



# **Investor Teleconference Presentation Fourth Quarter 2010**

**January 26, 2011**

# 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 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.**

# Full Year Results

(\$MM)	<u>2010<sup>(1)</sup></u>	<u>2009<sup>(1)</sup></u>	<u>Δ%</u>		<u>YOY</u>
<b>Sales</b>	<b>\$10,116</b>	<b>\$ 8,956</b>	<b>+13%</b>	<b>Sales Growth</b>	<b>13%</b>
<b>Adj. Operating Profit</b>	<b>\$2,167</b>	<b>\$1,881</b>	<b>+ 15%</b>	<b>Volume</b>	<b>+ 9%</b>
<b>Adj. Operating Margin</b>	<b>21.4%</b>	<b>21.0%</b>	<b>+ 40 bp</b>	<b>Price/Mix/Other</b>	<b>0%</b>
<b>Adj. Net Income<sup>(2)</sup></b>	<b>\$1,476</b>	<b>\$1,247</b>	<b>+ 18%</b>	<b>Cost Pass-thru</b>	<b>+ 1%</b>
<b>Adj. Diluted EPS<sup>(2)</sup></b>	<b>\$ 4.74</b>	<b>\$ 3.99</b>	<b>+ 19%</b>	<b>Currency</b>	<b>+ 2%</b>
<b>After-Tax ROC<sup>(1)</sup></b>	<b>14.4%</b>	<b>13.8%</b>		<b>Acq/Div</b>	<b>+ 1%</b>
<b>ROE<sup>(1)</sup></b>	<b>26.4%</b>	<b>27.0%</b>			

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- ◆ **Volume growth in all geographies**
- ◆ **Strong operating leverage**
- ◆ **Increased dividends and share purchases**

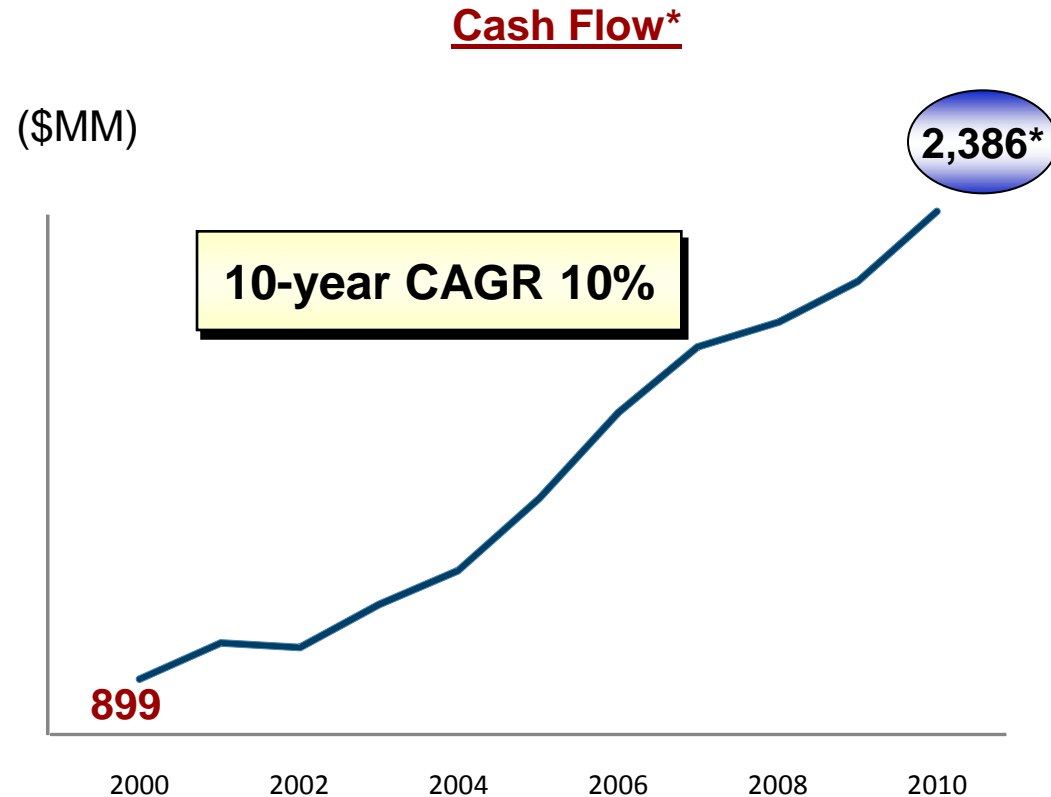
(1) Non-GAAP measures, other than sales. 2010 adjusted amounts exclude the Q1 10 charge related to the Venezuela currency devaluation and the Q4 10 Spain income tax settlement and other charges. 2009 adjusted amounts exclude Q3 09 Brazil tax amnesty program and other charges. See Appendix.

