

# News Release



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## Praxair Third-Quarter EPS Increases 25% To 94 Cents

DANBURY, Conn., October 24, 2007 -- Praxair, Inc. (NYSE: PX) announced record third-quarter sales and earnings. Net income grew 23% to \$305 million, and diluted earnings per share grew 25% to 94 cents.

Sales in the third quarter were \$2,372 million, 13% above the prior year. Sales grew in all geographies, led by strong growth in Asia and South America from new business and project start-ups, and continued stable growth in North America.

Third-quarter operating profit grew to \$460 million from \$392 million in the prior-year quarter as a result of new business, improved pricing and operational efficiencies. This represented underlying growth of 22%, excluding the gains from business divestitures in the 2006 quarter.

In North America, third-quarter sales reached \$1,306 million, 10% above the prior year. Growth came primarily from higher sales to energy and general manufacturing markets. Operating profit of \$244 million rose 20% from the third quarter of 2006, reflecting strong operating leverage from new business development.

In Europe, third-quarter sales of \$325 million increased 11%, and 4% excluding currency effects, versus the prior year. Underlying sales growth came from all major regions and end-markets. Operating profit rose to \$78 million, representing 22% growth from the prior year, excluding a gain from a business divestiture in the 2006 quarter.

In South America, third-quarter sales of \$419 million grew 23% from the prior-year quarter, and 13% excluding currency effects, from new business in manufacturing, metals, energy and healthcare markets. Operating profit of \$84 million grew 22% as compared to the prior year.

Sales in Asia grew 15% to \$190 million from \$165 million in the year-ago quarter. Higher on-site and merchant gases sales in China, India and Korea drove the increase. Operating profit in the quarter rose to \$30 million from \$27 million in the prior year.

Praxair Surface Technologies' sales in the quarter increased to \$132 million, up 16% as compared to the prior-year quarter. Increasing demand for coatings sales to the aerospace and energy markets drove the sales growth. Operating profit rose to \$24 million, reflecting significantly improved product mix.

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Cash flow from operations in the quarter was a record \$592 million. Capital expenditures were \$360 million. During the quarter, the company purchased \$385 million of common stock, net of issuances. The after-tax return-on-capital ratio\* improved to 15.5% for the quarter and return on equity\* increased to 25.1%.

Commenting on the results, Chairman and Chief Executive Officer Steve Angel said, "The pace of new business activity continues to be robust around the globe, reflecting infrastructure development in Asia and South America, and an abundance of projects in energy markets in the Americas. Our pipeline of future projects continues to grow, which provides visibility for double-digit sales growth over the next two to three years. We expect to achieve strong earnings leverage due to our focus on productivity, and to continue our share repurchase program using our strong and growing cash flow."

For the fourth quarter of 2007, Praxair expects diluted earnings per share in the range of 95 cents to 97 cents, 16% to 18% above the fourth quarter of 2006.

For the full year of 2007, Praxair expects year-over-year sales growth of about 12%. The company expects diluted earnings per share to be in the area of \$3.60, representing about 20% growth from 2006. Full-year capital expenditures are expected to be in the area of \$1.3 billion.

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](http://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 third-quarter results is being held this morning, October 24, at 11:00 a.m. Eastern Time. The number is (617) 847-8712 -- Passcode: 98313534. 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).

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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 investigations, litigation and regulatory proceedings; 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 September 30,		Year to Date September 30,	
	2007	2006	2007	2006
<b>SALES (a)</b>	\$ 2,372	\$ 2,099	\$ 6,879	\$ 6,201
Cost of sales	1,394	1,259	4,064	3,704
Selling, general and administrative	294	272	876	816
Depreciation and amortization	196	173	567	518
Research and development	24	21	72	64
Other income (expense) - net (b)	(4)	18	2	27
<b>OPERATING PROFIT</b>	460	392	1,302	1,126
Interest expense - net	44	38	123	117
<b>INCOME BEFORE INCOME TAXES</b>	416	354	1,179	1,009
Income taxes (c)	106	101	304	274
	310	253	875	735
Minority interests	(9)	(7)	(27)	(22)
Income from equity investments	4	1	13	6
<b>NET INCOME</b>	<u>\$ 305</u>	<u>\$ 247</u>	<u>\$ 861</u>	<u>\$ 719</u>
<b>PER SHARE DATA</b>				
Basic earnings per share	\$ 0.96	\$ 0.76	\$ 2.69	\$ 2.22
Diluted earnings per share	\$ 0.94	\$ 0.75	\$ 2.64	\$ 2.18
Cash dividends	\$ 0.30	\$ 0.25	\$ 0.90	\$ 0.75
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>				
Basic shares outstanding (000's)	318,513	323,582	319,830	323,635
Diluted shares outstanding (000's)	324,920	329,498	325,809	329,512

