

News Release



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PRAXAIR REPORTS SECOND-QUARTER EPS OF 75 CENTS, RAISES GUIDANCE

DANBURY, Conn., July 26, 2006 -- Praxair, Inc. (NYSE: PX) announced record second-quarter net income of \$247 million, and diluted earnings per share of 75 cents. Net income grew 22%, and earnings per share grew 23% on a comparable basis including stock option expense in the prior year.*

Sales in the second quarter rose 8% to \$2,076 million, compared to \$1,919 million in the 2005 quarter. Operating profit grew to \$382 million from \$311 million in the prior year on a comparable basis. The strong growth in operating profit was due to new business development, higher prices and productivity improvement. Operating profit in the quarter also included \$15 million from insurance recoveries.

"While some macro-economic indicators point to a slowdown, we have not seen any significant decline in demand from our customers," said Dennis H. Reilley, chairman and chief executive officer.

In North America, second-quarter sales of \$1,158 million rose 6% from \$1,097 million in the year-ago quarter from higher sales to manufacturing, metals and electronics markets, and higher prices. Operating profit grew to \$215 million, from \$155 million in the prior-year period on a comparable basis. The strong growth in operating profit came primarily from higher sales, strong pricing and productivity gains.

In Europe, sales of \$296 million were 3% above the prior year, and increased 6% excluding the effect of a weaker euro. Underlying sales growth came from higher pricing and gases volume growth in Spain and Italy. Operating profit was \$65 million.

In South America, sales of \$340 million grew 24% versus the year-ago quarter, and 13% excluding currency effects, from higher pricing and higher sales volumes. Sales growth came from energy, healthcare and metals markets. Operating profit rose to \$58 million, an increase of 18% versus last year's quarter on a comparable basis.

Sales in Asia grew 13% to \$155 million, from \$137 million in the year-ago quarter. Sales to electronics and metals markets drove the increase. Operating profit increased to \$28 million, from \$23 million in the prior-year period on a comparable basis.

Praxair Surface Technologies' sales in the quarter grew to \$127 million. Excluding currency effects, quarter-over-quarter sales growth was 4%, due to continued strong demand for OEM aviation coatings and higher pricing. Operating profit grew to \$16 million, an increase of 23% on a comparable basis due to higher sales volumes and fixed cost control.

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Cash flow from operations was \$392 million in the second quarter. Capital expenditures were \$270 million. The company's after-tax return-on-capital ratio* improved to 14.5% for the quarter.

For the third quarter of 2006, Praxair expects diluted earnings per share in the range of 70 cents to 73 cents, 19% to 24% above the third quarter of 2005, on a comparable basis.

For the full year of 2006, Praxair expects year-over-year sales growth in the area of 10%. Raising its earnings guidance, Praxair expects diluted earnings per share to be in the range of \$2.85 to \$2.90, representing 18% to 20% growth versus the prior year on a comparable basis. Full-year capital expenditures are expected to be in the area of \$1 billion, supporting a growing backlog of new projects across all geographic regions, which will come on-stream in 2007 and 2008.

Commenting on Praxair's business outlook, Reilley said, "We are evaluating a significant number of new project opportunities across our business, fueled by the secular growth trends in infrastructure building and energy production. Our backlog of projects is steadily increasing, which we expect to drive sustainable earnings growth for the foreseeable future."

Praxair is the largest industrial gases company in North and South America, and one of the largest worldwide, with 2005 sales of \$7.7 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.

*See the attachments for calculations of non-GAAP measures related to operating profit, net income, earnings per share, after-tax return-on-capital, and debt-to-capital ratios. All year-over-year comparisons use 2005 results adjusted to include stock option expense, and exclude the \$92 million income tax charge in the third quarter.

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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 26, at 11:00 am Eastern Time. The number is (617) 213-8056 -- Passcode: 68121021. 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.

