

News Release



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PRAXAIR SECOND-QUARTER EPS RISES 19% to 63 CENTS

DANBURY, Conn., July 27, 2005 -- Praxair, Inc. (NYSE: PX) reported record second-quarter net income of \$209 million, versus \$175 million earned in the second quarter of 2004. Diluted earnings per share grew 19% to 63 cents, compared to 53 cents in last year's quarter. Net income grew due to strong growth in sales and operating profit compared to the year-ago quarter.

Sales in the quarter rose 20% to \$1,919 million, compared to \$1,603 million in the 2004 period. Operating profit of \$322 million grew 18% from \$274 million in the second quarter of 2004. Sales and operating profit were higher in every geographic region. By end market, the strongest sales growth came from global energy and manufacturing markets.

"We continued to deliver strong results in the second quarter," said Dennis H. Reilley, chairman and chief executive officer. "While we have seen a slowdown in the steel and electronics markets, solid execution of our growth programs is more than making up for the difference."

In North America, sales in the second quarter of \$1,153 million were up 13% from \$1,016 million in the year-ago quarter. Sales grew in most end markets including manufacturing and oil and gas well services. Operating profit grew from \$156 million a year ago to \$161 million, including the effect of an \$8 million charge related to a distribution facility.

In Europe, sales grew 42% to \$293 million in the quarter. Excluding the effect of a stronger euro, sales grew 36% due primarily to the purchase of industrial gas business in Germany. Modest growth in Spain was partially offset by a slowing economy in Italy. Sales were higher to chemicals and manufacturing markets. Operating profit grew 38% to \$72 million, from \$52 million in the year-ago quarter.

In South America, sales of \$274 million grew 30%, and 11% excluding currency effects. Underlying sales growth reflected higher volumes and higher pricing as compared to the 2004 period, due to growth in metals and manufacturing markets. Operating profit rose 31% to \$51 million from \$39 million in last year's quarter.

Sales in Asia grew 13% to \$137 million, from higher sales in China, India, and Korea driven by electronics and metals markets, including new plant start-ups. Operating profit rose 26% to \$24 million.

Praxair Surface Technologies' sales in the quarter grew to \$124 million, 12% above the prior year. Operating profit was \$14 million versus \$8 million in the prior year. OEM aviation coatings markets continue to be strong, and higher volumes of industrial coatings and powders for gas turbines and oil well service parts contributed to the sales increase.

Cash flow from operations in the quarter was \$390 million, and capital expenditures were \$198 million. The after-tax-return-on-capital* ratio increased to 13.7%, and the debt-to-capital ratio* improved to 45%. The tax rate during the quarter was 23%, including a favorable tax benefit.

For the third quarter of 2005, Praxair expects diluted earnings per share in the range of 61 to 64 cents, 15% to 21% above the prior year.

For the full year of 2005, Praxair expects sales growth of 14% to 16%, and operating profit growth of 15% to 18%, versus 2004. Diluted earnings per share are expected to be in the range of \$2.44 to \$2.50, an increase of 16% to 19% versus 2004. Full-year capital expenditures are expected to be in the area of \$800 million.

During the third quarter, Praxair expects to finalize its analysis of the applicability of the repatriation provisions of the American Jobs Creation Act of 2004. Pursuant to the Act, Praxair may repatriate up to \$1.1 billion with an estimated one-time tax expense for the repatriation and adjustments to tax reserves of up to \$90 million, which is not included in the aforementioned earnings guidance. Praxair does not plan to begin expensing stock options until its 2006 fiscal year.

Commenting on the business outlook, Reilley said, "We expect sales to continue to be strong in the second half of the year in most of our major end-markets, and new business activity continues to be robust. A record number of new projects under construction will continue to add to earnings and cash flow growth in 2006 and beyond."

Praxair is the largest industrial gases company in North and South America, and one of the largest worldwide, with 2004 sales of \$6.6 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.

