



Investor Teleconference Presentation Fourth Quarter 2007

January 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.

Full Year Results

(\$MM)	<u>2007</u>	<u>2006</u>	<u>Δ%</u>
Sales	\$9,402	\$8,324	+13%
Gross Margin⁽¹⁾	40.9%	40.3%	+60 bp
Operating Profit	\$1,786	\$1,519	+18%
Operating Margin	19.0%	18.2%	+80 bp
Net Income	\$1,177	\$ 988	+19%
Diluted EPS	\$ 3.62	\$ 3.00	+21%
Operating Cash Flow	\$1,958	\$1,752	+12%
After-Tax ROC⁽²⁾	15.3%	14.6%	
ROE ⁽²⁾	24.3%	23.4%	

	<u>YOY</u>
Sales Growth	+13%
Volume	+ 4%
Price	+ 3%
Currency	+ 4%
Acq/Div	+ 2%

- ◆ **Strong operating leverage**
- ◆ **EPS +21%**
- ◆ **Record operating cash flow**
- ◆ **ROC improves +70 bp**
- ◆ **ROE improves +90 bp**

(1) Excludes depreciation and amortization expense

(2) Non-GAAP measures, See Appendix

FY 2007 Cash Flow

(\$MM)

Net income	1,177
Depreciation	774
Change in working capital/other	<u>7</u>
Cash flow from operations	1,958
Capital expenditures	(1,376)
Acquisitions, net	(437)
Share repurchases, net of issuance	(636)
Dividends	(381)
Other	<u>77</u>
Debt increase	795

- ◆ 19% net income growth
- ◆ Capex supported record project backlog
- ◆ Core business acquisitions:
 - Mexico and Scandinavia
 - US packaged gas distributors
- ◆ Share repurchases – completed \$545MM of \$1Bn program announced in Q3 07
- ◆ Increased quarterly dividend from 30 cents to 37.5 cents in Q1 08, a 25% increase

Fourth Quarter Results

	Fourth Quarter <u>2007</u>	Third Quarter <u>2007</u>	Fourth Quarter <u>2006</u>		<u>YOY</u>	<u>Q4 vs Q3</u>
(\$MM)						
Sales	\$2,523	\$2,372	\$2,123	Sales Growth	+19%	+ 6%
Operating Profit	\$ 484	\$ 460	\$ 393	Volume	+ 5%	+ 1%
Operating Margin	19.2%	19.4%	18.5%	Price	+ 4%	+ 1%
Net Income	\$ 316	\$ 305	\$ 269	Currency	+ 7%	+ 3%
Diluted EPS	\$ 0.98	\$ 0.94	\$ 0.82	Acq/Div	+ 3%	+ 1%
After-Tax ROC⁽¹⁾	15.7%	15.5%	15.5%			
ROE⁽¹⁾	25.3%	25.1%	23.8%			

- ◆ Sales +19%
- ◆ Operating profit +23%
- ◆ EPS +20%
 - Tax rate of 26.5% in Q4 07 versus 22.8% in Q4 06
- ◆ Record ROC

(1) Non-GAAP measures, See Appendix

North America

(\$MM)	Fourth Quarter <u>2007</u>	Third Quarter <u>2007</u>	Fourth Quarter <u>2006</u>
Sales	\$1,381	\$1,306	\$1,182
Segment OP	\$ 255	\$ 244	\$ 203
Operating Margin	18.5%	18.7%	17.2%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+17%	+ 6%
Volume	+ 5%	+ 1%
Price	+ 3%	+ 1%
Natural Gas	+ 1%	+ 1%
Currency	+ 2%	+ 1%
Acq/Div	+ 6%	+ 2%

- ◆ Sales to energy markets +31% YOY
- ◆ Strong demand for helium, specialty and rare gases
- ◆ Robust new business activity in food, energy, metals and mining
- ◆ Strong growth in Mexico; sales +27% YOY. Linde acquisition fully integrated
- ◆ Canada soft due to currency strength and auto industry. Strong outlook due to energy opportunities.

