

News Release



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PRAXAIR THIRD-QUARTER EPS UP 15% TO 61 CENTS EXCLUDING INCOME TAX CHARGE

DANBURY, Conn., October 26, 2005 -- Praxair, Inc. (NYSE: PX) reported third-quarter net income of \$108 million, and diluted earnings per share of 33 cents. Net income included an income tax charge of \$92 million, or 28 cents per diluted share, largely related to its plan to repatriate \$1.1 billion pursuant to the Jobs Creation Act of 2004. Excluding this charge, net income grew to \$200 million, from \$177 million earned in the third quarter of 2004. Diluted earnings per share, excluding the income tax charge, grew 15% to 61 cents, compared to 53 cents in last year's quarter.

Sales in the quarter rose 13% to \$1,890 million, compared to \$1,674 million in the 2004 period. Operating profit grew by 13% to \$317 million versus \$280 million in last year's quarter. The third-quarter results were impacted by Hurricanes Katrina and Rita, which reduced sales by about \$22 million, and operating profit by about \$15 million, or 3 cents of diluted earnings per share.

"Our strong results in the third quarter once again validate Praxair's ability to perform well in a challenging environment," said Dennis H. Reilley, chairman and chief executive officer. "Our third-quarter results were negatively impacted by high energy prices and various plant outages experienced by us and our customers due to the two hurricanes which struck the Gulf Coast. Despite all of this, we were able to maintain our growth momentum and provide reliable supply to our customers under difficult and unusual circumstances."

In North America, sales in the third quarter of \$1,159 million rose 7% from \$1,085 million in the year-ago quarter. Sales grew to energy, chemicals, healthcare and manufacturing markets. Operating profit grew 5% to \$165 million from \$157 million a year ago. Excluding the negative effects of the hurricanes, operating profit would have grown by 13%.

In Europe, sales grew 32% to \$262 million in the quarter. Sales growth was primarily due to the purchase of industrial gas operations in Germany in 2004. Organic business activity remained stable, as modest growth in Spain was partially offset by slowing economic activity in Italy and Western Europe. Operating profit grew to \$63 million, from \$54 million in the year-ago quarter.

In South America, sales of \$293 million grew 34%, and 12% excluding currency effects. Underlying sales growth was driven by higher pricing and higher volumes of packaged gases, offset by lower volumes of on-site gases. Sales growth primarily came from healthcare, food and manufacturing markets. Operating profit rose to \$52 million from \$40 million in last year's quarter.

Sales in Asia grew 11% to \$136 million due to strong demand from electronics, metals and food-freezing markets in China, India, Korea and Thailand. Operating profit rose 20% to \$24 million.

Praxair Surface Technologies' sales in the quarter grew to \$121 million, 11% above the prior year. Operating profit grew to \$13 million versus \$9 million in the year ago quarter. OEM aviation coatings markets and sales of thermal spray powders continue to be strong, driving the sales increase.

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Praxair reported cash flow from operations of \$420 million in the third quarter. Capital expenditures were \$235 million. The company repurchased \$74 million of stock, net of issuances, and the debt-to-capital ratio improved to 44%. The after-tax-return-on-capital ratio was 7.9%, or 12.9% excluding the impact of the previously mentioned tax charge. The effective tax rate during the quarter was 59%, or 26% excluding this charge.

For the fourth quarter of 2005, Praxair expects diluted earnings per share in the range of 61 cents to 65 cents, a double-digit increase from the prior year.

For the full year of 2005, Praxair expects sales and operating profit growth of 15% to 16%, versus 2004. Diluted earnings per share, excluding the third quarter's income tax charge, are expected to be in the range of \$2.44 to \$2.48, an increase of 16% to 18% versus 2004. Reported diluted earnings per share, including the income tax charge, are expected to be \$2.16 to \$2.20. Full-year capital expenditures are expected to be in the area of \$850 million.

Commenting on the business outlook, Reilley said, "In the near term, we expect high energy prices and the slow repair of infrastructure on the Gulf Coast to continue to present challenges to the chemical and refining industries. However, we believe that the strength of activity in our other end markets will continue. Our growing backlog of projects to come on-stream over the next several years, combined with productivity and investment discipline, should continue to drive strong cash flow and earnings growth."

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.

