

Investor Teleconference Presentation Third Quarter 2011



Praxair, Inc.
October 26, 2011

Forward Looking Statement

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 changes in pension plan liabilities; the impact of tax, environmental, 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 Form 10-K and 10-Q reports 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)	<u>Third Quarter 2011</u>	<u>Second Quarter 2011</u>	<u>Third Quarter 2010</u>
Sales	\$2,896	\$2,858	\$ 2,538
Operating Profit	\$ 632	\$ 627	\$ 551
Operating Margin	21.8%	21.9%	21.7 %
Net Income ⁽¹⁾	\$ 429	\$ 425	\$ 377
Diluted EPS ⁽¹⁾	\$ 1.40	\$ 1.38	\$ 1.21
After – Tax ROC ⁽²⁾	14.8%	14.7%	14.7 %
ROE ⁽²⁾	28.3%	27.1%	26.4 %

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+ 14%	+ 1%
Volume	+ 6%	+ 1%
Price/Mix/Other	+ 3%	--
Cost pass-thru	+ 1%	--
Currency	+ 5%	--
Acq/Div	- 1%	--

- Continued operating leverage

Sales + 14%

OP + 15%

EPS + 16%

- Strong operating cash flow

- Project backlog of \$2.7 billion

(1) Net Income and Diluted EPS attributable to Praxair, Inc. shareholders.

(2) Non-GAAP measures. See Appendix.

North America

(\$MM)	<u>Third Quarter 2011</u>	<u>Second Quarter 2011</u>	<u>Third Quarter 2010</u>
Sales	\$1,427	\$1,371	\$ 1,282
Segment OP	\$ 350	\$ 336	\$ 314
Operating Margin	24.5%	24.5%	24.5%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+11%	+ 4%
Volume	+ 7%	+ 3%
Price/Mix/Other	+ 3%	--
Cost pass-thru	+ 2%	+ 1%
Currency	+ 2%	--
Acq/Div	- 3%	--

- Energy sales robust YoY and seq
 - Refinery Hydrogen
 - Fracking and EOR
- Sales to metals and chemicals markets strong YoY; modest sequentially softening
- Packaged gas same store sales +14% YoY; strong recovery in manufacturing
- Effective implementation of price increases to offset inflation and power cost

Europe

(\$MM)	<u>Third Quarter 2011</u>	<u>Second Quarter 2011</u>	<u>Third Quarter 2010</u>
Sales	\$358	\$367	\$322
Segment OP	\$ 65	\$ 69	\$ 59
Operating Margin	18.2%	18.8%	18.3%
	<u>YOY</u>	<u>Q3 vs Q2</u>	
Sales Growth	+ 11%	- 2%	
Volume	- 3%	- 3%	
Price/Mix/Other	--	--	
Cost pass-thru	+ 1%	--	
Currency	+ 13%	+ 1%	

- Continued strength in Germany, particularly manufacturing, metals and chemicals
- Spain and Italy decline sequentially from seasonality and delayed recovery in manufacturing and construction
- In October, increased ownership of Yara joint venture from 50% to 66%

South America

(\$MM)	<u>Third Quarter 2011</u>	<u>Second Quarter 2011</u>	<u>Third Quarter 2010</u>
Sales	\$607	\$611	\$ 506
Segment OP	\$140	\$139	\$117
Operating Margin	23.1%	22.7%	23.1%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+ 20%	- 1%
Volume	+ 8%	+ 1%
Price/Mix/Other	+ 5%	--
Cost pass-thru	+ 1%	--
Currency	+ 6%	- 2%

- YoY volume growth across all markets
- Merchant and packaged gas volumes up vs 2Q11 primarily due to manufacturing markets
- Sequential on-site sales impacted by deceleration in steel export volumes.
- Strong pipeline of new project activity

Asia

(\$MM)	<u>Third Quarter 2011</u>	<u>Second Quarter 2011</u>	<u>Third Quarter 2010</u>
Sales	\$341	\$341	\$287
Segment OP	\$ 51	\$56	\$38
Operating Margin	15.0%	16.4%	13.2 %

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+ 19%	--
Volume	+ 12%	+ 2%
Price/Mix/Other	+ 1%	- 1%
Cost pass-thru	+ 1%	- 1%
Currency	+ 5%	--

