



Investor Teleconference Presentation Fourth Quarter 2008

January 28, 2009

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

				<u>YOY</u>
(\$MM)	<u>2008⁽¹⁾</u>	<u>2007</u>	<u>Δ%</u>	
Sales	\$10,796	\$9,402	+15%	Sales Growth + 15%
Adj. Operating Profit	\$2,077	\$1,786	+16%	Volume + 3%
Adj. Operating Margin	19.2%	19.0%	+20 bp	Price + 6%
Adj. Net Income	\$1,336	\$1,177	+14%	Natural Gas + 1%
Adj. Diluted EPS	\$ 4.20	\$ 3.62	+16%	Currency + 3%
Operating Cash Flow	\$2,038	\$1,958	+ 4%	Acq/Div + 2%
After-Tax ROC⁽²⁾	15.3%	15.3%		
ROE⁽²⁾	26.8%	24.6%		

- ◆ Sales +15% reflects strong growth in Q1 to Q3; sequential decline in Q4 due to global recession and FX translation
- ◆ Adj. EPS +16%
- ◆ Record operating cash flow

(1) Adjusted amounts are non-GAAP measures which exclude Q1 08 pension settlement charge of \$17 MM, \$11 MM after-tax, or 3 cents EPS, and Q4 08 cost reduction program and other charges of \$177 MM, \$114 MM after-tax and minority interests, or 37 cents EPS. See appendix.

(2) Non-GAAP measures, See appendix

Fourth Quarter Results

					<u>YOY</u>	<u>Q4 vs Q3</u>
	Fourth Quarter	Third Quarter	Fourth Quarter			
	<u>2008⁽¹⁾</u>	<u>2008</u>	<u>2007</u>			
(\$MM)						
Sales	\$2,403	\$2,852	\$2,523	Sales Growth	- 5%	- 16%
Adj. Operating Profit	\$ 491	\$ 544	\$ 484	Volume	- 4%	- 5%
Adj. Operating Margin	20.4%	19.1%	19.2%	Price	+ 5%	0%
Adj. Net Income	\$ 314	\$ 355	\$ 316	Natural Gas	0%	- 2%
Adj. Diluted EPS	\$ 1.01	\$ 1.11	\$ 0.98	Currency	- 7%	- 9%
After-Tax ROC⁽²⁾	14.7%	15.5%	15.7%	Acq/Div	+ 1%	0%
ROE⁽²⁾	28.2%	26.9%	25.3%			

- ◆ Includes net FX hedge gains
 - OP \$17MM
 - Diluted EPS \$0.04
- ◆ Excludes pre-tax charges
 - OP \$177 MM
 - Diluted EPS \$0.37

(1) Adjusted amounts are non-GAAP measures which exclude Q4 08 charges of \$177 MM, \$114 MM after-tax and minority interests, or 37 cents EPS. See appendix.

(2) Non-GAAP measures. See appendix

North America

(\$MM)	<u>Fourth Quarter 2008</u>	<u>Third Quarter 2008</u>	<u>Fourth Quarter 2007</u>
Sales	\$1,355	\$1,557	\$1,381
Segment OP	\$ 267	\$ 274	\$ 255
Operating Margin	19.7%	17.6%	18.5%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	- 2%	- 13%
Volume	- 6%	- 5%
Price	+ 6%	0%
Natural Gas	0%	- 5%
Currency	- 4%	- 3%
Acq/Div	+ 2%	0%

- ◆ YOY sales growth in energy and food & beverage markets. Declines in chemicals, metals, electronics and manufacturing
- ◆ Lower overall volumes YOY and vs. Q3 due to significant production cutbacks and holiday closures by customers
- ◆ Mexico sales +22% YOY ex-FX; business slowing sequentially, energy expected to remain strong
- ◆ Slowdown in proposal activity for commodity customers
- ◆ OPM % reflects realized cost reductions
- ◆ Expect volumes in Q1 to continue to be weak due to weak demand and large customer turnarounds

North America Business Trends – Q4 08 YOY

On-site

- ◆ On-site sales -1%, +1% (ex-natural gas)
- ◆ Refinery hydrogen volume +11%
- ◆ On-site atmospheric gases volume -12%

Merchant

- ◆ Merchant sales +1%
- ◆ Merchant volumes -5%
- ◆ Strong pricing trends
- ◆ New business signings for food, energy and environmental applications

