

Investor Teleconference Presentation Second Quarter 2014



Praxair, Inc.
July 23, 2014

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; 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.

Second Quarter Results

<u>(\$MM)</u>	<u>Second Quarter 2014</u>	<u>First Quarter 2014</u>	<u>Second Quarter 2013</u>
Sales	\$3,113	\$3,026	\$3,014
Operating Profit	\$697	\$675	\$665
Operating Margin	22.4%	22.3%	22.1%
Net Income ⁽²⁾	\$467	\$448	\$445
Diluted EPS ⁽²⁾	\$1.58	\$1.51	\$1.49
After – Tax ROC ⁽¹⁾	12.6%	12.6%	13.0%
ROE ⁽¹⁾	28.3%	28.7%	28.4%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+ 3%	+ 3%
Volume	+ 3%	+ 2%
Price	+ 1%	--
Cost pass-thru	--	--
Currency	- 2%	+ 1%
Acq/Div	+ 1%	--

- Continued solid operating leverage
Sales +5% & OP +7%, ex-FX
- Strong productivity and fixed cost management
- Operating cash flow \$847 million, 27% of sales
- Backlog of \$1.9B

(1) Non-GAAP measures, See Appendix.

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

<u>(\$MM)</u>	<u>Second Quarter 2014</u>	<u>First Quarter 2014</u>	<u>Second Quarter 2013</u>
Sales	\$1,628	\$1,580	\$1,552
Segment OP	\$398	\$378	\$381
Operating Margin	24.4%	23.9%	24.5%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+ 5%	+ 3%
Volume	+ 4%	+ 4%
Price	+ 1%	--
Cost pass-thru	+ 1%	- 1%
Currency	- 2%	--
Acq/Div	+ 1%	--

- On-site +18% YoY includes hydrogen start-ups and cavern spot sales
- Positive merchant volumes, ex Mexico energy
- Mexico oil well services volumes down double-digit YoY and Seq
- U.S. packaged gas organic sales +5% YoY and +3% seq
- Price traction with recent price announcements
- Active pipeline of packaged gas acquisitions
- Solid U.S. Gulf Coast proposal activity

<u>(\$MM)</u>	<u>Second Quarter 2014</u>	<u>First Quarter 2014</u>	<u>Second Quarter 2013</u>
Sales	\$408	\$397	\$382
Segment OP	\$78	\$79	\$69
Operating Margin	19.1%	19.9%	18.1%
	<u>YOY</u>	<u>Q2 vs Q1</u>	
Sales Growth	+ 7%	+ 3%	
Volume	--	+ 2%	
Price	+ 1%	+ 1%	
Cost pass-thru	- 1%	--	
Currency	+ 4%	--	
Acq/Div	+ 3%	--	

- Improving operating margin YoY from productivity, cost actions and price
- Southern Europe stable
- Sequential volume growth primarily in Northern Europe driven by energy and metals markets
- Healthy proposal activity in Northern Europe for energy and manufacturing customers
- Integrating and globally expanding Dominion supply to offshore oil and gas industry

<u>(\$MM)</u>	<u>Second Quarter 2014</u>	<u>First Quarter 2014</u>	<u>Second Quarter 2013</u>
Sales	\$509	\$488	\$536
Segment OP	\$113	\$113	\$123
Operating Margin	22.2%	23.2%	22.9%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	- 5%	+ 4%
Volume	- 1%	- 2%
Price	+ 3%	+ 2%
Cost pass-thru	+ 1%	--
Currency	- 8%	+ 4%

- Strong price performance
- Weaker Brazil volumes driven by -4% IP
- Organic growth in healthcare, pulp & paper and glass
- 2H14 Brazil Outlook
 - + Packaged and merchant rebound after World Cup
 - = Stable FX, uncertainty in 4Q with election
 - Full-year IP -0.9%
 - + Continued disciplined price and productivity

<u>(\$MM)</u>	<u>Second Quarter 2014</u>	<u>First Quarter 2014</u>	<u>Second Quarter 2013</u>
Sales	\$394	\$392	\$379
Segment OP	\$76	\$75	\$61
Operating Margin	19.3%	19.1%	16.1%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+ 4%	+ 1%
Volume	+ 5%	+ 1%
Price	+ 1%	--
Cost pass-thru	- 1%	--
Currency	- 1%	--

