



# **Investor Teleconference Presentation First Quarter 2008**

**April 23, 2008**

# 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.

# First Quarter Results

| (\$MM)                     | First Quarter<br><u>2008<sup>2</sup></u> | Fourth Quarter<br><u>2007</u> | First Quarter<br><u>2007</u> |  | <u>YOY</u> | <u>Q1 vs Q4</u> |
|----------------------------|--|-------------------------------|------------------------------|--|------------|-----------------|
| Sales                      | \$2,663                                  | \$2,523                       | \$2,175                      | Sales Growth                                   | +22%       | + 6%            |
| Adj. Operating Profit      | \$ 499                                   | \$ 484                        | \$ 403                       | Volume   | + 6%       | + 1%            |
| Adj. Operating Margin      | 18.7%                                    | 19.2%                         | 18.5%                        | Price  | + 5%       | + 2%            |
| Adj. Net Income            | \$ 318                                   | \$ 316                        | \$ 265                       | Natural Gas                                    | + 1%       | + 1%            |
| Adj. Diluted EPS           | \$ 0.99                                  | \$ 0.98                       | \$ 0.81                      | Currency                                       | + 7%       | + 1%            |
| After-Tax ROC <sup>1</sup> | 14.8%                                    | 15.7%                         | 14.8%                        | Acq/Div  | + 3%       | + 1%            |
| ROE <sup>1</sup>           | 24.6%                                    | 25.3%                         | 23.5%                        |  |            |                 |
|                            |  |                               |                              | <u>YOY</u>                                     |            |                 |
|                            |  |                               |                              | ◆ Sales +22%                                   |            |                 |
|                            |  |                               |                              | ◆ Adj. Operating Profit +24%                   |            |                 |
|                            |  |                               |                              | ◆ Adj. Net Income +20%                         |            |                 |
|                            |  |                               |                              | - Tax rate of 28% in Q1 08 vs.<br>26% in Q1 07 |            |                 |
|                            |  |                               |                              | ◆ Adj. EPS +22%                                |            |                 |

(1) Non-GAAP measures. See Appendix.

(2) Adjusted amounts are non-GAAP measures which exclude a pension settlement charge of \$17 MM, \$11 MM after-tax, or 3 cents EPS. See Appendix.

# North America

| (\$MM)           | <u>First<br/>Quarter<br/>2008</u> | <u>Fourth<br/>Quarter<br/>2007</u> | <u>First<br/>Quarter<br/>2007</u> |
|------------------|-----------------------------------|------------------------------------|-----------------------------------|
| Sales            | \$1,454                           | \$1,381                            | \$1,205                           |
| Segment OP       | \$ 262                            | \$ 255                             | \$ 217                            |
| Operating Margin | 18.0%                             | 18.5%                              | 18.0%                             |

|              | <u>YOY</u> | <u>Q1 vs Q4</u> |
|--------------|------------|-----------------|
| Sales Growth | +21%       | + 5%            |
| Volume       | + 5%       | + 1%            |
| Price        | + 5%       | + 2%            |
| Natural Gas  | + 2%       | + 1%            |
| Currency     | + 3%       | + 0%            |
| Acq/Div      | + 6%       | + 1%            |

- ◆ Solid volumes overall, with some soft spots – transportation, automotive, and construction
- ◆ Sales to energy market +41% YOY, strong growth in refinery hydrogen
- ◆ Sales in Canada +7% YOY ex-FX. Softness in Eastern Canada
- ◆ Sales in Mexico +23%, growth in energy and new business from applications
- ◆ Strong new business pipeline – energy, food, environmental and productivity applications

# North America Business Trends – Q1 08 YOY

## On-site

- ◆ On-site sales +32%
- ◆ GH2 volume +40%, strong refining demand
- ◆ On-site atmospheric gases (GOX, GAN) volume +8%, refining, chemicals and metals

## Merchant

- ◆ Merchant sales +13%
- ◆ Moderate volume growth and strong pricing trends
- ◆ Strong oil well services, growing food applications
- ◆ Strong demand for argon, helium and xenon