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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 and other international events and circumstances; changes in foreign currencies and in interest rates; the cost and availability of electric power, natural gas and other raw materials; the ability to achieve price increases to offset cost increases; catastrophic events; the ability to attract, hire, and retain qualified personnel; 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 and regulatory agency actions; continued timely development and market acceptance of new products and applications; the impact of competitive products and pricing; 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. The above listed risks and uncertainties are further described in Item 1A (Risk Factors) in the company's latest Annual Report on Form 10-K filed with the SEC which should be reviewed carefully. Please consider the company's forward-looking statements in light of those risks.

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,	
	2006	2005	2006	2005
SALES (a)	\$ 2,076	\$ 1,919	\$ 4,102	\$ 3,746
Cost of sales	1,238	1,167	2,445	2,276
Selling, general and administrative	271	247	544	492
Depreciation and amortization	174	163	345	325
Research and development	22	19	43	39
Other income (expense) - net (b)	11	(1)	9	17
OPERATING PROFIT (c)	<u>382</u>	<u>322</u>	<u>734</u>	<u>631</u>
Interest expense - net	41	41	79	83
INCOME BEFORE INCOME TAXES	<u>341</u>	<u>281</u>	<u>655</u>	<u>548</u>
Income taxes	90	64	173	133
	<u>251</u>	<u>217</u>	<u>482</u>	<u>415</u>
Minority interests	(7)	(13)	(15)	(20)
Income from equity investments	3	5	5	9
NET INCOME (c)	<u>\$ 247</u>	<u>\$ 209</u>	<u>\$ 472</u>	<u>\$ 404</u>
PER SHARE DATA				
Basic earnings per share	\$ 0.76	\$ 0.65	\$ 1.46	\$ 1.25
Diluted earnings per share	\$ 0.75	\$ 0.63	\$ 1.43	\$ 1.23
Cash dividends	\$ 0.25	\$ 0.18	\$ 0.50	\$ 0.36
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic shares outstanding (000's)	323,519	323,898	323,661	323,858
Diluted shares outstanding (000's)	329,880	329,818	329,624	329,756

- (a) Sales for the 2006 quarter and year-to-date periods decreased \$3 million and increased \$10 million, respectively, from the incremental contractual pass-through of higher hydrogen feedstock costs, with minimal impact on operating profit compared to 2005. Sales for the quarter and year-to-date periods increased \$38 million and \$66 million due to currency effects versus 2005.
- (b) Other income (expense) - net for the 2006 quarter and year-to-date periods includes a \$15 million benefit, \$10 million after tax, related to insurance recoveries.
- (c) 2006 results include stock option expense while 2005 reported results do not. Stock option expense for the 2006 quarter and year-to-date periods was \$11 million or \$7 million after tax, and \$22 million or \$14 million after tax, respectively. Comparable 2005 results are shown in the Appendix.

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

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
ASSETS		
Cash and cash equivalents	\$ 21	\$ 173
Accounts receivable - net	1,453	1,386
Inventories	396	373
Prepaid and other current assets	216	201
TOTAL CURRENT ASSETS	<u>2,086</u>	<u>2,133</u>
Property, plant and equipment - net	6,417	6,108
Goodwill	1,590	1,545
Other intangibles - net	74	81
Other long-term assets	672	624
TOTAL ASSETS	<u>\$ 10,839</u>	<u>\$ 10,491</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 576	\$ 639
Short-term debt	587	231
Current portion of long-term debt	288	290
Other current liabilities	882	841
TOTAL CURRENT LIABILITIES	<u>2,333</u>	<u>2,001</u>
Long-term debt	2,579	2,926
Other long-term liabilities	1,455	1,460
TOTAL LIABILITIES	<u>6,367</u>	<u>6,387</u>
Minority interests	203	202
Shareholders' equity	4,269	3,902
TOTAL LIABILITIES AND EQUITY	<u>\$ 10,839</u>	<u>\$ 10,491</u>

