

# Investor Teleconference Presentation First Quarter 2014



Praxair, Inc.  
April 23, 2014

**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; the impact of information technology system failures, network disruptions and breaches in data security; 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. Additionally, financial projections or estimates exclude the impact of special items which the company believes are not indicative of ongoing business performance. 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.**

# First Quarter Results

<u>(\$MM)</u>	<u>First Quarter 2014</u>	<u>Adj. Fourth Quarter 2013<sup>(1)</sup></u>	<u>Adj. First Quarter 2013<sup>(1)</sup></u>
Sales	\$3,026	\$3,010	\$2,888
Operating Profit	\$675	\$690	\$623
Operating Margin	22.3%	22.9%	21.6%
Net Income <sup>(2)</sup>	\$448	\$462	\$414
Diluted EPS <sup>(2)</sup>	\$1.51	\$1.55	\$1.38
After – Tax ROC <sup>(1)</sup>	12.6%	12.8%	13.3%
ROE <sup>(1)</sup>	28.7%	28.6%	28.1%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+ 5%	+ 1%
Volume	+ 4%	--
Price	+ 2%	+ 1%
Cost pass-thru	+ 1%	+ 1%
Currency	- 4%	- 1%
Acq/Div	+ 2%	--

- Solid operating leverage  
Sales +9% and OP +12%, ex-FX
- Robust operating and EBITDA margins
- U.S. packaged gas acquisitions
- Density and efficiency improvement with Italian acquisition and France divestiture
- Backlog of \$2.0B

(1) Non-GAAP measures, other than sales. See Appendix.

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

<u>(\$MM)</u>	<u>First Quarter 2014</u>	<u>Fourth Quarter 2013</u>	<u>First Quarter 2013</u>
Sales	\$1,580	\$1,567	\$1,457
Segment OP	\$378	\$393	\$358
Operating Margin	23.9%	25.1%	24.6%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+ 8%	+ 1%
Volume	+ 4%	- 2%
Price	+ 1%	+ 2%
Cost pass-thru	+ 2%	+ 2%
Currency	- 2%	- 1%
Acq/Div	+ 3%	--

- On-site +20% YoY with hydrogen plant start-ups; Seq refinery customer maintenance
- Merchant oil well services weaker
- U.S. packaged gas organic sales +3% YoY; +1% Seq
- Operating margin impact:
  - higher natural gas pass-through
  - weather-related impact
- Packaged gas acquisitions in Texas, Oklahoma and Michigan. Acquired full ownership of mid-Atlantic joint venture.
- Strong U.S. Gulf Coast proposal activity

<u>(\$MM)</u>	<u>First Quarter 2014</u>	<u>Fourth Quarter 2013</u>	<u>First Quarter 2013</u>
Sales	\$397	\$404	\$370
Segment OP	\$79	\$75	\$62
Operating Margin	19.9%	18.6%	16.8%
	<u>YOY</u>	<u>Q1 vs Q4</u>	
Sales Growth	+ 7%	- 2%	
Volume	+ 1%	--	
Price	+ 1%	--	
Cost pass-thru	- 2%	- 2%	
Currency	+ 2%	--	
Acq/Div	+ 5%	--	

- Modest volume growth in Northern Europe
- Operating margin expansion
  - Prior cost actions
  - Russia new plant start-ups and merchant loadings
  - Southern Europe stabilization
  - Price execution
  - Lower energy prices
- Density and efficiency improvement with Italian acquisition & France divestiture

<u>(\$MM)</u>	<u>First Quarter 2014</u>	<u>Fourth Quarter 2013</u>	<u>First Quarter 2013</u>
Sales	\$488	\$481	\$531
Segment OP	\$113	\$115	\$114
Operating Margin	23.2%	23.9%	21.5%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	- 8%	+ 1%
Volume	+ 2%	+ 4%
Price	+ 5%	+ 1%
Cost pass-thru	--	--
Currency	- 15%	- 4%

- Sales +7% and OP +16%, ex-FX
- Volume growth from metals, food & beverage, chemicals and manufacturing
- Price attainment
- Full-year BRL currency headwind ~10%
- Full-year outlook mid-single digit organic sales growth

<u>(\$MM)</u>	<u>First Quarter 2014</u>	<u>Fourth Quarter 2013</u>	<u>First Quarter 2013</u>
Sales	\$392	\$394	\$367
Segment OP	\$75	\$80	\$63
Operating Margin	19.1%	20.3%	17.2%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+ 7%	- 1%
Volume	+ 9%	- 1%
Price	+ 2%	+ 1%
Cost pass-thru	- 2%	- 1%
Currency	- 2%	--

