

News Release



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PRAXAIR REPORTS RECORD SECOND-QUARTER EPS UP 19% TO 89 CENTS AND RAISES FULL-YEAR GUIDANCE

DANBURY, Conn., July 25, 2007 -- Praxair, Inc. (NYSE: PX) announced record second-quarter sales and earnings. Net income grew 18% to \$291 million, and diluted earnings per share grew 19% to 89 cents. Sales in the second quarter increased to \$2,332 million, 12% above the prior-year quarter. Sales growth was led by significant new business coming on-stream in the energy sector and new business in Asia and South America.

Second-quarter operating profit grew 15% to \$439 million as a result of new business combined with operating leverage from more favorable pricing and cost productivity.

In North America, second-quarter sales reached \$1,293 million, 12% above the prior-year quarter. Sales growth came primarily from higher sales to energy and general manufacturing markets, followed by electronics, healthcare and food and beverage. Operating profit in the quarter grew to \$231 million from \$215 million in the second quarter of 2006. This represented 16% growth versus the prior year, excluding a \$15-million benefit from insurance recoveries in the 2006 period.

In Europe, sales in the quarter of \$336 million grew 14%, and increased 6% excluding currency effects, as compared to the prior year. Underlying sales growth was broad-based across Europe and most major end markets. Second-quarter operating profit rose 22% to \$79 million, from \$65 million in the prior-year quarter.

In South America, second-quarter sales of \$393 million grew 16% from the prior-year quarter, and 8% excluding currency effects. Underlying sales growth came from most major end markets including general manufacturing, metals and food and beverage. Operating profit rose 31% to \$76 million. Strong operating leverage was achieved by higher sales volumes, higher pricing and cost-efficiency programs. Sales in Asia grew 15% to \$179 million, from \$155 million in the year-ago quarter. Higher sales in China, India and Korea, primarily to metals and electronics markets, drove the increase. Operating profit in the quarter grew to \$30 million.

Praxair Surface Technologies' sales in the quarter grew to \$131 million, up 12% from the prior-year quarter, excluding the effects of a business divestiture and currency. Sales growth came primarily from higher sales of OEM aviation coatings and industrial coatings for the power turbine market. Operating profit increased sharply to \$23 million from \$16 million in the 2006 quarter. The operating margin improved to 17.6% from 12.6%, primarily from higher sales and higher pricing

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Cash flow from operations in the quarter was \$481 million. Capital expenditures were \$329 million. The after-tax return-on-capital ratio* improved to 15.3% for the quarter and return on equity* increased to 25%.

Commenting on the results, Chairman and Chief Executive Officer Steve Angel said, "I am pleased that our growth initiatives are continuing to gain traction with our customers. The outlook for our products and technologies continues to brighten, particularly in the energy sector and in emerging markets. In addition, our operating team is continuing to refine our production and delivery systems to improve quality for our customers while generating productivity improvements which reduce both capital and operating costs. As a result of new project commitments from customers, we are increasing our forecast for capital expenditures. Simultaneously, we are announcing a new stock repurchase program which we expect to fund largely out of operating cash flow."

For the third quarter of 2007, Praxair expects diluted earnings per share in the range of 89 cents to 91 cents, 19% to 21% above the third quarter of 2006.

For the full year of 2007, Praxair expects year-over-year sales growth in the range of 10% to 12%. The company expects diluted earnings per share to be in the range of \$3.50 to \$3.55, representing 17% to 18% growth from 2006. Full-year capital expenditures are expected to be in the range of \$1.2 billion to \$1.3 billion. This capital investment supports a growing number of new projects under long-term contracts with customers which will underpin revenue and earnings growth over the next three years.

Praxair is the largest industrial gases company in North and South America, and one of the largest worldwide, with 2006 sales of \$8.3 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.

