



Investor Teleconference Presentation First Quarter 2007

April 25, 2007

Forward Looking Statements

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.

First Quarter Results

(\$MM)	First Quarter <u>2007</u>	Fourth Quarter <u>2006</u>	First Quarter <u>2006</u>		<u>YOY</u>	<u>Q1 vs Q4</u>
Sales	\$2,175	\$2,123	\$2,026	Sales Growth	+7%	+2%
Gross Margin⁽¹⁾	41.1%	40.5%	40.4%	Volume	+4%	+1%
Operating Profit	\$ 403	\$ 393	\$ 352	Price	+3%	+1%
Operating Margin	18.5%	18.5%	17.4%	Currency	+2%	0%
Net Income	\$ 265	\$ 269	\$ 225	Natural Gas	- 1%	0%
Diluted EPS	\$ 0.81	\$ 0.82	\$ 0.68	Acq/Div	- 1%	0%
After-Tax ROC⁽²⁾	14.8%	15.5%	13.7%	<u>YOY</u>		
				Strong operating leverage		
				Sales (ex-natural gas)		+ 8%
				Operating Profit		+14%
				Net Income		+18%
				EPS		+19%

(1) Excludes depreciation, amortization and SG&A expense

(2) Includes non-GAAP measures, See Appendix

North America

(\$MM)	First Quarter <u>2007</u>	Fourth Quarter <u>2006</u>	First Quarter <u>2006</u>
Sales	\$1,205	\$1,182	\$1,169
Segment OP	\$ 217	\$ 203	\$ 200
Operating Margin	18.0%	17.2%	17.1%

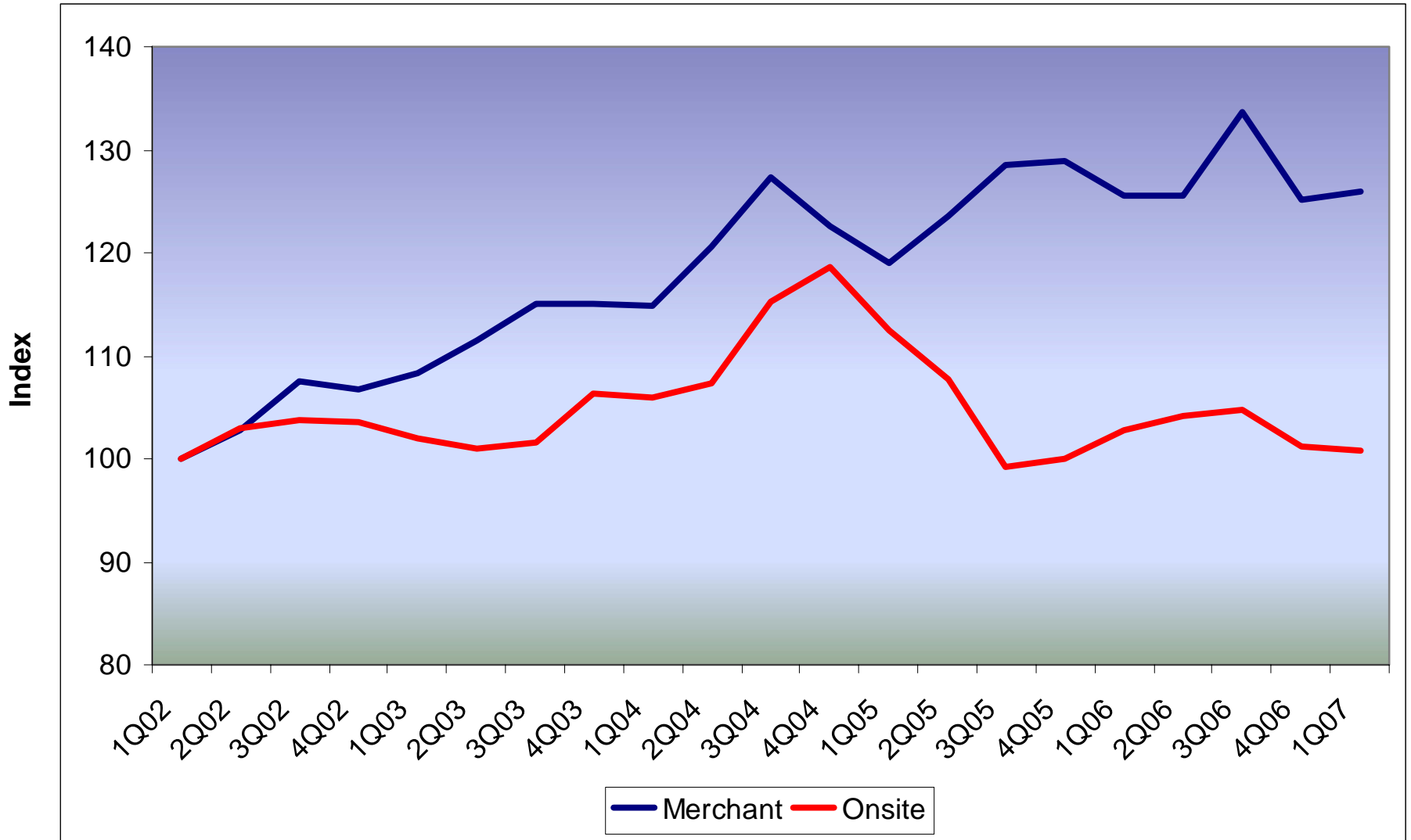
	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+3%	+2%
Sales Growth ex-natural gas and FX	+6%	+3%
Volume	+3%	+2%
Price	+3%	0%
Natural Gas	- 2%	0%
Currency	- 1%	-1%
Acq/Div	+ 0%	+1%