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See the attachments for calculations on non-GAAP measures related to net income, earnings per share, effective tax rates, and after-tax return on capital adjusted for the impact of a \$92 million income tax charge in the 2005 third quarter, and debt-to-capital ratio.

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 third-quarter results is being held this morning, October 26, at 9:00 am Eastern Time. The number is (617) 801 -9712 -- Passcode: 82692436. 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.

This document contains "*forward-looking statements*" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's reasonable expectations and assumptions as of the date the statements are made but involve risks and uncertainties. These risks and uncertainties include, without limitation: the performance of stock markets generally; developments in worldwide and national economies; the cost and availability of electric power, natural gas and other raw materials; the ability to achieve price increases to offset cost increases; the degree of inflation in wages and other compensation; the ability to attain expected operational efficiencies; changes in foreign currencies and interest rates; continued timely development and market acceptance of new products and applications; the impact of competitive products and pricing; the impact of changes in financial accounting standards; the impact of tax and other legislation and government regulation in jurisdictions in which the company operates; the cost and outcomes of litigation; future financial and operating performance of major customers and industries served; and the effectiveness and speed of integrating new acquisitions into the business. These risks and uncertainties may cause actual future results or circumstances to differ materially from the projections or estimates contained in the forward-looking statements. The company assumes no obligation to update or provide revisions to any forward-looking statement in response to changing circumstances.

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

	Quarter Ended September 30,		Year to Date September 30,	
	2005 (a)	2004	2005 (a)	2004
SALES	\$ 1,890	\$ 1,674	\$ 5,636	\$ 4,808
Cost of sales	1,144	1,019	3,420	2,893
Selling, general and administrative	243	218	735	629
Depreciation and amortization	165	145	490	424
Research and development	19	19	58	57
Other income (expense) - net (b)	(2)	7	15	9
OPERATING PROFIT	<u>317</u>	<u>280</u>	<u>948</u>	<u>814</u>
Interest expense - net	40	39	123	115
INCOME BEFORE INCOME TAXES	<u>277</u>	<u>241</u>	<u>825</u>	<u>699</u>
Income taxes (c)	163	61	296	172
	<u>114</u>	<u>180</u>	<u>529</u>	<u>527</u>
Minority interests	(8)	(6)	(28)	(21)
Income from equity investments	2	3	11	10
NET INCOME (c)	<u><u>\$ 108</u></u>	<u><u>\$ 177</u></u>	<u><u>\$ 512</u></u>	<u><u>\$ 516</u></u>
PER SHARE DATA (c)				
Basic earnings per share	\$ 0.33	\$ 0.54	\$ 1.58	\$ 1.58
Diluted earnings per share	\$ 0.33	\$ 0.53	\$ 1.55	\$ 1.56
Cash dividends	\$ 0.18	\$ 0.15	\$ 0.54	\$ 0.45
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic shares outstanding (000's)	324,137	326,447	323,951	326,209
Diluted shares outstanding (000's)	329,993	331,919	329,853	331,494

- (a) Sales for the 2005 quarter and year-to-date periods increased \$74 million and \$198 million, respectively, due to currency effects versus 2004.
- (b) Other income (expense) - net for the 2005 quarter includes an \$8 million charge for insurance matters and fixed asset write-offs related to Hurricanes Katrina and Rita.
- (c) Income taxes and net income for the 2005 quarter includes a \$92 million charge (\$0.28 per diluted share) related to the Company's intent to repatriate \$1.1 billion of foreign earnings pursuant to the American Jobs Creation Act of 2004 and adjustments to tax reserves.

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

	<u>September 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 19	\$ 25
Accounts receivable	1,334	1,231
Inventories	369	328
Prepaid and other current assets	161	160
TOTAL CURRENT ASSETS	<u>1,883</u>	<u>1,744</u>
Property, plant and equipment - net	6,062	5,946
Goodwill	1,542	1,551
Other intangibles - net	78	88
Other assets	617	549
TOTAL ASSETS	<u>\$ 10,182</u>	<u>\$ 9,878</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 530	\$ 502
Short-term debt	435	454
Current portion of long-term debt	22	195
Other current liabilities	854	724
TOTAL CURRENT LIABILITIES	<u>1,841</u>	<u>1,875</u>
Long-term debt	2,815	2,876
Other long-term liabilities	1,428	1,294
TOTAL LIABILITIES	<u>6,084</u>	<u>6,045</u>
Minority interests	225	225
Shareholders' equity	3,873	3,608
TOTAL LIABILITIES AND EQUITY	<u>\$ 10,182</u>	<u>\$ 9,878</u>