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

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P-36/05

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

A teleconference on Praxair's second-quarter results is being held this morning, July 27, at 9:00 am Eastern Time. The number is (617) 614 -3946 -- Passcode: 32137541. 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 document concerning demand for products and services, the expected macroeconomic environment, sales, margins and earnings growth rates, projected capital and acquisition spending, the impact of required changes in accounting, the impact of accounting and other estimates, and other financial goals involve risks and uncertainties, and are subject to change based on various factors. These risk factors include the impact of changes in worldwide and national economies, the performance of stock markets, the cost and availability of electric power, natural gas and other materials, and the ability to achieve price increases to offset such cost increases, inflation in wages and other compensation, 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, accounting and other legislation, litigation, government regulation in the jurisdictions in which the Company operates 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)

	Quarter Ended June 30,		Year to Date June 30,	
	2005 (a,b)	2004	2005 (a,b)	2004
SALES	\$ 1,919	\$ 1,603	\$ 3,746	\$ 3,134
Cost of sales	1,167	966	2,276	1,874
Selling, general and administrative	247	207	492	411
Depreciation and amortization	163	140	325	279
Research and development	19	19	39	38
Other income (expense) - net (c)	(1)	3	17	2
OPERATING PROFIT	<u>322</u>	<u>274</u>	<u>631</u>	<u>534</u>
Interest expense - net	41	39	83	76
INCOME BEFORE INCOME TAXES	<u>281</u>	<u>235</u>	<u>548</u>	<u>458</u>
Income taxes (d)	64	55	133	111
	<u>217</u>	<u>180</u>	<u>415</u>	<u>347</u>
Minority interests (d)	(13)	(9)	(20)	(15)
Income from equity investments	5	4	9	7
NET INCOME	<u><u>\$ 209</u></u>	<u><u>\$ 175</u></u>	<u><u>\$ 404</u></u>	<u><u>\$ 339</u></u>

PER SHARE DATA

Basic earnings per share	\$ 0.65	\$ 0.54	\$ 1.25	\$ 1.04
Diluted earnings per share	\$ 0.63	\$ 0.53	\$ 1.23	\$ 1.02
Cash dividends	\$ 0.18	\$ 0.15	\$ 0.36	\$ 0.30

WEIGHTED AVERAGE SHARES OUTSTANDING

Basic shares outstanding (000's)	323,898	325,786	323,858	326,090
Diluted shares outstanding (000's)	329,818	330,897	329,756	331,231

- (a) Sales for the 2005 quarter and year-to-date periods increased \$7 million and \$12 million, respectively, from the incremental contractual pass-through of higher hydrogen feedstock costs, with minimal impact on operating profit compared to 2004.
- (b) Sales for the 2005 quarter and year-to-date periods increased \$77 million and \$124 million, respectively, due to currency effects versus 2004.
- (c) Other income (expense) - net for the 2005 quarter includes an \$8 million charge related to a distribution facility. The 2005 year-to-date period includes a net benefit of \$3 million related to a favorable settlement of a customer obligation partially offset by the distribution facility charge and various legal and insurance accruals.
- (d) Income tax expense for the 2005 quarter and year-to-date periods includes a net \$9 million benefit in Europe, which is partially offset by an increase in minority interest expense.

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

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	<u>June 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 28	\$ 25
Accounts receivable	1,285	1,231
Inventories	351	328
Prepaid and other current assets	168	160
TOTAL CURRENT ASSETS	<u>1,832</u>	<u>1,744</u>
Property, plant and equipment - net	5,933	5,946
Goodwill	1,527	1,551
Other intangibles - net	79	88
Other assets	566	549
TOTAL ASSETS	<u>\$ 9,937</u>	<u>\$ 9,878</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 504	\$ 502
Short-term debt	490	454
Current portion of long-term debt	27	195
Other current liabilities	705	724
TOTAL CURRENT LIABILITIES	<u>1,726</u>	<u>1,875</u>
Long-term debt	2,810	2,876
Other long-term liabilities	1,355	1,294
TOTAL LIABILITIES	<u>5,891</u>	<u>6,045</u>
Minority interests	225	225
Shareholders' equity	3,821	3,608
TOTAL LIABILITIES AND EQUITY	<u>\$ 9,937</u>	<u>\$ 9,878</u>