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

	Quarter Ended		Year to Date	
	June 30,		June 30,	
	2006	2005	2006	2005
OPERATIONS				
Net income	\$ 247	\$ 209	\$ 472	\$ 404
Depreciation and amortization	174	163	345	325
Accounts receivable	(55)	(21)	(76)	(59)
Inventory	(4)	(11)	(20)	(23)
Payables and accruals	39	(4)	(15)	74
Pension contributions	(26)	(1)	(118)	(72)
Other	17	55	47	30
Net cash provided by operating activities	<u>392</u>	<u>390</u>	<u>635</u>	<u>679</u>
INVESTING				
Capital expenditures	(270)	(198)	(526)	(363)
Acquisitions	(3)	(3)	(6)	(5)
Divestitures and asset sales	8	-	13	13
Net cash used for investing activities	<u>(265)</u>	<u>(201)</u>	<u>(519)</u>	<u>(355)</u>
FINANCING				
Debt increase (decrease) - net	4	(91)	(54)	(131)
Excess tax benefit on stock option exercises	3	-	12	-
Issuances of common stock	68	65	156	126
Purchases of common stock	(126)	(100)	(217)	(192)
Cash dividends	(80)	(58)	(161)	(116)
Minority interest transactions and other	(7)	(3)	(5)	(7)
Net cash used for financing activities	<u>(138)</u>	<u>(187)</u>	<u>(269)</u>	<u>(320)</u>
Effect of exchange rate changes on cash and cash equivalents	-	-	1	(1)
Change in cash and cash equivalents	(11)	2	(152)	3
Cash and cash equivalents, beginning-of-period	<u>32</u>	<u>26</u>	<u>173</u>	<u>25</u>
Cash and cash equivalents, end-of-period	<u>\$ 21</u>	<u>\$ 28</u>	<u>\$ 21</u>	<u>\$ 28</u>

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

	Quarter Ended June 30,		Year to Date June 30,	
	2006	2005	2006	2005
SALES (a)				
North America (b)	\$ 1,158	\$ 1,097	\$ 2,327	\$ 2,157
Europe (c)	296	287	564	572
South America (d)	340	274	657	518
Asia (e)	155	137	302	259
Surface Technologies (f)	127	124	252	240
Total sales	<u>\$ 2,076</u>	<u>\$ 1,919</u>	<u>\$ 4,102</u>	<u>\$ 3,746</u>
SEGMENT OPERATING PROFIT				
North America (b)	\$ 215	\$ 161	\$ 415	\$ 327
Europe (c)	65	72	124	139
South America (d)	58	51	115	94
Asia (e)	28	24	51	46
Surface Technologies (f)	16	14	29	25
Total operating profit	<u>\$ 382</u>	<u>\$ 322</u>	<u>\$ 734</u>	<u>\$ 631</u>

- (a) In 2006, Praxair changed its presentation of segment sales to reflect external sales only. Segment operating profit was not impacted. 2005 sales amounts have been reclassified to conform to current period presentation.
- (b) North American 2006 sales for the quarter and year-to-date periods decreased \$3 million and increased \$10 million, respectively, from the contractual pass-through of higher hydrogen feedstock costs, with minimal impact on operating profit compared to 2005. Sales for the quarter and year-to-date periods increased \$16 million and \$32 million due to currency effects versus 2005. 2006 operating profit included stock option expense of \$6 million for the quarter and \$12 million for the year-to-date period. 2006 operating profit for both periods included a \$15 million benefit related to insurance recoveries.
- (c) European 2006 sales for the quarter and year-to-date periods decreased \$8 million and \$35 million, respectively, due to currency effects versus 2005. 2006 operating profit included stock option expense of \$1 million for the quarter and \$2 million for the year-to-date period.
- (d) South American 2006 sales for the quarter and year-to-date periods increased \$30 million and \$73 million, respectively, due to currency effects versus 2005. 2006 operating profit included stock option expense of \$2 million for the quarter and \$4 million for the year-to-date period.
- (e) Asian 2006 sales for the quarter and year-to-date periods increased \$2 million and \$3 million, respectively, due to currency effects versus 2005. 2006 operating profit included stock option expense of \$1 million for the quarter and \$2 million for the year-to-date period.
- (f) Surface Technologies 2006 sales for the quarter and year-to-date periods decreased \$2 million and \$7 million, respectively, due to currency effects versus 2005. 2006 operating profit included stock option expense of \$1 million for the quarter and \$2 million for the year-to-date period.