- India volume growth up 10% YoY, includes project start-ups for energy and metals
- China and Korea volumes up mid-single digit YoY
- Price improvement Helium and specialty gases
- Signed long-term contract with Jinling Huntsman to supply new phase of chemical park in Nanjing
- Asia represents one-third of project backlog, includes projects in China, India and Korea

<u>(\$MM)</u>	<u>Second Quarter 2014</u>	<u>First Quarter 2014</u>	<u>Second Quarter 2013</u>
Sales	\$174	\$169	\$165
Segment OP	\$32	\$30	\$31
Operating Margin	18.4%	17.8%	18.8%

- Organic sales up 4% YoY, ex-FX, driven primarily by price; volumes steady
- Commercial aviation coating strength offset by weaker industrial gas turbine coatings

Third Quarter 2014

- **EPS in the range of \$1.58 to \$1.65**
 - Moderate sequential recovery in Brazil and Mexico
 - Continued volume growth in the United States

Full Year 2014

- **Sales in the range of \$12.4 to \$12.7 billion**
- **EPS in the range of \$6.30 to \$6.45, +6% to 9%***
 - Includes -2% currency headwind
 - Prior guidance: \$6.30 to \$6.50
- **Tax rate of about 28%**
- **CAPEX of about \$1.8 billion**

High-Quality Sales Growth

+7% Sales growth, ex-FX

- Project contribution
- Price execution

Tuck-in acquisitions

- 5 U.S. packaged gas distributors
- Full ownership of mid-Atlantic joint venture

Backlog \$1.9B

- Added 2 new projects in Asia & South America
- Started 6 projects in Asia and North America

Operating Profit Leverage *Price + Productivity > Costs*

+10% Operating Profit growth, ex-FX*

- 50 bp operating margin expansion
- Strong operating leverage in Europe from cost actions and volume recovery
- South America price attainment

Density and efficiency

- Acquired Messer Italy
- Sold business in France

22.3% Industry-leading operating margin

Strong Cash Flow Growth & Industry-Leading ROC

Operating Cash Flow \$1.4B

- +32% growth YoY
- 23% of Sales

Return on capital of 12.6% consistently leads the industry

Disciplined capital allocation:

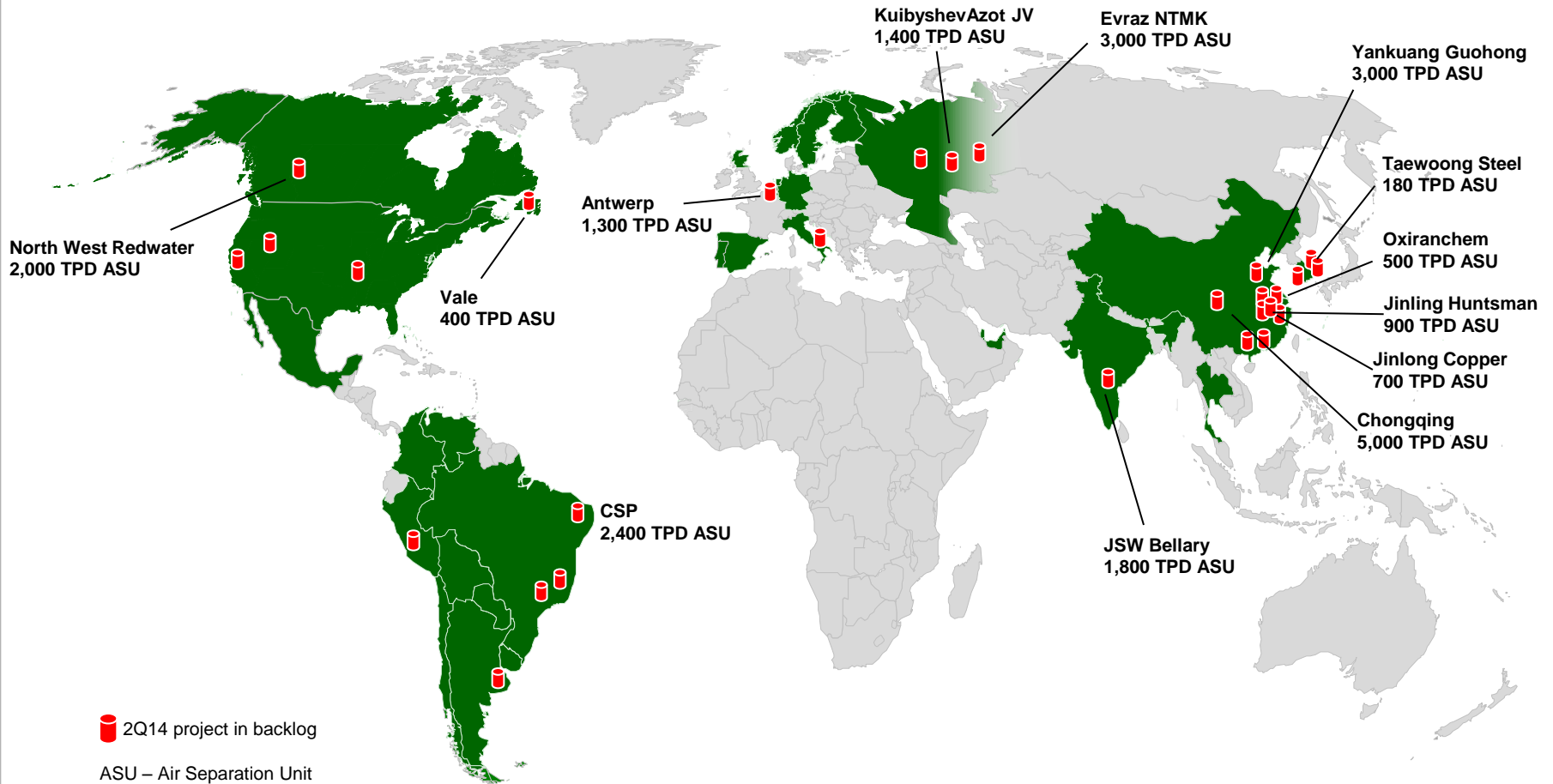
Grow: \$0.9B, 14% of Sales

- Capex \$0.8mm
- Acquisitions, net \$0.1mm

Return: \$0.8B, 12% of Sales








- Dividends \$0.4mm
- Share repurchases \$0.4mm, net; share count down 1%

Strong Backlog - \$ 1.9B Capital



Bid activity strongest in North America and Asia

Q2 14 Organic Sales Growth

	<u>% of Sales</u>	<u>YOY</u>	<u>Vs. Q1 14</u>	
	Manufacturing (24%)	+ 2%	+ 3%	Modest growth in North America
	Metals (17%)	+ 5%	--	Higher volumes in Europe and Asia, including project start-ups
	Energy (14%)	+ 17%	+ 6%	North America hydrogen
	Chemicals (10%)	- 3%	- 3%	Plant turnarounds in Europe and North America
	Healthcare (8%)	+ 2%	+ 1%	South America growth
	Food & Bev (8%)	+ 8%	+ 6%	Growth in South and North America
	Electronics (7%)	- 1%	+ 7%	Sequential growth in specialty gases

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 ongoing 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, the 2013 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			
	Q2	Q1	Q4	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.										
Debt	\$ 9,165	\$ 9,270	\$ 8,811	\$ 9,026	\$ 9,106	\$ 8,676	\$ 7,362	\$ 7,136	\$ 6,995	\$ 6,856
Less: cash and cash equivalents	(173)	(144)	(138)	(134)	(102)	(113)	(157)	(108)	(104)	(107)
Net debt	8,992	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	194	195	307	290	259	255	252	243	232	232
Praxair, Inc. shareholders' equity	6,911	6,600	6,609	6,210	5,928	6,169	6,064	6,015	5,615	5,940
Noncontrolling interests	395	398	394	365	357	357	357	331	279	327
Total equity and redeemable noncontrolling interests	7,500	7,193	7,310	6,865	6,544	6,781	6,673	6,589	6,126	6,499
Capital	\$16,492	\$16,319	\$15,983	\$15,757	\$15,548	\$15,344	\$13,878	\$13,617	\$13,017	\$13,248
Debt-to-capital	54.5%	55.9%	54.3%	56.4%	57.9%	55.8%	51.9%	51.6%	52.9%	50.9%

