

# Investor Teleconference Presentation Second Quarter 2012



Praxair, Inc.  
July 25, 2012

## 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.**

## Second Quarter Results

(\$MM)	Second Quarter 2012	First Quarter 2012	Second Quarter 2011
Sales	\$2,811	\$2,840	\$2,858
Operating Profit	\$636	\$627	\$627
Operating Margin	22.6%	22.1%	21.9%
Net Income <sup>(1)</sup>	\$429	\$419	\$425
Diluted EPS <sup>(1)</sup>	\$1.42	\$1.38	\$1.38
After – Tax ROC <sup>(2)</sup>	14.2%	14.2%	14.7%
ROE <sup>(2)</sup>	29.7%	29.4%	27.1%

	YOY	Q2 vs Q1
Sales Growth	- 2%	- 1%
Volume	+ 2%	--
Price	+ 2%	+ 1%
Cost pass-thru	- 2%	--
Currency	- 6%	- 2%
Acq/Div	+ 2%	--

- Strong operating leverage
- Significant currency headwind
- Record operating cash flow of \$725 million
- Record capex of \$564 million
- Backlog of \$2.5 billion
- Continued strong proposal activity

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

(2) Non-GAAP measures. See Appendix.

# Financial Outlook

## Third Quarter 2012

- Diluted EPS in the range of \$1.35 to \$1.40\*
- Tax rate about 28%

## Full Year 2012

- Sales in the range of \$11.2 to \$11.5 billion
  - YoY negative currency impact of about \$0.6 billion
- Diluted EPS in the range of \$5.60 to \$5.70\*
  - Currency translation and weaker macro-environment in Europe and South America
  - Prior guidance: \$5.75 to \$5.90
- Tax rate about 28%
- CAPEX of about \$2.1 to \$2.4 billion

\*Excludes potential restructuring and pension settlement costs

## North America

(\$MM)	<u>Second Quarter 2012</u>	<u>First Quarter 2012</u>	<u>Second Quarter 2011</u>
Sales	\$1,393	\$1,398	\$1,361
Segment OP	\$363	\$361	\$326
Operating Margin	26.1%	25.8%	24.0%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+ 2%	--
Volume	+ 4%	- 1%
Price	+ 2%	+ 1%
Cost pass-thru	- 4%	--
Currency	- 2%	--
Acq/Div	+ 2%	--

- Energy sales up 21% YoY driven by strong hydrogen sales to refineries and oil well services in Mexico
- Underlying manufacturing sales up 12% YoY and 3% vs 1Q12
- Packaged gas same store sales +9% YoY
- Metals underlying sales up 3% YoY
- Good fundamentals for chemical customers with low priced natural gas as a feedstock
- Strong pipeline of packaged gas acquisitions
- Increasing project proposal activity

## Europe

(\$MM)	<u>Second Quarter 2012</u>	<u>First Quarter 2012</u>	<u>Second Quarter 2011</u>
Sales	\$382	\$377	\$370
Segment OP	\$68	\$68	\$72
Operating Margin	17.8%	18.0%	19.5%
	<u>YOY</u>	<u>Q2 vs Q1</u>	
Sales Growth	+ 3%	+ 1%	
Volume	- 2%	+ 1%	
Price	+ 2%	+ 1%	
Cost pass-thru	- 1%	--	
Currency	- 9%	- 1%	
Acq/Div	+13%	--	

- Positive price traction
- Manufacturing softening further with packaged gas volume down 5% YoY primarily in Spain, Italy and Germany
- Modest growth in on-site and merchant volumes YoY
- Scandinavia volumes up vs Q1 with solid demand in Norway energy
- Evaluating additional cost reduction
- Strong project backlog in Russia; with increasing proposal activity in Russia and Scandinavia

## South America

(\$MM)	<u>Second Quarter 2012</u>	<u>First Quarter 2012</u>	<u>Second Quarter 2011</u>
Sales	\$520	\$562	\$611
Segment OP	\$110	\$115	\$139
Operating Margin	21.2%	20.5%	22.7%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	- 15%	- 8%
Volume	- 1%	- 2%
Price	+ 2%	+ 2%
Cost pass-thru	--	--
Currency	- 16%	- 8%

- Brazilian Real devaluation 23% YoY and 11% sequentially
- -4% 2Q YoY industrial production Brazil; government announced stimulus measures
- On-site volumes up 4% YoY primarily due to plant start-ups to steel and chemical customers
- Merchant and packaged gas volumes down, negatively impacting mix and margin
- Restructure activities taken in 2Q with expected savings of \$15mm annually
- Strong backlog of projects under construction in four countries. New proposal activity high.