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

# Strong Cash Flow Generation

## Uses of Cash in 2010

- ◆ Capex of \$1,388MM supports strong on-site backlog
- ◆ Acquisitions \$148MM
  - ROC joint venture in the Middle East
- ◆ Net share repurchases \$404MM
  - Completed \$456MM of \$1.5B share buy-back program announced in Q3 10
- ◆ Dividends \$551MM
  - Increased quarterly dividend by 11% in Q1 11



\* Non-GAAP measure. Cash flow generated equals operating cash flow of 1,905MM adjusted by (481MM) for Q4 10 Spanish income tax settlement

# Fourth Quarter Results

	Adj. Fourth Quarter <u>2010<sup>(2)</sup></u>	Third Quarter <u>2010</u>	Fourth Quarter <u>2009</u>		<u>YOY</u>	<u>Q4 vs Q3</u>
(\$MM)				Sales Growth	+ 9%	+ 3%
Sales	\$2,623	\$2,538	\$2,407	Volume	+ 8%	+ 2%
Operating Profit	\$ 563	\$ 551	\$ 512	Cost pass-thru	+ 1%	- 1%
Operating Margin	21.5%	21.7%	21.3%	Currency	0%	+ 2%
Net Income <sup>(1)</sup>	\$ 388	\$ 377	\$ 340	Acq/Div	0%	0%
Diluted EPS <sup>(1)</sup>	\$ 1.25	\$ 1.21	\$ 1.09			
After-Tax ROC <sup>(2)</sup>	14.4%	14.7%	14.1%	◆ Sequentially stronger than Q3		
ROE <sup>(2)</sup>	26.4%	26.4%	26.2%	◆ Continued recovery in North America packaged gases, stronger refinery hydrogen		
				◆ Strong merchant and on-site volume growth in Asia		

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

(2) Non-GAAP measures, other than sales. Q4 10 amounts are adjusted to exclude the Spain income tax settlement and other charges. See Appendix.

# North America

(\$MM)	Fourth Quarter <u>2010</u>	Third Quarter <u>2010</u>	Fourth Quarter <u>2009</u>
Sales	\$1,310	\$1,282	\$1,180
Segment OP	\$ 311	\$ 314	\$ 261
Operating Margin	23.7%	24.5%	22.1%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+ 11%	+ 2%
Volume	+ 9%	+ 2%
Cost pass-thru	+ 1%	- 1%
Currency	+ 1%	+ 1%

- ◆ Growth improving sequentially
- ◆ On-site volumes +10% YOY and +4% sequentially
- ◆ Merchant sales +13% YOY
  - Improved pricing
  - Canada frac volumes picking up
  - Sequential improvement of 3% excluding CO<sub>2</sub> seasonality
  - Capacity utilization up to 80%
- ◆ Packaged gases sales +9% YOY and +2% sequentially
- ◆ Mexico sales +10% YOY, ex-FX, stronger demand from auto, glass, steel customers

# Europe

(\$MM)	<u>Fourth Quarter 2010</u>	<u>Third Quarter 2010</u>	<u>Fourth Quarter 2009</u>
Sales	\$339	\$322	\$351
Segment OP	\$ 68	\$ 59	\$ 76
Operating Margin	20.1%	18.3%	21.7%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	- 3%	+ 5%
Volume	+ 4%	- 1%
Price/Mix/Other	0%	- 1%
Cost pass-thru	+ 1%	0%
Currency	- 9%	+ 6%
Acq/Div	+ 1%	+ 1%