- On-site growth from project start-ups in China, India and Korea in metals, energy and electronics end markets
- Merchant volumes +4% YoY
- Sequential impact of Lunar New Year
- Price in helium and rare gas benefits operating margin
- On-site project proposal activity in energy, chemicals, metals and electronics

<u>(\$MM)</u>	<u>First Quarter 2014</u>	<u>Fourth Quarter 2013</u>	<u>First Quarter 2013</u>
Sales	\$169	\$164	\$163
Segment OP	\$30	\$27	\$26
Operating Margin	17.8%	16.5%	16.0%

- Organic sales +3%
- Higher sales volumes in civil aviation coatings
- Margin expansion through improved volumes, higher price and productivity



## Second Quarter 2014

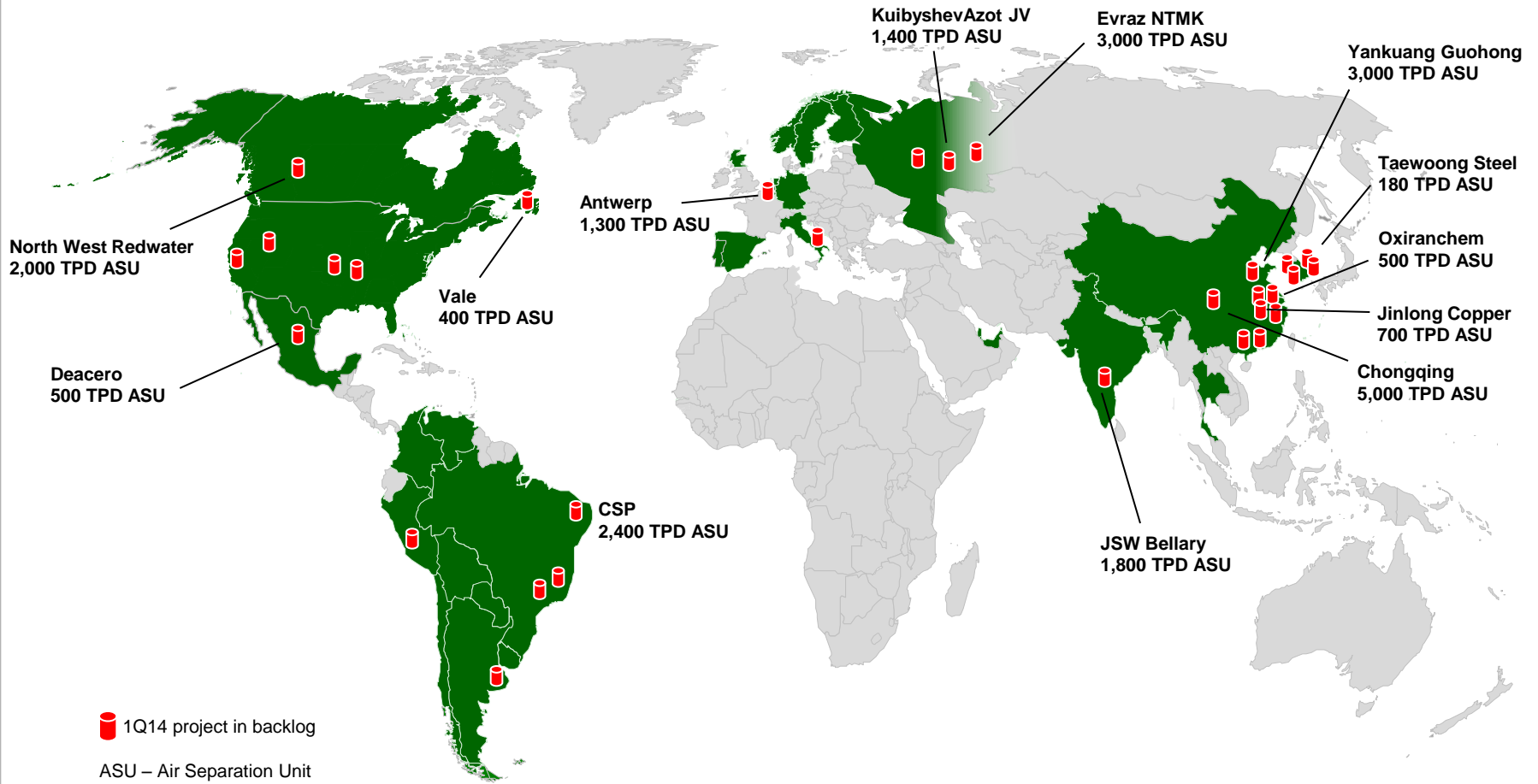
- **EPS in the range of \$1.55 to \$1.60**