# Asia

	<b>Second Quarter <u>2012</u></b>	<b>First Quarter <u>2012</u></b>	<b>Second Quarter <u>2011</u></b>
<b>(\$MM)</b>			
<b>Sales</b>	<b>\$348</b>	<b>\$334</b>	<b>\$348</b>
<b>Segment OP</b>	<b>\$68</b>	<b>\$57</b>	<b>\$63</b>
<b>Operating Margin</b>	<b>19.5%</b>	<b>17.1%</b>	<b>18.1%</b>

	<b><u>YOY</u></b>	<b><u>Q2 vs Q1</u></b>
<b>Sales Growth</b>	<b>--</b>	<b>+ 4%</b>
<b>Volume</b>	<b>+ 3%</b>	<b>+ 6%</b>
<b>Price</b>	<b>- 1%</b>	<b>--</b>
<b>Cost pass-thru</b>	<b>+ 1%</b>	<b>- 1%</b>
<b>Currency</b>	<b>- 3%</b>	<b>- 1%</b>

- 12% on-site growth YoY driven by China, India and Korea; includes plant start-ups for chemicals and metals in China
- Weak electronics end market, particularly photovoltaic continues to hurt volume and price of process gases and argon
- Operating profit YoY includes gain on land sale
- Indian rupee 19% devaluation YoY and 5% sequentially
- Started up Wuwei gasification and Meishan Steel world-scale oxygen systems
- Signed Yankuang gasification world-scale oxygen supply. Proposal activity remains strong.

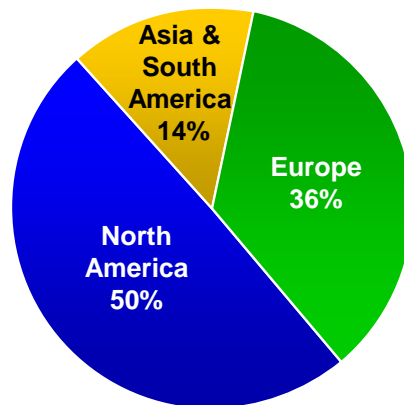


## Surface Technologies

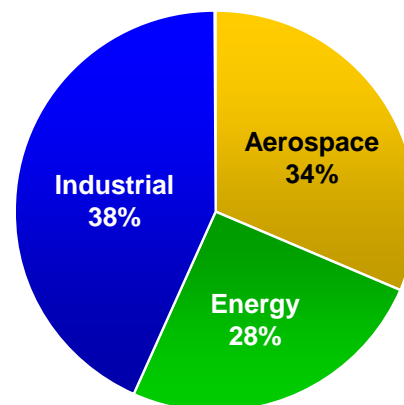
(\$MM)	<u>Second Quarter 2012</u>	<u>First Quarter 2012</u>	<u>Second Quarter 2011</u>
Sales	\$168	\$169	\$168
Segment OP	\$27	\$26	\$27
Operating Margin	16.1%	15.4%	16.1%

- Sales + 4% YoY, ex-FX
- Strong growth in aviation sector with more to come
- Energy sector strong in oil and gas drilling; industrial gas turbine volumes expected to improve
- Industrial markets in Europe weak; evaluating further restructuring