## Packaged

- ◆ Packaged gases sales +21%
- ◆ PDI SSS +6%, driven by solid gases growth +9%, weaker growth in hardgoods
- ◆ Specialty gases +20% YOY
- ◆ Acquisitions – closed 2; active pipeline

# Europe

| (\$MM)           | <u>First<br/>Quarter<br/>2008</u> | <u>Fourth<br/>Quarter<br/>2007</u> | <u>First<br/>Quarter<br/>2007</u> |
|------------------|-----------------------------------|------------------------------------|-----------------------------------|
| Sales            | \$390                             | \$354                              | \$330                             |
| Segment OP       | \$ 87                             | \$ 86                              | \$ 72                             |
| Operating Margin | 22.3%                             | 24.3%                              | 21.8%                             |

- ◆ Higher YOY sales in on-site, merchant and packaged gases
- ◆ Strong on-site sales to chemical industry from German pipeline
- ◆ Improving outlook in Italy
- ◆ Overall price increases lagging energy cost increases

|              | <u>YOY</u> | <u>Q1 vs Q4</u> |
|--------------|------------|-----------------|
| Sales Growth | +18%       | +10%            |
| Volume       | + 2%       | + 3%            |
| Price        | + 3%       | + 4%            |
| Currency     | +13%       | + 3%            |

# South America

| (\$MM)                  | First Quarter<br><u>2008</u> | Fourth Quarter<br><u>2007</u> | First Quarter<br><u>2007</u> |
|-------------------------|------------------------------|-------------------------------|------------------------------|
| <b>Sales</b>            | \$466                        | \$444                         | \$348                        |
| <b>Segment OP</b>       | \$ 89                        | \$ 85                         | \$ 66                        |
| <b>Operating Margin</b> | 19.1%                        | 19.1%                         | 19.0%                        |

|                     | <u>YOY</u> | <u>Q1 vs Q4</u> |
|---------------------|------------|-----------------|
| <b>Sales Growth</b> | +34%       | + 5%            |
| <b>Volume</b>       | + 9%       | + 1%            |
| <b>Price</b>        | + 6%       | + 1%            |
| <b>Currency</b>     | +19%       | + 3%            |

- ◆ Accelerating domestic demand driving strong industrial production growth\*
  - Brazil +7.9%
  - Argentina +9.8%
  - Colombia +8.0%
  - Chile +3.8%
- ◆ Strong YOY growth to manufacturing, metals and energy markets
- ◆ On-site growth will accelerate in 2009/2010 from project start-ups
- ◆ Strong proposal pipeline from significant new investment in chemicals, metals and manufacturing

\*Q4 07 YOY

# Asia

| (\$MM)           | <u>First<br/>Quarter<br/>2008</u> | <u>Fourth<br/>Quarter<br/>2007</u> | <u>First<br/>Quarter<br/>2007</u> |
|------------------|-----------------------------------|------------------------------------|-----------------------------------|
| Sales            | \$211                             | \$210                              | \$167                             |
| Segment OP       | \$ 37                             | \$ 34                              | \$ 27                             |
| Operating Margin | 17.5%                             | 16.2%                              | 16.2%                             |

|              | <u>YOY</u> | <u>Q1 vs Q4</u> |
|--------------|------------|-----------------|
| Sales Growth | +26%       | + 0%            |
| Volume       | +16%       | - 4%            |
| Price        | + 4%       | + 3%            |
| Currency     | + 6%       | + 1%            |

- ◆ Electronics +38% YOY
- ◆ Strong sales of helium, specialty and rare gases for solar and flat panel
- ◆ Strong merchant and packaged gases growth in China, India and Korea
- ◆ Seasonally soft Q1 vs. Q4 due to Chinese New Year
- ◆ Strong project proposal activity



# Surface Technologies

| (\$MM)           | <u>First<br/>Quarter<br/>2008</u> | <u>Fourth<br/>Quarter<br/>2007</u> | <u>First<br/>Quarter<br/>2007</u> |
|------------------|-----------------------------------|------------------------------------|-----------------------------------|
| Sales            | \$142                             | \$134                              | \$125                             |
| Segment OP       | \$ 24                             | \$ 24                              | \$ 21                             |
| Operating Margin | 16.9%                             | 17.9%                              | 16.8%                             |