- Strong volume growth YoY due to merchant growth across the region and new plant start-ups in China & India
- Electronics sales and margins weaker sequentially
- Q3 operating profit margin also impacted by seasonally higher power costs in Korea
- \$1 billion project backlog in China, India and Korea for chemicals, energy, manufacturing, metals and electronics markets

Surface Technologies

(\$MM)	<u>Third Quarter 2011</u>	<u>Second Quarter 2011</u>	<u>Third Quarter 2010</u>
Sales	\$163	\$168	\$141
Segment OP	\$ 26	\$27	\$ 23
Operating Margin	16.0%	16.1%	16.3%

- Sales + 10%, ex-FX
- Growth in coatings to energy market for industrial gas turbines and oil field service components
- Industrial coatings slowing in Europe but stable in the U.S.
- Backlog of jet engine EBPVD orders continues to grow

Global End-Market Trends

Q3 11 Organic Sales Growth

	<u>YOY</u>	<u>Vs. Q2 11</u>	
Energy	+ 19%	+14%	Hydrogen volumes up sequentially and YOY. Fracking and OWS strong in Q3
Electronics	+ 6%	- 1%	Slowing semiconductor demand, lower pricing
Chemicals	+ 14%	+ 3%	Global growth YoY; sequential growth in North America partially offset by softening in Europe
Metals	+ 15%	- 3%	Sequential decline due to slowing in Europe and North America
Manufacturing	+ 12%	+ 1%	Strong packaged and merchant growth in North America, offset by European weakness and Q3 seasonality
Healthcare	+ 3%	- 1%	Stable growth in North and South America offset by Europe
Aerospace	--	- 5%	Growth in PST offset by end of Space Shuttle Program
Food and Bev.	+ 1%	- 1%	South America seasonality

Financial Outlook

Fourth Quarter 2011

- Diluted EPS in the range of \$1.33 to \$1.38*
 - Anticipated sequential negative currency impact of about 5 cents as compared to Q3

Full Year 2011

- Sales in the area of \$11.2 billion
- Diluted EPS in the range of \$5.40 to \$5.45*
- Tax rate about 28%
- CAPEX of approximately \$1.8 billion

* Excludes gain on Yara Praxair acquisition and any potential restructuring costs

Appendix

Non-GAAP Measures (\$MM)

The following non-GAAP measures are intended to supplement investors' understanding of the company's financial information by providing measures which investors, financial analysts and management use to help evaluate the company's financing leverage, return on net assets employed and operating performance. Items which the company does not believe to be indicative of on-going business trends are excluded from these calculations so that investors can better evaluate and analyze historical and future business trends on a consistent basis. Definitions of these non-GAAP measures may not be comparable to similar definitions used by other companies and are not a substitute for similar GAAP measures. Adjusted amounts exclude the impact of the 2010 fourth quarter Spanish income tax settlement, business divestiture and repatriation tax benefit which helps investors understand underlying performance on a comparable basis.

	2011			2010			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Debt to Capital Ratio - The debt-to-capital ratio is a measure used by investors, financial analysts and management to provide a measure of financial leverage and insights into how the company is financing its operations.							
Total debt	\$ 6,310	\$ 6,119	\$ 5,838	\$ 5,557	\$ 5,077	\$ 5,026	\$ 5,404
Equity:							
Praxair, Inc. shareholders' equity	5,753	6,400	6,165	5,792	5,991	5,452	5,398
Noncontrolling interests	368	370	372	353	339	315	332
Total equity	6,121	6,770	6,537	6,145	6,330	5,767	5,730
Total Capital	\$ 12,431	\$ 12,889	\$ 12,375	\$ 11,702	\$ 11,407	\$ 10,793	\$ 11,134
Debt-to-capital ratio	50.8%	47.5%	47.2%	47.5%	44.5%	46.6%	48.5%
After-tax return on Capital (ROC) - After-tax return on capital is a measure used by investors, financial analysts and management to evaluate the return on net assets employed in the business. ROC measures the after-tax operating profit that the company was able to generate with the investments made by all parties in the business (debt, noncontrolling interests and							
Operating profit (a)	\$ 632	\$ 627	\$ 591	\$ 563	\$ 551	\$ 547	\$ 506
Less: income taxes (a)	(166)	(163)	(156)	(149)	(146)	(145)	(132)
Less: tax benefit on interest expense	(10)	(10)	(10)	(8)	(8)	(8)	(9)
Add: income from equity investments	13	11	9	11	12	8	7
Net operating profit after-tax (NOPAT)	\$ 469	\$ 465	\$ 434	\$ 417	\$ 409	\$ 402	\$ 372
Beginning capital	\$ 12,889	\$ 12,375	\$ 11,702	\$ 11,407	\$ 10,793	\$ 11,134	\$ 10,703
Ending capital	\$ 12,431	\$ 12,889	\$ 12,375	\$ 11,702	\$ 11,407	\$ 10,793	\$ 11,134
Average capital	\$ 12,660	\$ 12,632	\$ 12,039	\$ 11,555	\$ 11,100	\$ 10,964	\$ 10,919
Average capital - 5 quarter average							
ROC %	3.7%	3.7%	3.6%	3.6%	3.7%	3.7%	3.4%
ROC % (annualized)	14.8%	14.7%	14.4%	14.4%	14.7%	14.7%	13.6%