### Geographies

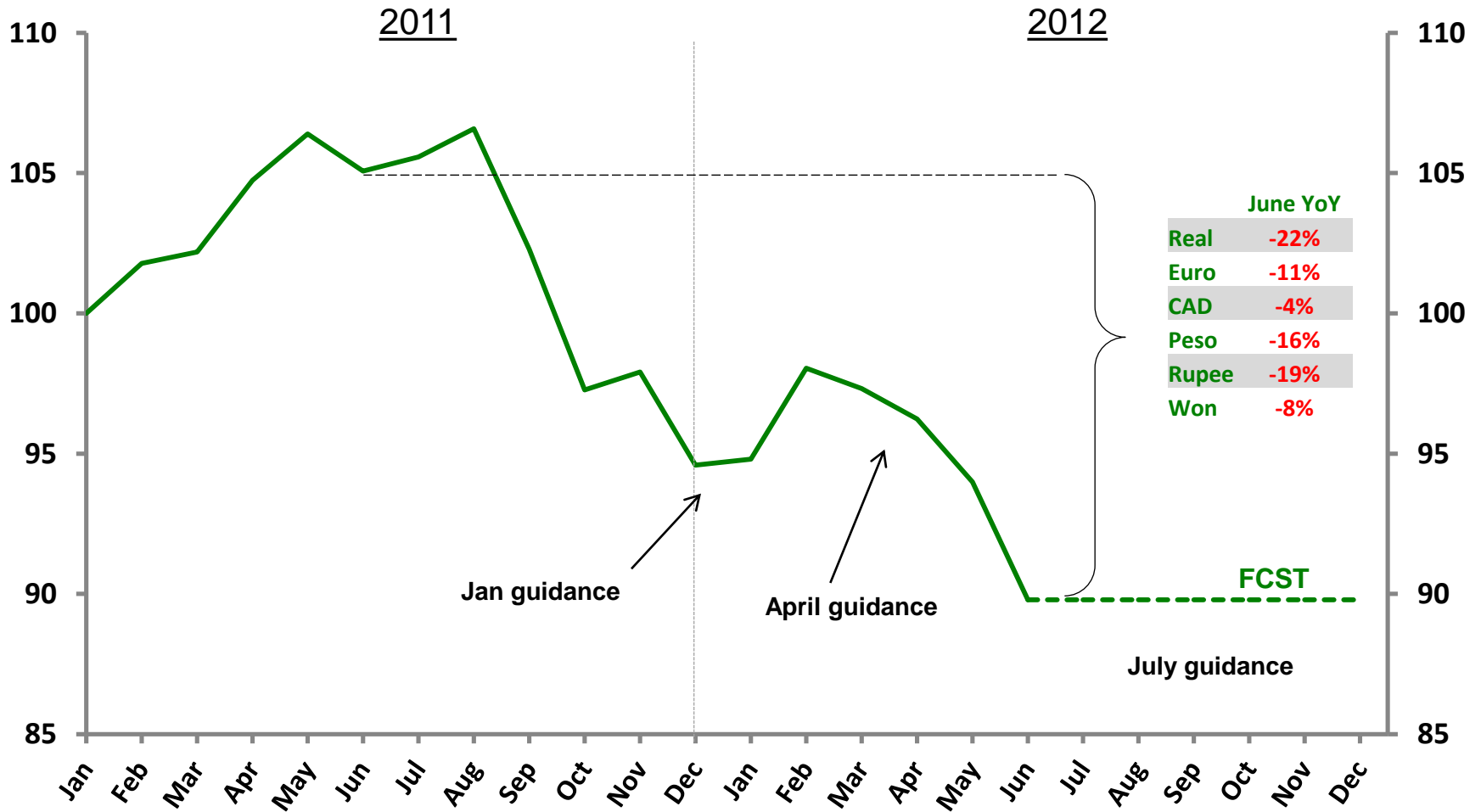


### End Markets

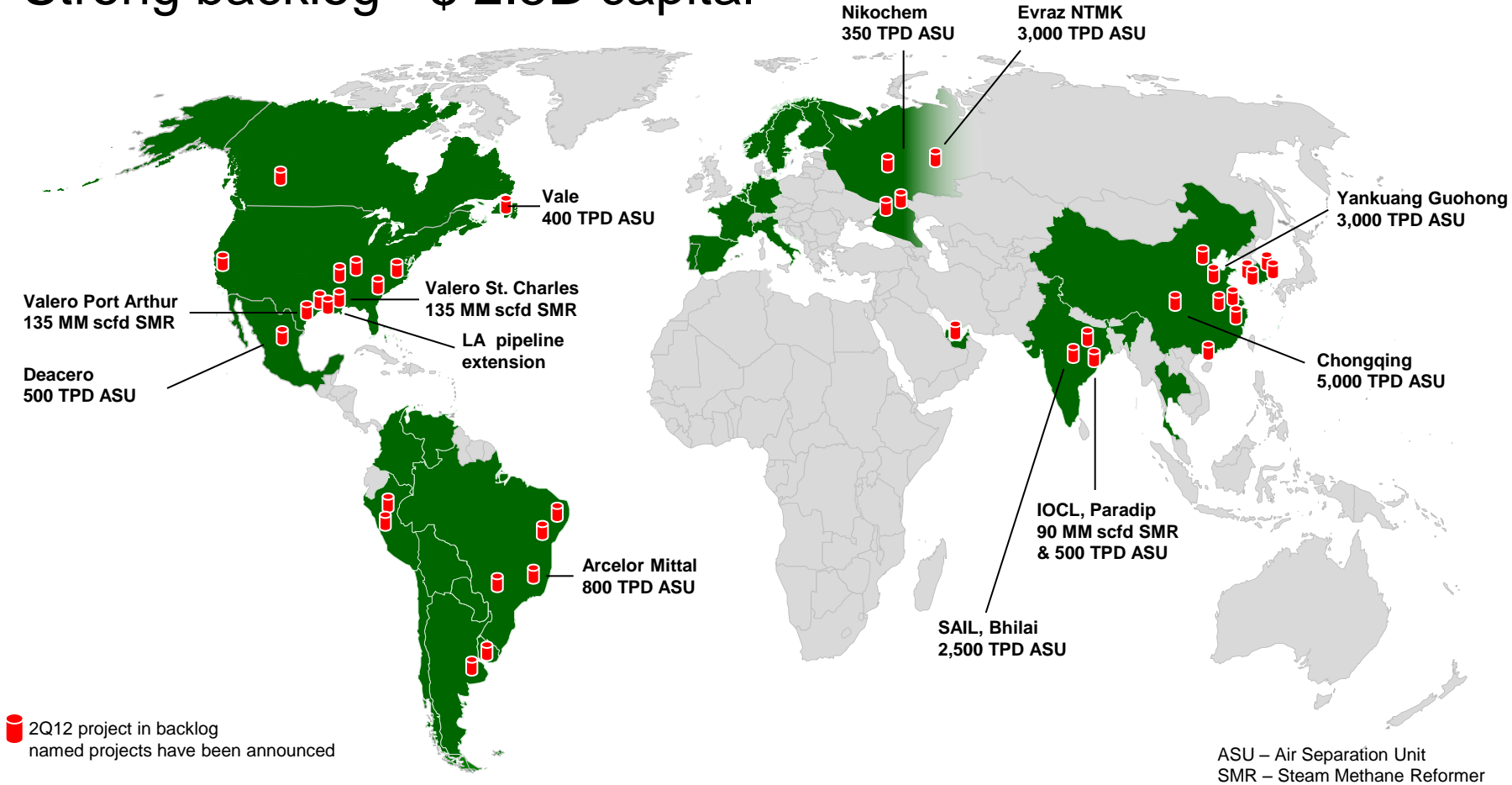


# Appendix

# Praxair Weighted USD / FX Index



# Strong backlog - \$ 2.5B capital



**New project development activity remains robust**

# Global End-Market Trends

## Q2 12 Organic Sales Growth

	<u>YOY</u>	<u>Vs. Q1 12</u>	
<b>Energy</b>	+ 18%	+ 1%	<b>Strong refinery hydrogen and oil well services</b>
<b>Electronics</b>	- 6%	+ 5%	<b>Rebound in material science offset by lower process gas prices and weak solar</b>
<b>Chemicals</b>	- 2%	- 1%	<b>Solid volumes in Gulf Coast; weakness in South America</b>
<b>Metals</b>	+ 3%	+ 1%	<b>New project start-ups in China and India with slower growth in South America</b>
<b>Manufacturing</b>	+ 7%	+ 2%	<b>Continued strength in North American packaged gas, partially offset by weaker Europe and South America</b>
<b>Healthcare</b>	+ 5%	--	<b>South American strength partially offset by weaker Europe</b>
<b>Aerospace</b>	+ 11%	+ 4%	<b>Surface Technologies aviation coatings growth</b>
<b>Food and Bev.</b>	- 2%	+ 1%	<b>Stable growth sequentially</b>

Excludes impact of currency, natural gas/precious metals cost pass-through and acquisitions/divestitures

## 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 2011 fourth quarter gain on acquisition and cost reduction program which helps investors understand underlying performance on a comparable basis.