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

	2006		2005 SFAS 123R Revised (a)			
	Q2	Q1	Q4	Q3 (b)	Q2	Q1
FROM THE INCOME STATEMENT						
Sales	\$ 2,076	\$ 2,026	\$ 2,020	\$ 1,890	\$ 1,919	\$ 1,827
Cost of sales	1,238	1,207	1,221	1,145	1,167	1,109
Selling, general and administrative	271	273	261	252	257	254
Depreciation and amortization	174	171	175	165	163	162
Research and development	22	21	23	19	20	20
Other income (expenses) – net	11	(2)	(5)	(2)	(1)	18
Operating profit	382	352	335	307	311	300
Interest expense - net	41	38	40	40	41	42
Income taxes	90	83	76	160	60	66
Minority interests	(7)	(8)	(9)	(8)	(13)	(7)
Income from equity investments	3	2	4	2	5	4
Income before accounting change	247	225	214	101	202	189
Accounting change (c)	-	-	(6)	-	-	-
Net income	\$ 247	\$ 225	\$ 208	\$ 101	\$ 202	\$ 189
PER SHARE DATA						
Diluted earnings per share:						
Income before accounting change	\$ 0.75	\$ 0.68	\$ 0.65	\$ 0.31	\$ 0.61	\$ 0.57
Accounting change (c)	-	-	(0.02)	-	-	-
Net income	\$ 0.75	\$ 0.68	\$ 0.63	\$ 0.31	\$ 0.61	\$ 0.57
Cash dividends per share	\$ 0.25	\$ 0.25	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Diluted weighted average shares outstanding (000's)	329,880	330,043	329,113	329,993	329,818	329,669
FROM THE BALANCE SHEET						
Total debt	\$ 3,454	\$ 3,408	\$ 3,447	\$ 3,272	\$ 3,327	\$ 3,449
Total capital (d)	7,926	7,740	7,551	7,370	7,373	7,321
Debt-to-capital ratio (d)	43.6%	44.0%	45.6%	44.4%	45.1%	47.1%
FROM THE STATEMENT OF CASH FLOWS						
Cash flow from operations	\$ 392	\$ 243	\$ 376	\$ 420	\$ 390	\$ 289
Capital expenditures	270	256	279	235	198	165
Acquisitions	3	3	36	3	3	2
Cash dividends	80	81	59	58	58	58
OTHER INFORMATION						
Number of employees	27,532	27,231	27,306	27,222	27,134	27,082
After-tax return on capital (ROC) (d)	14.5%	13.7%	13.6%	12.5%	13.4%	12.4%
SEGMENT DATA						
SALES (e)						
North America	\$ 1,158	\$ 1,169	\$ 1,185	\$ 1,087	\$ 1,097	\$ 1,060
Europe	296	268	258	258	287	285
South America	340	317	313	292	274	244
Asia	155	147	148	136	137	122
Surface Technologies	127	125	116	117	124	116
Total	\$ 2,076	\$ 2,026	\$ 2,020	\$ 1,890	\$ 1,919	\$ 1,827
OPERATING PROFIT						
North America	\$ 215	\$ 200	\$ 187	\$ 159	\$ 155	\$ 161
Europe	65	59	60	62	71	66
South America	58	57	55	51	49	42
Asia	28	23	24	23	23	21
Surface Technologies	16	13	9	12	13	10
Total	\$ 382	\$ 352	\$ 335	\$ 307	\$ 311	\$ 300

(a) 2006 results include the effect of expensing stock options. The 2005 SFAS 123R Revised results include the pro-forma impact of expensing stock options and are comparable to the 2006 presentation. Non-GAAP measures, see Appendix.