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

	Quarter Ended June 30,		Year to Date June 30,	
	2005	2004	2005	2004
OPERATIONS				
Net income	\$ 209	\$ 175	\$ 404	\$ 339
Depreciation and amortization	163	140	325	279
Working capital	(50)	(43)	(110)	(147)
Long-term assets and liabilities and other	68	(20)	60	(38)
Net cash provided by operating activities	<u>390</u>	<u>252</u>	<u>679</u>	<u>433</u>
INVESTING				
Capital expenditures	(198)	(140)	(363)	(264)
Acquisitions	(3)	(248)	(5)	(248)
Divestitures and asset sales	-	3	13	17
Net cash used for investing activities	<u>(201)</u>	<u>(385)</u>	<u>(355)</u>	<u>(495)</u>
FINANCING				
Debt increase (decrease) - net	(91)	189	(131)	215
Issuance of common stock	65	48	126	114
Purchases of common stock	(100)	(69)	(192)	(192)
Cash dividends	(58)	(48)	(116)	(97)
Minority transactions and other	(3)	(1)	(7)	(4)
Net cash used for financing activities	<u>(187)</u>	<u>119</u>	<u>(320)</u>	<u>36</u>
Effect of exchange rate changes on cash and cash equivalents	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Change in cash and cash equivalents	2	(14)	3	(27)
Cash and cash equivalents, beginning-of-period	<u>26</u>	<u>37</u>	<u>25</u>	<u>50</u>
Cash and cash equivalents, end-of-period	<u>\$ 28</u>	<u>\$ 23</u>	<u>\$ 28</u>	<u>\$ 23</u>

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

	Quarter Ended June 30,		Year to Date June 30,	
	2005	2004	2005	2004
SALES				
North America (a)	\$ 1,153	\$ 1,016	\$ 2,268	\$ 1,976
Europe (b)	293	207	580	415
South America (c)	274	211	519	411
Asia (d)	137	121	259	230
Surface Technologies (e)	124	111	242	222
Elimination	(62)	(63)	(122)	(120)
Total sales	<u>\$ 1,919</u>	<u>\$ 1,603</u>	<u>\$ 3,746</u>	<u>\$ 3,134</u>
SEGMENT OPERATING PROFIT				
North America (a)	\$ 161	\$ 156	\$ 327	\$ 305
Europe	72	52	139	104
South America	51	39	94	71
Asia	24	19	46	36
Surface Technologies	14	8	25	18
Total operating profit	<u>\$ 322</u>	<u>\$ 274</u>	<u>\$ 631</u>	<u>\$ 534</u>

- (a) North American 2005 sales for the quarter and year-to-date periods increased \$7 million and \$12 million, respectively, from the contractual pass-through of higher hydrogen feedstock costs, with minimal impact on operating profit compared to 2004. Sales for the quarter and year-to-date periods increased \$14 million and \$26 million due to currency effects versus 2004.
- (b) European 2005 sales for the quarter and year-to-date periods include \$65 million and \$132 million, respectively, related to the acquisition of certain industrial gas assets and related businesses in Germany from Air Liquide S.A. Sales for the quarter and year-to-date periods increased \$13 million and \$25 million, respectively, due to currency effects versus 2004.
- (c) South American 2005 sales for the quarter and year-to-date periods increased \$40 million and \$55 million, respectively due to currency effects versus 2004.
- (d) Asian 2005 sales for the quarter and year-to-date periods increased \$5 million and \$10 million, respectively, due to currency effects versus 2004.
- (e) Surface Technologies 2005 sales for the quarter and year-to-date periods increased \$5 million and \$8 million, respectively, due to currency effects versus 2004.