	2012		2011			
	Q2	Q1	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	\$ 6,995	\$ 6,856	\$ 6,562	\$ 6,310	\$ 6,119	\$ 5,838
Equity and redeemable noncontrolling interests:						
Redeemable noncontrolling interests	232	232	220	-	-	-
Praxair, Inc. shareholders' equity	5,615	5,940	5,488	5,753	6,400	6,165
Noncontrolling interests	279	327	309	368	370	372
Total equity and redeemable noncontrolling interests	6,126	6,499	6,017	6,121	6,770	6,537
Total Capital	\$ 13,121	\$ 13,355	\$ 12,579	\$ 12,431	\$ 12,889	\$ 12,375
Debt-to-capital ratio	53.3%	51.3%	52.2%	50.8%	47.5%	47.2%

**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 Praxair, Inc. shareholders' equity).

Operating profit (a)	\$ 636	\$ 627	\$ 619	\$ 632	\$ 627	\$ 591
Less: income taxes (a)	(169)	(165)	(162)	(166)	(163)	(156)
Less: tax benefit on interest expense	(9)	(10)	(11)	(10)	(10)	(10)
Add: income from equity investments	10	7	7	13	11	9
Net operating profit after-tax (NOPAT)	\$ 468	\$ 459	\$ 453	\$ 469	\$ 465	\$ 434
Beginning capital	\$ 13,355	\$ 12,579	\$ 12,430	\$ 12,889	\$ 12,375	\$ 11,702
Ending capital	\$ 13,121	\$ 13,355	\$ 12,579	\$ 12,430	\$ 12,889	\$ 12,375
Average capital	\$ 13,238	\$ 12,967	\$ 12,504	\$ 12,659	\$ 12,632	\$ 12,039
ROC %	3.5%	3.5%	3.6%	3.7%	3.7%	3.6%
<b>ROC % (annualized)</b>	14.2%	14.2%	14.5%	14.8%	14.7%	14.4%

## 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.

	2012			2011		
	Q2	Q1	Q4	Q3	Q2	Q1
Net income - Praxair, Inc. (a)	\$ 429	\$ 419	\$ 414	\$ 429	\$ 425	\$ 398
Beginning Praxair, Inc. shareholders' equity	\$ 5,940	\$ 5,488	\$ 5,753	\$ 6,400	\$ 6,165	\$ 5,792
Ending Praxair, Inc. shareholders' equity	\$ 5,615	\$ 5,940	\$ 5,488	\$ 5,753	\$ 6,400	\$ 6,165
Average Praxair, Inc. shareholders' equity	\$ 5,778	\$ 5,714	\$ 5,621	\$ 6,077	\$ 6,283	\$ 5,979
ROE %	7.4%	7.3%	7.4%	7.1%	6.8%	6.7%
<b>ROE % (annualized)</b>	<b>29.7%</b>	<b>29.4%</b>	<b>29.5%</b>	<b>28.3%</b>	<b>27.1%</b>	<b>26.6%</b>

**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 its financial obligations. Adjusted amounts only relate to the fourth quarter 2011 and exclude the impact of the gain on acquisition and cost reduction program.

