



Investor Teleconference Presentation Fourth Quarter 2006

January 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; 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.

Full Year Results

(\$MM)	<u>2006</u>	<u>2005⁽¹⁾</u>	<u>Δ%</u>
Sales	\$8,324	\$7,656	+9%
Gross Margin ⁽²⁾	40.3%	39.4%	+90 bp
Operating Profit	\$1,519	\$1,253	+21%
Operating Margin	18.2%	16.4%	+180 bp
Net Income	\$ 988	\$ 798	+24%
Diluted EPS	\$ 3.00	\$ 2.42	+24%
Operating Cash Flow	\$1,752	\$1,475	+19%
After-Tax ROC ⁽³⁾	14.6%	12.8%	

	<u>YOY</u>
Sales Growth	+9%
Volume	+4%
Price	+4%
Natural Gas	- 1%
Currency	+2%

- ◆ Strong gross margin improvement
- ◆ Operating margin +180 bp
- ◆ Record cash flow
- ◆ ROC improves +180 bp

(1) 2005 is shown on a comparable basis, before accounting change, adjusted to include stock option expense, 8 cents per diluted share; and exclude a \$92 million tax charge, 28 cents per diluted share

(2) Excludes depreciation and amortization expense

(3) Includes non-GAAP measures, See Appendix

Fourth Quarter Results

(\$MM)	Fourth Quarter <u>2006</u>	Third Quarter <u>2006</u>	Fourth Quarter <u>2005⁽¹⁾</u>		<u>YOY</u>	<u>Q4 vs Q3</u>
Sales	\$2,123	\$2,099	\$2,020	Sales Growth	+5%	+1%
Gross Margin⁽²⁾	40.5%	40.0%	39.6%	Volume	+4%	0%
Operating Profit	\$ 393	\$ 392	\$ 335	Price	+3%	+1%
Operating Margin	18.5%	18.7%	16.6%	Currency	+2%	0%
Net Income	\$ 269	\$ 247	\$ 214	Natural Gas	- 4%	0%
Diluted EPS	\$ 0.82	\$ 0.75	\$ 0.65	<u>YOY</u>		
After-Tax ROC⁽³⁾	15.5%	14.3%	13.6%	◆ Sales growth ex-natural gas +9%		
				◆ OP +17%		
				◆ Net Income and EPS +26%		

(1) 2005 quarter is shown on a comparable basis before accounting change, and adjusted to include stock option expense, 2 cents per diluted share

(2) Excludes depreciation and amortization expense

(3) Includes non-GAAP measures, See Appendix

North America

(\$MM)	<u>Fourth Quarter 2006</u>	<u>Third Quarter 2006</u>	<u>Fourth Quarter 2005⁽¹⁾</u>
Sales	\$1,182	\$1,187	\$1,185
Segment OP	\$ 203	\$ 204	\$ 187
Operating Margin	17.2%	17.2%	15.8%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	0%	0%
Sales Growth ex NG	+6%	0%
Volume	+3%	- 2%
Price	+3%	+2%
Natural Gas	- 6%	0%

- ◆ Overall strength in energy and manufacturing markets. Q4 YOY sales; energy +39% and manufacturing +15%
- ◆ Price increases offset higher power costs
- ◆ Sales in Mexico, +14% YOY
- ◆ Strong new business activity continues – hydrogen and oil well services
- ◆ Q4 05 unusually strong quarter following Gulf Coast hurricanes

(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

North America Business Trends – Q406

On-site

- ◆ Overall volumes moderately higher YOY
- ◆ HYCO volumes +29% YOY, BP Whiting start
- ◆ GO2 volumes to steel -10% YOY

Merchant

- ◆ Higher LOX and LAR volumes YOY
- ◆ Continued strength in US frac-ing. Softness in Canada cold bed methane
- ◆ Strong demand for argon, helium and rare gases
- ◆ Continued merchant price increases