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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 25, at 11:00 am Eastern Time. The number is (617) 614-3528 -- Passcode: 39150012. 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 including natural disasters, epidemics and acts of war and terrorism; the ability to attract, hire, and retain qualified personnel; the impact of changes in financial accounting standards; the impact of tax, environmental, home healthcare 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,	
	2007	2006	2007	2006
SALES (a)	\$ 2,332	\$ 2,076	\$ 4,507	\$ 4,102
Cost of sales	1,388	1,238	2,670	2,445
Selling, general and administrative	296	271	582	544
Depreciation and amortization	189	174	371	345
Research and development	24	22	48	43
Other income (expense) - net (b)	4	11	6	9
OPERATING PROFIT	<u>439</u>	<u>382</u>	<u>842</u>	<u>734</u>
Interest expense - net	41	41	79	79
INCOME BEFORE INCOME TAXES	<u>398</u>	<u>341</u>	<u>763</u>	<u>655</u>
Income taxes	103	90	198	173
	<u>295</u>	<u>251</u>	<u>565</u>	<u>482</u>
Minority interests	(9)	(7)	(18)	(15)
Income from equity investments	5	3	9	5
NET INCOME	<u>\$ 291</u>	<u>\$ 247</u>	<u>\$ 556</u>	<u>\$ 472</u>
PER SHARE DATA				
Basic earnings per share	\$ 0.91	\$ 0.76	\$ 1.73	\$ 1.46
Diluted earnings per share	\$ 0.89	\$ 0.75	\$ 1.70	\$ 1.43
Cash dividends	\$ 0.30	\$ 0.25	\$ 0.60	\$ 0.50
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic shares outstanding (000's)	320,213	323,519	320,488	323,661
Diluted shares outstanding (000's)	326,301	329,880	326,447	329,624

- (a) Sales for the 2007 quarter and year-to-date periods increased \$10 million and decreased \$8 million, respectively, from the contractual pass-through of hydrogen feedstock costs, with minimal impact on operating profit compared to 2006. Sales for the quarter and year-to-date periods increased \$71 million and \$108 million, respectively, due to currency effects versus 2006.
- (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.

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

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 22	\$ 36
Accounts receivable - net	1,641	1,456
Inventories	429	381
Prepaid and other current assets	222	186
TOTAL CURRENT ASSETS	<u>2,314</u>	<u>2,059</u>
Property, plant and equipment - net	7,265	6,694
Goodwill	1,829	1,613
Other intangibles - net	114	71
Other long-term assets	729	665
TOTAL ASSETS	<u>\$ 12,251</u>	<u>\$ 11,102</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 749	\$ 682
Short-term debt	243	130
Current portion of long-term debt	50	56
Other current liabilities	867	890
TOTAL CURRENT LIABILITIES	<u>1,909</u>	<u>1,758</u>
Long-term debt	3,407	2,981
Other long-term liabilities	1,851	1,587
TOTAL LIABILITIES	<u>7,167</u>	<u>6,326</u>
Minority interests	234	222
Shareholders' equity	4,850	4,554
TOTAL LIABILITIES AND EQUITY	<u>\$ 12,251</u>	<u>\$ 11,102</u>

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

	Quarter Ended June 30,		Year to Date June 30,	
	2007	2006	2007	2006
OPERATIONS				
Net income	\$ 291	\$ 247	\$ 556	\$ 472
Depreciation and amortization	189	174	371	345
Accounts receivable	(90)	(55)	(163)	(76)
Inventory	(21)	(4)	(37)	(20)
Payables and accruals	89	39	17	(15)
Pension contributions	(3)	(26)	(14)	(118)
Other	26	17	49	47
Net cash provided by operating activities	<u>481</u>	<u>392</u>	<u>779</u>	<u>635</u>
INVESTING				
Capital expenditures	(329)	(270)	(614)	(526)
Acquisitions	(31)	(3)	(327)	(6)
Divestitures and asset sales	17	8	21	13
Net cash used for investing activities	<u>(343)</u>	<u>(265)</u>	<u>(920)</u>	<u>(519)</u>
FINANCING				
Debt increase (decrease) - net	(67)	4	473	(54)
Issuances of common stock	82	68	167	156
Purchases of common stock	(82)	(126)	(353)	(217)
Cash dividends	(96)	(80)	(192)	(161)
Excess tax benefit on stock option exercises	20	3	34	12
Minority interest transactions and other	(1)	(7)	(4)	(5)
Net cash provided by (used for) financing activities	<u>(144)</u>	<u>(138)</u>	<u>125</u>	<u>(269)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>
Change in cash and cash equivalents	(4)	(11)	(14)	(152)
Cash and cash equivalents, beginning-of-period	<u>26</u>	<u>32</u>	<u>36</u>	<u>173</u>
Cash and cash equivalents, end-of-period	<u>\$ 22</u>	<u>\$ 21</u>	<u>\$ 22</u>	<u>\$ 21</u>