Packaged

- ◆ Packaged gases sales +2%, ex-FX
- ◆ PDI SSS -1%. Gases SSS +5%, hardgoods -10%
- ◆ Closed 15 acquisitions in 2008
- ◆ Pricing gains partially offset lower volumes
- ◆ Weak January sales trends

Europe

(\$MM)	<u>Fourth Quarter 2008</u>	<u>Third Quarter 2008</u>	<u>Fourth Quarter 2007</u>
Sales	\$322	\$384	\$354
Segment OP	\$ 83	\$ 96	\$ 86
Operating Margin	25.8%	25.0%	24.3%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	- 9%	- 16%
Volume	- 4%	- 5%
Price	+ 3%	+ 1%
Currency	- 6%	- 12%
Acq/Div	- 2%	0%

- ◆ Lower sales in Spain driven by metals and general manufacturing. Food and healthcare strong
- ◆ Lower pipeline sales in Germany due to cutbacks by steel and chemical customers. Packaged gases sales above prior year ex-FX
- ◆ New business activity in merchant for wastewater, environmental, productivity and cost reduction applications
- ◆ OP includes \$4 MM net FX hedge gains
- ◆ Expect sequentially lower volumes in Q1 09 due to significant customer shutdowns

South America

(\$MM)	<u>Fourth Quarter 2008</u>	<u>Third Quarter 2008</u>	<u>Fourth Quarter 2007</u>
Sales	\$ 382	\$527	\$444
Segment OP	\$ 87	\$111	\$ 85
Operating Margin	22.8%	21.1%	19.1%

- ◆ Higher sales ex-FX to domestic industries – food, healthcare and manufacturing. Lower sales to export industries – metals and chemicals
- ◆ OP includes \$9 MM net FX hedge gains
- ◆ Sales outside of Brazil +15% YOY ex-FX
- ◆ Solid project backlog

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	- 14%	- 28%
Volume	- 1%	- 4%
Price	+ 5%	0%
Currency	- 18%	- 24%

Asia

(\$MM)	<u>Fourth Quarter 2008</u>	<u>Third Quarter 2008</u>	<u>Fourth Quarter 2007</u>
Sales	\$209	\$239	\$210
Segment OP	\$ 34	\$ 38	\$ 34
Operating Margin	16.3%	15.9%	16.2%

- ◆ Electronics volumes -14% YOY
- ◆ Higher on-site and merchant liquid volumes YOY across most major end markets due to new business and plant start-ups
- ◆ IP slowing sequentially but positive growth expected
- ◆ Sequential slowdown in Q1 09 due to Chinese New Year and extended holiday shutdowns
- ◆ Expect 10-15% sales growth ex-FX in 2009

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	0%	- 13%
Volume	0%	- 5%
Price	+ 8%	- 1%
Currency	- 8%	- 7%

Surface Technologies

(\$MM)	Fourth Quarter <u>2008</u>	Third Quarter <u>2008</u>	Fourth Quarter <u>2007</u>
Sales	\$135	\$145	\$134
Segment OP	\$ 20	\$ 25	\$ 24
Operating Margin	14.8%	17.2%	17.9%

- ◆ **Sales +4%, ex-FX**
- ◆ **Growth in coatings for industrial gas turbines and oil field service components**
- ◆ **Substantially lower jet engine EBPVD coatings due to Boeing strike and plane delays**
- ◆ **OPM % temporarily impacted by mix effect of less high margin aerospace business**

Global End-Market Trends

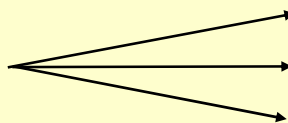
Sales Growth YOY

ex-FX, Acq and NG

	<u>Q3</u>	<u>Q4</u>	
Energy	+ 21%	+ 26%	Growth in refinery hydrogen, strong EOR and oil well services; coatings for IGT market
Electronics	+ 19%	- 7%	Semiconductor production curtailments
Chemicals	+ 13%	+ 2%	Customer production shutdowns globally
Metals	+ 14%	- 9%	Drop in production levels due to de-stocking
Manufacturing	+ 8%	- 2%	Weakness in Europe and US
Healthcare	+ 2%	+ 6%	Strong growth in South America, homecare in Spain
Aerospace	- 3%	- 13%	Lower coatings volumes for jet engines
Food and Bev.	+ 5%	+ 8%	Solid growth globally

