<u>(601)</u>	<u>(275)</u>
FINANCING				
Debt increase - net (a)	196	8	188	30
Issuance of common stock	74	25	117	131
Purchases of common stock	(3)	(141)	(64)	(236)
Cash dividends	(35)	(31)	(70)	(62)
Minority transactions and other	2	(5)	(3)	(1)
Net cash (used for)/provided by financing activities	<u>234</u>	<u>(144)</u>	<u>168</u>	<u>(138)</u>
Effect of exchange rate changes on cash and cash equivalents	2	-	1	(1)
Change in cash and cash equivalents	(4)	(6)	15	(7)
Cash and cash equivalents, beginning-of-period	<u>58</u>	<u>38</u>	<u>39</u>	<u>39</u>
Cash and cash equivalents, end-of-period	<u>\$ 54</u>	<u>\$ 32</u>	<u>\$ 54</u>	<u>\$ 32</u>

(a) In June 2003, Praxair purchased U.S. liquid storage and distribution equipment, and production facilities along the U.S. Gulf Coast, which were previously accounted for as operating leases, for a total of \$339 million.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
SALES				
North America (a)	\$ 893	\$ 852	\$ 1,786	\$ 1,654
South America (b)	185	172	333	342
Europe (c)	175	149	340	281
Asia	92	79	176	152
Surface Technologies (d)	99	99	197	198
Elimination	(43)	(44)	(94)	(88)
Total sales	<u>\$ 1,401</u>	<u>\$ 1,307</u>	<u>\$ 2,738</u>	<u>\$ 2,539</u>
SEGMENT OPERATING PROFIT				
North America (a)	\$ 135	\$ 139	\$ 266	\$ 276
South America (b)	26	41	55	72
Europe (c)	41	34	79	64
Asia	15	13	28	23
Surface Technologies (d)	6	10	10	19
All Other (e)	-	7	-	7
Total operating profit	<u>\$ 223</u>	<u>\$ 244</u>	<u>\$ 438</u>	<u>\$ 461</u>

- (a) North American sales for the quarter and six months ended June 30, 2003 increased \$22 million and \$69 million, respectively, 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 sales for the quarter and six months ended June 30, 2003 decreased \$27 million and \$79 million, respectively, due to currency effects versus 2002. Operating profit for the quarter and six months ended June 30, 2003 includes \$2 million of currency hedge losses and \$1 million of currency hedge gains, respectively, related to anticipated second half net income in Brazil. Operating profit for the quarter and six months ended June 30, 2002 included \$8 million of currency hedge gains related to anticipated second half net income in Brazil.
- (c) European sales for the quarter and six months ended June 30, 2003 increased \$34 million and \$63 million, respectively, due to currency effects versus 2002. Operating profit for the quarter and six months ended June 2003, include \$2 million of currency hedge losses related to anticipated second half net income.
- (d) Surface Technologies sales for the quarter and six months ended June 30, 2003 increased \$8 million and \$15 million respectively, due to currency effects versus 2002.
- (e) All other represents a net gain of \$7 million in the 2002 second quarter related to the settlement of litigation with Airgas, Inc.

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

	2003		2002			
	Q2(a)	Q1	Q4(b)	Q3(b)	Q2(c)	Q1
FROM THE INCOME STATEMENT						
Sales	\$ 1,401	\$ 1,337	\$ 1,297	\$ 1,292	\$ 1,307	\$ 1,232
Cost of sales	833	804	747	749	755	699
Selling, general and administrative	192	185	189	187	191	184
Depreciation and amortization	127	122	122	120	120	121
Research and development	19	17	20	16	16	17
Other income (expenses) – net	(7)	6	8	15	19	6
Operating profit	223	215	227	235	244	217
Interest expense	35	42	45	63	47	51
Income taxes	35	41	40	38	43	37
Minority interests	(6)	(5)	(5)	(5)	(6)	(4)
Income from equity investments	3	3	3	2	2	2
Income before cumulative effect of accounting changes	150	130	140	131	150	127
Cumulative effect of accounting changes	-	-	-	-	-	(139)
Net income	\$ 150	\$ 130	\$ 140	\$ 131	\$ 150	\$ (12)
PER SHARE DATA						
Diluted earnings per share:						
Income before cumulative effect of accounting changes	\$ 0.91	\$ 0.79	\$ 0.85	\$ 0.80	\$ 0.91	\$ 0.77
Accounting changes	-	-	-	-	-	(0.84)
Net income	\$ 0.91	\$ 0.79	\$ 0.85	\$ 0.80	\$ 0.91	\$ (0.07)
Cash dividends per share	\$ 0.21	\$ 0.21	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING (000's)	165,425	164,635	164,315	163,956	164,835	165,936
FROM THE BALANCE SHEET						
Total debt	\$ 2,952	\$ 2,742	\$ 2,748	\$ 2,875	\$ 3,022	\$ 3,009
Total capital (<i>non-GAAP measure, see Appendix</i>)	6,000	5,379	5,252	5,231	5,526	5,605
Debt-to-capital ratio (<i>non-GAAP measure, see Appendix</i>)	49.2%	51.0%	52.3%	55.0%	54.7%	53.7%
FROM THE STATEMENT OF CASH FLOWS						
Cash flow from operations	\$ 276	\$ 171	\$ 338	\$ 256	\$ 260	\$ 147
Capital expenditures, excluding purchase of leased assets	154	123	158	119	114	107
Purchase of leased assets	339	-	-	-	-	-
Total capital expenditures	493	123	158	119	114	107
Acquisitions	25	14	37	7	9	60
Cash dividends	35	35	30	31	31	31
OTHER INFORMATION						
Number of employees	24,996	24,730	25,010	24,375	24,627	24,809
After-tax return on capital (ROC) (<i>non-GAAP measure, see Appendix</i>)	12.9%	12.6%	13.7%	13.8%	13.8%	12.2%
SEGMENT DATA						
SALES						
North America	\$ 893	\$ 893	\$ 852	\$ 845	\$ 852	\$ 802
South America	185	148	136	154	172	170
Europe	175	165	157	151	149	132
Asia	92	84	88	84	79	73
Surface Technologies	99	98	97	99	99	99
Eliminations	(43)	(51)	(33)	(41)	(44)	(44)
Total	\$ 1,401	\$ 1,337	\$ 1,297	\$ 1,292	\$ 1,307	\$ 1,232
SEGMENT OPERATING PROFIT						
North America	\$ 135	\$ 131	\$ 142	\$ 139	\$ 139	\$ 137
South America	26	29	26	37	41	31
Europe	41	38	39	36	34	30
Asia	15	13	14	14	13	10
Surface Technologies	6	4	6	9	10	9
All Other	-	-	-	-	7	-
Total	\$ 223	\$ 215	\$ 227	\$ 235	\$ 244	\$ 217