## Full Year 2014

- **Sales in the range of \$12.4 to \$12.8 billion**
- **EPS in the range of \$6.30 to \$6.50, +6% to 10%\***
  - Prior guidance: \$6.25 to \$6.55
- **Tax rate of about 28%**
- **CAPEX of about \$1.8 billion**



# Strong Backlog - \$ 2.0B Capital



Strong U.S. Gulf Coast proposal activity

## Q1 14 Organic Sales Growth

	<u>YOY</u>	<u>Vs. Q4 13</u>	
<b>Energy</b>	+ 12%	- 8%	YoY North America and India hydrogen projects; sequential North America customer maintenance
<b>Electronics</b>	- 1%	- 2%	Semiconductors and material science
<b>Chemicals</b>	+ 12%	+ 4%	North America and South America
<b>Metals</b>	+ 4%	+ 2%	South America and Asia
<b>Manufacturing</b>	+ 1%	+ 2%	Modest growth in North and South America
<b>Healthcare</b>	+ 3%	--	YoY growth in South America
<b>Aerospace</b>	+ 4%	+ 2%	Aviation coatings
<b>Food and Bev.</b>	+ 7%	- 1%	YoY growth in South America

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 financial leverage, return on capital 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 2013 fourth quarter bond redemption and the income tax benefit related to the realignment of Praxair's Italian legal structure, third quarter pension settlement, and the 2013 first quarter loss on Venezuela currency devaluation; the 2012 third quarter cost reduction program, pension settlement charge, and an income tax benefit.

	2014	2013				2012			
	Q1	Q4	Q3	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									
Debt	\$ 9,270	\$ 8,811	\$ 9,026	\$ 9,106	\$ 8,676	\$ 7,362	\$ 7,136	\$ 6,995	\$ 6,856
Less: cash and cash equivalents	(144)	(138)	(134)	(102)	(113)	(157)	(108)	(104)	(107)
Net debt	9,126	8,673	8,892	9,004	8,563	7,205	7,028	6,891	6,749
Equity and redeemable noncontrolling interests:									
Redeemable noncontrolling interests	195	307	290	259	255	252	243	232	232
Praxair, Inc. shareholders' equity	6,600	6,609	6,210	5,928	6,169	6,064	6,015	5,615	5,940
Noncontrolling interests	398	394	365	357	357	357	331	279	327
Total equity and redeemable noncontrolling interests	7,193	7,310	6,865	6,544	6,781	6,673	6,589	6,126	6,499
Capital	\$ 16,319	\$ 15,983	\$ 15,757	\$ 15,548	\$ 15,344	\$ 13,878	\$ 13,617	\$ 13,017	\$ 13,248
<b>Debt-to-capital</b>	<b>55.9%</b>	<b>54.3%</b>	<b>56.4%</b>	<b>57.9%</b>	<b>55.8%</b>	<b>51.9%</b>	<b>51.6%</b>	<b>52.9%</b>	<b>50.9%</b>

**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).

Adjusted operating profit (a)	\$ 675	\$ 690	\$ 679	\$ 665	\$ 623	\$ 616	\$ 623	\$ 636	\$ 627
Less: adjusted income taxes (a)	(176)	(182)	(178)	(174)	(164)	(162)	(164)	(169)	(165)
Less: tax benefit on adjusted interest expense (a)	(13)	(11)	(11)	(11)	(11)	(10)	(10)	(9)	(10)
Add: income from equity investments	9	9	8	11	10	9	8	10	7
Adjusted net operating profit after-tax (NOPAT)	\$ 495	\$ 506	\$ 498	\$ 491	\$ 458	\$ 453	\$ 457	\$ 468	\$ 459
4-quarter trailing adjusted NOPAT	\$ 1,990	\$ 1,953	\$ 1,900	\$ 1,859	\$ 1,836				
Ending capital (see above)	\$ 16,319	\$ 15,983	\$ 15,757	\$ 15,548	\$ 15,344	\$ 13,878	\$ 13,617	\$ 13,017	\$ 13,248
5-quarter average ending capital	\$ 15,790	\$ 15,302	\$ 14,829	\$ 14,281	\$ 13,821				
<b>After-tax ROC (4-quarter trailing NOPAT / 5-quarter average capital)</b>	<b>12.6%</b>	<b>12.8%</b>	<b>12.8%</b>	<b>13.0%</b>	<b>13.3%</b>				