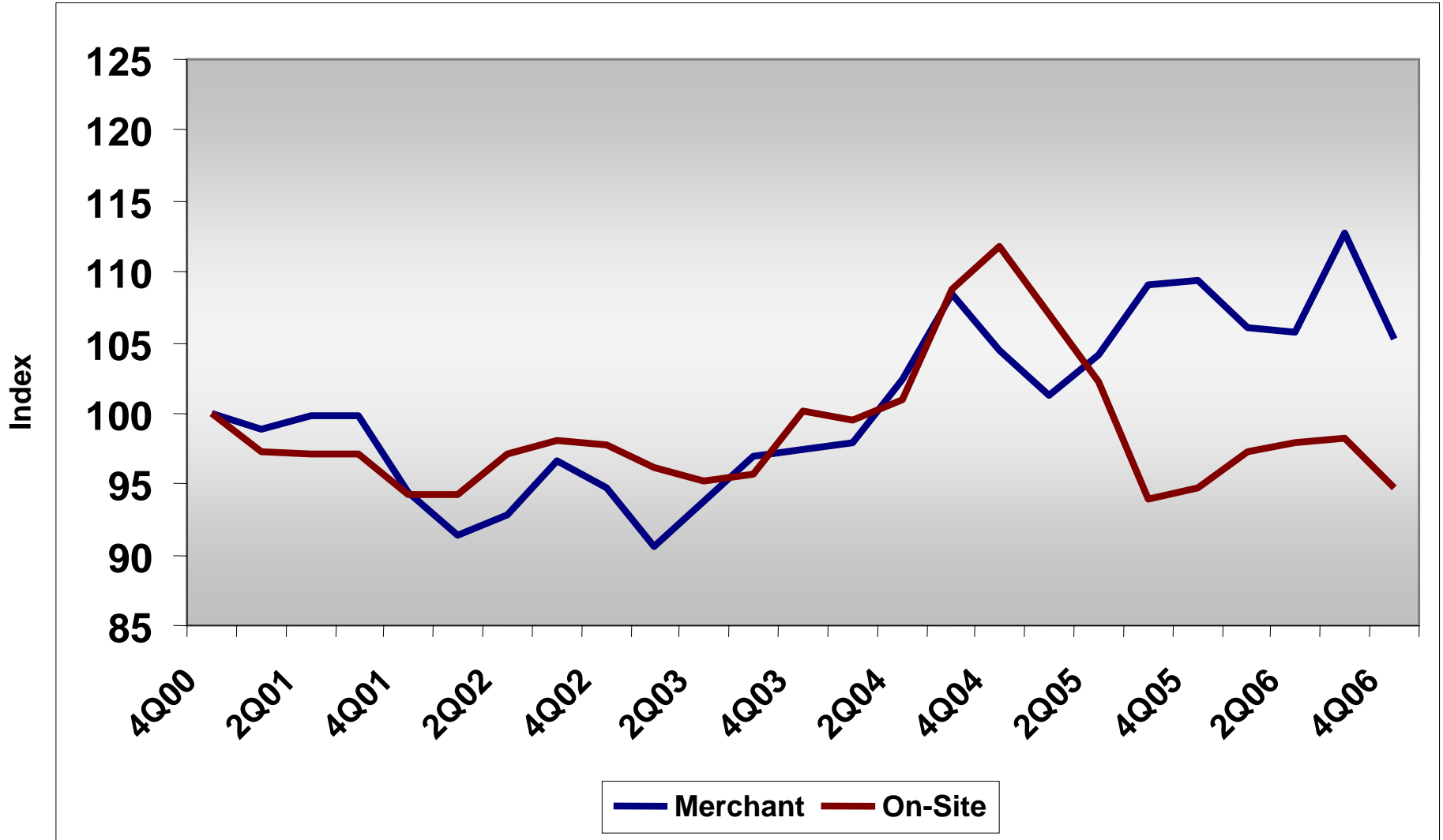
Packaged

- ◆ Q406 sales +13% YOY
- ◆ 2006 sales \$1.2B, +15% vs 2005
- ◆ Closed 10 small acquisitions in 2006. Evaluated 35
- ◆ Strong pricing trends +5% YOY
- ◆ Overall business trends remain strong, with the exception of isolated pockets