(b) The third quarter 2005 includes the impact of a \$92 million (\$0.28 per diluted share) income tax charge for the repatriation of foreign earnings and other tax adjustments.

(c) Represents charge to earnings related to conditional asset retirement obligations.

(d) Non-GAAP measure, see Appendix.

(e) In 2006, Praxair changed its presentation of segment sales to reflect external sales only. Segment operating profit was not impacted. 2005 sales amounts have been reclassified to conform to current period presentation.

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 (i) its debt-to-capital ratio is appropriate for measuring its financial leverage; (ii) 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) and the adjusted ROC amount will help investors understand underlying performance on a comparable basis; and (iii) operating profit, net income and diluted EPS amounts that include pro-forma stock option expense in 2005 periods, help investors understand underlying performance on a comparable basis.

	2006		2005			
	Q2	Q1	Q4	Q3	Q2	Q1
<u>Total Capital</u>						
Total debt	\$ 3,454	\$ 3,408	\$ 3,447	\$ 3,272	\$ 3,327	\$ 3,449
Minority interests	203	207	202	225	225	221
Shareholders' equity	4,269	4,125	3,902	3,873	3,821	3,651
Total Capital	<u>\$ 7,926</u>	<u>\$ 7,740</u>	<u>\$ 7,551</u>	<u>\$ 7,370</u>	<u>\$ 7,373</u>	<u>\$ 7,321</u>
<u>Debt-to-Capital Ratio</u>	<u>43.6%</u>	<u>44.0%</u>	<u>45.6%</u>	<u>44.4%</u>	<u>45.1%</u>	<u>47.1%</u>
 <u>After-Tax Return on Capital (ROC)</u>						
Adjusted operating profit (a,c)	\$ 382	\$ 352	\$ 335	\$ 307	\$ 311	\$ 300
Less: adjusted taxes (a,b)	(90)	(83)	(76)	(68)	(60)	(66)
Less: tax benefit on interest expense	(11)	(10)	(10)	(10)	(11)	(11)
Add: income from equity investments	3	2	4	2	5	4
Net operating profit after-tax (NOPAT)	<u>\$ 284</u>	<u>\$ 261</u>	<u>\$ 253</u>	<u>\$ 231</u>	<u>\$ 245</u>	<u>\$ 227</u>
Beginning capital	\$ 7,740	\$ 7,551	\$ 7,370	\$ 7,373	\$ 7,321	\$ 7,358
Ending capital	\$ 7,926	\$ 7,740	\$ 7,551	\$ 7,370	\$ 7,373	\$ 7,321
Average capital	\$ 7,833	\$ 7,646	\$ 7,461	\$ 7,372	\$ 7,347	\$ 7,340
ROC %	3.6%	3.4%	3.4%	3.1%	3.3%	3.1%
<u>ROC % (annualized)</u>	<u>14.5%</u>	<u>13.7%</u>	<u>13.6%</u>	<u>12.5%</u>	<u>13.4%</u>	<u>12.4%</u>

(a) Reported 2006 operating profit and taxes include the effect of expensing stock options while 2005 reported amounts do not. The 2005 operating profit and reported tax amounts have been adjusted to include the pro-forma impact of expensing stock options and are comparable to the 2006 presentation. See the following section "2005 FAS 123R Revised," for the calculation of these non-GAAP measures.

(b) The third quarter 2005 excludes the impact of a \$92 million income tax charge for the repatriation of foreign earnings and other tax adjustments.

(c) The second quarter 2006 includes the impact of a \$15 million benefit related to insurance recoveries which increased annualized ROC by 0.5% for the quarter.

