

Investor Teleconference Presentation Third Quarter 2014



Praxair, Inc.
October 29, 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.

Third Quarter Results

<u>(\$MM)</u>	<u>Third Quarter 2014</u>	<u>Second Quarter 2014</u>	<u>Adj. Third Quarter 2013⁽¹⁾</u>
Sales	\$3,144	\$3,113	\$3,013
Operating Profit	\$711	\$697	\$679
Operating Margin	22.6%	22.4%	22.5%
EBITDA ⁽¹⁾	\$1,023	\$1,000	\$968
EBITDA Margin ⁽¹⁾	32.5%	32.1%	32.1%
Net Income ⁽²⁾	\$477	\$467	\$451
Diluted EPS ⁽²⁾	\$1.62	\$1.58	\$1.51
After – Tax ROC ⁽¹⁾	12.6%	12.6%	12.8%
ROE ⁽¹⁾	28.2%	28.3%	28.4%

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

- Solid operating leverage
Sales +5% & OP +6%, ex-FX
- Volume & price growth YoY all segments
- Growth in operating & EBITDA margins
- Operating cash flow 23% 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>Third Quarter 2014</u>	<u>Second Quarter 2014</u>	<u>Third Quarter 2013</u>
Sales	\$1,639	\$1,628	\$1,588
Segment OP	\$416	\$398	\$406
Operating Margin	25.4%	24.4%	25.6%

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

- U.S. merchant volumes +3% YoY; +2% Seq
- Mexico oil well services volumes down double-digit YoY
- U.S. packaged gas organic sales +5% YoY and steady Seq
- End market growth in manufacturing, metals, food & beverage and healthcare
- Onsite proposal activity in U.S. Gulf Coast region and smaller plants for manufacturing

<u>(\$MM)</u>	<u>Third Quarter 2014</u>	<u>Second Quarter 2014</u>	<u>Third Quarter 2013</u>
Sales	\$385	\$408	\$386
Segment OP	\$71	\$78	\$64
Operating Margin	18.4%	19.1%	16.6%
	<u>YOY</u>	<u>Q3 vs Q2</u>	
Sales Growth	--	- 6%	
Volume	+ 1%	- 2%	
Price	+ 1%	--	
Cost pass-thru	- 1%	--	
Currency	- 1%	- 4%	
Acq/Div	--	--	

- YoY modest volume growth in most countries
- Strong operating margin leverage YoY
- Seasonal seq volume decline
- End market growth YoY metals, food and beverage, healthcare and manufacturing
- Price attainment

<u>(\$MM)</u>	<u>Third Quarter 2014</u>	<u>Second Quarter 2014</u>	<u>Third Quarter 2013</u>
Sales	\$523	\$509	\$494
Segment OP	\$118	\$113	\$115
Operating Margin	22.6%	22.2%	23.3%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+ 6%	+ 3%
Volume	+ 3%	+ 2%
Price	+ 5%	+ 3%
Cost pass-thru	--	--
Currency	- 2%	- 2%

- Volume outperformance vs Brazil -4% IP
- Strong operating margin
- Brazilian Real devaluation ~10% since July
- 4Q14 Brazil Outlook
 - Currency headwinds
 - Extended holiday production curtailments by customers
 - Strong productivity & price

<u>(\$MM)</u>	<u>Third Quarter 2014</u>	<u>Second Quarter 2014</u>	<u>Third Quarter 2013</u>
Sales	\$426	\$394	\$385
Segment OP	\$75	\$76	\$67
Operating Margin	17.6%	19.3%	17.4%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+ 11%	+ 8%
Volume/Equipment	+ 10%	+ 8%
Price	+ 1%	--
Cost pass-thru	- 1%	--
Currency	+ 1%	--

- India volume growth up 15% YoY, includes project start-ups for energy and metals
- Sale of equipment to our China joint venture for chemical park expansion under long-term contract
- China base business growth modest
- Korea organic sales growth +6% YoY
- Price contribution Helium

<u>(\$MM)</u>	<u>Third Quarter 2014</u>	<u>Second Quarter 2014</u>	<u>Third Quarter 2013</u>
Sales	\$171	\$174	\$160
Segment OP	\$31	\$32	\$27
Operating Margin	18.1%	18.4%	16.9%

- Organic sales growth up 3% YoY
- YoY growth energy & aerospace
- Seq weaker industrial coatings

Fourth Quarter 2014

- **EPS in the range of \$1.53 to \$1.60***, lower than prior guidance due to:
 - Currency translation
 - Mexico energy
 - Brazil continued negative IP

Full Year 2014

- **Sales in the range of \$12.3 to \$12.4 billion, +3% to 4% YoY**
 - + Organic growth +5% to 6%
 - 3% currency headwinds
 - + 1% acquisitions
- **EPS in the range of \$6.23 to \$6.30, +5% to 6%***
 - Includes -3% currency headwind
- **Tax rate about 28%**
- **CAPEX of about \$1.7 billion**

* Non-GAAP measures. Fourth-quarter guidance excludes a potential pension settlement charge. See Appendix for reconciliations to 2013 GAAP amounts.