- ◆ Sales +14% YOY, +7% ex-currency
- ◆ Energy +30%, coatings for industrial gas turbines and oilfield components
- ◆ Slower than expected coatings volumes for next generation aircraft engines
- ◆ Softer demand in printing, textiles and general manufacturing industry
- ◆ New development for energy and solar applications

# Global End-Market Trends

## Q1 YOY Sales Growth

|                             |             |  |
|-----------------------------|-------------|--|
| <b>Energy<sup>(1)</sup></b> | <b>+39%</b> | <b>Growth in hydrogen, oil well services and LNG</b>                     |
| <b>Electronics</b>          | <b>+20%</b> | <b>Strong growth in Asia for solar and flat panel displays</b>           |
| <b>Chemicals</b>            | <b>+19%</b> | <b>Growth in all geographic regions, strong on-site sales in Germany</b> |
| <b>Metals</b>               | <b>+15%</b> | <b>Strong growth in South America, steady volumes in U.S.</b>            |
| <b>Manufacturing</b>        | <b>+32%</b> | <b>Solid growth in South America, Asia and U.S.</b>                      |
| <b>Healthcare</b>           | <b>+10%</b> | <b>Solid growth in Europe, South America and U.S. hospital services</b>  |
| <b>Aerospace</b>            | <b>0%</b>   | <b>Slower than expected coatings volumes for jet engines</b>             |
| <b>Food and Bev.</b>        | <b>+15%</b> | <b>Strong beverage and food freezing demand from new applications</b>    |

(1) Excluding natural gas pass-through

# Financial Outlook

## Second Quarter 2008

- ◆ Diluted EPS in the range of \$1.02 to \$1.06

## Full Year 2008

- ◆ YOY sales growth in the range of 13% to 16%
- ◆ Diluted EPS in the range of \$4.10 to \$4.25,\* excluding (\$.03) Q1 impact of pension settlement charge
  - Represents +13% to +17% YOY\*
- ◆ Tax rate about 28%, up 2% from 2007
- ◆ CAPEX of about \$1.5 billion

\*Non-GAAP measures, see Appendix

# 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 its (i) debt-to-capital ratio is appropriate for measuring its financial leverage; (ii) 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); (iii) return on equity ratio (ROE) is an appropriate measure for judging performance for shareholders; and (iv) 2008 adjusted operating profit, net income and diluted EPS which are adjusted for the impact of the 2008 Q1 pension settlement charge helps investors understand underlying performance on a comparable basis.

|   | 2008 |        | 2007 |       |    |       |    |       |    |       |
|---|------|--------|------|-------|----|-------|----|-------|----|-------|
|   | Q1   |        | Q4   | Q3    | Q2 | Q1    |    |       |    |       |
| <b>Total Capital</b>                            |      |        |      |       |    |       |    |       |    |       |
| Total debt                                      | \$   | 4,574  | \$   | 4,192 | \$ | 4,003 | \$ | 3,700 | \$ | 3,736 |
| Minority interests                              |      | 344    |      | 321   |    | 255   |    | 234   |    | 230   |
| Shareholders' equity                            |      | 5,209  |      | 5,142 |    | 4,862 |    | 4,850 |    | 4,467 |
| Total Capital                                   | \$   | 10,127 | \$   | 9,655 | \$ | 9,120 | \$ | 8,784 | \$ | 8,433 |
| <b>Debt-to-Capital Ratio</b>                    |      |        |      |       |    |       |    |       |    |       |
|   |      | 45.2%  |      | 43.4% |    | 43.9% |    | 42.1% |    | 44.3% |
| <b>After-Tax Return on Capital (ROC)</b>        |      |        |      |       |    |       |    |       |    |       |
| Adjusted operating profit (see below)           | \$   | 499    | \$   | 484   | \$ | 460   | \$ | 439   | \$ | 403   |
| Less: income taxes                              |      | (122)  |      | (115) |    | (106) |    | (103) |    | (95)  |
| Less: tax benefit on pension settlement charge* |      | (6)    |      | -     |    | -     |    | -     |    | -     |
| Less: tax benefit on interest expense           |      | (13)   |      | (13)  |    | (11)  |    | (11)  |    | (10)  |
| Add: income from equity investments             |      | 9      |      | 13    |    | 4     |    | 5     |    | 4     |
| Net operating profit after-tax (NOPAT)          | \$   | 367    | \$   | 369   | \$ | 347   | \$ | 330   | \$ | 302   |
| Beginning capital                               | \$   | 9,655  | \$   | 9,120 | \$ | 8,784 | \$ | 8,433 | \$ | 7,943 |
| Ending capital                                  | \$   | 10,127 | \$   | 9,655 | \$ | 9,120 | \$ | 8,784 | \$ | 8,433 |
| Average capital                                 | \$   | 9,891  | \$   | 9,388 | \$ | 8,952 | \$ | 8,609 | \$ | 8,188 |
| ROC %   |      | 3.7%   |      | 3.9%  |    | 3.9%  |    | 3.8%  |    | 3.7%  |
| ROC % (annualized)                              |      | 14.8%  |      | 15.7% |    | 15.5% |    | 15.3% |    | 14.8% |