- ◆ Ex-FX, +6% YOY on 4% volume growth
- ◆ Higher YOY sales to chemicals and metals markets
- ◆ Strong volume growth in Germany – on-site and merchant
- ◆ Growth in merchant volumes in Southern Europe, packaged gases still lagging
- ◆ Established presence in Russia and Middle East – 3 project wins, active business development

# South America

(\$MM)	<u>Fourth Quarter 2010</u>	<u>Third Quarter 2010</u>	<u>Fourth Quarter 2009</u>
Sales	\$516	\$506	\$ 461
Segment OP	\$114	\$117	\$ 111
Operating Margin	22.1%	23.1%	24.1%

- ◆ Strong YOY growth in on-site, merchant and packaged gases, higher sales across all end markets
- ◆ Merchant volumes up vs. Q3 10, offset by seasonally lower packaged gases
- ◆ Margin temporarily impacted by significantly higher power costs and lag effect in pass-through
- ◆ Strong new project activity

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+ 12%	+ 2%
Volume	+ 9%	- 1%
Price/Mix/Other	+ 2%	0%
Currency	+ 1%	+ 3%



# Asia

(\$MM)	<u>Fourth Quarter 2010</u>	<u>Third Quarter 2010</u>	<u>Fourth Quarter 2009</u>
Sales	\$308	\$287	\$274
Segment OP	\$ 50	\$ 38	\$ 42
Operating Margin	16.2%	13.2%	15.3%

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+ 12%	+ 7%
Volume	+16%	+ 5%
Cost pass-thru	+ 2%	0%
Currency	+ 3%	+ 2%
Equipment	- 9%	0%

- ◆ Strong volume growth YOY due to new plant start-ups and merchant growth in China, India and Korea
- ◆ Sequential growth in both merchant and on-site volumes
- ◆ Sales growth broad-based across all end markets
- ◆ Positive merchant pricing trends, offset by lower pricing for electronic specialty and rare gases
- ◆ Strong and growing business development pipeline in China

# Surface Technologies

(\$MM)	Fourth Quarter <u>2010</u>	Third Quarter <u>2010</u>	Fourth Quarter <u>2009</u>
Sales	\$150	\$141	\$141
Segment OP	\$ 20	\$ 23	\$ 22
Operating Margin	13.3%	16.3%	15.6%

- ◆ Sales + 9% YOY, ex-FX
- ◆ Improving demand for jet engine coatings, particularly EBPVD
- ◆ Industrial gas turbines weak due to customer production slowdown
- ◆ Industrial coatings strength in US and weakening in Europe
- ◆ New project activity in India and China
- ◆ OPM impacted by pension settlement and restructuring costs

# Global End-Market Trends

## Q4 10 Organic Sales Growth

	<u>YOY</u>	<u>Vs. Q3 10</u>	
Energy	+ 15%	+ 9%	Strong refinery hydrogen volumes
Electronics	+ 19%	+ 6%	Strong growth continuing, particularly in solar
Chemicals	+ 9%	+ 2%	Continued growth globally
Metals	+ 10%	0%	Growth in Asia, offset by sequential volume reductions in Brazil
Manufacturing	+ 10%	+ 1%	Improving trends, particularly in North America
Healthcare	+ 2%	- 1%	Strong growth in South America, offset by US homecare
Aerospace	+ 9%	+ 3%	Jet engine coatings and higher sales for NASA
Food and Bev.	+ 10%	+ 1%	Growth in South America, seasonally lower beverage sales in North America