High-Quality Sales Growth

+6% Sales growth, ex-FX

- Project contribution
- Price execution

Tuck-in acquisitions

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

Backlog \$1.9B

- Added 3 new projects in Asia, North and South America
- Started 9 projects in Asia, North America and Europe

Operating Profit Leverage *Price + Productivity > Costs*

+8% Operating Profit growth, ex-FX*

- 30 bp operating margin expansion
- Price contribution all segments
- Strong operating leverage in Europe from cost actions and volume recovery

Density and efficiency

- Acquired Messer Italy
- Sold business in France

22.4% Industry-leading operating margin

Strong Cash Flow Growth & Industry-Leading ROC

Operating Cash Flow \$2.1B

- 7% growth YoY
- 23% of Sales

Return on capital of 12.6% consistently leads the industry

Disciplined capital allocation:

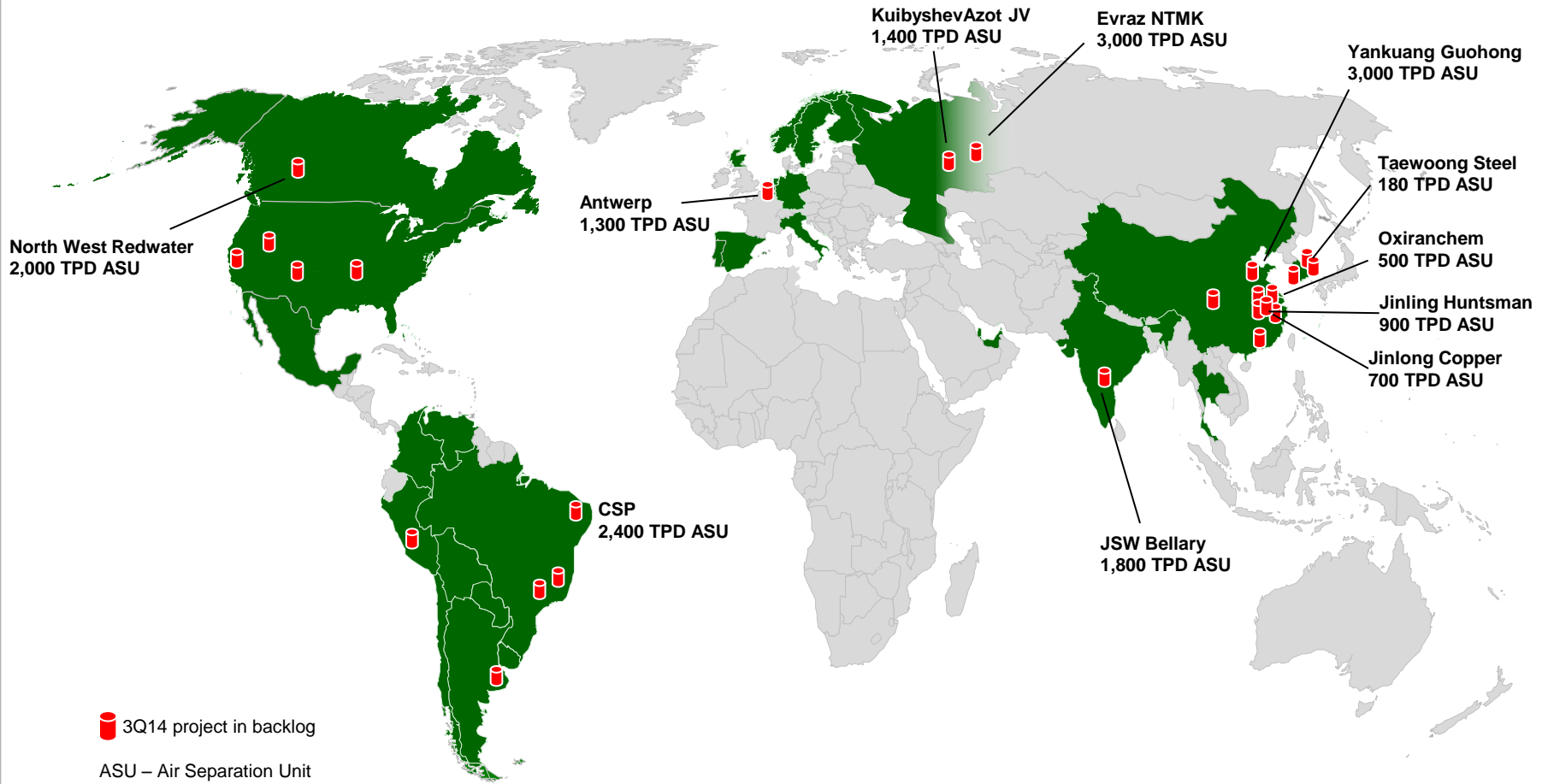
Grow: \$1.3B, 14% of Sales

- Capex \$1.2mm
- Acquisitions, net \$0.1mm

Return: \$1.1B, 11% of Sales








- Dividends \$0.6mm
- Share repurchases \$0.5mm, net; share count down 1%

Backlog - \$ 1.9B Capital



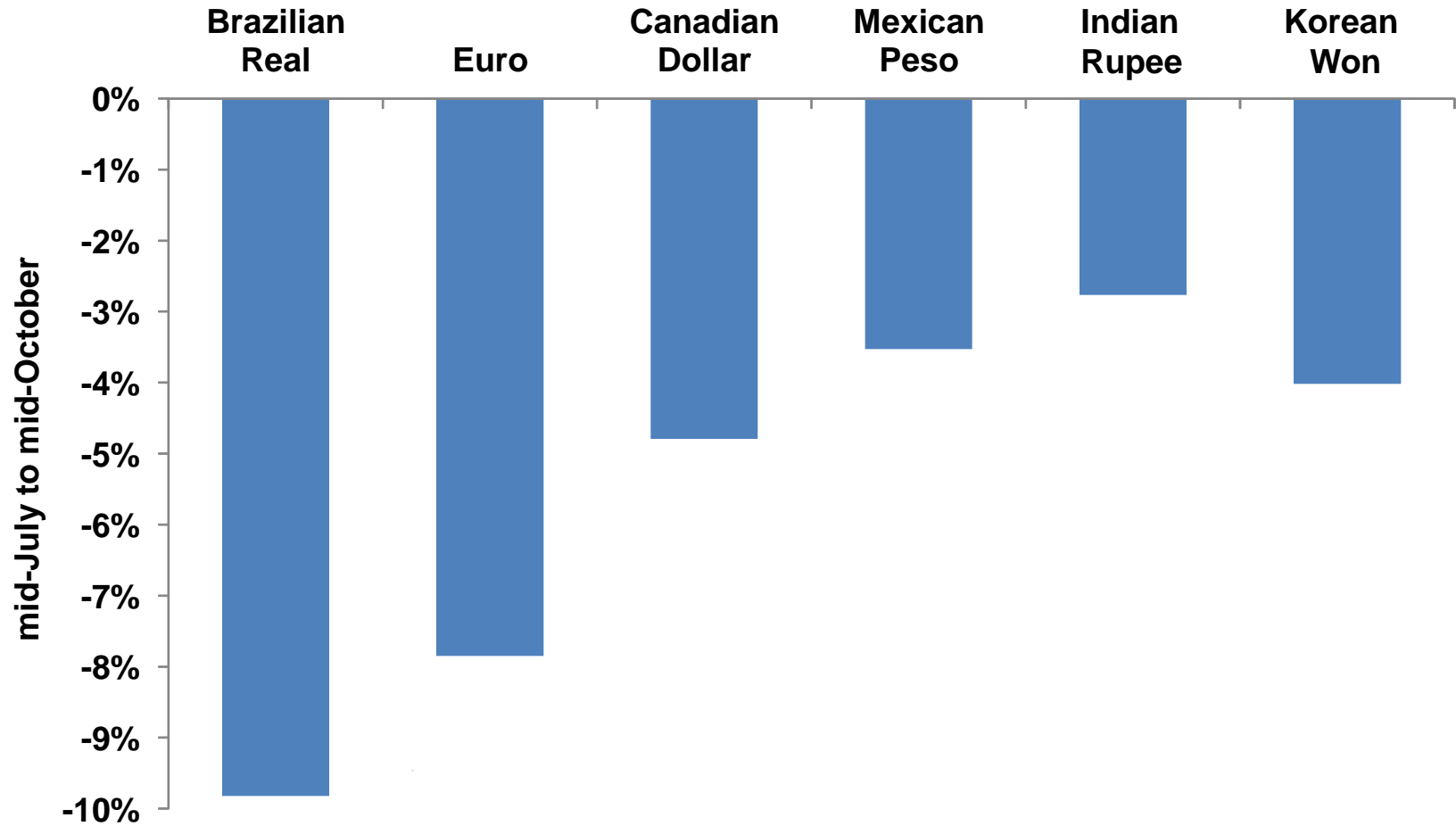
Majority of bidding activity U.S. Gulf Coast and Asia