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

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	2005		2004			
	Q2	Q1	Q4	Q3	Q2	Q1
FROM THE INCOME STATEMENT						
Sales	\$ 1,919	\$1,827	\$ 1,786	\$ 1,674	\$ 1,603	\$ 1,531
Cost of sales	1,167	1,109	1,094	1,019	966	908
Selling, general and administrative	247	245	240	218	207	204
Depreciation and amortization	163	162	154	145	140	139
Research and development	19	20	20	19	19	19
Other income (expenses) – net	(1)	18	11	7	3	(1)
Operating profit	322	309	289	280	274	260
Interest expense - net	41	42	40	39	39	37
Income taxes	64	69	60	61	55	56
Minority interests	(13)	(7)	(9)	(6)	(9)	(6)
Income from equity investments	5	4	1	3	4	3
Net income	\$ 209	\$ 195	\$ 181	\$ 177	\$ 175	\$ 164
PER SHARE DATA						
Diluted earnings per share	\$ 0.63	\$ 0.59	\$ 0.55	\$ 0.53	\$ 0.53	\$ 0.49
Cash dividends per share	\$ 0.18	\$ 0.18	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
Diluted weighted average shares outstanding (000's)	329,818	329,669	330,851	331,919	330,897	331,573
FROM THE BALANCE SHEET						
Total debt	\$ 3,327	\$3,449	\$ 3,525	\$ 2,887	\$ 3,021	\$ 2,843
Total capital (a)	7,373	7,321	7,358	6,462	6,405	6,177
Debt-to-capital ratio (a)	45.1%	47.1%	47.9%	44.7%	47.2%	46.0%
FROM THE STATEMENT OF CASH FLOWS						
Cash flow from operations	\$ 390	\$ 289	\$ 428	\$ 382	\$ 252	\$ 181
Capital expenditures	198	165	243	161	140	124
Acquisitions	3	2	676	5	248	-
Cash dividends	58	58	49	49	48	49
OTHER INFORMATION						
Number of employees	27,134	27,082	27,020	26,579	26,568	25,281
After-tax return on capital (ROC) (a)	13.7%	12.7%	12.7%	13.2%	13.5%	12.9%
SEGMENT DATA						
<u>SALES</u>						
North America	\$ 1,153	\$1,115	\$ 1,130	\$ 1,085	\$ 1,016	\$ 960
Europe	293	287	234	198	207	208
South America	274	245	236	219	211	200
Asia	137	122	134	123	121	109
Surface Technologies	124	118	116	109	111	111
Eliminations	(62)	(60)	(64)	(60)	(63)	(57)
Total	\$ 1,919	\$1,827	\$ 1,786	\$ 1,674	\$ 1,603	\$ 1,531
<u>OPERATING PROFIT</u>						
North America	\$ 161	\$ 166	\$ 161	\$ 157	\$ 156	\$ 149
Europe	72	67	56	54	52	52
South America	51	43	41	40	39	32
Asia	24	22	24	20	19	17
Surface Technologies	14	11	7	9	8	10
Total	\$ 322	\$ 309	\$ 289	\$ 280	\$ 274	\$ 260

(a) Non-GAAP measure, see Appendix

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 interests and shareholders' equity).

	2005		2004			
	Q2	Q1	Q4	Q3	Q2	Q1
<u>TOTAL CAPITAL</u>						
Total debt	\$3,327	\$3,449	\$ 3,525	\$ 2,887	\$ 3,021	\$ 2,843
Minority interests	225	221	225	206	203	198
Shareholders' equity	3,821	3,651	3,608	3,369	3,181	3,136
Total Capital	\$7,373	\$7,321	\$ 7,358	\$ 6,462	\$ 6,405	\$ 6,177
<u>DEBT-TO-CAPITAL RATIO</u>	45.1%	47.1%	47.9%	44.7%	47.2%	46.0%
<u>AFTER-TAX RETURN ON CAPITAL (ROC)</u>						
Operating profit	\$ 322	\$ 309	\$ 289	\$ 280	\$ 274	\$ 260
Less: reported taxes	(64)	(69)	(60)	(61)	(55)	(56)
Less: tax benefit on interest expense	(11)	(11)	(10)	(10)	(10)	(9)
Add: income from equity investments	5	4	1	3	4	3
Net operating profit after-tax (NOPAT)	\$ 252	\$ 233	\$ 220	\$ 212	\$ 213	\$ 198
Beginning capital	\$7,321	\$7,358	\$ 6,462	\$ 6,405	\$ 6,177	\$ 6,099
Ending capital	\$7,373	\$7,321	\$ 7,358	\$ 6,462	\$ 6,405	\$ 6,177
Average capital	\$7,347	\$7,340	\$ 6,910	\$ 6,434	\$ 6,291	\$ 6,138
ROC %	3.4%	3.2%	3.2%	3.3%	3.4%	3.2%
ROC % (annualized)	13.7%	12.7%	12.7%	13.2%	13.5%	12.9%