- (a) Sales for the 2007 quarter and year-to-date periods decreased \$6 million and \$14 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 \$82 million and \$190 million, respectively, due to currency effects versus 2006.
- (b) Other income (expense) - net for the 2006 third quarter included a \$14 million gain, \$3 million after tax, relating to two divestitures. The 2006 year-to-date period included the impact of the two divestitures and a \$15 million gain, \$10 million after tax, resulting from insurance recoveries.
- (c) Income taxes for the 2006 third quarter include \$11 million of charges related to the impact of two divestitures.

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

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 26	\$ 36
Accounts receivable - net	1,707	1,456
Inventories	448	381
Prepaid and other current assets	227	186
<b>TOTAL CURRENT ASSETS</b>	<b>2,408</b>	<b>2,059</b>
Property, plant and equipment - net	7,598	6,694
Goodwill	1,877	1,613
Other intangibles - net	116	71
Other long-term assets	752	665
<b>TOTAL ASSETS</b>	<b>\$ 12,751</b>	<b>\$ 11,102</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 777	\$ 682
Short-term debt	617	130
Current portion of long-term debt	44	56
Other current liabilities	1,087	890
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,525</b>	<b>1,758</b>
Long-term debt	3,342	2,981
Other long-term liabilities	1,767	1,587
<b>TOTAL LIABILITIES</b>	<b>7,634</b>	<b>6,326</b>
Minority interests	255	222
Shareholders' equity	4,862	4,554
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 12,751</b>	<b>\$ 11,102</b>

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

	Quarter Ended September 30,		Year to Date September 30,	
	2007	2006	2007	2006
<b>OPERATIONS</b>				
Net income	\$ 305	\$ 247	\$ 861	\$ 719
Depreciation and amortization	196	173	567	518
Accounts receivable	(59)	(22)	(222)	(98)
Inventory	(18)	(13)	(55)	(33)
Payables and accruals	116	124	133	109
Pension contributions	(2)	(1)	(16)	(119)
Other	54	46	103	93
Net cash provided by operating activities	<u>592</u>	<u>554</u>	<u>1,371</u>	<u>1,189</u>
<b>INVESTING</b>				
Capital expenditures	(360)	(274)	(974)	(800)
Acquisitions	(22)	(1)	(349)	(7)
Divestitures and asset sales	12	99	33	112
Net cash used for investing activities	<u>(370)</u>	<u>(176)</u>	<u>(1,290)</u>	<u>(695)</u>
<b>FINANCING</b>				
Debt increase (decrease) - net	247	(292)	720	(346)
Issuances of common stock	78	47	245	203
Purchases of common stock	(463)	(45)	(816)	(262)
Cash dividends	(95)	(81)	(287)	(242)
Excess tax benefit on stock option exercises	20	6	54	18
Minority interest transactions and other	(8)	(13)	(12)	(18)
Net cash used for financing activities	<u>(221)</u>	<u>(378)</u>	<u>(96)</u>	<u>(647)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>3</u>	<u>1</u>	<u>5</u>	<u>2</u>
Change in cash and cash equivalents	4	1	(10)	(151)
Cash and cash equivalents, beginning-of-period	<u>22</u>	<u>21</u>	<u>36</u>	<u>173</u>
Cash and cash equivalents, end-of-period	<u>\$ 26</u>	<u>\$ 22</u>	<u>\$ 26</u>	<u>\$ 22</u>