2009 Capital Investment

2009F: About \$1.4 to \$1.5 Bn



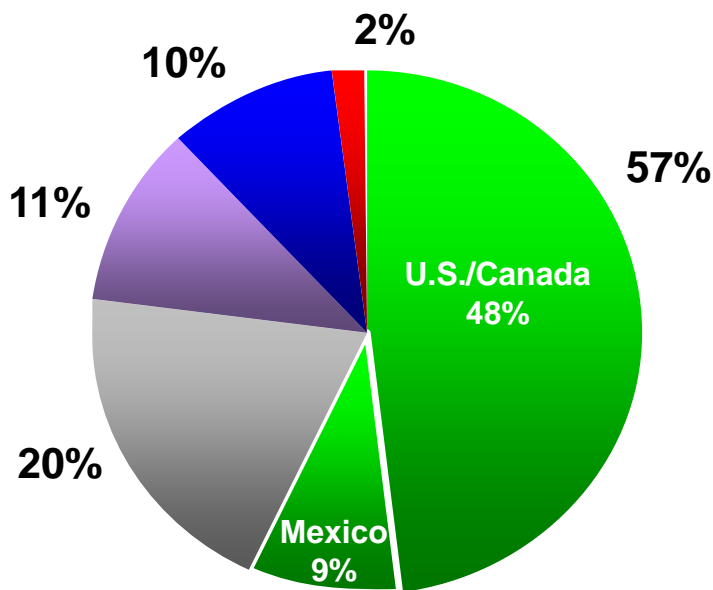
Growth ~ 75%

Maintenance ~ 20%

Cost Reduction ~ 5%

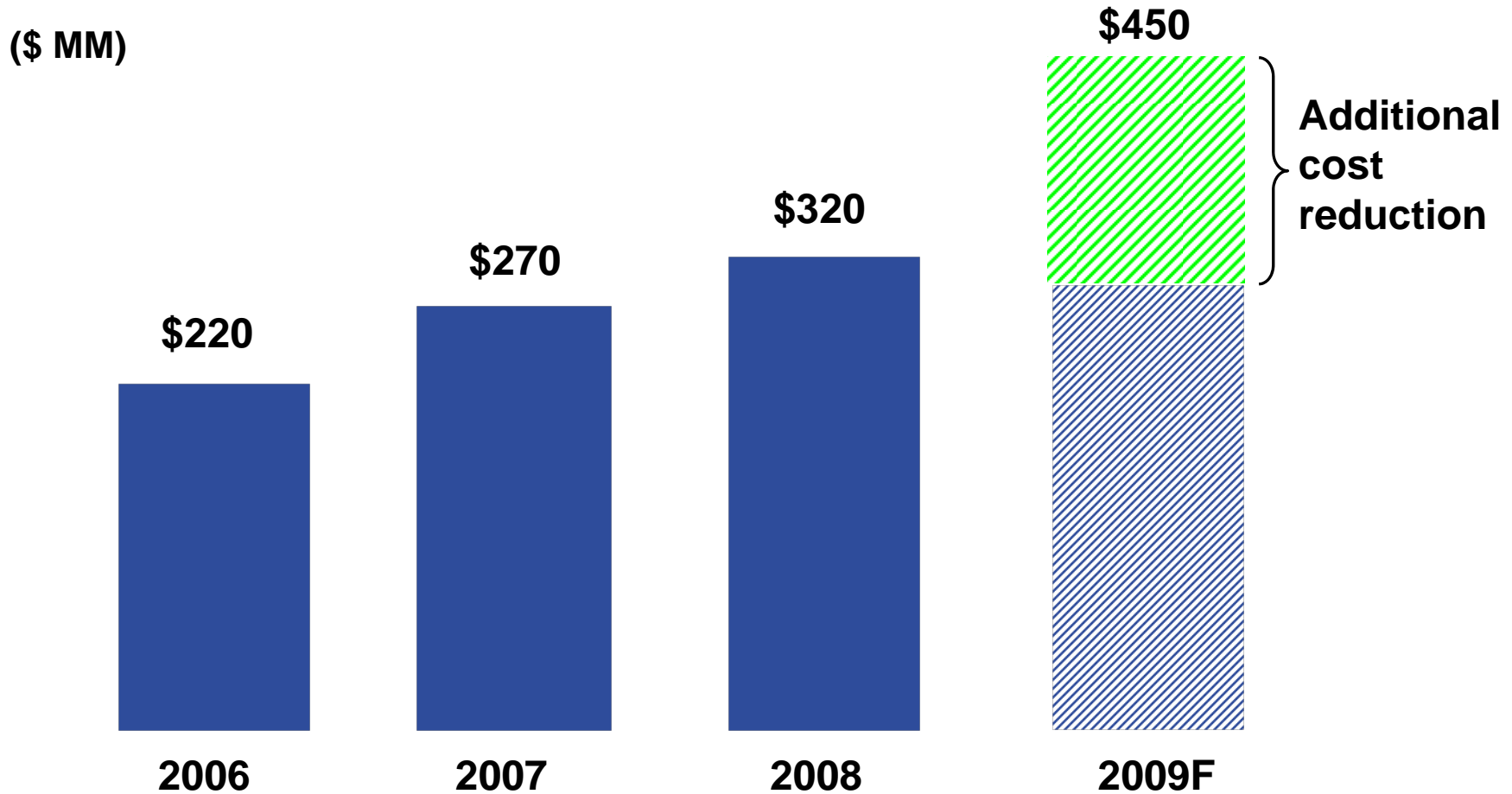
Growth Capex by Region

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



- ◆ Strong project backlog - 42 large on-site projects
- ◆ Project start-ups will drive revenue growth in 2009 to 2011