- ◆ Sales +6% YOY ex-natural gas and FX
- ◆ HYCO sales (ex-natural gas) +23% YOY
- ◆ Strong sales in Mexico, +19% YOY ex-FX
- ◆ New business activity is robust - energy and environmental applications
- ◆ Softness in Canadian auto and oil well services

Key Sales Indicators

	<u>YOY</u>
On-Site Sales (ex-natural gas)	+ 6%
Merchant Sales	+ 8%
Packaged Gas Sales	+ 6%

North American Volumes



Volumes not days adjusted

Europe

(\$MM)	<u>First Quarter 2007</u>	<u>Fourth Quarter 2006</u>	<u>First Quarter 2006</u>
Sales	\$330	\$306	\$268
Segment OP	\$ 72	\$ 73	\$ 59
Operating Margin	21.8%	23.9%	22.0%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+23%	+8%
Volume	+ 9%	+3%
Price	+ 5%	+4%
Currency	+ 9%	+1%

- ◆ **Volume growth in Spain, Italy and Germany**
- ◆ **Strong on-site, packaged and specialty gas sales**
- ◆ **YOY sales growth in electronics, chemicals and manufacturing markets**
- ◆ **Power costs up significantly, requiring increased price pass through to hold margin**

South America

(\$MM)	First Quarter <u>2007</u>	Fourth Quarter <u>2006</u>	First Quarter <u>2006</u>
Sales	\$348	\$351	\$317
Segment OP	\$ 66	\$ 68	\$ 57
Operating Margin	19.0%	19.4%	18.0%

- ◆ Domestic economic growth improving
- ◆ Higher sales to metals, manufacturing and food markets
- ◆ Volume growth mitigated by on-site customer outages
- ◆ Significant new business activity
- ◆ Seasonally soft quarter vs. Q4 due to holidays

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+10%	-1%
Volume	+5%	-3%
Price	+ 2%	0%
Currency	+ 3%	+2%

Asia

(\$MM)	First Quarter <u>2007</u>	Fourth Quarter <u>2006</u>	First Quarter <u>2006</u>
Sales	\$167	\$169	\$147
Segment OP	\$ 27	\$ 33	\$ 23
Operating Margin	16.2%	19.5%	15.6%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+14%	-1%
Volume	+10%	- 4%
Price	0%	+2%
Currency	+ 4%	+1%