# Financial Outlook

## First Quarter 2011

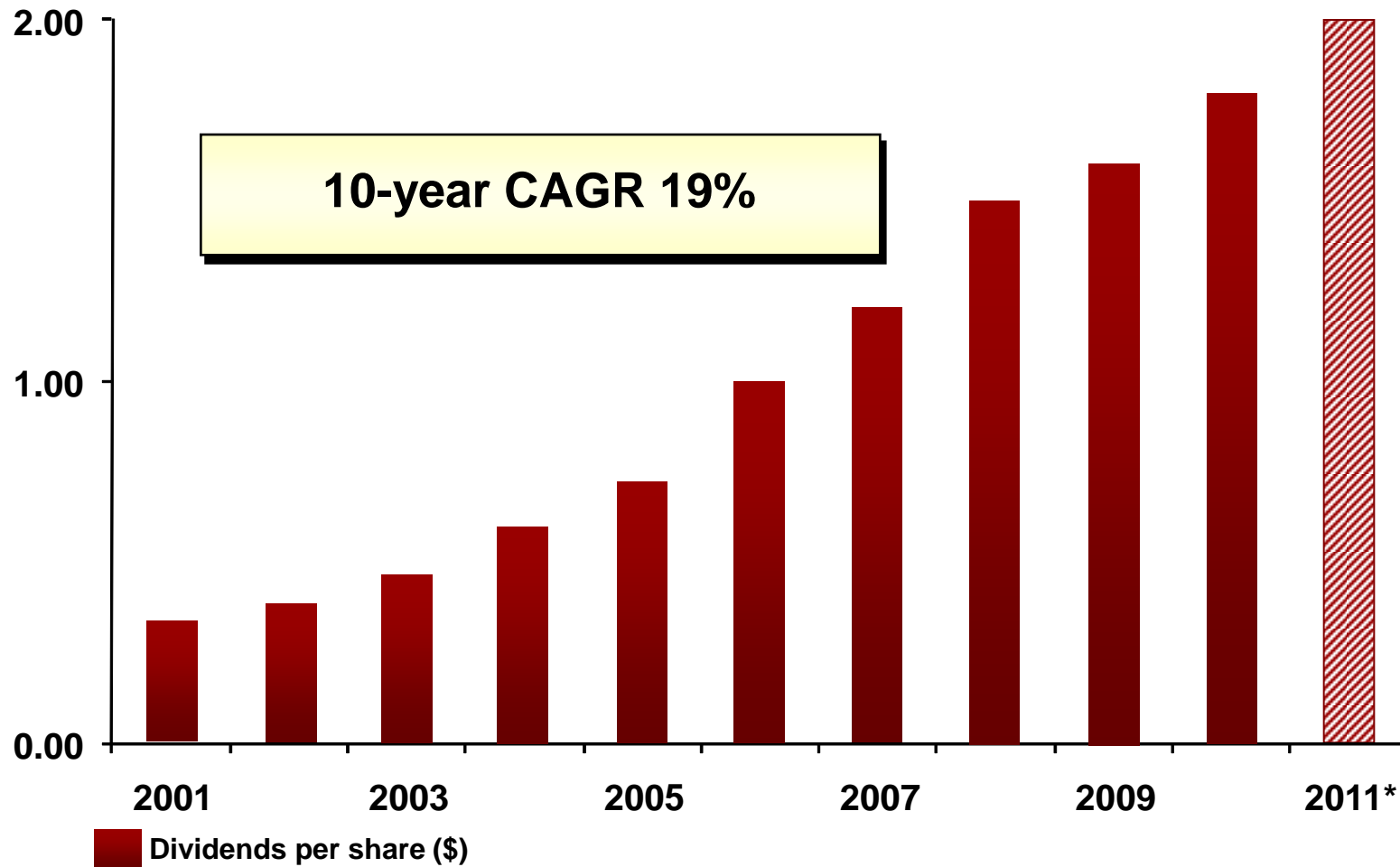
- ◆ Diluted EPS in the range of \$1.23 to \$1.28

## Full Year 2011

- ◆ Sales in the area of \$11 billion
- ◆ Diluted EPS in the range of \$5.25 to \$5.40
- ◆ Tax rate about 28%
- ◆ CAPEX in the range of \$1.5-1.8 billion