North America Business Trends – Q4 07 YOY

On-site

- ◆ On-site sales +17%
- ◆ GH2 volume +31%, GO2 volume +8%
- ◆ Strong new business activity in refinery sector

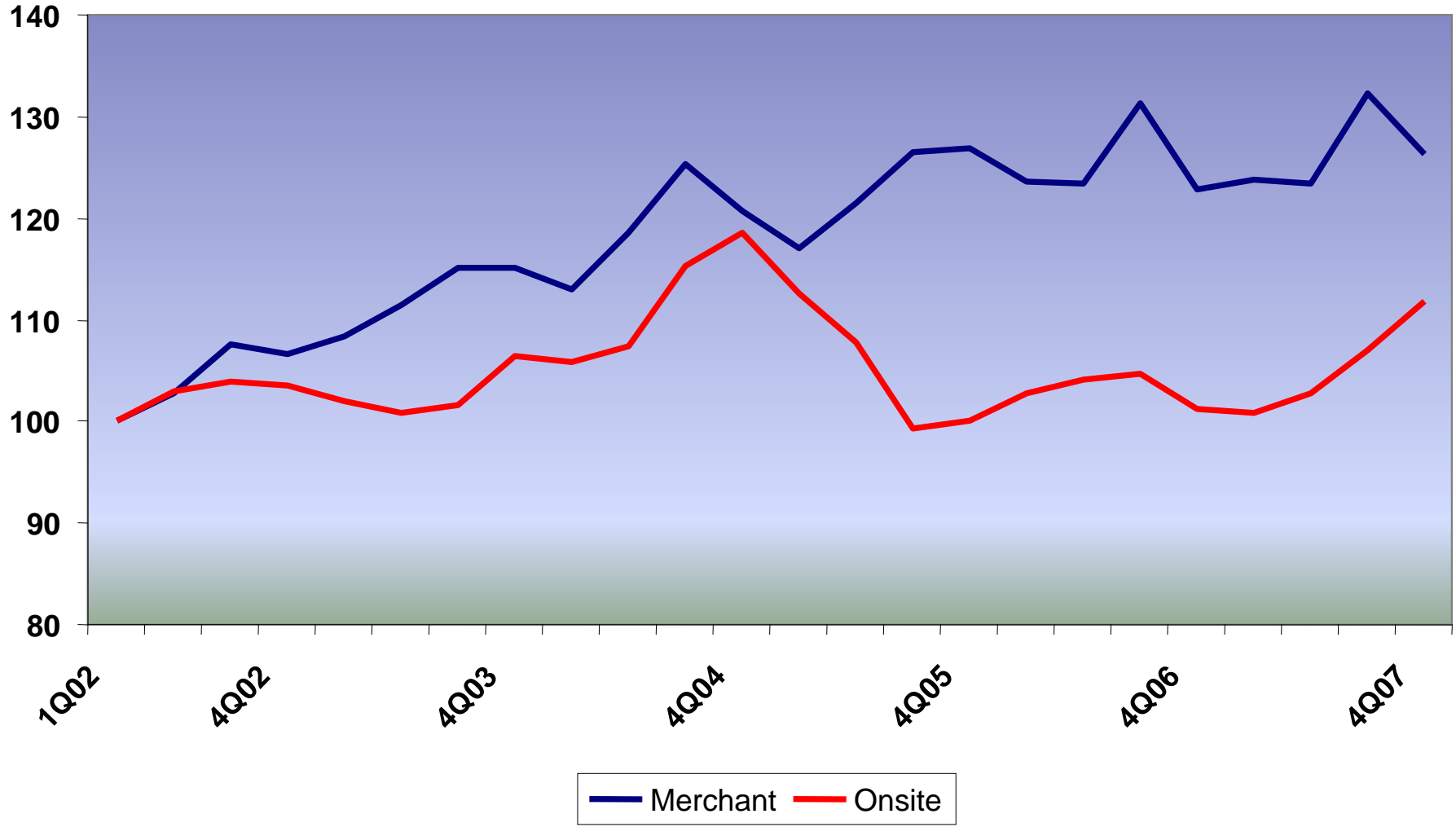
Merchant

- ◆ Merchant sales +15%
- ◆ Moderate overall volume growth and strong pricing trends
- ◆ Growth from environmental, energy and food
- ◆ Strong demand for argon, helium and rare gases

Packaged

- ◆ Packaged gases sales +20%
- ◆ PDI SSS +5%; gases steady, US hardgoods softening
- ◆ Closed 11 acquisitions in 2007
- ◆ Strong pricing trends in all regions

