

## Contacts

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## PRAXAIR REPORTS THIRD-QUARTER EPS OF 53 CENTS

DANBURY, Conn., October 27, 2004 -- Praxair, Inc. (NYSE: PX) reported record net income of \$177 million and diluted earnings per share of 53 cents for the third quarter of 2004, an increase of 18% compared to \$150 million and 45 cents, respectively, in 2003. Growth in net income was due to higher sales and higher operating profit, partially offset by a higher effective tax rate compared to the year-ago quarter.

Sales for the quarter were \$1,674 million, 18% above \$1,414 million in 2003. Operating profit of \$280 million grew 17% from \$240 million in 2003, and reflected an operating margin of 16.7%. Sales and operating profit were higher in every geographic region. The strongest sales growth came from energy, healthcare, electronics, metals and manufacturing markets.

"Our record results reflect strong performance from our base business, combined with accelerating sales and earnings contribution from our growth initiatives," said Dennis H. Reilley, chairman and chief executive officer.

In North America, sales of \$1,085 million rose 18%, from \$918 million in the year-ago quarter. Growth came from higher sales of on-site, merchant and packaged gases, and from higher healthcare sales due in part to a North American home healthcare acquisition. Operating profit of \$157 million grew 11%, principally due to strong volumes and ongoing productivity initiatives.

In Europe, sales grew 18% to \$198 million. Excluding the effect of a stronger Euro and the consolidation of a joint venture, sales grew 7% from higher pricing and higher volumes, particularly to metals and healthcare markets. Operating profit grew 23% to \$54 million from \$44 million in the year-ago period.

In South America, sales of \$219 million grew 17%, and 18% excluding currency effects. Sales increased from higher pricing and higher volumes, benefiting from a strengthening economic environment. Operating profit rose to \$40 million from \$29 million in 2003, and reflected a strong operating margin of 18.3%.

Sales in Asia grew 19% to \$123 million, from higher sales in China, India, and Korea to electronics and metals markets. Operating profit of \$20 million grew 18% from \$17 million in the prior period.

Praxair Surface Technologies' sales for the quarter were \$109 million, 10% above the prior year due to improved business conditions in industrial and aviation coatings markets and a stronger Euro. Operating profit was \$9 million, comparable to the prior-year period.

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Cash flow from operations for the quarter was \$382 million. Capital expenditures were \$161 million, and debt reduction was \$147 million. The company's debt-to-capital ratio\* decreased to 44.7%. After-tax-return-on-capital\* was 13.2%.

In the fourth quarter of 2004, diluted earnings per share are expected to be between 52 cents and 54 cents. For the full year of 2004, Praxair expects sales growth of about 16% and operating profit growth of 18% to 19%. Diluted earnings per share are expected to be in the range of \$2.07 to \$2.09. Full-year capital expenditures are expected to be in the area of \$675 million. This guidance excludes any impact from the announced acquisition of industrial gas business in Germany, which is expected to close later this year.

Commenting on the future outlook, Reilley said, "Business conditions remain strong in most of our major markets. However, I expect higher energy prices to moderate economic growth in the near term. Nonetheless, we have a significant number of new projects in the pipeline, which will go on-stream in 2005 and 2006, and we expect to continue to win new business in hydrogen, healthcare, electronics and in China. We are accelerating our productivity programs which will result in more cost savings. We recently announced a significant acquisition of industrial gas business in Germany, which strengthens our presence in Western Europe and which will contribute to earnings growth in 2005 and beyond."

Praxair is the largest industrial gases company in North and South America, and one of the largest worldwide, with 2003 sales of \$5.6 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](http://www.praxair.com).

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\*Non-GAAP measure: See Quarterly Financial Summary and Appendix: Non-GAAP Measures

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*Attachments:* Statements of Income, Balance Sheets, Statements of Cash Flows, Segment Information, Quarterly Financial Summary and Appendix: Non-GAAP Measures

P-62/04

A *teleconference* on Praxair's third-quarter results is being held this morning, October 27, at 9:00 am Eastern Time. The number is (617) 614-4910 -- Passcode: 41463247. The call also is available as a web cast at [www.praxair.com/investors](http://www.praxair.com/investors). Materials to be used in the teleconference are available on [www.praxair.com/investors](http://www.praxair.com/investors).

*The forward-looking statements* contained in this announcement concerning demand for products and services, the expected macroeconomic environment, sales, margins, earnings growth rates, 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, the impact of tax and other legislation, litigation, government regulation and the effectiveness and speed of integrating new acquisitions into the business.

