



Investor Teleconference Presentation Third Quarter 2007

October 24, 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 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.

Third Quarter Results

(\$MM)	Third Quarter <u>2007</u>	Second Quarter <u>2007</u>	Third Quarter <u>2006</u>		<u>YOY</u>	<u>Q3 vs Q2</u>
Sales	\$2,372	\$2,332	\$2,099	Sales Growth	+13%	+2%
Operating Profit ⁽¹⁾	\$ 460	\$ 439	\$ 392	Volume	+ 3%	+1%
Operating Margin	19.4%	18.8%	18.7%	Price	+ 4%	+1%
Net Income	\$ 305	\$ 291	\$ 247	Currency	+ 4%	+1%
Diluted EPS ⁽¹⁾	\$ 0.94	\$ 0.89	\$ 0.75	Acq/Div	+ 2%	+0%
After-Tax ROC ⁽²⁾	15.5%	15.3%	14.3%	Natural Gas	+ 0%	-1%
ROE ⁽²⁾	25.1%	25.0%	22.5%			
				<u>YOY</u>		
				Strong operating leverage		
				Sales		+13%
				Operating Profit		+17%
				OP ex Q3 06 gain		+22%
				Net Income		+23%
				EPS		+25%

(1) Q306 included gain on divestiture; OP +\$14MM, EPS +\$.01

(2) Non-GAAP measures, See Appendix

North America

(\$MM)	Third Quarter <u>2007</u>	Second Quarter <u>2007</u>	Third Quarter <u>2006</u>
Sales	\$1,306	\$1,293	\$1,187
Segment OP	\$ 244	\$ 231	\$ 204
Operating Margin	18.7%	17.9%	17.2%

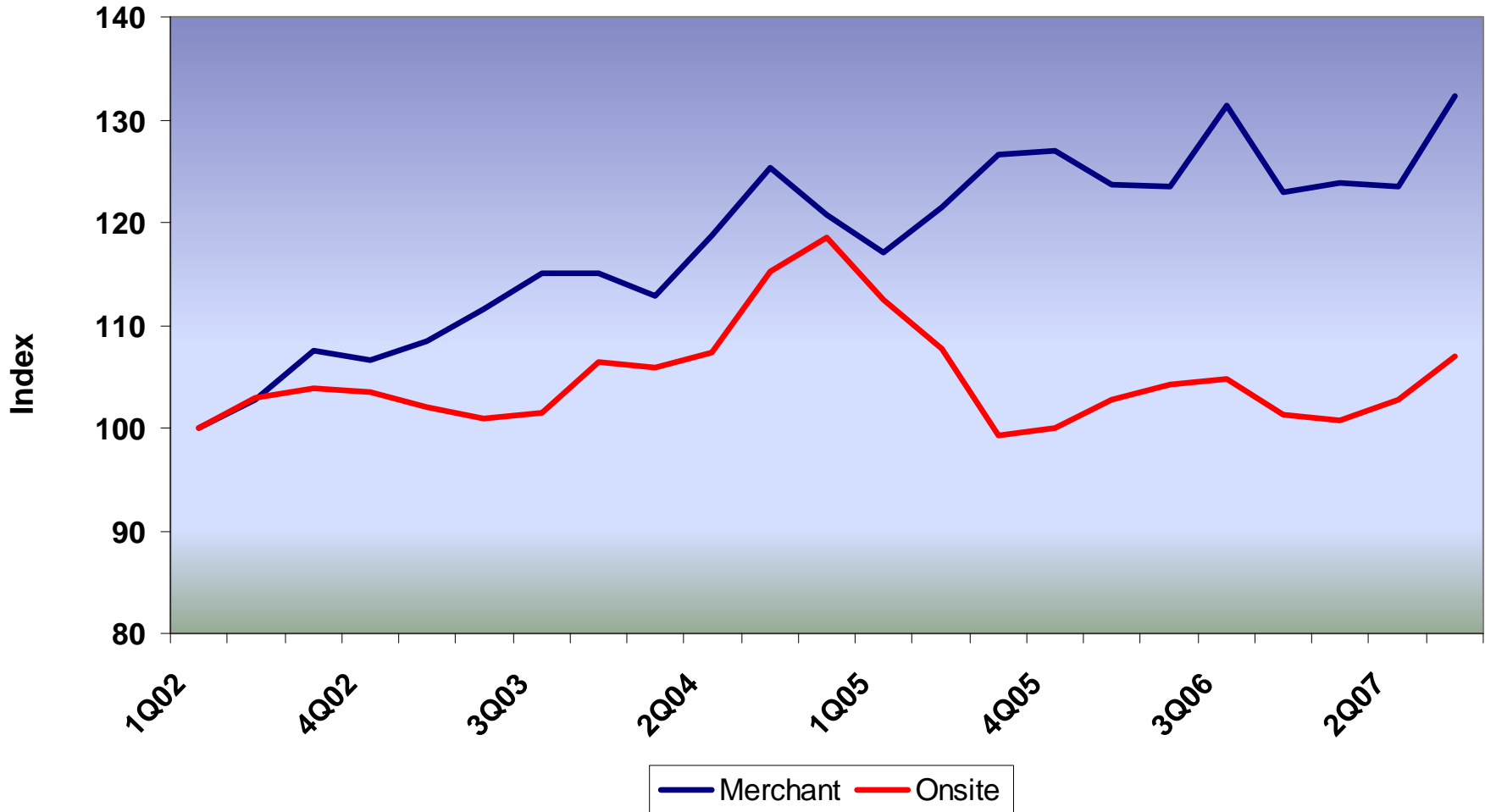
	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+10%	+1%
Volume	+ 2%	+1%
Price	+ 4%	+1%
Natural Gas	- 1%	-2%
Currency	+ 1%	+1%
Acq/Div	+ 4%	+0%

- ◆ YOY sales growth driven by energy and manufacturing markets
- ◆ On-site growth from refinery hydrogen, partially offset by rationalization in chemicals and electronics, and weaker YOY steel
- ◆ Moderate YOY volume growth in merchant and packaged gases continues, with strong pricing trends
- ◆ Strong demand and tight supply in argon, helium and rare gases.