# APPENDIX

# Dividend Growth



**18<sup>th</sup> consecutive annual increase**

\*Proforma – assumes Q1 dividend rate for full year 2011

# Global End-Market Trends

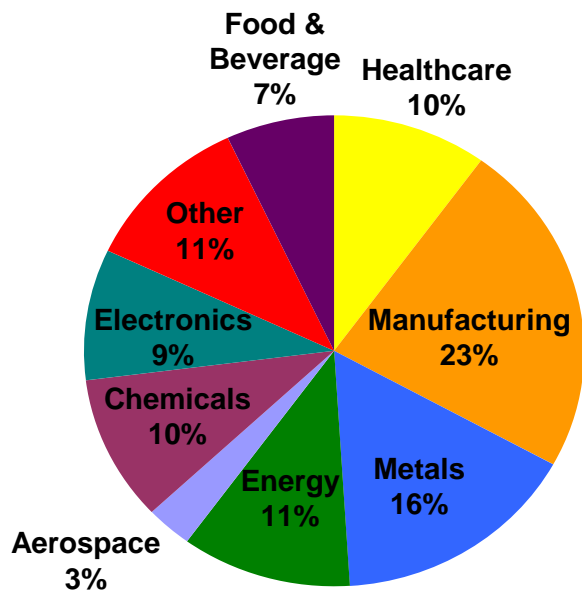
## FY 2010 YOY Sales Growth

		<u>Ex-FX, Acq</u>
Energy <sup>(1)</sup>	+ 5%	+ 2%
Electronics	+ 33%	+ 32%
Chemicals	+ 15%	+ 14%
Metals	+ 22%	+ 18%
Manufacturing	+ 13%	+ 9%
Healthcare	+ 4%	+ 2%
Aerospace	+ 7%	+ 1%
Food and Bev.	+ 9%	+ 7%

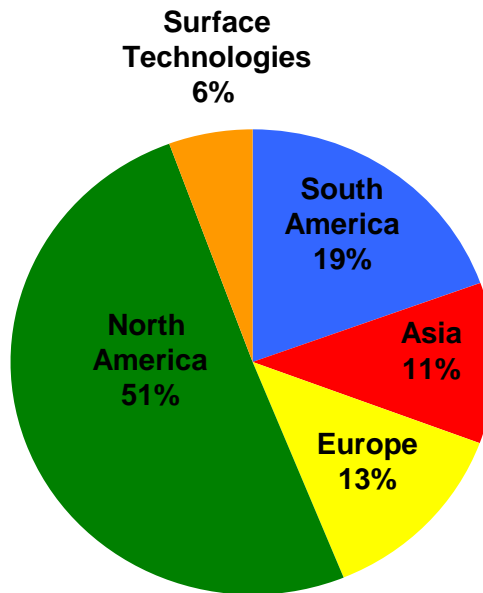
(1) Excluding natural gas pass-through

# 2010 Sales Breakdown

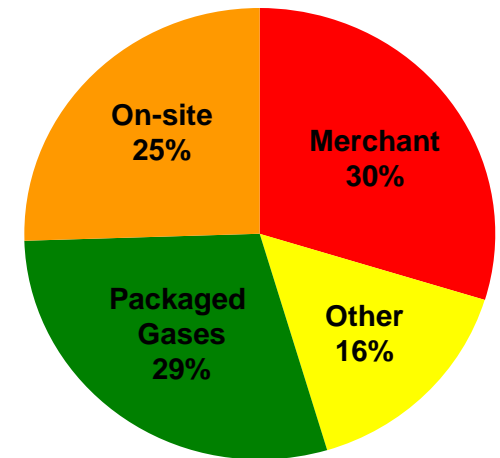
## End Markets



## Geographies



## Distribution Method





## 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 and the first quarter Venezuela currency devaluation and the 2009 third quarter Brazil tax amnesty program and other charges which helps investors understand underlying performance on a comparable basis.