Electronics

- ◆ Q406 NA sales +14% YOY, 2006 sales +23%
- ◆ Gaining share in deposition materials for copper and tantalum 300mm
- ◆ Electronics specialty gases pricing remains under pressure

North American Volumes



Volumes not days adjusted

Europe

(\$MM)	<u>Fourth Quarter 2006</u>	<u>Third Quarter 2006</u>	<u>Fourth Quarter 2005⁽¹⁾</u>
Sales	\$306	\$293	\$258
Segment OP	\$ 73	\$ 69	\$ 60
Operating Margin	23.9%	23.5%	23.3%
	<u>YOY</u>	<u>Q4 vs Q3</u>	
Sales Growth	+19%	+4%	
Volume	+7%	+2%	
Price	+4%	+1%	
Currency	+8%	+1%	

- ◆ **Volume growth across the region**
- ◆ **Strong homecare and packaged gas sales in Spain**
- ◆ **YOY sales growth in electronics, chemicals and manufacturing markets**
- ◆ **Strong pipeline sales in Germany**
- ◆ **OP +22% YOY, strong productivity**

(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

South America

(\$MM)	Fourth Quarter <u>2006</u>	Third Quarter <u>2006</u>	Fourth Quarter <u>2005⁽¹⁾</u>
Sales	\$351	\$340	\$313
Segment OP	\$ 68	\$ 69	\$ 55
Operating Margin	19.4%	20.3%	17.6%

- ◆ **Stable economic outlook – exports strong, modest growth in domestic economy**
- ◆ **Strong sales to energy markets**
- ◆ **LNG plant ramping up**
- ◆ **Price exceeds cost inflation**

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+12%	+3%
Volume	+6%	+4%
Price	+4%	0%
Currency	+4%	+1%
Equipment Sale	- 2%	- 2%

(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

Asia

(\$MM)	Fourth Quarter <u>2006</u>	Third Quarter <u>2006</u>	Fourth Quarter <u>2005⁽¹⁾</u>
Sales	\$169	\$165	\$148
Segment OP	\$ 33	\$ 27	\$ 24
Operating Margin	19.5%	16.4%	16.2%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+14%	+2%
Volume	+11%	+3%
Price	- 1%	- 2%
Currency	+4%	+1%

- ◆ Strong electronics sales - high volume growth in targets & components
- ◆ Strong on-site volumes in Korea, China and India
- ◆ China coal gasification – 3000TPD oxygen plant. Largest in China
- ◆ Business development activity increasing
- ◆ China merchant price trend improving. YOY pricing declines in electronic specialty gases

(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

Surface Technologies

(\$MM)	Fourth Quarter <u>2006</u>	Third Quarter <u>2006</u>	Fourth Quarter <u>2005⁽¹⁾</u>
Sales	\$115	\$114	\$116
Segment OP	\$ 16	\$ 23	\$ 9
Operating Margin	13.9%	20.2%	7.8%

- ◆ Sales +10% ex-divestiture and currency
- ◆ Strong demand for OEM aviation coatings – new contracts signed
- ◆ Price increases in US and Europe
- ◆ Q3 included +\$7MM gain from aviation repair business divestiture
- ◆ Strong coatings demand for industrial gas turbines (IGT) market in US and Europe
- ◆ Higher coatings for oil well services

(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

Financial Outlook

First Quarter 2007

- ◆ Diluted EPS in the range of \$0.77 to \$0.80

Full Year 2007

- ◆ YOY sales growth in the range of 8% to 10%
- ◆ Diluted EPS in the range of \$3.30 to \$3.45
- ◆ Tax rate about 26-27%
- ◆ CAPEX in the range of \$1.1 to \$1.2 billion

Global End-Market Trends

YOY Sales Growth

	<u>Q406</u>	<u>FY2006</u>	
Energy ⁽¹⁾	+34%	+7%	HYCO volumes increasing. NA oil well services
Electronics	+21%	+28%	Growth in China and Korea. 2007 outlook positive
Chemicals	- 4%	+1%	Strong comparable in Q405
Metals	+8%	+16%	New supply systems in South America and Asia, US steel lower in Q4
Manufacturing	+14%	+16%	Strong global fundamentals, softer in North America
Healthcare	+8%	+6%	Homecare and hospital volume growth offsets price reductions
Aerospace ⁽²⁾	+25%	+17%	Strong demand for OEM aviation coatings
Food and Bev.	+2%	+5%	Consistent growth from new applications