Key Sales Indicators

	<u>YOY</u>
On-site sales	+ 9%
Merchant sales	+ 10%
Packaged gas sales	+ 12%

North American Volumes



Volumes not days adjusted

Europe

(\$MM)	<u>Third Quarter 2007</u>	<u>Second Quarter 2007</u>	<u>Third Quarter 2006</u>
Sales	\$325	\$336	\$293
Segment OP	\$ 78	\$ 79	\$ 69
Operating Margin	24.0%	23.5%	23.5%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+11%	- 3%
Volume	+ 2%	- 5%
Price	+ 2%	+1%
Currency	+ 7%	+1%

- ◆ Higher YOY sales to manufacturing, metals and chemicals markets.
- ◆ Typical seasonal slowdown sequentially due to August holiday
- ◆ Higher sales of merchant and packaged gases reflect solid domestic demand and new applications
- ◆ OP +22% YOY ex-gain from divestiture in Q306

South America

(\$MM)	Third Quarter <u>2007</u>	Second Quarter <u>2007</u>	Third Quarter <u>2006</u>
Sales	\$419	\$393	\$340
Segment OP	\$ 84	\$ 76	\$ 69
Operating Margin	20.0%	19.3%	20.3%

- ◆ Strong sales growth in on-site, merchant and packaged gases
- ◆ Stable inflation and currency, domestic economy strengthening
- ◆ Higher YOY sales to manufacturing, metals and energy markets
- ◆ Q4 project start-ups will support 2008 sales growth

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+23%	+7%
Volume	+ 9%	+4%
Price	+ 6%	+0%
Currency	+10%	+3%
Equipment Sales	- 2%	+0%

Asia

(\$MM)	<u>Third Quarter 2007</u>	<u>Second Quarter 2007</u>	<u>Third Quarter 2006</u>
Sales	\$190	\$179	\$165
Segment OP	\$ 30	\$ 30	\$ 27
Operating Margin	15.8%	16.8%	16.4%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+15%	+6%
Volume	+10%	+4%
Price	-1%	+1%
Currency	+ 6%	+1%

- ◆ Sales growth YOY primarily from electronics and metals markets
- ◆ Electronics sales +14% YOY. Strong demand for specialty gases in China.
- ◆ Strong merchant growth in China, India and Korea
- ◆ OP impacted by on-site customer outages and competitive merchant pricing in India and China
- ◆ Business development activity in the region remains robust

Surface Technologies

(\$MM)	Third Quarter <u>2007</u>	Second Quarter <u>2007</u>	Third Quarter <u>2006</u>
Sales	\$132	\$131	\$114
Segment OP	\$ 24	\$ 23	\$ 23
Operating Margin	18.2%	17.6%	20.2%

- ◆ Sales +12% YOY ex-currency
- ◆ Strong coatings sales for OEM aircraft engines and for industrial gas turbines
- ◆ OP +50% excluding \$7MM gain on sale in Q3 06
- ◆ New contract signed with FMC to supply thermal spray coatings for gate valve components in India; 2008 plant start-up

Global End-Market Trends

Q3 YOY Sales Growth

Energy ⁽¹⁾	+31%	Higher HYCO volumes, NA oil well services strong, LNG in Brazil
Electronics	+2%	+14% growth in Asia offset by lower equipment sales and product rationalization
Chemicals	+0%	Lower sales in NA, due to customer outages, offset by growth in other regions
Metals	+7%	Strong growth in SA and Asia partially offset by lower volumes in North America
Manufacturing	+22%	Continued growth in all regions
Healthcare	+8%	Growth in US hospital services and homecare in Spain
Aerospace	+9%	Strong growth in thermal barrier coatings for OEM engines
Food and Bev.	+9%	Steady growth from food applications in SA, Europe and Asia

(1) Excluding natural gas pass-through

Financial Outlook

Fourth Quarter 2007

- ◆ Diluted EPS in the range of \$0.95 to \$0.97

Full Year 2007

- ◆ YOY sales growth of about 12%
- ◆ Diluted EPS in the area of \$3.60, +20% versus FY 2006
- ◆ Tax rate about 26%
- ◆ CAPEX of about \$1.3 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 (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
Total Capital							
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	<u>\$ 9,120</u>	<u>\$ 8,784</u>	<u>\$ 8,433</u>	<u>\$ 7,943</u>	<u>\$ 7,877</u>	<u>\$ 7,926</u>	<u>\$ 7,740</u>
Debt-to-Capital Ratio							
	43.9%	42.1%	44.3%	39.9%	40.3%	43.6%	44.0%
After-Tax Return on Capital (ROC)							
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)	<u>\$ 347</u>	<u>\$ 330</u>	<u>\$ 302</u>	<u>\$ 306</u>	<u>\$ 282</u>	<u>\$ 284</u>	<u>\$ 261</u>
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%
ROC % (annualized)	<u>15.5%</u>	<u>15.3%</u>	<u>14.8%</u>	<u>15.5%</u>	<u>14.3%</u>	<u>14.5%</u>	<u>13.7%</u>
Return on Equity (ROE)							
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%
ROE % (annualized)	<u>25.1%</u>	<u>25.0%</u>	<u>23.5%</u>	<u>23.8%</u>	<u>22.5%</u>	<u>23.5%</u>	<u>22.4%</u>