# Non-GAAP Measures, cont.

## Return on Equity (ROE)

|                                 |    |              |    |              |    |              |    |              |    |              |
|---------------------------------|----|--------------|----|--------------|----|--------------|----|--------------|----|--------------|
| Adjusted net income (see below) | \$ | 318          | \$ | 316          | \$ | 305          | \$ | 291          | \$ | 265          |
| Beginning shareholders' equity  | \$ | 5,142        | \$ | 4,862        | \$ | 4,850        | \$ | 4,467        | \$ | 4,554        |
| Ending shareholders' equity     | \$ | 5,209        | \$ | 5,142        | \$ | 4,862        | \$ | 4,850        | \$ | 4,467        |
| Average shareholders' equity    | \$ | 5,176        | \$ | 5,002        | \$ | 4,856        | \$ | 4,659        | \$ | 4,511        |
| ROE %                           |    | 6.1%         |    | 6.3%         |    | 6.3%         |    | 6.2%         |    | 5.9%         |
| <b>ROE % (annualized)</b>       |    | <b>24.6%</b> |    | <b>25.3%</b> |    | <b>25.1%</b> |    | <b>25.0%</b> |    | <b>23.5%</b> |

## 2008 Adjusted Operating profit, Net income and Diluted EPS

|                                 | First Quarter |         | Full Year 2008 Guidance |          |
|---------------------------------|---------------|---------|-------------------------|----------|
|                                 | 2008          | 2007    | Low End                 | High End |
| Reported operating profit       | \$ 482        | \$ 403  |                         |          |
| Add: pension settlement charge* | 17            | -       |                         |          |
| Adjusted operating profit       | \$ 499        | \$ 403  |                         |          |
| Percentage change from Q1 2007  | 24%           |         |                         |          |
| Reported net income             | \$ 307        | \$ 265  |                         |          |
| Add: pension settlement charge* | 11            | -       |                         |          |
| Adjusted net income             | \$ 318        | \$ 265  |                         |          |
| Percentage change from Q1 2007  | 20%           |         |                         |          |
| Diluted weighted average shares | 320,409       | 326,787 |                         |          |
| Reported diluted EPS            | \$ 0.96       | \$ 0.81 | \$ 4.07                 | \$ 4.22  |
| Add: pension settlement charge* | 0.03          | -       | 0.03                    | 0.03     |
| Adjusted Diluted EPS            | \$ 0.99       | \$ 0.81 | \$ 4.10                 | \$ 4.25  |
| Reported 2007 Diluted EPS       | \$ 0.81       |         | \$ 3.62                 | \$ 3.62  |
| Percentage change from 2007     | 22%           |         | 13%                     | 17%      |

\* A pension settlement charge of \$17 million (\$11 million after-tax or \$0.03 per diluted share) was recorded in the 2008 first quarter related to lump sum benefit payments made from the U.S. supplemental pension plan to a number of recently retired senior managers, including Praxair's former chairman and chief executive officer.