(1) Excluding natural gas pass-through

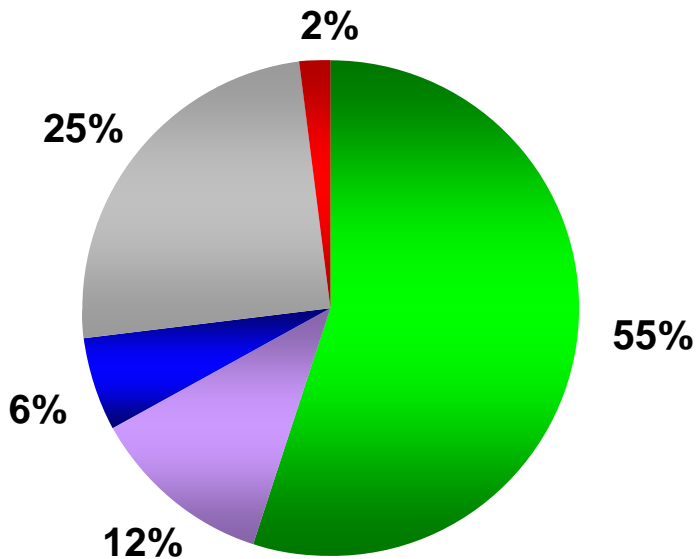
(2) Excluding effect of divestiture

Capital Investment

2007F: Approximately \$1,100 to \$1,200MM

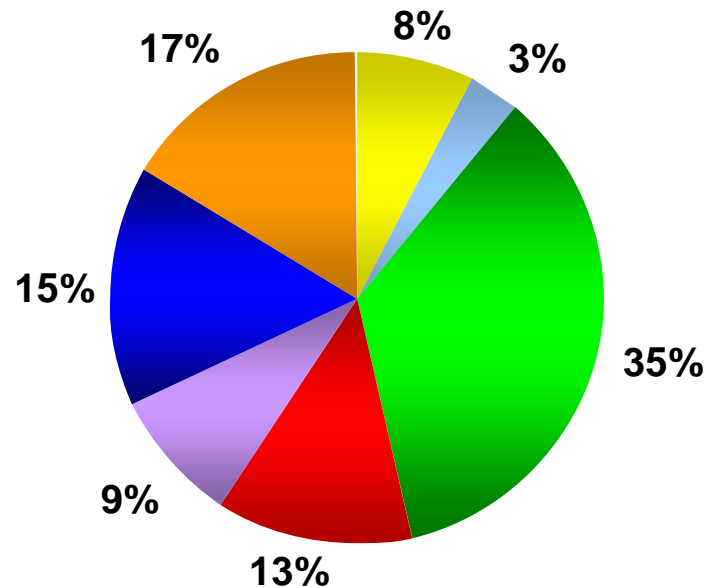
- **Growth ~ 76%**
- **Maintenance ~ 20%**
- **Cost Reduction ~ 4%**