Net income - Praxair, Inc. (a)	\$ 429	\$ 419	\$ 414	\$ 429	\$ 425	\$ 398
Add: noncontrolling interests	15	13	12	14	14	11
Add: interest expense - net	33	37	38	36	36	35
Add: income taxes (a)	169	165	162	166	163	156
Add: depreciation and amortization	247	252	249	256	254	244
Adjusted EBITDA	<u>\$ 893</u>	<u>\$ 886</u>	<u>\$ 875</u>	<u>\$ 901</u>	<u>\$ 892</u>	<u>\$ 844</u>
Beginning total debt	\$ 6,856	\$ 6,562	\$ 6,310	\$ 6,119	\$ 5,838	\$ 5,557
Ending total debt	\$ 6,995	\$ 6,856	\$ 6,562	\$ 6,310	\$ 6,119	\$ 5,838
Average total debt	\$ 6,926	\$ 6,709	\$ 6,436	\$ 6,215	\$ 5,979	\$ 5,698
Debt-to-adjusted EBITDA ratio	7.8	7.6	7.4	6.9	6.7	6.8
<b>Debt-to-adjusted EBITDA ratio (annualized)</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>

## Non-GAAP Measures, cont.

- (a) The following table presents adjusted amounts for Operating Profit and Operating Profit Margin, Income Taxes, Effective Tax Rate, Noncontrolling Interests, Net income - Praxair, Inc., and Diluted EPS for the Fourth Quarter and full year of 2011. Additionally, this table presents the percentage change in Diluted EPS Guidance for the full year 2012.

	<u>Year</u>	<u>Fourth</u>
	<u>2011</u>	<u>Quarter</u>
		<u>2011</u>
<b><u>Adjusted Operating Profit and Operating Profit Margin</u></b>		
Reported operating profit	\$ 2,468	\$ 618
Less: Gain on acquisition	(39)	(39)
Add: Cost reduction program	40	40
Total adjustments	<u>1</u>	<u>1</u>
Adjusted operating profit	<u>\$ 2,469</u>	<u>\$ 619</u>
Reported sales	\$ 11,252	\$ 2,796
Adjusted operating profit margin	21.9%	22.1%
<b><u>Adjusted Income Taxes</u></b>		
Reported income taxes	\$ 641	\$ 156
Add: Cost reduction program	9	9
Less: Gain on acquisition	(3)	(3)
Total adjustments	<u>6</u>	<u>6</u>
Adjusted income taxes	<u>\$ 647</u>	<u>\$ 162</u>
<b><u>Adjusted Effective Tax Rate</u></b>		
Reported income before income taxes and equity investments	\$ 2,323	\$ 580
Less: Gain on acquisition	(39)	(39)
Add: Cost reduction program	40	40
Total adjustments	<u>1</u>	<u>1</u>
Adjusted income before income taxes and equity investments	<u>\$ 2,324</u>	<u>\$ 581</u>
Adjusted income taxes (above)	\$ 647	\$ 162
Adjusted effective tax rate	28%	28%



## Non-GAAP Measures, cont.

### Adjusted Noncontrolling interest

Reported noncontrolling interest  
 Add: Gain on acquisition  
 Adjusted noncontrolling interest

Year	Fourth Quarter
2011	2011
\$ 50	\$ 11
1	1
\$ 51	\$ 12

### Adjusted Net Income - Praxair, Inc.

Reported net income - Praxair, Inc.  
 Less: Gain on acquisition  
 Add: Cost reduction program  
 Total adjustments  
 Adjusted net income - Praxair, Inc.

\$ 1,672	\$ 420
(37)	(37)
31	31
(6)	(6)
\$ 1,666	\$ 414

### Adjusted Diluted EPS

Reported diluted EPS  
 Less: Gain on acquisition  
 Add: Cost reduction program  
 Total adjustments  
 Adjusted diluted EPS

\$ 5.45	\$ 1.38
(0.12)	(0.12)
0.10	0.10
(0.02)	(0.02)
\$ 5.43	\$ 1.36

### Percentage Change in Adjusted Full Year 2012 Diluted EPS Guidance

2012 diluted EPS guidance  
 Add: estimated negative currency impact  
 2012 diluted EPS guidance, excluding currency impact  
 2011 adjusted diluted EPS (above)  
 Percentage change from 2011  
 Percentage change from 2011, excluding currency impact

Full Year 2012	
Low End	High End
\$ 5.60	\$ 5.70
0.33	0.33
\$ 5.93	\$ 6.03
\$ 5.43	\$ 5.43
3%	5%
9%	11%