	2010					2009				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
<b>Debt to Capital Ratio</b> - 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	\$ 5,557	\$ 5,557	\$ 5,077	\$ 5,026	\$ 5,404	\$ 5,055	\$ 5,055	\$ 5,235	\$ 5,107	\$ 5,045
Equity:										
Praxair, Inc. shareholders' equity	5,792	5,792	5,991	5,452	5,398	5,315	5,315	5,085	4,638	4,073
Noncontrolling interests	353	353	339	315	332	333	333	322	308	302
Total equity	6,145	6,145	6,330	5,767	5,730	5,648	5,648	5,407	4,946	4,375
Total Capital	\$ 11,702	\$ 11,702	\$ 11,407	\$ 10,793	\$ 11,134	\$ 10,703	\$ 10,703	\$ 10,642	\$ 10,053	\$ 9,420
Debt to capital ratio	47.5%	47.5%	44.5%	46.6%	48.5%	47.2%	47.2%	49.2%	50.8%	53.6%
<b>After-tax return on Capital (ROC)</b> - 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 Praxair, Inc. shareholders' equity).										
Adjusted operating profit (a)	\$ 2,167	\$ 563	\$ 551	\$ 547	\$ 506	\$ 1,881	\$ 512	\$ 480	\$ 447	\$ 442
Less: adjusted income taxes (a)	(572)	(149)	(146)	(145)	(132)	(482)	(133)	(126)	(109)	(114)
Less: tax benefit on interest expense	(33)	(8)	(8)	(8)	(9)	(37)	(9)	(9)	(9)	(10)
Add: income from equity investments	38	11	12	8	7	24	6	7	6	5
Net operating profit after-tax (NOPAT)	\$ 1,600	\$ 417	\$ 409	\$ 402	\$ 372	\$ 1,386	\$ 376	\$ 352	\$ 335	\$ 323
Beginning capital		\$ 11,407	\$ 10,793	\$ 11,134	\$ 10,703		\$ 10,642	\$ 10,053	\$ 9,420	\$ 9,336
Ending capital		\$ 11,702	\$ 11,407	\$ 10,793	\$ 11,134		\$ 10,703	\$ 10,642	\$ 10,053	\$ 9,420
Average capital		\$ 11,555	\$ 11,100	\$ 10,964	\$ 10,919		\$ 10,673	\$ 10,348	\$ 9,737	\$ 9,378
Average capital - 5 quarter average	\$ 11,148					\$ 10,031				
ROC %	14.4%	3.6%	3.7%	3.7%	3.4%	13.8%	3.5%	3.4%	3.4%	3.4%
<b>ROC % (annualized)</b>	14.4%	14.4%	14.7%	14.7%	13.6%	13.8%	14.1%	13.6%	13.8%	13.8%

# 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.

Adjusted net income - Praxair, Inc. (a)	\$ 1,476	\$ 388	\$ 377	\$ 371	\$ 340	\$ 1,247	\$ 340	\$ 318	\$ 299	\$ 290
Beginning Praxair, Inc. shareholders' equity		\$ 5,991	\$ 5,452	\$ 5,398	\$ 5,315		\$ 5,085	\$ 4,638	\$ 4,073	\$ 4,009
Ending Praxair, Inc. shareholders' equity		\$ 5,792	\$ 5,991	\$ 5,452	\$ 5,398		\$ 5,315	\$ 5,085	\$ 4,638	\$ 4,073
Average Praxair, Inc. shareholders' equity		\$ 5,892	\$ 5,722	\$ 5,425	\$ 5,357		\$ 5,200	\$ 4,862	\$ 4,356	\$ 4,041
Average Praxair shareholders' equity - 5 quarter average	\$ 5,590					\$ 4,624				
ROE %	26.4%	6.6%	6.6%	6.8%	6.3%	27.0%	6.5%	6.5%	6.9%	7.2%
<b>ROE % (annualized)</b>	<b>26.4%</b>	<b>26.4%</b>	<b>26.4%</b>	<b>27.4%</b>	<b>25.4%</b>	<b>27.0%</b>	<b>26.2%</b>	<b>26.2%</b>	<b>27.5%</b>	<b>28.7%</b>

(a) **Adjusted Operating Profit and Operating Profit Margin, Income Taxes, Effective Tax Rate, Net income - Praxair, Inc., and Diluted EPS**