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

	Quarter Ended September 30,		Year to Date September 30,	
	2005	2004	2005	2004
OPERATIONS				
Net income	\$ 108	\$ 177	\$ 512	\$ 516
Depreciation and amortization	165	145	490	424
Working capital	109	45	(1)	(102)
Long-term assets and liabilities and other	38	15	98	(23)
Net cash provided by operating activities	<u>420</u>	<u>382</u>	<u>1,099</u>	<u>815</u>
INVESTING				
Capital expenditures	(235)	(161)	(598)	(425)
Acquisitions	(3)	(5)	(8)	(253)
Divestitures and asset sales	12	23	25	40
Net cash used for investing activities	<u>(226)</u>	<u>(143)</u>	<u>(581)</u>	<u>(638)</u>
FINANCING				
Debt increase (decrease) - net	(61)	(147)	(192)	68
Issuance of common stock	66	40	192	154
Purchases of common stock	(140)	(78)	(332)	(270)
Cash dividends	(58)	(49)	(174)	(146)
Minority transactions and other	(11)	(8)	(18)	(12)
Net cash used for financing activities	<u>(204)</u>	<u>(242)</u>	<u>(524)</u>	<u>(206)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1</u>	<u>2</u>	<u>-</u>	<u>1</u>
Change in cash and cash equivalents	(9)	(1)	(6)	(28)
Cash and cash equivalents, beginning-of-period	<u>28</u>	<u>23</u>	<u>25</u>	<u>50</u>
Cash and cash equivalents, end-of-period	<u>\$ 19</u>	<u>\$ 22</u>	<u>\$ 19</u>	<u>\$ 22</u>

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

	Quarter Ended September 30,		Year to Date September 30,	
	2005	2004	2005	2004
SALES				
North America (a)	\$ 1,159	\$ 1,085	\$ 3,427	\$ 3,061
Europe (b)	262	198	842	613
South America (c)	293	219	812	630
Asia (d)	136	123	395	353
Surface Technologies (e)	121	109	363	331
Elimination	(81)	(60)	(203)	(180)
Total sales	<u>\$ 1,890</u>	<u>\$ 1,674</u>	<u>\$ 5,636</u>	<u>\$ 4,808</u>
SEGMENT OPERATING PROFIT				
North America (a)	\$ 165	\$ 157	\$ 492	\$ 462
Europe	63	54	202	158
South America	52	40	146	111
Asia	24	20	70	56
Surface Technologies	13	9	38	27
Total operating profit	<u>\$ 317</u>	<u>\$ 280</u>	<u>\$ 948</u>	<u>\$ 814</u>

- (a) North American 2005 sales for the quarter and year-to-date periods increased \$18 million and \$44 million due to currency effects versus 2004.
- (b) European 2005 sales for the quarter and year-to-date periods include \$62 million and \$194 million, respectively, related to the acquisition of certain industrial gas assets and related businesses in Germany. Sales for the quarter and year-to-date periods increased \$1 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 \$49 million and \$104 million, respectively due to currency effects versus 2004.
- (d) Asian 2005 sales for the quarter and year-to-date periods increased \$6 million and \$16 million, respectively, due to currency effects versus 2004.
- (e) Surface Technologies 2005 sales for the quarter and year-to-date periods increased \$1 million and \$9 million, respectively, due to currency effects versus 2004.