Growth Capex by Region



- North America
- South America
- Europe
- Asia
- PST

Growth Capex by Market

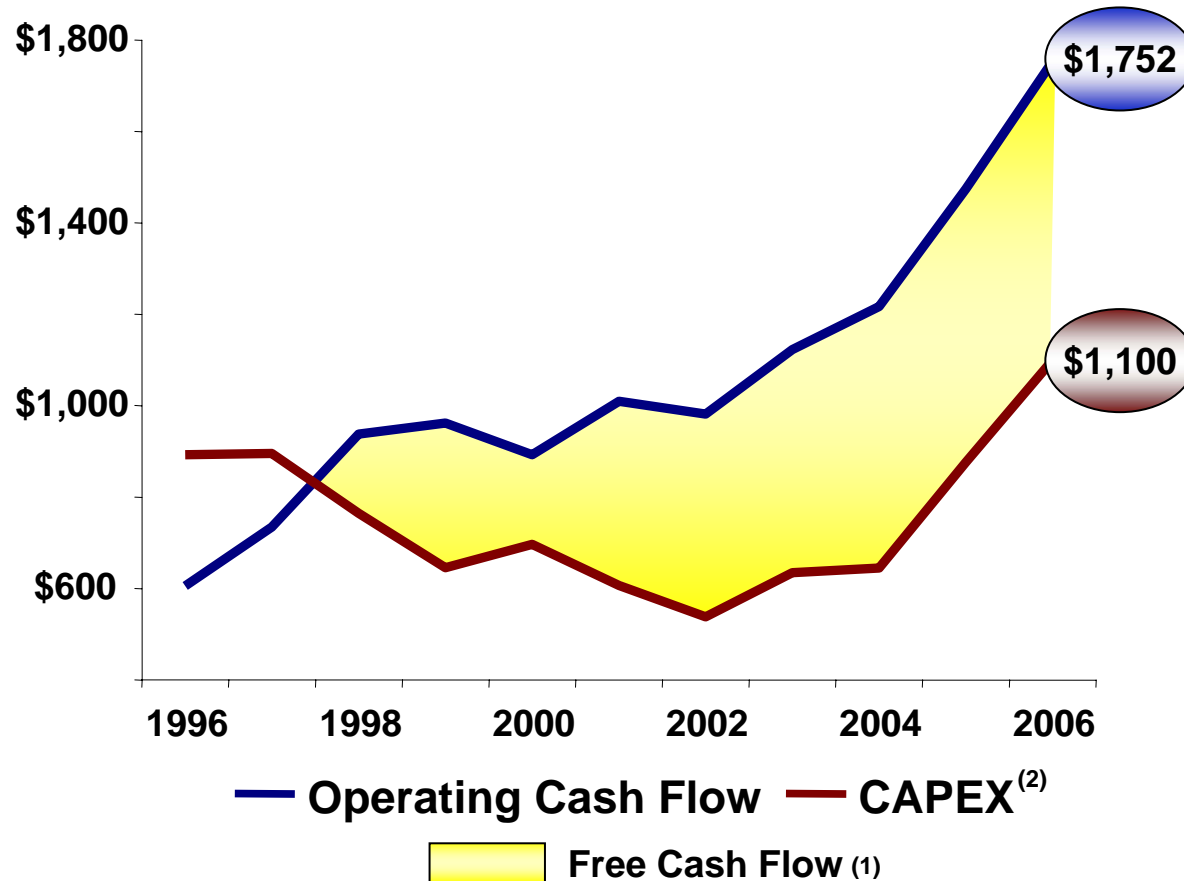


- Manufacturing
- Food & Bev/Healthcare
- Energy
- Electronics
- Chemicals
- Other
- Metals

Strong Cash Flow Generation

- ◆ 10-year operating cash flow CAGR of 11%
- ◆ Capital spending discipline
- ◆ Record free cash flow of \$652MM in 2006
- ◆ Stock repurchases
- ◆ 20% dividend increase

Praxair Free Cash Flow 1996-2006 (\$MM)



1) Non-GAAP measure. Free cash flow equals operating cash flow minus capital expenditures.

2) Excludes Leased Asset Purchase in 2003

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 adjusted ROC amount will help investors understand underlying performance on a comparable basis; (iii) its operating profit, net income and diluted EPS amounts that include pro-forma stock option expense in 2005 periods; and (iv) its adjusted net income and diluted EPS which reflect 2005 results adjusted to include stock option expense and exclude the impact of a third quarter \$92 million income tax charge and accounting change, help investors understand underlying performance on a comparable basis.