- ◆ Strong YOY electronics sales +16%
- ◆ Strong on-site volumes in China and India
- ◆ Business development activity remains strong
- ◆ Improving pricing trends in merchant gases
- ◆ Seasonally soft Q1 vs. Q4 due to Chinese New Year

Surface Technologies

(\$MM)	First Quarter <u>2007</u>	Fourth Quarter <u>2006</u>	First Quarter <u>2006</u>
Sales	\$125	\$115	\$125
Segment OP	\$ 21	\$ 16	\$ 13
Operating Margin	16.8%	13.9%	10.4%

- ◆ Sales +9% ex-divestiture and currency
- ◆ Demand for OEM aviation coatings continues to grow
- ◆ Pricing leverage driving margin improvement
- ◆ Strong coatings demand from industrial gas turbines (IGT) market and oil well services

Global End-Market Trends

Q1 YOY Sales Growth

Energy⁽¹⁾	+23%	Higher HYCO volumes, oil well services, LNG in Brazil
Electronics	+11%	Growth in Europe and Asia.
Chemicals	+3%	Moderate demand growth in North America; customer turnarounds
Metals	+7%	Strong growth in South America and Asia. Volumes to US steel lower YOY and higher versus Q406
Manufacturing	+9%	Solid global demand
Healthcare	+4%	Volume growth in US and Europe offsets US homecare price reductions
Aerospace⁽²⁾	+20%	Strong demand for aviation coatings
Food and Bev.	+8%	Consistent steady growth

(1) Excluding natural gas pass-through

(2) Excluding effect of divestiture

Financial Outlook

Second Quarter 2007

- ◆ Diluted EPS in the range of \$0.83 to \$0.87

Full Year 2007

- ◆ YOY sales growth in the range of 8% to 10%
- ◆ Diluted EPS in the range of \$3.35 to \$3.50
- ◆ Tax rate about 26-27%
- ◆ CAPEX in the range of \$1.1 to \$1.2 billion

APPENDIX

Non-GAAP Measures (\$MM)

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.

	2007	2006			
	Q1	Q4	Q3	Q2	Q1
<u>Total Capital</u>					
Total debt	\$ 3,736	\$ 3,167	\$ 3,174	\$ 3,454	\$ 3,408
Minority interests	230	222	209	203	207
Shareholders' equity	4,467	4,554	4,494	4,269	4,125
Total Capital	<u>\$ 8,433</u>	<u>\$ 7,943</u>	<u>\$ 7,877</u>	<u>\$ 7,926</u>	<u>\$ 7,740</u>
<u>Debt-to-Capital Ratio</u>	<u>44.3%</u>	<u>39.9%</u>	<u>40.3%</u>	<u>43.6%</u>	<u>44.0%</u>
<u>After-Tax Return on Capital (ROC)</u>					
Reported operating profit	\$ 403	\$ 393	\$ 392	\$ 382	\$ 352
Less: income taxes	(95)	(81)	(101)	(90)	(83)
Less: tax benefit on interest expense	(10)	(10)	(10)	(11)	(10)
Add: income from equity investments	4	4	1	3	2
Net operating profit after-tax (NOPAT)	<u>\$ 302</u>	<u>\$ 306</u>	<u>\$ 282</u>	<u>\$ 284</u>	<u>\$ 261</u>
Beginning capital	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740	\$ 7,551
Ending capital	\$ 8,433	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740
Average capital	\$ 8,188	\$ 7,910	\$ 7,902	\$ 7,833	\$ 7,646
ROC %	3.7%	3.9%	3.6%	3.6%	3.4%
ROC % (annualized)	<u>14.8%</u>	<u>15.5%</u>	<u>14.3%</u>	<u>14.5%</u>	<u>13.7%</u>