# Non-GAAP Measures, cont.

	2014	2013				2012			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1

**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)	\$ 448	\$ 462	\$ 451	\$ 445	\$ 414	\$ 414	\$ 419	\$ 429	\$ 419
4-quarter trailing adjusted net income - Praxair, Inc.	\$ 1,806	\$ 1,772	\$ 1,724	\$ 1,692	\$ 1,676				
Ending Praxair, Inc. shareholders' equity	\$ 6,600	\$ 6,609	\$ 6,210	\$ 5,928	\$ 6,169	\$ 6,064	\$ 6,015	\$ 5,615	\$ 5,940
5-quarter average Praxair shareholders' equity	\$ 6,303	\$ 6,196	\$ 6,077	\$ 5,958	\$ 5,961				
<b>ROE (4-quarter trailing adjusted net income - Praxair, Inc. / 5-quarter average Praxair shareholders' equity)</b>	<b>28.7%</b>	<b>28.6%</b>	<b>28.4%</b>	<b>28.4%</b>	<b>28.1%</b>	<b>28.9%</b>	<b>29.2%</b>	<b>29.0%</b>	<b>28.4%</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 it's financial obligations.

Adjusted net income - Praxair, Inc. (a)	\$ 448	\$ 462	\$ 451	\$ 445	\$ 414	\$ 414	\$ 419	\$ 429	\$ 419
Add: adjusted noncontrolling interests (a)	14	17	17	16	15	14	12	15	13
Add: adjusted interest expense - net (a)	46	38	41	41	40	35	36	33	37
Add: adjusted income taxes (a)	176	182	178	174	164	162	164	169	165
Add: depreciation and amortization	285	287	281	275	266	254	248	247	252
Adjusted EBITDA	\$ 969	\$ 986	\$ 968	\$ 951	\$ 899	\$ 879	\$ 879	\$ 893	\$ 886
4-quarter trailing adjusted EBITDA	\$ 3,874	\$ 3,804	\$ 3,697	\$ 3,608	\$ 3,550				
Ending net debt (see above)	\$ 9,126	\$ 8,673	\$ 8,892	\$ 9,004	\$ 8,563	\$ 7,205	\$ 7,028	\$ 6,891	\$ 6,749
5-quarter average net debt	\$ 8,852	\$ 8,467	\$ 8,138	\$ 7,738	\$ 7,287				
<b>Debt-to-adjusted EBITDA ratio (5-quarter average net debt / 4-quarter trailing adjusted EBITDA)</b>	<b>2.3</b>	<b>2.2</b>	<b>2.2</b>	<b>2.1</b>	<b>2.1</b>				

# Non-GAAP Measures, cont.

(a) The following table presents adjusted amounts for Operating Profit and Operating Profit Margin, Interest Expense - net, Income Taxes, Effective Tax Rate, Noncontrolling Interests, Net income - Praxair, Inc., and Diluted EPS for the periods presented. Additionally, this table presents the percentage change in Diluted EPS Guidance for the full year 2014 as compared to 2013 Adjusted Diluted EPS.

	First Quarter 2014	Year 2013	Fourth Quarter 2013	Third Quarter 2013	First Quarter 2013	Third Quarter 2012
<b><u>Adjusted Operating Profit and Operating Profit Margin</u></b>						
Reported operating profit	675	2,625	\$ 690	\$ 670	\$ 600	\$ 558
Add: Pension settlement charge	-	9	-	9	-	9
Add: Venezuela currency devaluation	-	23	-	-	23	-
Add: Cost reduction program	-	-	-	-	-	56
Total adjustments	-	32	-	9	23	65
Adjusted operating profit	<u>\$ 675</u>	<u>\$ 2,657</u>	<u>\$ 690</u>	<u>\$ 679</u>	<u>\$ 623</u>	<u>\$ 623</u>
Reported sales	\$ 3,026	\$ 11,925	\$ 3,010	\$ 3,013	\$ 2,888	\$ 2,774
Adjusted operating profit margin	22.3%	22.3%	22.9%	22.5%	21.6%	22.5%
<b><u>Adjusted Interest Expense - net</u></b>						
Reported interest expense - net	\$ 46	\$ 178	\$ 56	\$ 41	\$ 40	\$ 36
Less: Bond redemption	-	(18)	(18)	-	-	-
Adjusted interest expense - net	<u>\$ 46</u>	<u>\$ 160</u>	<u>\$ 38</u>	<u>\$ 41</u>	<u>\$ 40</u>	<u>\$ 36</u>
<b><u>Adjusted Income Taxes</u></b>						
Reported income taxes	\$ 176	\$ 649	\$ 136	\$ 175	\$ 164	\$ 90
Add: Bond redemption	-	6	6	-	-	-
Add: Income tax benefit	-	40	40	-	-	55
Add: Pension settlement charge	-	3	-	3	-	3
Add: Cost reduction program	-	-	-	-	-	16
Total adjustments	-	49	46	3	-	74
Adjusted income taxes	<u>\$ 176</u>	<u>\$ 698</u>	<u>\$ 182</u>	<u>\$ 178</u>	<u>\$ 164</u>	<u>\$ 164</u>
<b><u>Adjusted Effective Tax Rate</u></b>						
Reported income before income taxes and equity investments	\$ 629	\$ 2,447	\$ 634	\$ 629	\$ 560	\$ 522
Add: Bond redemption	-	18	18	-	-	-
Add: Pension settlement charge	-	9	-	9	-	9
Add: Venezuela currency devaluation	-	23	-	-	23	-
Add: Cost reduction program	-	-	-	-	-	56
Total adjustments	-	50	18	9	23	65
Adjusted income before income taxes and equity investments	<u>\$ 629</u>	<u>\$ 2,497</u>	<u>\$ 652</u>	<u>\$ 638</u>	<u>\$ 583</u>	<u>\$ 587</u>
Adjusted income taxes (above)	\$ 176	\$ 698	\$ 182	\$ 178	\$ 164	\$ 164
Adjusted effective tax rate	28%	28%	28%	28%	28%	28%