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)	\$ 697	\$ 675	\$ 690	\$ 679	\$ 665	\$ 623	\$ 616	\$ 623	\$ 636	\$ 627
Less: adjusted income taxes (a)	(183)	(176)	(182)	(178)	(174)	(164)	(162)	(164)	(169)	(165)
Less: tax benefit on adjusted interest expense (a)	(12)	(13)	(11)	(11)	(11)	(11)	(10)	(10)	(9)	(10)
Add: income from equity investments	10	9	9	8	11	10	9	8	10	7
Adjusted net operating profit after-tax (NOPAT)	\$ 512	\$ 495	\$ 506	\$ 498	\$ 491	\$ 458	\$ 453	\$ 457	\$ 468	\$ 459
4-quarter trailing adjusted NOPAT	\$ 2,011	\$ 1,990	\$ 1,953	\$ 1,900	\$ 1,859	\$ 1,836				
Ending capital (see above)	\$16,492	\$16,319	\$15,983	\$15,757	\$15,548	\$15,344	\$13,878	\$13,617	\$13,017	\$13,248
5-quarter average ending capital	\$16,020	\$15,790	\$15,302	\$14,829	\$14,281	\$13,821				
After-tax ROC (4-quarter trailing NOPAT / 5-quarter average capital)	12.6%	12.6%	12.8%	12.8%	13.0%	13.3%				

Non-GAAP Measures, cont.

	2014		2013				2012			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Return on Praxair, Inc. Shareholders' 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)	\$ 467	\$ 448	\$ 462	\$ 451	\$ 445	\$ 414	\$ 414	\$ 419	\$ 429	\$ 419
4-quarter trailing adjusted net income - Praxair, Inc.	\$ 1,828	\$ 1,806	\$ 1,772	\$ 1,724	\$ 1,692	\$ 1,676				
Ending Praxair, Inc. shareholders' equity	\$ 6,911	\$ 6,600	\$ 6,609	\$ 6,210	\$ 5,928	\$ 6,169	\$ 6,064	\$ 6,015	\$ 5,615	\$ 5,940
5-quarter average Praxair shareholders' equity	\$ 6,452	\$ 6,303	\$ 6,196	\$ 6,077	\$ 5,958	\$ 5,961				
ROE (4-quarter trailing adjusted net income - Praxair, Inc. / 5-quarter average Praxair shareholders' equity)	28.3%	28.7%	28.6%	28.4%	28.4%	28.1%	28.9%	29.2%	29.0%	28.4%

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.

Adjusted net income - Praxair, Inc. (a)	\$ 467	\$ 448	\$ 462	\$ 451	\$ 445	\$ 414	\$ 414	\$ 419	\$ 429	\$ 419
Add: adjusted noncontrolling interests (a)	14	14	17	17	16	15	14	12	15	13
Add: adjusted interest expense - net (a)	43	46	38	41	41	40	35	36	33	37
Add: adjusted income taxes (a)	183	176	182	178	174	164	162	164	169	165
Add: depreciation and amortization	293	285	287	281	275	266	254	248	247	252
Adjusted EBITDA	\$ 1,000	\$ 969	\$ 986	\$ 968	\$ 951	\$ 899	\$ 879	\$ 879	\$ 893	\$ 886
4-quarter trailing adjusted EBITDA	\$ 3,923	\$ 3,874	\$ 3,804	\$ 3,697	\$ 3,608	\$ 3,550				
Ending net debt (see above)	\$ 8,992	\$ 9,126	\$ 8,673	\$ 8,892	\$ 9,004	\$ 8,563	\$ 7,205	\$ 7,028	\$ 6,891	\$ 6,749
5-quarter average net debt	\$ 8,937	\$ 8,852	\$ 8,467	\$ 8,138	\$ 7,738	\$ 7,287				
Debt-to-adjusted EBITDA ratio (5-quarter average net debt / 4-quarter trailing adjusted EBITDA)	2.3	2.3	2.2	2.2	2.1	2.1				

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.