North American Volumes



Volumes not days adjusted

Europe

(\$MM)	<u>Fourth Quarter 2007</u>	<u>Third Quarter 2007</u>	<u>Fourth Quarter 2006</u>
Sales	\$354	\$325	\$306
Segment OP	\$ 86	\$ 78	\$ 73
Operating Margin	24.3%	24.0%	23.9%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+16%	+ 9%
Volume	+ 2%	+ 1%
Price	+ 2%	+ 2%
Currency	+12%	+ 6%

- ◆ YOY sales growth in manufacturing, metals, chemicals and healthcare
- ◆ Higher YOY on-site, merchant and packaged gas sales in Spain, Italy and Germany
- ◆ Record number of merchant contracts signed in 2007
- ◆ Completed Scandinavian joint venture

South America

(\$MM)	Fourth Quarter <u>2007</u>	Third Quarter <u>2007</u>	Fourth Quarter <u>2006</u>
Sales	\$444	\$419	\$351
Segment OP	\$ 85	\$ 84	\$ 68
Operating Margin	19.1%	20.0%	19.4%

- ◆ **Stable economic environment, exports remain strong with solid domestic growth**
- ◆ **Double-digit YOY growth in merchant and packaged gases**
- ◆ **On-site growth YOY moderated by customer outages**
- ◆ **Lower sales of CNG auto conversion equipment; divestiture of non-core businesses**

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+26%	+ 6%
Volume	+ 8%	+ 1%
Price	+ 7%	+ 1%
Currency	+17%	+ 7%
Equip/Disc Business	- 6%	- 3%

Asia

(\$MM)	<u>Fourth Quarter 2007</u>	<u>Third Quarter 2007</u>	<u>Fourth Quarter 2006</u>
Sales	\$210	\$190	\$169
Segment OP	\$ 34	\$ 30	\$ 33
Operating Margin	16.2%	15.8%	19.5%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+24%	+11%
Volume	+15%	+ 8%
Price	+ 2%	+ 1%
Currency	+ 7%	+ 2%

- ◆ Higher sales to metals and manufacturing markets
- ◆ Electronics sales +32% YOY
- ◆ Strong on-site and merchant volumes in China, India and Korea
- ◆ Continued strength in sales of helium, specialty and rare gases for solar, healthcare, optical fiber, lighting and electronics
- ◆ Additional staffing and fixed costs to execute growth backlog – 8 new projects to start up in 2008

Surface Technologies

(\$MM)	<u>Fourth Quarter 2007</u>	<u>Third Quarter 2007</u>	<u>Fourth Quarter 2006</u>
Sales	\$134	\$132	\$115
Segment OP	\$ 24	\$ 24	\$ 16
Operating Margin	17.9%	18.2%	13.9%

- ◆ **Sales +11% YOY ex-currency**
- ◆ **Strong jet engine demand**
- ◆ **New coatings applications on hot sections**
- ◆ **Started up new EBPVD coater in Indianapolis for GE jet engine blades**
- ◆ **Industrial gas turbine demand growing rapidly**
- ◆ **Poor outlook for textiles, printing and general industry**

Global End-Market Trends

YOY Sales Growth

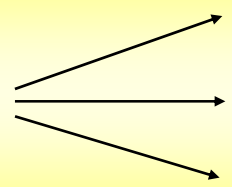
	<u>Q407</u>	<u>FY2007</u>	
Energy ⁽¹⁾	+27%	+29%	Growth in hydrogen and oil well services
Electronics	+18%	+10%	Growth in Asia from solar, lighting, FPD; fab rationalization in US and Europe
Chemicals	+9%	+5%	Solid growth in all regions in Q4 07
Metals	+16%	+8%	Growth in Asia and SA, steady in US and Europe
Manufacturing	+28%	+19%	Growth in all geographic regions; expect to moderate in US
Healthcare	+13%	+9%	Growth in hospital services, homecare in Canada and Spain
Aerospace ⁽²⁾	+19%	+17%	PST coatings for OEM aircraft engines
Food and Bev.	+13%	+11%	Solid growth in NA, SA and Europe