	2006					2005				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Total Capital										
Total debt	\$ 3,167	\$ 3,167	\$ 3,174	\$ 3,454	\$ 3,408	\$3,447	\$ 3,447	\$ 3,272	\$ 3,327	\$ 3,449
Minority interests	222	222	209	203	207	202	202	225	225	221
Shareholders' equity	4,554	4,554	4,494	4,269	4,125	3,902	3,902	3,873	3,821	3,651
Total Capital	<u>\$ 7,943</u>	<u>\$ 7,943</u>	<u>\$ 7,877</u>	<u>\$ 7,926</u>	<u>\$ 7,740</u>	<u>\$7,551</u>	<u>\$ 7,551</u>	<u>\$ 7,370</u>	<u>\$ 7,373</u>	<u>\$ 7,321</u>
Debt-to-Capital Ratio	<u>39.9%</u>	<u>39.9%</u>	<u>40.3%</u>	<u>43.6%</u>	<u>44.0%</u>	<u>45.6%</u>	<u>45.6%</u>	<u>44.4%</u>	<u>45.1%</u>	<u>47.1%</u>
After-Tax Return on Capital (ROC)										
Adjusted operating profit (a,c)	\$ 1,519	\$ 393	\$ 392	\$ 382	\$ 352	\$1,253	\$ 335	\$ 307	\$ 311	\$ 300
Less: adjusted taxes (a,b)	(355)	(81)	(101)	(90)	(83)	(270)	(76)	(68)	(60)	(66)
Less: tax benefit on interest expense	(41)	(10)	(10)	(11)	(10)	(42)	(10)	(10)	(11)	(11)
Add: income from equity investments	10	4	1	3	2	15	4	2	5	4
Net operating profit after-tax (NOPAT)	<u>\$ 1,133</u>	<u>\$ 306</u>	<u>\$ 282</u>	<u>\$ 284</u>	<u>\$ 261</u>	<u>\$ 956</u>	<u>\$ 253</u>	<u>\$ 231</u>	<u>\$ 245</u>	<u>\$ 227</u>
Beginning capital	\$ 7,551	\$ 7,877	\$ 7,926	\$ 7,740	\$ 7,551	\$7,358	\$ 7,370	\$ 7,373	\$ 7,321	\$ 7,358
Ending capital	\$ 7,943	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740	\$7,551	\$ 7,551	\$ 7,370	\$ 7,373	\$ 7,321
Average capital	\$ 7,747	\$ 7,910	\$ 7,902	\$ 7,833	\$ 7,646	\$7,455	\$ 7,461	\$ 7,372	\$ 7,347	\$ 7,340
ROC %	14.6%	3.9%	3.6%	3.6%	3.4%	12.8%	3.4%	3.1%	3.3%	3.1%
ROC % (annualized)	<u>14.6%</u>	<u>15.5%</u>	<u>14.3%</u>	<u>14.5%</u>	<u>13.7%</u>	<u>12.8%</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 that quarter.

Non-GAAP Measures, cont. (\$MM, except per share data)