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

	Quarter Ended September 30,		Year to Date September 30,	
	2007	2006	2007	2006
<b>SALES</b>				
North America (a)	\$ 1,306	\$ 1,187	\$ 3,804	\$ 3,514
Europe (b)	325	293	991	857
South America (c)	419	340	1,160	997
Asia (d)	190	165	536	467
Surface Technologies (e)	132	114	388	366
Total sales	<u>\$ 2,372</u>	<u>\$ 2,099</u>	<u>\$ 6,879</u>	<u>\$ 6,201</u>
<b>SEGMENT OPERATING PROFIT</b>				
North America (a)	\$ 244	\$ 204	\$ 692	\$ 619
Europe (b)	78	69	229	193
South America	84	69	226	184
Asia	30	27	87	78
Surface Technologies (e)	24	23	68	52
Total operating profit	<u>\$ 460</u>	<u>\$ 392</u>	<u>\$ 1,302</u>	<u>\$ 1,126</u>

- (a) North American 2007 sales for the quarter and year-to-date periods decreased \$6 million and \$14 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 \$12 million and \$11 million, respectively, due to currency effects versus 2006. 2006 year-to-date operating profit included a \$15 million benefit related to insurance recoveries.
- (b) European 2007 sales for the quarter and year-to-date periods increased \$21 million and \$69 million, respectively, due to currency effects versus 2006. 2006 operating profit for both periods included a gain of \$5 million relating to the divestiture of a Turkish joint venture.
- (c) South American 2007 sales for the quarter and year-to-date periods increased \$35 million and \$72 million, respectively, due to currency effects versus 2006.
- (d) Asian 2007 sales for the quarter and year-to-date periods increased \$10 million and \$24 million, respectively, due to currency effects versus 2006.
- (e) Surface Technologies 2007 sales for the quarter and year-to-date periods increased \$4 million and \$14 million, respectively, due to currency effects versus 2006. 2006 operating profit for both periods included a gain of \$7 million relating to the divestiture of the aviation services business in July 2006. Sales for the 2006 year-to-date period included \$33 million 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			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>FROM THE INCOME STATEMENT</b>							
Sales	\$ 2,372	\$ 2,332	\$ 2,175	\$ 2,123	\$ 2,099	\$ 2,076	\$ 2,026
Cost of sales	1,394	1,388	1,282	1,264	1,259	1,238	1,207
Selling, general and administrative	294	296	286	270	272	271	273
Depreciation and amortization	196	189	182	178	173	174	171
Research and development	24	24	24	23	21	22	21
Other income (expenses) – net	(4)	4	2	5	18	11	(2)
Operating profit	460	439	403	393	392	382	352
Interest expense - net	44	41	38	38	38	41	38
Income taxes	106	103	95	81	101	90	83
Minority interests	(9)	(9)	(9)	(9)	(7)	(7)	(8)
Income from equity investments	4	5	4	4	1	3	2
Net income	<u>\$ 305</u>	<u>\$ 291</u>	<u>\$ 265</u>	<u>\$ 269</u>	<u>\$ 247</u>	<u>\$ 247</u>	<u>\$ 225</u>
<b>PER SHARE DATA</b>							
Diluted earnings per share	\$ 0.94	\$ 0.89	\$ 0.81	\$ 0.82	\$ 0.75	\$ 0.75	\$ 0.68
Cash dividends per share	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Diluted weighted average shares outstanding (000's)	324,920	326,301	326,787	329,508	329,498	329,880	330,043
<b>FROM THE BALANCE SHEET</b>							
Total debt	\$ 4,003	\$ 3,700	\$ 3,736	\$ 3,167	\$ 3,174	\$ 3,454	\$ 3,408
Total capital (a)	9,120	8,784	8,433	7,943	7,877	7,926	7,740
Debt-to-capital ratio (a)	43.9%	42.1%	44.3%	39.9%	40.3%	43.6%	44.0%
<b>FROM THE STATEMENT OF CASH FLOWS</b>							
Cash flow from operations	\$ 592	\$ 481	\$ 298	\$ 563	\$ 554	\$ 392	\$ 243
Capital expenditures	360	329	285	300	274	270	256
Acquisitions	22	31	296	7	1	3	3
Cash dividends	95	96	96	81	81	80	81
<b>OTHER INFORMATION</b>							
Number of employees	27,479	28,035	27,681	27,042	26,926	27,532	27,231
After-tax return on capital (ROC) (a)	15.5%	15.3%	14.8%	15.5%	14.3%	14.5%	13.7%
Return on equity (ROE) (a)	25.1%	25.0%	23.5%	23.8%	22.5%	23.5%	22.4%
<b>SEGMENT DATA</b>							
<b>SALES</b>							
North America	\$ 1,306	\$ 1,293	\$ 1,205	\$ 1,182	\$ 1,187	\$ 1,158	\$ 1,169
Europe	325	336	330	306	293	296	268
South America	419	393	348	351	340	340	317
Asia	190	179	167	169	165	155	147
Surface Technologies	132	131	125	115	114	127	125
Total	<u>\$ 2,372</u>	<u>\$ 2,332</u>	<u>\$ 2,175</u>	<u>\$ 2,123</u>	<u>\$ 2,099</u>	<u>\$ 2,076</u>	<u>\$ 2,026</u>
<b>OPERATING PROFIT</b>							
North America	\$ 244	\$ 231	\$ 217	\$ 203	\$ 204	\$ 215	\$ 200
Europe	78	79	72	73	69	65	59
South America	84	76	66	68	69	58	57
Asia	30	30	27	33	27	28	23
Surface Technologies	24	23	21	16	23	16	13
Total	<u>\$ 460</u>	<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 (ROC) 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 (iii) its return on equity ratio (ROE) is an appropriate measure for judging performance for shareholders.