(1) Excluding natural gas pass-through

(2) Excluding effect of divestiture

Capital Investment

2008F: About \$1,400MM

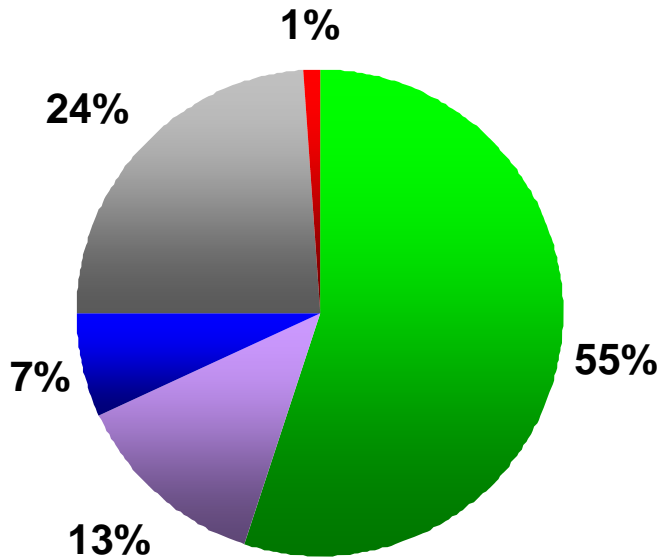


Growth ~ 75%

Maintenance ~ 20%

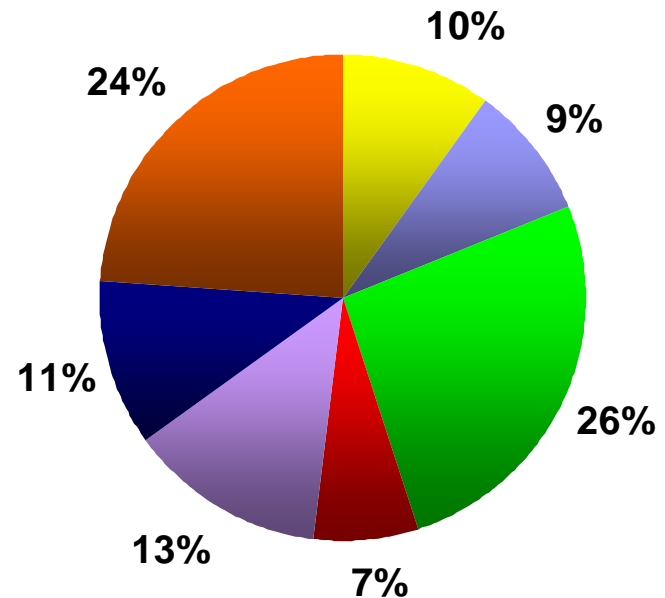
Cost Reduction ~ 5%

Growth Capex by Region



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