Non-GAAP Measures, cont.

Return on Praxair, Inc. Shareholder's equity (ROE) - Return on Praxair, Inc. shareholders' 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 attributable to Praxair, Inc. that the company was able to generate with the money shareholders have invested.

	2011			2010			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income - Praxair, Inc. (a)	\$ 429	\$ 425	\$ 398	\$ 388	\$ 377	\$ 371	\$ 340
Beginning Praxair, Inc. shareholders' equity	\$ 6,400	\$ 6,165	\$ 5,792	\$ 5,991	\$ 5,452	\$ 5,398	\$ 5,315
Ending Praxair, Inc. shareholders' equity	\$ 5,753	\$ 6,400	\$ 6,165	\$ 5,792	\$ 5,991	\$ 5,452	\$ 5,398
Average Praxair, Inc. shareholders' equity	\$ 6,077	\$ 6,283	\$ 5,979	\$ 5,892	\$ 5,722	\$ 5,425	\$ 5,357
ROE %	7.1%	6.8%	6.7%	6.6%	6.6%	6.8%	6.3%
ROE % (annualized)	28.3%	27.1%	26.6%	26.4%	26.4%	27.4%	25.4%

Adjusted EBITDA and Debt-to-Adjusted EBITDA Ratio - These measures are used by investors, financial analysts and management to assess a company's ability to meet it's financial obligations.

Net income - Praxair, Inc. (a)	\$ 429	\$ 425	\$ 398	\$ 388	\$ 377	\$ 371	\$ 340
Add: noncontrolling interests	14	14	11	9	11	10	9
Add: interest expense - net	36	36	35	28	29	29	32
Add: income taxes (a)	166	163	156	149	146	145	132
Add: depreciation and amortization	256	254	244	240	227	230	228
Adjusted EBITDA	<u>\$ 901</u>	<u>\$ 892</u>	<u>\$ 844</u>	<u>\$ 814</u>	<u>\$ 790</u>	<u>\$ 785</u>	<u>\$ 741</u>
Beginning total debt	\$ 6,119	\$ 5,838	\$ 5,557	\$ 5,077	\$ 5,026	\$ 5,404	\$ 5,055
Ending total debt	\$ 6,310	\$ 6,119	\$ 5,838	\$ 5,557	\$ 5,077	\$ 5,026	\$ 5,404
Average total debt	\$ 6,215	\$ 5,979	\$ 5,698	\$ 5,317	\$ 5,052	\$ 5,215	\$ 5,230
Debt-to-adjusted EBITDA ratio	6.9	6.7	6.8	6.5	6.4	6.6	7.1
Debt-to-adjusted EBITDA ratio (annualized)	1.7	1.7	1.7	1.6	1.6	1.7	1.8

Non-GAAP Measures, cont.

(a) The following table presents adjusted amounts for Operating Profit and Operating Profit Margin, Income Taxes, Effective Tax Rate, Net income - Praxair, Inc., and Diluted EPS for the First and Fourth Quarter of 2010 and percentage change in Diluted EPS Guidance for the full year 2011. Certain 2011 amounts are included for reference purposes.