# Non-GAAP Measures, cont.





	First Quarter	Year	Fourth Quarter	Third Quarter	First Quarter	Third Quarter
	2014	2013	2013	2013	2013	2012
<b>Adjusted Noncontrolling interests</b>						
Reported noncontrolling interests	\$ 14	\$ 81	\$ 33	\$ 17	\$ 15	\$ 10
Less: Income tax benefit	-	(16)	(16)	-	-	-
Add: Cost reduction program	-	-	-	-	-	2
Total adjustments	-	(16)	(16)	-	-	2
Adjusted noncontrolling interests	\$ 14	\$ 65	\$ 17	\$ 17	\$ 15	\$ 12
<b>Adjusted Net Income - Praxair, Inc.</b>						
Reported net income - Praxair, Inc.	\$ 448	\$ 1,755	\$ 474	\$ 445	\$ 391	\$ 430
Add: Bond redemption	-	12	12	-	-	-
Less: Income tax benefit	-	(24)	(24)	-	-	(55)
Add: Pension settlement charge	-	6	-	6	-	6
Add: Venezuela currency devaluation	-	23	-	-	23	-
Add: Cost reduction program	-	-	-	-	-	38
Total adjustments	-	17	(12)	6	23	(11)
Adjusted net income - Praxair, Inc.	\$ 448	\$ 1,772	\$ 462	\$ 451	\$ 414	\$ 419
<b>Adjusted Diluted EPS</b>						
Reported diluted EPS	\$ 1.51	\$ 5.87	\$ 1.59	\$ 1.49	\$ 1.30	\$ 1.43
Add: Bond redemption	-	0.04	0.04	-	-	-
Less: Income tax benefit	-	(0.08)	(0.08)	-	-	(0.18)
Add: Pension settlement charge	-	0.02	-	0.02	-	0.02
Add: Venezuela currency devaluation	-	0.08	-	-	0.08	-
Add: Cost reduction program	-	-	-	-	-	0.12
Total adjustments	-	0.06	(0.04)	0.02	0.08	(0.04)
Adjusted diluted EPS	\$ 1.51	\$ 5.93	\$ 1.55	\$ 1.51	\$ 1.38	\$ 1.39

## Full-Year 2014 Diluted EPS Guidance

	Full Year 2014	
	Low End	High End
Diluted EPS guidance	\$ 6.30	\$ 6.50
2013 adjusted diluted EPS (see above)	\$ 5.93	\$ 5.93
Percentage change	6%	10%



## Sustainable Development Targets 2009-2015

Business Drivers	Economic	Environmental	Social
ENERGY			Zero Waste
ENVIRONMENT	\$3 Billion Eco-Portfolio		
EMERGING ECONOMIES		GHG benefit 2X total GHG emissions	
EXECUTION	\$500 Million cumulative savings from Sustainable Productivity	Energy Efficiency	1.3MM Hours invested in safety training



For further information, please contact:

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**2014 Reporting Calendar:**

<b>Second quarter</b>	<b>July 23</b>
<b>Third quarter</b>	<b>October 29</b>