Growth Capex by Market



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

Financial Outlook

First Quarter 2008

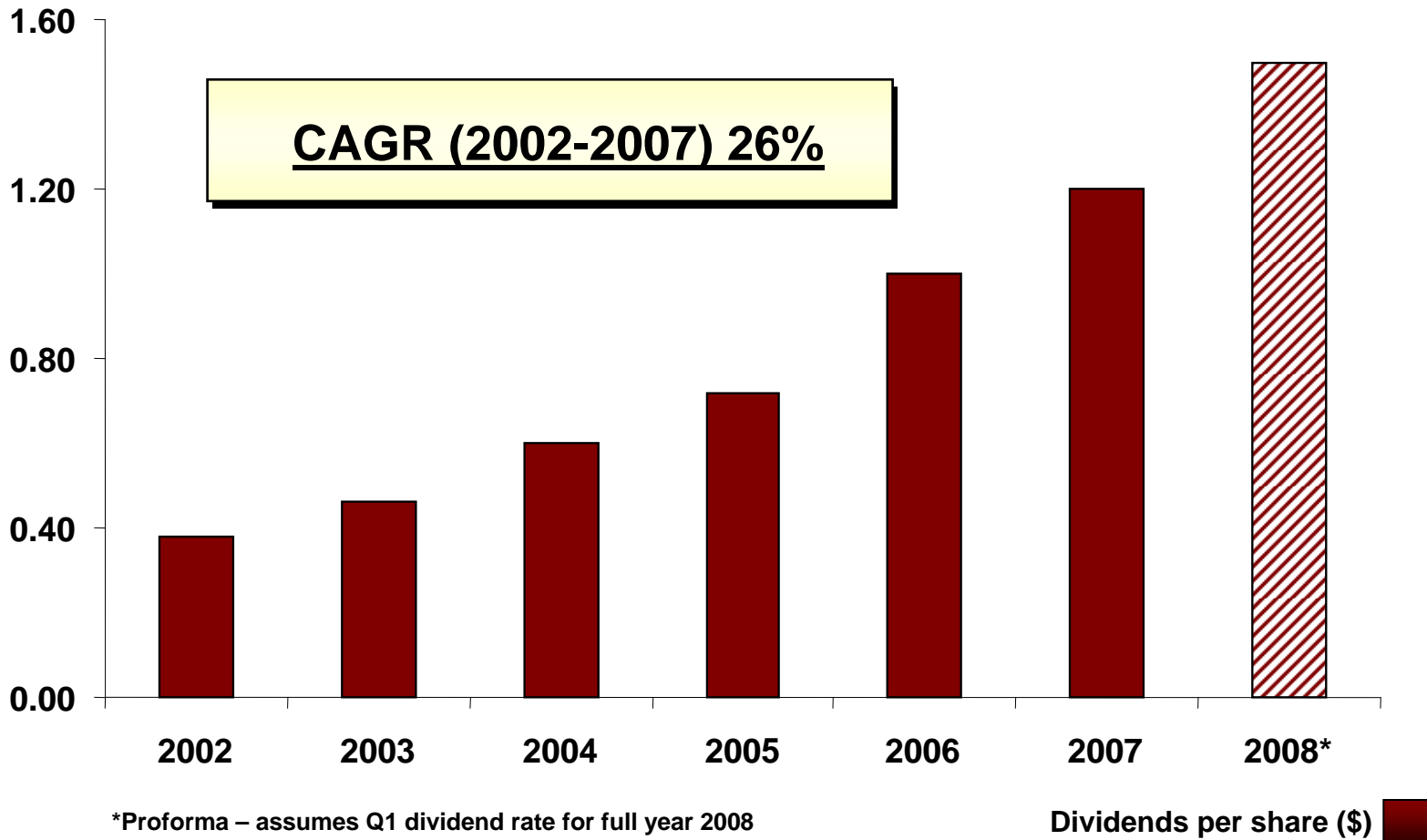
- ◆ Diluted EPS in the range of \$0.93 to \$0.96,* excluding **(\$.03)** impact of pension settlement charge
 - Represents +15% to +19% YOY