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

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	Quarter Ended September 30,		Year to Date September 30,	
	2004 (a,b)	2003	2004 (a,b)	2003
<b>SALES</b>	\$ 1,674	\$ 1,414	\$ 4,808	\$ 4,152
Cost of sales	1,019	832	2,893	2,469
Selling, general and administrative	218	191	629	568
Depreciation and amortization	145	133	424	382
Research and development	19	18	57	54
Other income (expense) - net	7	-	9	(1)
<b>OPERATING PROFIT</b>	<u>280</u>	<u>240</u>	<u>814</u>	<u>678</u>
Interest expense	39	38	115	115
<b>INCOME BEFORE INCOME TAXES</b>	<u>241</u>	<u>202</u>	<u>699</u>	<u>563</u>
Income taxes (c)	61	49	172	125
	<u>180</u>	<u>153</u>	<u>527</u>	<u>438</u>
Minority interests	(6)	(6)	(21)	(17)
Income from equity investments	3	3	10	9
<b>NET INCOME</b>	<u>\$ 177</u>	<u>\$ 150</u>	<u>\$ 516</u>	<u>\$ 430</u>
<b>PER SHARE DATA (d)</b>				
Basic earnings per share	\$ 0.54	\$ 0.46	\$ 1.58	\$ 1.32
Diluted earnings per share	\$ 0.53	\$ 0.45	\$ 1.56	\$ 1.30
Cash dividends	\$ 0.15	\$ 0.11	\$ 0.45	\$ 0.32
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (d)</b>				
Basic shares outstanding (000's)	326,447	326,430	326,209	326,294
Diluted shares outstanding (000's)	331,919	330,990	331,494	330,451

- (a) Consolidated 2004 sales for the quarter and year to date increased \$9 million and \$12 million, 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 compared to 2003.
- (b) Consolidated 2004 sales for the quarter and year to date increased \$15 million and \$115 million, respectively, due to currency effects versus 2003.
- (c) Year-to-date income taxes include a benefit of \$3 million in 2004 and \$10 million in 2003 resulting from the resolution of various tax matters from prior years.
- (d) Earnings per share for 2003 have been adjusted to reflect the December 15, 2003 two-for-one stock split.

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

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	<u>September 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 22	\$ 50
Accounts receivable	1,136	962
Inventories	308	302
Prepaid and other current assets	111	135
<b>TOTAL CURRENT ASSETS</b>	<u>1,577</u>	<u>1,449</u>
Property, plant and equipment - net	5,283	5,252
Goodwill	1,250	1,075
Other intangibles	62	56
Other assets	507	473
<b>TOTAL ASSETS</b>	<u>\$ 8,679</u>	<u>\$ 8,305</u>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 418	\$ 413
Short-term debt	449	133
Current portion of long-term debt	180	22
Other current liabilities	578	549
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,625</u>	<u>1,117</u>
Long-term debt	2,258	2,661
Other long-term liabilities	1,221	1,244
<b>TOTAL LIABILITIES</b>	<u>5,104</u>	<u>5,022</u>
Minority interests	206	195
Shareholders' equity	3,369	3,088
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 8,679</u>	<u>\$ 8,305</u>

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

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	Quarter Ended September 30,		Year to Date September 30,	
	2004	2003	2004	2003
<b>OPERATIONS</b>				
Net income	\$ 177	\$ 150	\$ 516	\$ 430
Depreciation and amortization	145	133	424	382
Working capital	45	31	(102)	(79)
Long-term assets and liabilities and other	15	(11)	(23)	17
Net cash provided by operating activities	<u>382</u>	<u>303</u>	<u>815</u>	<u>750</u>
<b>INVESTING</b>				
Capital expenditures (a)	(161)	(168)	(425)	(784)
Acquisitions	(5)	(3)	(253)	(42)
Divestitures and asset sales	23	2	40	56
Net cash used for investing activities	<u>(143)</u>	<u>(169)</u>	<u>(638)</u>	<u>(770)</u>
<b>FINANCING</b>				
Debt increase (decrease) - net	(147)	-	68	188
Issuance of common stock	40	54	154	171
Purchases of common stock	(78)	(157)	(270)	(221)
Cash dividends	(49)	(35)	(146)	(105)
Minority transactions and other	(8)	(4)	(12)	(7)
Net cash (used for) provided by financing activities	<u>(242)</u>	<u>(142)</u>	<u>(206)</u>	<u>26</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2</u>	<u>-</u>	<u>1</u>	<u>1</u>
Change in cash and cash equivalents	(1)	(8)	(28)	7
Cash and cash equivalents, beginning-of-period	<u>23</u>	<u>54</u>	<u>50</u>	<u>39</u>
Cash and cash equivalents, end-of-period	<u>\$ 22</u>	<u>\$ 46</u>	<u>\$ 22</u>	<u>\$ 46</u>

(a) Year to date 2003 capital expenditures include the second quarter purchase of leased assets for \$339 million.