	Year	Fourth Quarter	Third Quarter	First Quarter	Third Quarter
	2013	2013	2013	2013	2012
<u>Adjusted Operating Profit and Operating Profit Margin</u>					
Reported operating profit	\$ 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>\$ 2,657</u>	<u>\$ 690</u>	<u>\$ 679</u>	<u>\$ 623</u>	<u>\$ 623</u>
Reported sales	\$ 11,925	\$ 3,010	\$ 3,013	\$ 2,888	\$ 2,774
Adjusted operating profit margin	22.3%	22.9%	22.5%	21.6%	22.5%
<u>Adjusted Interest Expense - net</u>					
Reported interest expense - net	\$ 178	\$ 56	\$ 41	\$ 40	\$ 36
Less: Bond redemption	(18)	(18)	-	-	-
Adjusted interest expense - net	<u>\$ 160</u>	<u>\$ 38</u>	<u>\$ 41</u>	<u>\$ 40</u>	<u>\$ 36</u>
<u>Adjusted Income Taxes</u>					
Reported income taxes	\$ 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>\$ 698</u>	<u>\$ 182</u>	<u>\$ 178</u>	<u>\$ 164</u>	<u>\$ 164</u>
<u>Adjusted Effective Tax Rate</u>					
Reported income before income taxes and equity investments	\$ 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>\$ 2,497</u>	<u>\$ 652</u>	<u>\$ 638</u>	<u>\$ 583</u>	<u>\$ 587</u>
Adjusted income taxes (above)	\$ 698	\$ 182	\$ 178	\$ 164	\$ 164
Adjusted effective tax rate	28%	28%	28%	28%	28%

Non-GAAP Measures, cont.

Adjusted Noncontrolling interests

	Year	Fourth Quarter	Third Quarter	First Quarter	Third Quarter
	2013	2013	2013	2013	2012
Reported noncontrolling interests	\$ 81	\$ 33	\$ 17	\$ 15	\$ 10
Less: Income tax benefit	(16)	(16)	-	-	-
Add: Cost reduction program	-	-	-	-	2
Total adjustments	(16)	(16)	-	-	2
Adjusted noncontrolling interests	<u>\$ 65</u>	<u>\$ 17</u>	<u>\$ 17</u>	<u>\$ 15</u>	<u>\$ 12</u>

Adjusted Net Income - Praxair, Inc.

Reported net income - Praxair, Inc.	\$ 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.	<u>\$ 1,772</u>	<u>\$ 462</u>	<u>\$ 451</u>	<u>\$ 414</u>	<u>\$ 419</u>

Adjusted Diluted EPS

Reported diluted EPS	\$ 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	<u>\$ 5.93</u>	<u>\$ 1.55</u>	<u>\$ 1.51</u>	<u>\$ 1.38</u>	<u>\$ 1.39</u>

Full-Year 2014 Diluted EPS Guidance

	Full Year 2014	
	Low End	High End
Diluted EPS guidance	\$ 6.30	\$ 6.45
2013 adjusted diluted EPS (see above)	\$ 5.93	\$ 5.93
Percentage change	6%	9%

2013 Achievements

Business Drivers

Economic

Environmental

Social

ENERGY



2X GHG benefit
vs. total GHG emissions

Safety Record 5X
better than
U.S. industry average

ENVIRONMENT

\$3 Billion
revenue from
Eco-Portfolio



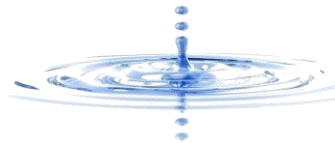
EMERGING ECONOMIES



>50 million
people served with
safe drinking water

EXECUTION

Sustainable Productivity
more than 20% of total
productivity savings



>1 Million beneficiaries
from community engagement
(cumulative, 2009-2013)



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2014 Reporting Calendar:

Third Quarter October 29, 2014

Fourth Quarter January 28, 2015