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

	2005			2004			
	Q3(a)	Q2	Q1	Q4	Q3	Q2	Q1
FROM THE INCOME STATEMENT							
Sales	\$ 1,890	\$ 1,919	\$ 1,827	\$ 1,786	\$ 1,674	\$ 1,603	\$ 1,531
Cost of sales	1,144	1,167	1,109	1,094	1,019	966	908
Selling, general and administrative	243	247	245	240	218	207	204
Depreciation and amortization	165	163	162	154	145	140	139
Research and development	19	19	20	20	19	19	19
Other income (expenses) – net	(2)	(1)	18	11	7	3	(1)
Operating profit	317	322	309	289	280	274	260
Interest expense - net	40	41	42	40	39	39	37
Income taxes	163	64	69	60	61	55	56
Minority interests	(8)	(13)	(7)	(9)	(6)	(9)	(6)
Income from equity investments	2	5	4	1	3	4	3
Net income	<u>\$ 108</u>	<u>\$ 209</u>	<u>\$ 195</u>	<u>\$ 181</u>	<u>\$ 177</u>	<u>\$ 175</u>	<u>\$ 164</u>
PER SHARE DATA							
Diluted earnings per share	\$ 0.33	\$ 0.63	\$ 0.59	\$ 0.55	\$ 0.53	\$ 0.53	\$ 0.49
Cash dividends per share	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
Diluted weighted average shares outstanding (000's)	329,993	329,818	329,669	330,851	331,919	330,897	331,573
FROM THE BALANCE SHEET							
Total debt	\$ 3,272	\$ 3,327	\$ 3,449	\$ 3,525	\$ 2,887	\$ 3,021	\$ 2,843
Total capital (b)	7,370	7,373	7,321	7,358	6,462	6,405	6,177
Debt-to-capital ratio (b)	44.4%	45.1%	47.1%	47.9%	44.7%	47.2%	46.0%
FROM THE STATEMENT OF CASH FLOWS							
Cash flow from operations	\$ 420	\$ 390	\$ 289	\$ 428	\$ 382	\$ 252	\$ 181
Capital expenditures	235	198	165	243	161	140	124
Acquisitions	3	3	2	676	5	248	-
Cash dividends	58	58	58	49	49	48	49
OTHER INFORMATION							
Number of employees	27,222	27,134	27,082	27,020	26,579	26,568	25,281
After-tax return on capital (ROC) (b)	7.9%	13.7%	12.7%	12.7%	13.2%	13.5%	12.9%
SEGMENT DATA							
SALES							
North America	\$ 1,159	\$ 1,153	\$ 1,115	\$ 1,130	\$ 1,085	\$ 1,016	\$ 960
Europe	262	293	287	234	198	207	208
South America	293	274	245	236	219	211	200
Asia	136	137	122	134	123	121	109
Surface Technologies	121	124	118	116	109	111	111
Eliminations	(81)	(62)	(60)	(64)	(60)	(63)	(57)
Total	<u>\$ 1,890</u>	<u>\$ 1,919</u>	<u>\$ 1,827</u>	<u>\$ 1,786</u>	<u>\$ 1,674</u>	<u>\$ 1,603</u>	<u>\$ 1,531</u>
OPERATING PROFIT							
North America	\$ 165	\$ 161	\$ 166	\$ 161	\$ 157	\$ 156	\$ 149
Europe	63	72	67	56	54	52	52
South America	52	51	43	41	40	39	32
Asia	24	24	22	24	20	19	17
Surface Technologies	13	14	11	7	9	8	10
Total	<u>\$ 317</u>	<u>\$ 322</u>	<u>\$ 309</u>	<u>\$ 289</u>	<u>\$ 280</u>	<u>\$ 274</u>	<u>\$ 260</u>

(a) Income taxes and net income include a \$92 million charge (\$0.28 per diluted share) related to the Company's intent to repatriate \$1.1 billion of foreign earnings pursuant to the American Jobs Creation Act of 2004 and adjustments to tax reserves. ROC was reduced by 5.0% as a result of this charge.

(b) 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). The Company believes that the adjusted ROC amount will help investors understand underlying performance on a comparable basis.