	Fourth Quarter 2010	First Quarter 2010
<u>Adjusted Operating Profit and Operating Profit Margin *</u>		
Reported operating profit	\$ 505	\$ 479
Add: U.S. Homecare divestiture	58	-
Add: Venezuela currency devaluation	-	27
Adjusted operating profit	<u>\$ 563</u>	<u>\$ 506</u>
Reported sales	\$ 2,623	\$ 2,428
Adjusted operating profit margin	21%	21%
<u>Adjusted Income Taxes *</u>		
Reported income taxes	\$ 346	\$ 131
Less: Spanish income tax settlement	(250)	-
Add: U.S. Homecare divestiture	18	-
Add: Repatriation tax benefit	35	-
Add: Venezuela currency devaluation	-	1
Total adjustments	<u>(197)</u>	<u>1</u>
Adjusted income taxes	<u>\$ 149</u>	<u>\$ 132</u>
<u>Adjusted Effective Tax Rate *</u>		
Reported income before income taxes and equity investments	\$ 477	\$ 447
Add: U.S. Homecare divestiture	58	-
Add: Venezuela currency devaluation	-	27
Adjusted income before income taxes and equity investments	<u>\$ 535</u>	<u>\$ 474</u>
Adjusted income taxes (above)	\$ 149	\$ 132
Adjusted effective tax rate	28%	28%
<u>Adjusted Net Income - Praxair, Inc. *</u>		
Reported net income - Praxair, Inc.	\$ 133	\$ 314
Add: Spanish income tax settlement	250	-
Add: U.S. Homecare divestiture	40	-
Less: Repatriation tax benefit	(35)	-
Add: Venezuela currency devaluation and other charges (b)	-	26
Total adjustments	<u>255</u>	<u>26</u>
Adjusted net income - Praxair, Inc.	<u>\$ 388</u>	<u>\$ 340</u>

Non-GAAP Measures, cont.

Adjusted Diluted EPS *

Diluted weighted average shares
Reported diluted EPS
Add: Spanish income tax settlement
Add: U.S. Homecare divestiture
Less: Repatriation tax benefit
Add: Venezuela currency devaluation
Total adjustments
Adjusted diluted EPS

<u>Fourth Quarter</u>	<u>First Quarter</u>
2010	2010
310,733	311,159
\$ 0.43	\$ 1.01
0.80	-
0.13	-
(0.11)	-
-	0.08
<u>0.82</u>	<u>0.08</u>
<u>\$ 1.25</u>	<u>\$ 1.09</u>

Percentage Change in Adjusted Fourth Quarter and Full Year 2011 Diluted EPS Guidance *

	<u>Fourth Quarter 2011</u>		<u>Full Year 2011</u>	
	<u>Low End</u>	<u>High End</u>	<u>Low End</u>	<u>High End</u>
2011 diluted EPS guidance **	\$ 1.33	\$ 1.38	\$ 5.40	\$ 5.45
Reported 2010 diluted EPS	0.43	0.43	3.84	3.84
Add: Spanish income tax settlement	0.80	0.80	0.80	0.80
Add: Business divestiture	0.13	0.13	0.13	0.13
Less: Repatriation tax benefit	(0.11)	(0.11)	(0.11)	(0.11)
Add: Venezuela currency devaluation			0.08	0.08
Total adjustments	<u>0.82</u>	<u>0.82</u>	<u>0.90</u>	<u>0.90</u>
2010 Adjusted diluted EPS *	<u>\$ 1.25</u>	<u>\$ 1.25</u>	<u>\$ 4.74</u>	<u>\$ 4.74</u>
Percentage change from 2010	6%	10%	14%	15%

* Adjusted for non-GAAP adjustments to eliminate the impact of (i) 2010 fourth quarter U.S. Homecare divestiture charge; (ii) 2010 fourth quarter Spanish income tax settlement; (iii) 2010 fourth quarter repatriation tax benefit and (iv) 2010 first quarter Venezuela currency devaluation. See Praxair's 2010 Annual Report on Form 10-K for additional information.

** Excludes gain on Yara Praxair acquisition and any potential restructuring costs.