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

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	<b>Quarter Ended</b>		<b>Year to Date</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>SALES</b>				
North America (a)	\$ 1,085	\$ 918	\$ 3,061	\$ 2,704
Europe (b)	198	168	613	508
South America (c)	219	187	630	520
Asia (d)	123	103	353	279
Surface Technologies (e)	109	99	331	296
Elimination	(60)	(61)	(180)	(155)
Total sales	<u>\$ 1,674</u>	<u>\$ 1,414</u>	<u>\$ 4,808</u>	<u>\$ 4,152</u>
<b>SEGMENT OPERATING PROFIT</b>				
North America (a)	\$ 157	\$ 141	\$ 462	\$ 407
Europe (b)	54	44	158	123
South America (c)	40	29	111	84
Asia	20	17	56	45
Surface Technologies	9	9	27	19
Total operating profit	<u>\$ 280</u>	<u>\$ 240</u>	<u>\$ 814</u>	<u>\$ 678</u>

- (a) North American 2004 sales for the quarter and year to date increased \$9 million and \$12 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 compared to 2003.
- (b) European 2004 sales for the quarter and year to date increased \$12 million and \$52 million, respectively, due to currency effects versus 2003.
- (c) South American 2004 sales for the quarter and year to date decreased \$2 million and increased \$20 million, respectively, due to currency effects versus 2003.
- (d) Asian 2004 year to date sales increased \$9 million due to the consolidation of a joint venture in China, which is now controlled by Praxair. Sales for the quarter and year to date increased \$1 million and \$7 million, respectively, due to currency effects versus 2003.
- (e) Surface Technologies 2004 sales for the quarter and year to date increased \$4 million and \$17 million, respectively, due to currency effects versus 2003.

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

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	2004			2003			
	Q3	Q2	Q1	Q4	Q3	Q2(a)	Q1
<b>FROM THE INCOME STATEMENT</b>							
Sales	\$ 1,674	\$ 1,603	\$ 1,531	\$ 1,461	\$ 1,414	\$ 1,401	\$ 1,337
Cost of sales	1,019	966	908	859	832	833	804
Selling, general and administrative	218	207	204	198	191	192	185
Depreciation and amortization	145	140	139	135	133	127	122
Research and development	19	19	19	21	18	19	17
Other income (expenses) – net	7	3	(1)	(4)	-	(7)	6
Operating profit	280	274	260	244	240	223	215
Interest expense	39	39	37	36	38	35	42
Income taxes	61	55	56	49	49	35	41
Minority interests	(6)	(9)	(6)	(7)	(6)	(6)	(5)
Income from equity investments	3	4	3	3	3	3	3
Net income	<u>\$ 177</u>	<u>\$ 175</u>	<u>\$ 164</u>	<u>\$ 155</u>	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 130</u>
<b>PER SHARE DATA (b)</b>							
Diluted earnings per share	\$ 0.53	\$ 0.53	\$ 0.49	\$ 0.47	\$ 0.45	\$ 0.45	\$ 0.39
Cash dividends per share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.14	\$ 0.11	\$ 0.11	\$ 0.10
Diluted weighted average share outstanding (000's)	331,919	330,897	331,573	331,966	330,990	330,850	329,270
<b>FROM THE BALANCE SHEET</b>							
Total debt	\$ 2,887	\$ 3,021	\$ 2,843	\$ 2,816	\$ 2,958	\$ 2,952	\$ 2,742
Total capital ( <i>non-GAAP measure, see Appendix</i> )	6,462	6,405	6,177	6,099	6,013	6,000	5,379
Debt-to-capital ratio ( <i>non-GAAP measure, see Appendix</i> )	44.7%	47.2%	46.0%	46.2%	49.2%	49.2%	51.0%
<b>FROM THE STATEMENT OF CASH FLOWS</b>							
Cash flow from operations	\$ 382	\$ 252	\$ 181	\$ 387	\$ 303	\$ 276	\$ 171
Capital expenditures, excluding purchase of leased assets	161	140	124	199	168	154	123
Purchase of leased assets	-	-	-	-	-	339	-
Total capital expenditures	161	140	124	199	168	493	123
Acquisitions	5	248	-	31	3	25	14
Cash dividends	49	48	49	44	35	35	35
<b>OTHER INFORMATION</b>							
Number of employees	26,579	26,568	25,281	25,438	25,361	24,996	24,730
After-tax return on capital (ROC) ( <i>non-GAAP measure, see Appendix</i> )	13.2%	13.5%	12.9%	12.5%	12.3%	12.9%	12.6%
<b>SEGMENT DATA</b>							
<b>SALES</b>							
North America	\$ 1,085	\$ 1,016	\$ 960	\$ 923	\$ 918	\$ 893	\$ 893
Europe	198	207	208	191	168	175	165
South America	219	211	200	188	187	185	148
Asia	123	121	109	110	103	92	84
Surface Technologies	109	111	111	104	99	99	98
Eliminations	(60)	(63)	(57)	(55)	(61)	(43)	(51)
Total	<u>\$ 1,674</u>	<u>\$ 1,603</u>	<u>\$ 1,531</u>	<u>\$ 1,461</u>	<u>\$ 1,414</u>	<u>\$ 1,401</u>	<u>\$ 1,337</u>
<b>SEGMENT OPERATING PROFIT</b>							
North America	\$ 157	\$ 156	\$ 149	\$ 141	\$ 141	\$ 135	\$ 131
Europe	54	52	52	47	44	41	38
South America	40	39	32	30	29	26	29
Asia	20	19	17	19	17	15	13
Surface Technologies	9	8	10	7	9	6	4
Total	<u>\$ 280</u>	<u>\$ 274</u>	<u>\$ 260</u>	<u>\$ 244</u>	<u>\$ 240</u>	<u>\$ 223</u>	<u>\$ 215</u>