	2005				2004			
	Q3 Adj. (a)	Q3(a)	Q2	Q1	Q4	Q3	Q2	Q1
<u>TOTAL CAPITAL</u>								
Total debt	-	\$ 3,272	\$ 3,327	\$ 3,449	\$ 3,525	\$ 2,887	\$ 3,021	\$ 2,843
Minority interests	-	225	225	221	225	206	203	198
Shareholders' equity	-	3,873	3,821	3,651	3,608	3,369	3,181	3,136
Total Capital	-	<u>\$ 7,370</u>	<u>\$ 7,373</u>	<u>\$ 7,321</u>	<u>\$ 7,358</u>	<u>\$ 6,462</u>	<u>\$ 6,405</u>	<u>\$ 6,177</u>
<u>DEBT-TO-CAPITAL RATIO</u>	-	44.4%	45.1%	47.1%	47.9%	44.7%	47.2%	46.0%
<u>AFTER-TAX RETURN ON CAPITAL (ROC)</u>								
Operating profit	\$ 317	\$ 317	\$ 322	\$ 309	\$ 289	\$ 280	\$ 274	\$ 260
Less: reported taxes	(163)	(163)	(64)	(69)	(60)	(61)	(55)	(56)
Add: income tax charge	92	-	-	-	-	-	-	-
Less: tax benefit on interest expense	(10)	(10)	(11)	(11)	(10)	(10)	(10)	(9)
Add: income from equity investments	2	2	5	4	1	3	4	3
Net operating profit after-tax (NOPAT)	\$ 238	\$ 146	\$ 252	\$ 233	\$ 220	\$ 212	\$ 213	\$ 198
Beginning capital	\$ 7,373	\$ 7,373	\$ 7,321	\$ 7,358	\$ 6,462	\$ 6,405	\$ 6,177	\$ 6,099
Ending capital	\$ 7,370	\$ 7,370	\$ 7,373	\$ 7,321	\$ 7,358	\$ 6,462	\$ 6,405	\$ 6,177
Average capital	\$ 7,372	\$ 7,372	\$ 7,347	\$ 7,340	\$ 6,910	\$ 6,434	\$ 6,291	\$ 6,138
ROC %	3.2%	2.0%	3.4%	3.2%	3.2%	3.3%	3.4%	3.2%
ROC % (annualized)	<u>12.9%</u>	<u>7.9%</u>	<u>13.7%</u>	<u>12.7%</u>	<u>12.7%</u>	<u>13.2%</u>	<u>13.5%</u>	<u>12.9%</u>

(a) Adjusted ROC excludes the impact of a \$92 million income tax charge.

PRAXAIR, INC. AND SUBSIDIARIES
APPENDIX, CONTINUED
NON-GAAP MEASURES, CONTINUED
(Dollar amounts in millions, except per share data)
(UNAUDITED)

The Company believes adjusted net income, diluted EPS, quarterly effective tax rate and full-year earnings guidance amounts, which exclude the impact of a 2005 third quarter \$92 million income tax charge, help investors understand underlying performance on a comparable basis.

	Quarter Ended September 30,		Year to Date September 30,	
	2005	2004	2005	2004
<u>Adjusted Net Income and Diluted EPS</u>				
Net income	\$ 108	\$ 177	\$ 512	\$ 516
Add: Income tax charge	92	-	92	-
Adjusted Net income	<u>\$ 200</u>	<u>\$ 177</u>	<u>\$ 604</u>	<u>\$ 516</u>
Diluted weighted average shares	329,993	331,919	329,853	331,494
Reported diluted earnings per share	\$ 0.33	\$ 0.53	\$ 1.55	\$ 1.56
Add back: income tax charge	\$ 0.28	\$ -	\$ 0.28	\$ -
Adjusted diluted earnings per share	<u>\$ 0.61</u>	<u>\$ 0.53</u>	<u>\$ 1.83</u>	<u>\$ 1.56</u>
<u>Adjusted Quarterly Effective Tax Rate</u>				
Income before income tax	<u>\$ 277</u>	<u>\$ 241</u>		
Reported income tax expense	163	61		
Less: income tax charge	(92)	-		
Adjusted income tax expense	<u>\$ 71</u>	<u>\$ 61</u>		
Reported effective tax rate	59%	25%		
Add back: income tax charge	-33%	0%		
Adjusted effective tax rate	<u>26%</u>	<u>25%</u>		
<u>Adjusted Full-Year Diluted EPS Guidance</u>				
	<u>Low end</u>	<u>High end</u>		
Reported nine-month 2005 diluted EPS	\$ 1.55	\$ 1.55		
Expected fourth quarter 2005 diluted EPS	\$ 0.61	\$ 0.65		
Expected full-year 2005 diluted EPS	\$ 2.16	\$ 2.20		
Add back: income tax charge	\$ 0.28	\$ 0.28		
Expected adjusted full-year diluted EPS	<u>\$ 2.44</u>	<u>\$ 2.48</u>		