Full Year 2008

- ◆ YOY sales growth in the range of 10% to 14%
 - Currency “stable” at current rates
- ◆ Diluted EPS in the range of \$4.00 to \$4.20,* excluding **(\$.03)** Q1 impact of pension settlement charge
 - Represents +10% to +16% YOY
- ◆ Tax rate of 26% - 28%
- ◆ CAPEX of about \$1.4 billion

*Non-GAAP measures, see Appendix

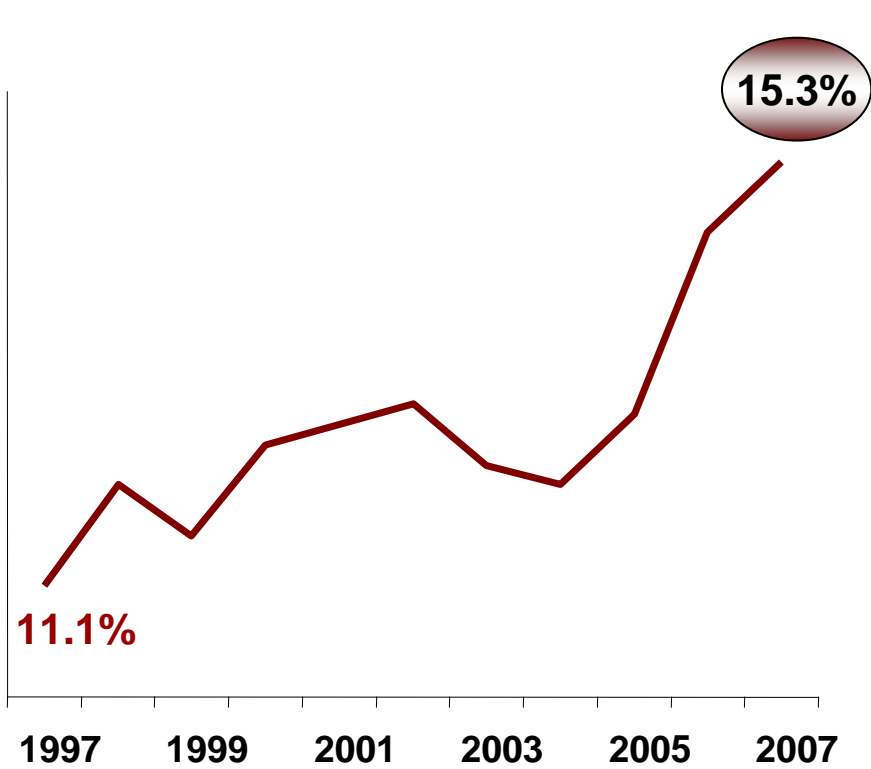
Dividend Growth



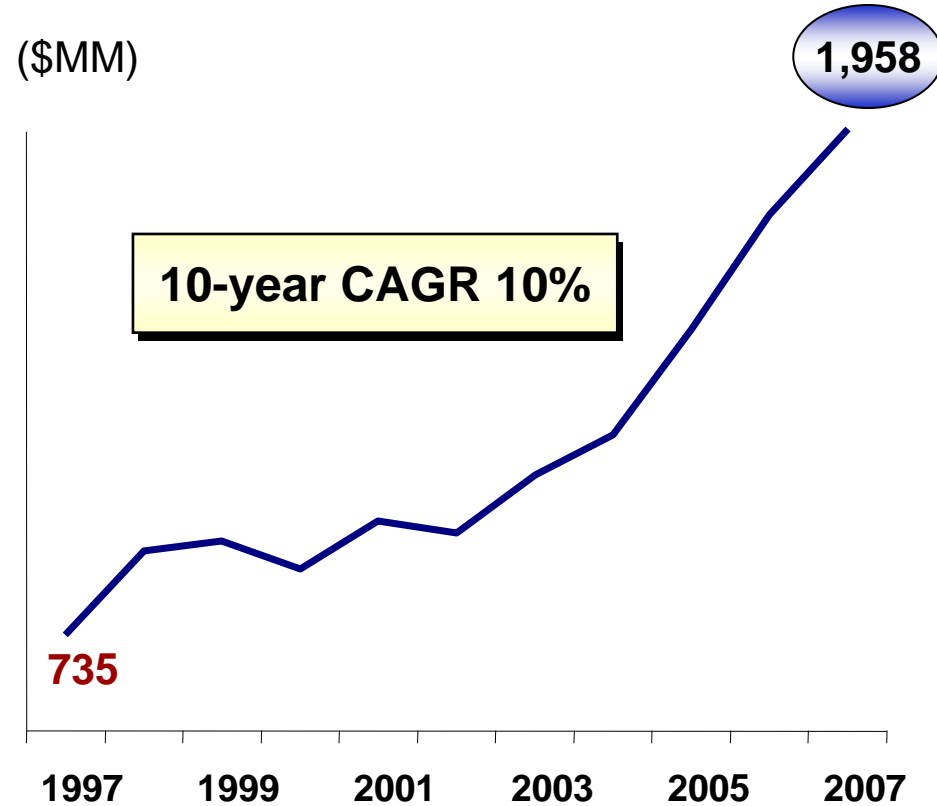
Dividend increase of 25% in Q1 2008

High Return on Capital Generates Strong Cash Flow

NOPAT ROC⁽¹⁾



OPERATING CASH FLOW



(1) Non-GAAP measure.

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); (iii) its return on equity ratio (ROE) is an appropriate measure for judging performance for shareholders; and (iv) its 2008 diluted EPS guidance adjusted for the impact of the pension plan settlement charge helps investors understand underlying performance on a comparable basis.