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

	Quarter Ended June 30,		Year to Date June 30,	
	2007	2006	2007	2006
SALES				
North America (a)	\$ 1,293	\$ 1,158	\$ 2,498	\$ 2,327
Europe (b)	336	296	666	564
South America (c)	393	340	741	657
Asia (d)	179	155	346	302
Surface Technologies (e)	131	127	256	252
Total sales	<u>\$ 2,332</u>	<u>\$ 2,076</u>	<u>\$ 4,507</u>	<u>\$ 4,102</u>
SEGMENT OPERATING PROFIT				
North America (a)	\$ 231	\$ 215	\$ 448	\$ 415
Europe	79	65	151	124
South America	76	58	142	115
Asia	30	28	57	51
Surface Technologies	23	16	44	29
Total operating profit	<u>\$ 439</u>	<u>\$ 382</u>	<u>\$ 842</u>	<u>\$ 734</u>

- (a) North American 2007 sales for the quarter and year-to-date periods increased \$10 million and decreased \$8 million, respectively, from the contractual pass-through of hydrogen feedstock costs, with minimal impact on operating profit compared to 2006. Sales for the quarter and year-to-date periods increased \$5 million and decreased \$1 million, respectively, due to currency effects versus 2006. 2006 operating profit for both periods included a \$15 million benefit related to insurance recoveries.
- (b) European 2007 sales for the quarter and year-to-date periods increased \$25 million and \$48 million, respectively, due to currency effects versus 2006.
- (c) South American 2007 sales for the quarter and year-to-date periods increased \$28 million and \$37 million, respectively, due to currency effects versus 2006.
- (d) Asian 2007 sales for the quarter and year-to-date periods increased \$8 million and \$14 million, respectively, due to currency effects versus 2006.
- (e) Surface Technologies 2007 sales for the quarter and year-to-date periods increased \$5 million and \$10 million, respectively, due to currency effects versus 2006. Sales for the 2006 quarter and year-to-date periods included \$17 million and \$33 million, respectively, relating to the aviation services business divested in July 2006.

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

	2007		2006			
	Q2	Q1	Q4	Q3	Q2	Q1
FROM THE INCOME STATEMENT						
Sales	\$ 2,332	\$ 2,175	\$ 2,123	\$ 2,099	\$ 2,076	\$ 2,026
Cost of sales	1,388	1,282	1,264	1,259	1,238	1,207
Selling, general and administrative	296	286	270	272	271	273
Depreciation and amortization	189	182	178	173	174	171
Research and development	24	24	23	21	22	21
Other income (expenses) – net	4	2	5	18	11	(2)
Operating profit	439	403	393	392	382	352
Interest expense - net	41	38	38	38	41	38
Income taxes	103	95	81	101	90	83
Minority interests	(9)	(9)	(9)	(7)	(7)	(8)
Income from equity investments	5	4	4	1	3	2
Net income	<u>\$ 291</u>	<u>\$ 265</u>	<u>\$ 269</u>	<u>\$ 247</u>	<u>\$ 247</u>	<u>\$ 225</u>
PER SHARE DATA						
Diluted earnings per share	\$ 0.89	\$ 0.81	\$ 0.82	\$ 0.75	\$ 0.75	\$ 0.68
Cash dividends per share	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Diluted weighted average shares outstanding (000's)	326,301	326,787	329,508	329,498	329,880	330,043
FROM THE BALANCE SHEET						
Total debt	\$ 3,700	\$ 3,736	\$ 3,167	\$ 3,174	\$ 3,454	\$ 3,408
Total capital (a)	8,784	8,433	7,943	7,877	7,926	7,740
Debt-to-capital ratio (a)	42.1%	44.3%	39.9%	40.3%	43.6%	44.0%
FROM THE STATEMENT OF CASH FLOWS						
Cash flow from operations	\$ 481	\$ 298	\$ 563	\$ 554	\$ 392	\$ 243
Capital expenditures	329	285	300	274	270	256
Acquisitions	31	296	7	1	3	3
Cash dividends	96	96	81	81	80	81
OTHER INFORMATION						
Number of employees	28,035	27,681	27,042	26,926	27,532	27,231
After-tax return on capital (ROC) (a)	15.3%	14.8%	15.5%	14.3%	14.5%	13.7%
Return on equity (ROE) (a)	25.0%	23.5%	23.8%	22.5%	23.5%	22.4%
SEGMENT DATA						
SALES						
North America	\$ 1,293	\$ 1,205	\$ 1,182	\$ 1,187	\$ 1,158	\$ 1,169
Europe	336	330	306	293	296	268
South America	393	348	351	340	340	317
Asia	179	167	169	165	155	147
Surface Technologies	131	125	115	114	127	125
Total	<u>\$ 2,332</u>	<u>\$ 2,175</u>	<u>\$ 2,123</u>	<u>\$ 2,099</u>	<u>\$ 2,076</u>	<u>\$ 2,026</u>
OPERATING PROFIT						
North America	\$ 231	\$ 217	\$ 203	\$ 204	\$ 215	\$ 200
Europe	79	72	73	69	65	59
South America	76	66	68	69	58	57
Asia	30	27	33	27	28	23
Surface Technologies	23	21	16	23	16	13
Total	<u>\$ 439</u>	<u>\$ 403</u>	<u>\$ 393</u>	<u>\$ 392</u>	<u>\$ 382</u>	<u>\$ 352</u>