- ◆ Diverse markets – chemicals, electronics, energy, metals, pulp & paper, glass, and gasification projects
- ◆ Near-term pause in pace of proposal activity

Productivity and Cost Reduction



2009 fixed costs will be lower than 2008

Financial Outlook

First Quarter 2009

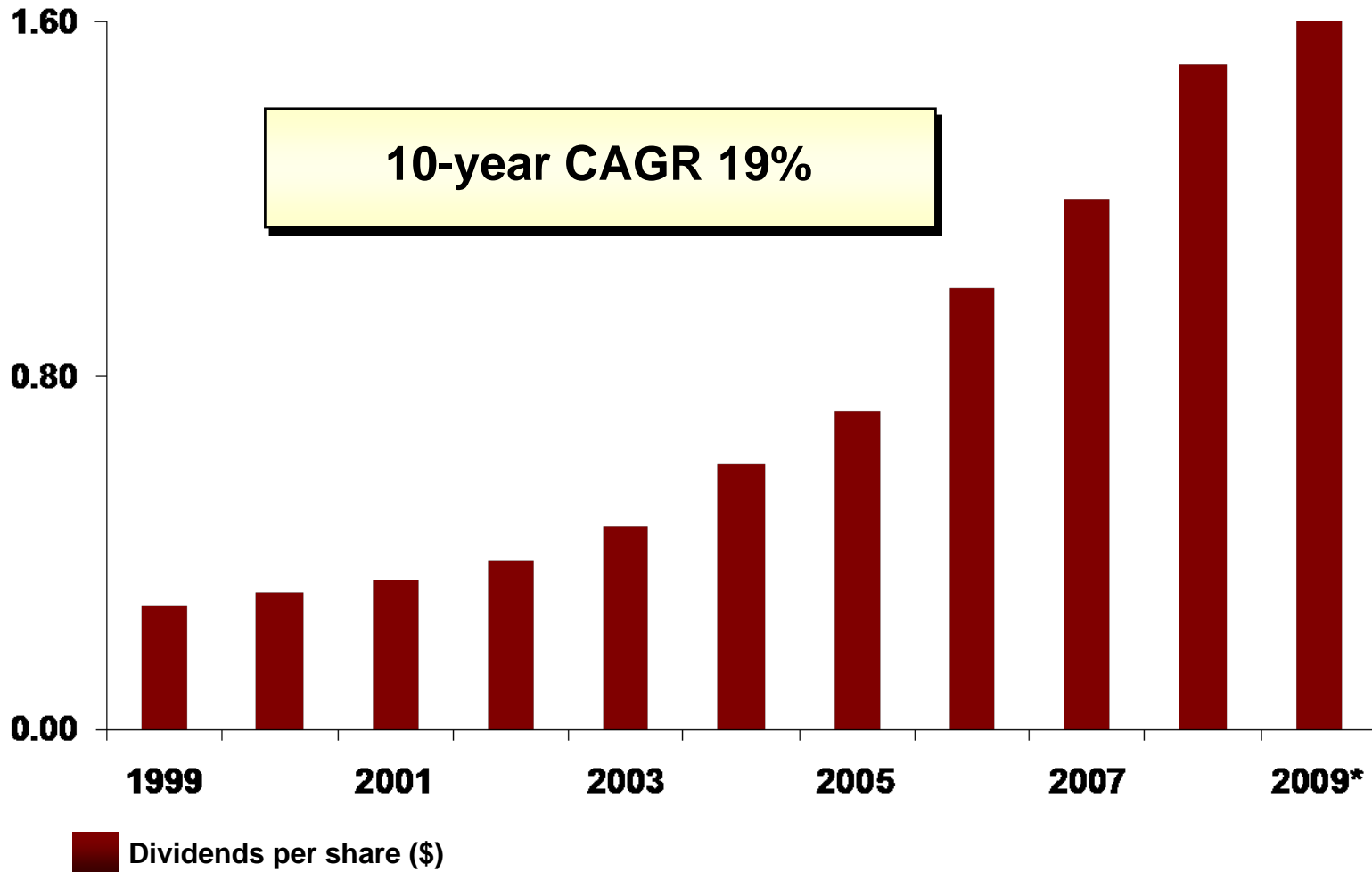
- ◆ Diluted EPS in the range of \$0.90 to \$0.95
 - Assumes negative currency impact of about 8% versus Q1 08, based on current exchange rates