(a) Diluted EPS for the second quarter of 2003 includes a charge of (\$0.02) per share from the recognition of currency hedge losses related to anticipated second half net income and a benefit of \$0.06 per share from the resolution of various tax matters for previous years. Reported diluted EPS was \$0.91, and it would have been \$0.87 per diluted share excluding these items (EPS of \$0.87 is a non-GAAP measure).

(b) 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 anticipated fourth quarter net income. Reported diluted EPS was \$0.80, and it would have been \$0.85 per diluted share excluding these items (EPS of \$0.85 is a non-GAAP measure).

(c) 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 anticipated net income in future quarters. Reported diluted EPS was \$0.91, and it would have been \$0.84 per diluted share excluding these items (EPS of \$0.84 is a non-GAAP measure).

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			
	Q2(a)	Q1	Q4(b)	Q3(b)	Q2(c)	Q1
<u>TOTAL CAPITAL</u>						
Total debt	\$ 2,952	\$ 2,742	\$ 2,748	\$ 2,875	\$ 3,022	\$ 3,009
Minority interests	168	160	164	152	155	148
Preferred stock	-	-	-	-	20	20
Shareholders' equity	2,880	2,477	2,340	2,204	2,329	2,428
Total Capital	<u>\$ 6,000</u>	<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>						
	49.2%	51.0%	52.3%	55.0%	54.7%	53.7%
<u>AFTER-TAX RETURN ON CAPITAL (ROC)</u>						
Operating profit	\$ 223	\$ 215	\$ 227	\$ 235	\$ 244	\$ 217
Less: reported taxes	(35)	(41)	(40)	(38)	(43)	(37)
Less: tax benefit on interest expense	(8)	(10)	(10)	(14)	(11)	(11)
Add: income from equity investments	3	3	3	2	2	2
Net operating profit after-tax (NOPAT)	<u>\$ 183</u>	<u>\$ 167</u>	<u>\$ 180</u>	<u>\$ 185</u>	<u>\$ 192</u>	<u>\$ 171</u>
Beginning capital	\$ 5,379	\$ 5,252	\$ 5,231	\$ 5,526	\$ 5,605	\$ 5,627
Ending capital	\$ 6,000	\$ 5,379	\$ 5,252	\$ 5,231	\$ 5,526	\$ 5,605
Average capital	\$ 5,690	\$ 5,316	\$ 5,242	\$ 5,379	\$ 5,566	\$ 5,616
ROC %	3.2%	3.1%	3.4%	3.4%	3.4%	3.0%
ROC % (annualized) (a)	<u>12.9%</u>	<u>12.6%</u>	<u>13.7%</u>	<u>13.8%</u>	<u>13.8%</u>	<u>12.2%</u>

(a) NOPAT for the second quarter of 2003 included a tax benefit of \$10 million (0.7% ROC annualized) resulting from the resolution of tax matters from previous years, and a charge of \$5 million pre-tax and \$4 million after tax (0.3% ROC annualized) from the recognition of currency hedge losses related to anticipated second half net income. Ending capital for the second quarter of 2003 includes \$339 million of additional debt related to the purchase of leased assets, which decreased ROC by 0.4% in the current quarter on an annualized basis, and will reduce ROC by an additional 0.4% (0.8% in total) in future quarters.

(b) 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.

(c) NOPAT for the second quarter of 2002 included a benefit of \$11 million (0.8% ROC annualized) resulting from a litigation settlement (\$7 million pre-tax) and recognition of currency hedge gains (\$8 million pre-tax) related to anticipated net income in future quarters for Brazil.