	Year 2010	Fourth Quarter 2010	First Quarter 2010	Year 2009	Third Quarter 2009
<b>Adjusted Operating Profit and Operating Profit Margin</b>					
Reported operating profit	\$ 2,082	\$ 505	\$ 479	\$ 1,575	\$ 174
Add: Business divestiture	58	58	-	-	-
Add: Venezuela currency devaluation	27	-	27	-	-
Add: Brazil tax amnesty program and other charges	-	-	-	306	306
Total adjustments	85	58	27	306	306
Adjusted operating profit	<u>\$ 2,167</u>	<u>\$ 563</u>	<u>\$ 506</u>	<u>\$ 1,881</u>	<u>\$ 480</u>
Reported 2009 fourth quarter operating profit		\$ 512			
Percentage change from 2009 fourth quarter		10%			
Percentage change from 2009 year	15%				
Reported sales	\$ 10,116	\$ 2,623	\$ 2,428	\$ 8,956	\$ 2,288
Adjusted operating profit margin	21.4%	21.5%	20.8%	21.0%	21.0%
<b>Adjusted Income Taxes</b>					
Reported income taxes	\$ 768	\$ 346	\$ 131	\$ 169	\$ (187)
Less: Spanish income tax settlement	(250)	(250)	-	-	-
Add: Business divestiture	18	18	-	-	-
Add: Repatriation tax benefit	35	35	-	-	-
Add: Venezuela currency devaluation	1	-	1	-	-
Add: Brazil tax amnesty program and other charges	-	-	-	313	313
Total adjustments	(196)	(197)	1	313	313
Adjusted income taxes	<u>\$ 572</u>	<u>\$ 149</u>	<u>\$ 132</u>	<u>\$ 482</u>	<u>\$ 126</u>
<b>Adjusted Effective Tax Rate</b>					
Reported income before income taxes and equity investments	\$ 1,964	\$ 477	\$ 447	\$ 1,442	\$ 142
Add: Business divestiture	58	58	-	-	-
Add: Venezuela currency devaluation	27	-	27	-	-
Add: Brazil tax amnesty program and other charges	-	-	-	306	306
Total adjustments	85	58	27	306	306
Adjusted income before income taxes and equity investments	<u>\$ 2,049</u>	<u>\$ 535</u>	<u>\$ 474</u>	<u>\$ 1,748</u>	<u>\$ 448</u>
Adjusted income taxes (above)	\$ 572	\$ 149	\$ 132	\$ 482	\$ 126
Adjusted effective tax rate	28%	28%	28%	28%	28%

# Non-GAAP Measures, cont.

## Adjusted Net Income - Praxair, Inc.

Reported net income - Praxair, Inc.	\$ 1,195	\$ 133	\$ 314	\$ 1,254	\$ 325
Add: Spanish income tax settlement	250	250	-	-	-
Add: Business divestiture	40	40	-	-	-
Less: Repatriation tax benefit	(35)	(35)	-	-	-
Add: Venezuela currency devaluation	26	-	26	-	-
Less: Brazil tax amnesty program and other charges	-	-	-	(7)	(7)
Total adjustments	281	255	26	(7)	(7)
Adjusted net income - Praxair, Inc.	<u>\$ 1,476</u>	<u>\$ 388</u>	<u>\$ 340</u>	<u>\$ 1,247</u>	<u>\$ 318</u>
Reported 2009 fourth quarter net income - Praxair, Inc.		\$ 340			
Percentage change from 2009 first quarter		14%			
Percentage change from 2009 year	18%				

## Adjusted Diluted EPS

Diluted weighted average shares	311,395	310,733	311,159	312,382	312,182
Reported diluted EPS	\$ 3.84	\$ 0.43	\$ 1.01	\$ 4.01	\$ 1.04
Add: Spanish income tax settlement	0.80	0.80	-	-	-
Add: Business divestiture	0.13	0.13	-	-	-
Less: Repatriation tax benefit	(0.11)	(0.11)	-	-	-
Add: Venezuela currency devaluation	0.08	-	0.08	-	-
Less: Brazil tax amnesty program and other charges	-	-	-	(0.02)	(0.02)
Total adjustments	0.90	0.82	0.08	(0.02)	(0.02)
Adjusted diluted EPS	<u>\$ 4.74</u>	<u>\$ 1.25</u>	<u>\$ 1.09</u>	<u>\$ 3.99</u>	<u>\$ 1.02</u>
Reported 2009 fourth quarter diluted EPS		\$ 1.09			
Percentage change from 2009 fourth quarter		15%			
Percentage change from 2009 year	19%				

## Adjusted First Quarter and Full Year 2011 Diluted EPS Guidance

	First Quarter 2011		Full Year 2011	
	Low End	High End	Low End	High End
2011 diluted EPS guidance	\$ 1.23	\$ 1.28	\$ 5.25	\$ 5.40
2010 Adjusted diluted EPS	\$ 1.09	\$ 1.09	\$ 4.74	\$ 4.74
Percentage change from 2010		13%	11%	14%