	2007					2006				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Total Capital										
Total debt	\$ 4,192	\$ 4,192	\$ 4,003	\$ 3,700	\$ 3,736	\$ 3,167	\$ 3,167	\$ 3,174	\$ 3,454	\$ 3,408
Minority interests	321	321	255	234	230	222	222	209	203	207
Shareholders' equity	5,142	5,142	4,862	4,850	4,467	4,554	4,554	4,494	4,269	4,125
Total Capital	<u>\$ 9,655</u>	<u>\$ 9,655</u>	<u>\$ 9,120</u>	<u>\$ 8,784</u>	<u>\$ 8,433</u>	<u>\$ 7,943</u>	<u>\$ 7,943</u>	<u>\$ 7,877</u>	<u>\$ 7,926</u>	<u>\$ 7,740</u>
Debt-to-Capital Ratio	<u>43.4%</u>	<u>43.4%</u>	<u>43.9%</u>	<u>42.1%</u>	<u>44.3%</u>	<u>39.9%</u>	<u>39.9%</u>	<u>40.3%</u>	<u>43.6%</u>	<u>44.0%</u>
After-Tax Return on Capital (ROC)										
Reported operating profit	\$ 1,786	\$ 484	\$ 460	\$ 439	\$ 403	\$ 1,519	\$ 393	\$ 392	\$ 382	\$ 352
Less: income taxes	(419)	(115)	(106)	(103)	(95)	(355)	(81)	(101)	(90)	(83)
Less: tax benefit on interest expense	(45)	(13)	(11)	(11)	(10)	(41)	(10)	(10)	(11)	(10)
Add: income from equity investments	26	13	4	5	4	10	4	1	3	2
Net operating profit after-tax (NOPAT)	<u>\$ 1,348</u>	<u>\$ 369</u>	<u>\$ 347</u>	<u>\$ 330</u>	<u>\$ 302</u>	<u>\$ 1,133</u>	<u>\$ 306</u>	<u>\$ 282</u>	<u>\$ 284</u>	<u>\$ 261</u>
Beginning capital	\$ 7,943	\$ 9,120	\$ 8,784	\$ 8,433	\$ 7,943	\$ 7,551	\$ 7,877	\$ 7,926	\$ 7,740	\$ 7,551
Ending capital	\$ 9,655	\$ 9,655	\$ 9,120	\$ 8,784	\$ 8,433	\$ 7,943	\$ 7,943	\$ 7,877	\$ 7,926	\$ 7,740
Average capital	\$ 8,799	\$ 9,388	\$ 8,952	\$ 8,609	\$ 8,188	\$ 7,747	\$ 7,910	\$ 7,902	\$ 7,833	\$ 7,646
ROC %	15.3%	3.9%	3.9%	3.8%	3.7%	14.6%	3.9%	3.6%	3.6%	3.4%
ROC % (annualized)	<u>15.3%</u>	<u>15.7%</u>	<u>15.5%</u>	<u>15.3%</u>	<u>14.8%</u>	<u>14.6%</u>	<u>15.5%</u>	<u>14.3%</u>	<u>14.5%</u>	<u>13.7%</u>
Return on Equity (ROE)										
Reported net income	\$ 1,177	\$ 316	\$ 305	\$ 291	\$ 265	\$ 988	\$ 269	\$ 247	\$ 247	\$ 225
Beginning shareholders' equity	\$ 4,554	\$ 4,862	\$ 4,850	\$ 4,467	\$ 4,554	\$ 3,902	\$ 4,494	\$ 4,269	\$ 4,125	\$ 3,902
Ending shareholders' equity	\$ 5,142	\$ 5,142	\$ 4,862	\$ 4,850	\$ 4,467	\$ 4,554	\$ 4,554	\$ 4,494	\$ 4,269	\$ 4,125
Average shareholders' equity	\$ 4,848	\$ 5,002	\$ 4,856	\$ 4,659	\$ 4,511	\$ 4,228	\$ 4,524	\$ 4,382	\$ 4,197	\$ 4,014
ROE %	24.3%	6.3%	6.3%	6.2%	5.9%	23.4%	5.9%	5.6%	5.9%	5.6%
ROE % (annualized)	<u>24.3%</u>	<u>25.3%</u>	<u>25.1%</u>	<u>25.0%</u>	<u>23.5%</u>	<u>23.4%</u>	<u>23.8%</u>	<u>22.5%</u>	<u>23.5%</u>	<u>22.4%</u>

Non-GAAP Measures, cont.

2008 Diluted EPS Guidance

	<u>First Quarter 2008</u>		<u>Full Year 2008</u>	
	<u>Low End</u>	<u>High End</u>	<u>Low End</u>	<u>High End</u>
Diluted EPS Guidance GAAP	\$0.90	\$0.93	\$3.97	\$4.17
Pension plan settlement charge*	0.03	0.03	0.03	0.03
Adjusted Diluted EPS Guidance	<u>\$0.93</u>	<u>\$0.96</u>	<u>\$4.00</u>	<u>\$4.20</u>
Reported 2007 Diluted EPS	\$ 0.81	\$ 0.81	\$3.62	\$3.62
Percentage increase	15%	19%	10%	16%

* In 2007, a number of senior managers retired, including Praxair's former Chairman, President and Chief Executive Officer, and elected to take a lump sum benefit payment from the nonqualified pension plan. As required by pension accounting rules, a settlement charge will be recognized at the time of the cash payment of the liability. The total settlement charge expected to be recorded in the 2008 first quarter is approximately \$17 million (\$11 million after-tax or \$0.03 per diluted share).