	2007			2006			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b><u>Total Capital</u></b>							
Total debt	\$ 4,003	\$ 3,700	\$ 3,736	\$ 3,167	\$ 3,174	\$ 3,454	\$ 3,408
Minority interests	255	234	230	222	209	203	207
Shareholders' equity	4,862	4,850	4,467	4,554	4,494	4,269	4,125
Total Capital	\$ 9,120	\$ 8,784	\$ 8,433	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740
<b><u>Debt-to-Capital Ratio</u></b>	43.9%	42.1%	44.3%	39.9%	40.3%	43.6%	44.0%
<b><u>After-Tax Return on Capital (ROC)</u></b>							
Reported operating profit	\$ 460	\$ 439	\$ 403	\$ 393	\$ 392	\$ 382	\$ 352
Less: income taxes	(106)	(103)	(95)	(81)	(101)	(90)	(83)
Less: tax benefit on interest expense	(11)	(11)	(10)	(10)	(10)	(11)	(10)
Add: income from equity investments	4	5	4	4	1	3	2
Net operating profit after-tax (NOPAT)	\$ 347	\$ 330	\$ 302	\$ 306	\$ 282	\$ 284	\$ 261
Beginning capital	\$ 8,784	\$ 8,433	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740	\$ 7,551
Ending capital	\$ 9,120	\$ 8,784	\$ 8,433	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740
Average capital	\$ 8,952	\$ 8,609	\$ 8,188	\$ 7,910	\$ 7,902	\$ 7,833	\$ 7,646
ROC %	3.9%	3.8%	3.7%	3.9%	3.6%	3.6%	3.4%
<b>ROC % (annualized)</b>	15.5%	15.3%	14.8%	15.5%	14.3%	14.5%	13.7%
<b><u>Return on Equity (ROE)</u></b>							
Reported net income	\$ 305	\$ 291	\$ 265	\$ 269	\$ 247	\$ 247	\$ 225
Beginning shareholders' equity	\$ 4,850	\$ 4,467	\$ 4,554	\$ 4,494	\$ 4,269	\$ 4,125	\$ 3,902
Ending shareholders' equity	\$ 4,862	\$ 4,850	\$ 4,467	\$ 4,554	\$ 4,494	\$ 4,269	\$ 4,125
Average shareholders' equity	\$ 4,856	\$ 4,659	\$ 4,511	\$ 4,524	\$ 4,382	\$ 4,197	\$ 4,014
ROE %	6.3%	6.2%	5.9%	5.9%	5.6%	5.9%	5.6%
<b>ROE % (annualized)</b>	25.1%	25.0%	23.5%	23.8%	22.5%	23.5%	22.4%