(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 (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 ROC amount will help investors understand underlying performance; and (iii) its return on equity is an appropriate measure for judging performance for shareholders.

	2007		2006			
	Q2	Q1	Q4	Q3	Q2	Q1
<u>Total Capital</u>						
Total debt	\$ 3,700	\$ 3,736	\$ 3,167	\$ 3,174	\$ 3,454	\$ 3,408
Minority interests	234	230	222	209	203	207
Shareholders' equity	4,850	4,467	4,554	4,494	4,269	4,125
Total Capital	\$ 8,784	\$ 8,433	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740
<u>Debt-to-Capital Ratio</u>	42.1%	44.3%	39.9%	40.3%	43.6%	44.0%
<u>After-Tax Return on Capital (ROC)</u>						
Reported operating profit	\$ 439	\$ 403	\$ 393	\$ 392	\$ 382	\$ 352
Less: income taxes	(103)	(95)	(81)	(101)	(90)	(83)
Less: tax benefit on interest expense	(11)	(10)	(10)	(10)	(11)	(10)
Add: income from equity investments	5	4	4	1	3	2
Net operating profit after-tax (NOPAT)	\$ 330	\$ 302	\$ 306	\$ 282	\$ 284	\$ 261
Beginning capital	\$ 8,433	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740	\$ 7,551
Ending capital	\$ 8,784	\$ 8,433	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740
Average capital	\$ 8,609	\$ 8,188	\$ 7,910	\$ 7,902	\$ 7,833	\$ 7,646
ROC %	3.8%	3.7%	3.9%	3.6%	3.6%	3.4%
ROC % (annualized)	15.3%	14.8%	15.5%	14.3%	14.5%	13.7%
<u>Return on Equity (ROE)</u>						
Reported net income	\$ 291	\$ 265	\$ 269	\$ 247	\$ 247	\$ 225
Beginning shareholders' equity	\$ 4,467	\$ 4,554	\$ 4,494	\$ 4,269	\$ 4,125	\$ 3,902
Ending shareholders' equity	\$ 4,850	\$ 4,467	\$ 4,554	\$ 4,494	\$ 4,269	\$ 4,125
Average shareholders' equity	\$ 4,659	\$ 4,511	\$ 4,524	\$ 4,382	\$ 4,197	\$ 4,014
ROE %	6.2%	5.9%	5.9%	5.6%	5.9%	5.6%
ROE % (annualized)	25.0%	23.5%	23.8%	22.5%	23.5%	22.4%