2005 SFAS 123R Revised Income Statement Amounts ("Revised")

	First Quarter 2005			Second Quarter 2005			Third Quarter 2005			Fourth Quarter 2005			Full Year 2005		
	Reported	Adj. (a)	Revised	Reported	Adj. (a)	Revised	Reported	Adj. (a)	Revised	Reported	Adj. (a)	Revised	Reported	Adj. (a)	Revised
Praxair Consolidated:															
Sales	\$ 1,827	\$ -	\$ 1,827	\$ 1,919	\$ -	\$ 1,919	\$ 1,890	\$ -	\$ 1,890	\$ 2,020	\$ -	\$ 2,020	\$ 7,656	\$ -	\$ 7,656
Cost of sales	1,109	-	1,109	1,167	-	1,167	1,144	(1)	1,145	1,221	-	1,221	4,641	(1)	4,642
Selling, general and administrative	245	(9)	254	247	(10)	257	243	(9)	252	252	(9)	261	987	(37)	1,024
Depreciation and amortization	162	-	162	163	-	163	165	-	165	175	-	175	665	-	665
Research and development	20	-	20	19	(1)	20	19	-	19	22	(1)	23	80	(2)	82
Other income (expense) - net	18	-	18	(1)	-	(1)	(2)	-	(2)	(5)	-	(5)	10	-	10
Operating profit	309	(9)	300	322	(11)	311	317	(10)	307	345	(10)	335	1,293	(40)	1,253
Interest expense - net	42	-	42	41	-	41	40	-	40	40	-	40	163	-	163
Income before income taxes	267	(9)	258	281	(11)	270	277	(10)	267	305	(10)	295	1,130	(40)	1,090
Income taxes	69	(3)	66	64	(4)	60	163	(3)	160	80	(4)	76	376	(14)	362
	198	(6)	192	217	(7)	210	114	(7)	107	225	(6)	219	754	(26)	728
Minority interests	(7)	-	(7)	(13)	-	(13)	(8)	-	(8)	(9)	-	(9)	(37)	-	(37)
Income from equity investments	4	-	4	5	-	5	2	-	2	4	-	4	15	-	15
Income before accounting change	195	(6)	189	209	(7)	202	108	(7)	101	220	(6)	214	732	(26)	706
Cumulative effect of accounting change	-	-	-	-	-	-	-	-	-	(6)	-	(6)	(6)	-	(6)
Net Income	\$ 195	\$ (6)	\$ 189	\$ 209	\$ (7)	\$ 202	\$ 108	\$ (7)	\$ 101	\$ 214	\$ (6)	\$ 208	\$ 726	\$ (26)	\$ 700
Per share data (b)															
Basic earnings per share	\$ 0.60	(0.02)	\$ 0.58	\$ 0.65	(0.02)	\$ 0.63	\$ 0.33	(0.02)	\$ 0.31	\$ 0.68	(0.02)	\$ 0.66	\$ 2.26	(0.08)	\$ 2.18
Diluted earnings per share	\$ 0.59	(0.02)	\$ 0.57	\$ 0.63	(0.02)	\$ 0.61	\$ 0.33	(0.02)	\$ 0.31	\$ 0.67	(0.02)	\$ 0.65	\$ 2.22	(0.08)	\$ 2.14
Segment Operating Profit:															
North America	\$ 166	(5)	\$ 161	\$ 161	(6)	\$ 155	\$ 165	(6)	\$ 159	\$ 193	(6)	\$ 187	\$ 685	(23)	\$ 662
Europe	67	(1)	66	72	(1)	71	63	(1)	62	61	(1)	60	263	(4)	259
South America	43	(1)	42	51	(2)	49	52	(1)	51	56	(1)	55	202	(5)	197
Asia	22	(1)	21	24	(1)	23	24	(1)	23	25	(1)	24	95	(4)	91
Surface Technologies	11	(1)	10	14	(1)	13	13	(1)	12	10	(1)	9	48	(4)	44
Total	\$ 309	(9)	\$ 300	\$ 322	(11)	\$ 311	\$ 317	(10)	\$ 307	\$ 345	(10)	\$ 335	\$ 1,293	(40)	\$ 1,253

(a) Pro-forma adjustments reflect the impact of expensing stock options and include a change in expense recognition related to full-retirement eligible employees (see Note 1 on page 47 of the 2005 Annual Report.)

(b) Calculated on income before accounting change.

Non-GAAP Measures, cont. (\$MM, except per share data)

	Quarter Ended December 31,		Year Ended December 31,	
	2006	2005	2006	2005
<u>Adjusted Net Income, Diluted EPS</u>				
Reported income before accounting change	\$ 269	\$ 220	\$ 988	\$ 732
Add: income tax charge	-	-	-	92
Less: proforma stock option expense	-	(6)	-	(26)
Adjusted Net income	<u>\$ 269</u>	<u>\$ 214</u>	<u>\$ 988</u>	<u>\$ 798</u>
Percentage Increase	26%		24%	
Diluted weighted average shares	329,508	329,113	329,293	329,685
Reported diluted earnings per share before accounting change	\$ 0.82	\$ 0.67	\$ 3.00	\$ 2.22
Add: income tax charge	-	-	-	0.28
Less: proforma stock option expense	-	(0.02)	-	(0.08)
Adjusted diluted earnings per share before accounting change	<u>\$ 0.82</u>	<u>\$ 0.65</u>	<u>\$ 3.00</u>	<u>\$ 2.42</u>
Percentage Increase	26%		24%	