Full Year 2009

- ◆ Sales in the range of \$9.5 billion to \$10 billion
- ◆ Diluted EPS in the range of \$3.80 to \$4.20
- ◆ Tax rate about 28%
- ◆ CAPEX of about \$1.4 billion to \$1.5 billion

*Non-GAAP measures, see appendix.

Dividend Growth



16th consecutive annual increase

*Proforma – assumes Q1 dividend rate for full year 2009

APPENDIX

Global End-Market Trends

Q4 08 YOY Sales Growth⁽¹⁾

Ex-FX and Acq

Energy	+ 21%
Electronics	- 12%
Chemicals	- 5%
Metals	- 17%
Manufacturing	- 6%
Healthcare	- 5%
Aerospace	- 15%
Food and Bev.	- 2%

+ 26%
- 7%
+ 2%
- 9%
- 2%
+ 6%
- 13%
+ 8%

FY 2008 YOY Sales Growth⁽¹⁾

Ex-FX and Acq

+ 28%
+ 11%
+ 14%
+ 9%
+ 18%
+ 5%
- 2%
+ 11%

+ 26%
+ 10%
+ 12%
+ 6%
+ 6%
+ 3%
- 3%
+ 7%

(1) Excluding natural gas pass-through

Non-GAAP Measures (\$MM)

after-tax operating profit that the company was able to generate with the investments made by all parties in the business (debt, minority interests and shareholders' equity).

Adjusted operating profit (a)	\$ 2,077	\$ 491	\$ 544	\$ 543	\$ 499	\$ 1,786	\$ 484	\$ 460	\$ 439	\$ 403
Less: income taxes	(465)	(67)	(139)	(137)	(122)	(419)	(115)	(106)	(103)	(95)
Less: tax benefit on cost reduction program and other charges (b)	(59)	(59)	-	-	-	-	-	-	-	-
Less: tax benefit on pension settlement charge (c)	(6)	-	-	-	(6)	-	-	-	-	-
Less: tax benefit on interest expense	(56)	(14)	(14)	(15)	(13)	(45)	(13)	(11)	(11)	(10)
Add: income from equity investments	36	8	11	8	9	26	13	4	5	4
Net operating profit after-tax (NOPAT)	\$ 1,527	\$ 359	\$ 402	\$ 399	\$ 367	\$ 1,348	\$ 369	\$ 347	\$ 330	\$ 302
Beginning capital		\$ 10,142	\$ 10,584	\$ 10,127	\$ 9,655		\$ 9,120	\$ 8,784	\$ 8,433	\$ 7,943
Ending capital		\$ 9,336	\$ 10,142	\$ 10,584	\$ 10,127		\$ 9,655	\$ 9,120	\$ 8,784	\$ 8,433
Average capital		\$ 9,739	\$ 10,363	\$ 10,356	\$ 9,891		\$ 9,388	\$ 8,952	\$ 8,609	\$ 8,188
Average capital - 5 quarter average (d)	\$ 9,969					\$ 8,787				
ROC %	15.3%	3.7%	3.9%	3.9%	3.7%	15.3%	3.9%	3.9%	3.8%	3.7%
ROC % (annualized)	15.3%	14.7%	15.5%	15.4%	14.8%	15.3%	15.7%	15.5%	15.3%	14.8%