(a) The second quarter of 2003 includes a charge of \$4 million net of tax impact from the recognition of currency hedge losses related to anticipated second half net income and a tax benefit of \$10 million from the resolution of various tax matters for previous years.

(b) Per share data for 2003 has been adjusted to reflect the December 15, 2003 two-for-one stock split.

**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			
	Q3(a)	Q2(a)	Q1(a)	Q4(a)	Q3(a)	Q2(b)	Q1
<b><u>TOTAL CAPITAL</u></b>							
Total debt	\$ 2,887	\$ 3,021	\$ 2,843	\$ 2,816	\$ 2,958	\$ 2,952	\$ 2,742
Minority interests	206	203	198	195	181	168	160
Preferred stock	-	-	-	-	-	-	-
Shareholders' equity	3,369	3,181	3,136	3,088	2,874	2,880	2,477
Total Capital	<u>\$ 6,462</u>	<u>\$ 6,405</u>	<u>\$ 6,177</u>	<u>\$ 6,099</u>	<u>\$ 6,013</u>	<u>\$ 6,000</u>	<u>\$ 5,379</u>
<b><u>DEBT-TO-CAPITAL RATIO</u></b>							
	<u>44.7%</u>	<u>47.2%</u>	<u>46.0%</u>	<u>46.2%</u>	<u>49.2%</u>	<u>49.2%</u>	<u>51.0%</u>
<b><u>AFTER-TAX RETURN ON CAPITAL (ROC)</u></b>							
Operating profit	\$ 280	\$ 274	\$ 260	\$ 244	\$ 240	\$ 223	\$ 215
Less: reported taxes	(61)	(55)	(56)	(49)	(49)	(35)	(41)
Less: tax benefit on interest expense	(10)	(10)	(9)	(9)	(9)	(8)	(10)
Add: income from equity investments	3	4	3	3	3	3	3
Net operating profit after-tax (NOPAT)	<u>\$ 212</u>	<u>\$ 213</u>	<u>\$ 198</u>	<u>\$ 189</u>	<u>\$ 185</u>	<u>\$ 183</u>	<u>\$ 167</u>
Beginning capital	\$ 6,405	\$ 6,177	\$ 6,099	\$ 6,013	\$ 6,000	\$ 5,379	\$ 5,252
Ending capital	\$ 6,462	\$ 6,405	\$ 6,177	\$ 6,099	\$ 6,013	\$ 6,000	\$ 5,379
Average capital	\$ 6,434	\$ 6,291	\$ 6,138	\$ 6,056	\$ 6,007	\$ 5,690	\$ 5,316
ROC %	3.3%	3.4%	3.2%	3.1%	3.1%	3.2%	3.1%
<b>ROC % (annualized)</b>	<u>13.2%</u>	<u>13.5%</u>	<u>12.9%</u>	<u>12.5%</u>	<u>12.3%</u>	<u>12.9%</u>	<u>12.6%</u>

(a) ROC after the second quarter of 2003 was reduced by 0.8% on an annualized basis due to the additional debt from the purchase of leased assets in the 2nd quarter of 2003.

(b) 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. ROC for the second quarter was reduced by 0.4% on an annualized basis due to the additional debt from the purchase of leased assets.