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Adjusted operating profit (a)	\$ 2,077	\$ 491	\$ 544	\$ 543	\$ 499	\$ 1,786	\$ 484	\$ 460	\$ 439	\$ 403
Less: income taxes	(465)	(67)	(139)	(137)	(122)	(419)	(115)	(106)	(103)	(95)
Less: tax benefit on cost reduction program and other charges (b)	(59)	(59)	-	-	-	-	-	-	-	-
Less: tax benefit on pension settlement charge (c)	(6)	-	-	-	(6)	-	-	-	-	-
Less: tax benefit on interest expense	(56)	(14)	(14)	(15)	(13)	(45)	(13)	(11)	(11)	(10)
Add: income from equity investments	36	8	11	8	9	26	13	4	5	4
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Average capital		\$ 9,739	\$ 10,363	\$ 10,356	\$ 9,891		\$ 9,388	\$ 8,952	\$ 8,609	\$ 8,188
Average capital - 5 quarter average (d)	\$ 9,969					\$ 8,787				
ROC %	15.3%	3.7%	3.9%	3.9%	3.7%	15.3%	3.9%	3.9%	3.8%	3.7%
ROC % (annualized)	15.3%	14.7%	15.5%	15.4%	14.8%	15.3%	15.7%	15.5%	15.3%	14.8%

Non-GAAP Measures, cont.

Return on Equity (ROE) - Return on equity is a measure used by investors, financial analysts and management to evaluate operating performance from a Praxair shareholder perspective. ROE measures the net income that the company was able to generate with the money shareholders have invested.

Adjusted net income (a)	\$ 1,336	\$ 314	\$ 355	\$ 349	\$ 318	\$ 1,177	\$ 316	\$ 305	\$ 291	\$ 265
Beginning shareholders' equity		\$ 4,891	\$ 5,671	\$ 5,209	\$ 5,142		\$ 4,862	\$ 4,850	\$ 4,467	\$ 4,554
Ending shareholders' equity		\$ 4,009	\$ 4,891	\$ 5,671	\$ 5,209		\$ 5,142	\$ 4,862	\$ 4,850	\$ 4,467
Average shareholders' equity		\$ 4,450	\$ 5,281	\$ 5,440	\$ 5,176		\$ 5,002	\$ 4,856	\$ 4,659	\$ 4,511
Average shareholders' equity - 5 quarter average (d)	\$ 4,984					\$ 4,775				
ROE %	26.8%	7.1%	6.7%	6.4%	6.1%	24.6%	6.3%	6.3%	6.2%	5.9%
ROE % (annualized)	26.8%	28.2%	26.9%	25.7%	24.6%	24.6%	25.3%	25.1%	25.0%	23.5%

(a) **2008 Adjusted Operating Profit, Net Income and Diluted EPS**

Year	Fourth Quarter	First Quarter
	2008	2008
Reported operating profit	\$ 1,883	\$ 482
Add: cost reduction program and other charges (b)	177	-
Add: pension settlement charge (c)	17	17
Adjusted operating profit	\$ 2,077	\$ 499
Reported 2007 operating profit	\$ 1,786	
Percentage change from 2007	16%	
Reported net income	\$ 1,211	\$ 307
Add: cost reduction program and other charges (b)	114	-
Add: pension settlement charge (c)	11	11
Adjusted net income	\$ 1,336	\$ 318
Reported 2007 net income	\$ 1,177	
Percentage change from 2007	14%	
Diluted weighted average shares	318,302	320,409
Reported diluted EPS	\$ 3.80	\$ 0.96
Add: cost reduction program and other charges (b)	0.37	-
Add: pension settlement charge (c)	0.03	0.03
Adjusted diluted EPS	\$ 4.20	\$ 0.99
Reported 2007 diluted EPS	\$ 3.62	\$ 0.98
Percentage change from 2007	16%	3%

Non-GAAP Measures, cont.

- (b) The 2008 quarter and year-to-date periods include cost reduction program and other charges of \$177 million (\$114 million after-tax and minority interests, or \$0.37 per diluted share) which were previously announced on December 10, 2008. The cost reduction actions include a reduction in workforce of approximately 1,650 employees and the closure or sale of underperforming and non-core product lines and businesses resulting in a pre-tax charge of approximately \$118 million. In addition, a pre-tax charge of approximately \$59 million was recognized primarily related to social tax cases in Brazil.

- (c) 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.

- (d) Effective in 2008, the company changed its methodology for calculating the ROC and ROE to use a five quarter average of the ending capital and shareholders' equity balances, respectively. The company believes using the average ending balances for the previous five quarters more accurately reflects the changes in the capital and shareholders' equity balances over the course of the year. Full year 2007, ROC and ROE calculations have been restated to reflect the current methodology. The methodology used to calculate annualized ROC and ROE on a quarterly basis is unchanged.