3Q14 Organic Sales Growth

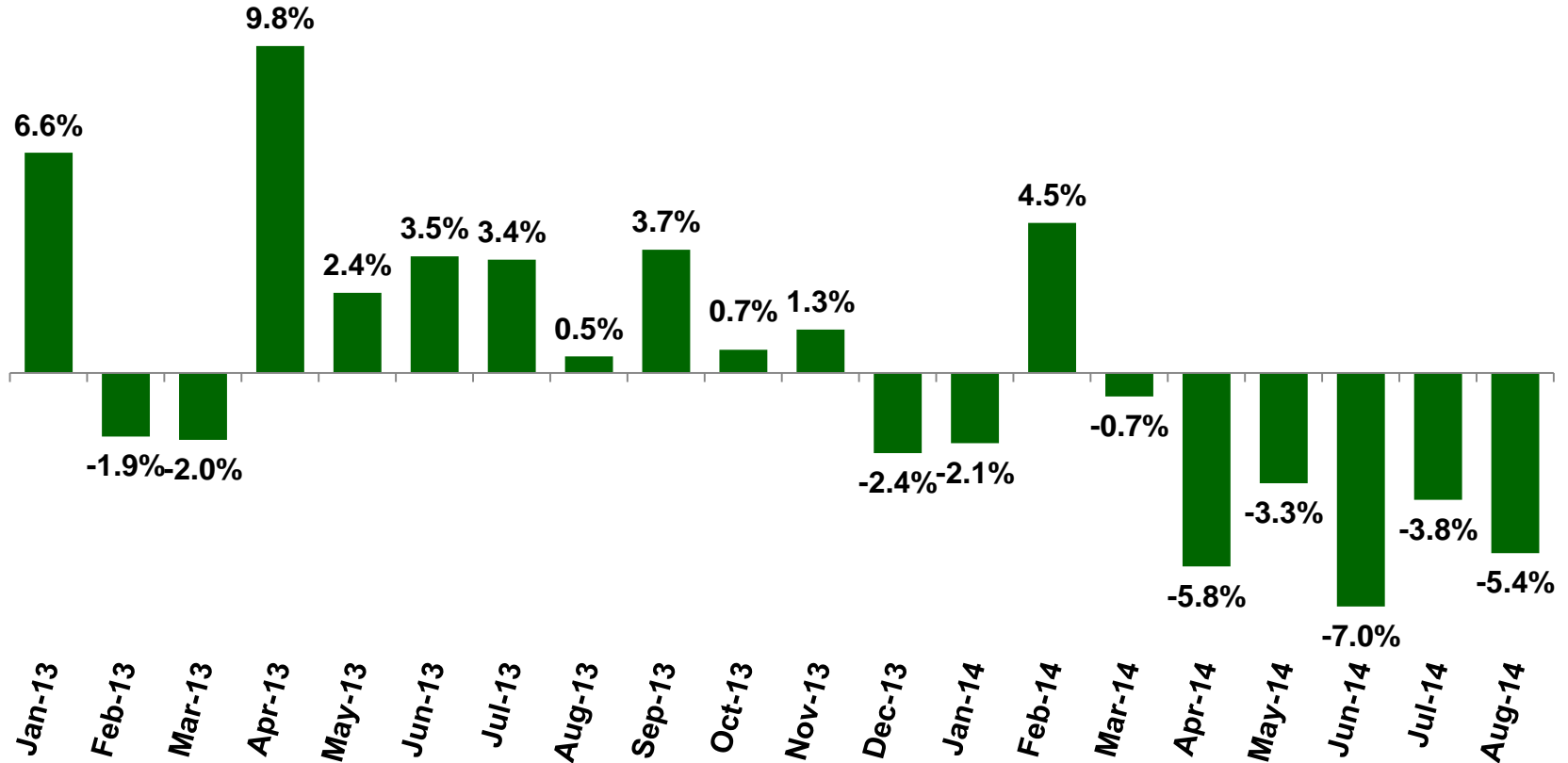
	<u>% of Sales</u>	<u>YOY</u>	<u>Vs. 2Q14</u>	
	Manufacturing (24%)	+ 6%	+ 1%	YoY growth in North and South America & Asia
	Metals (17%)	+ 3%	+ 1%	YoY higher volumes in North America, Asia & Europe, partially offset by weakness in South America
	Energy (13%)	+ 3%	--	YoY North America hydrogen
	Chemicals (10%)	--	--	North America growth offset by European customer maintenance
	Healthcare (8%)	+ 8%	+ 4%	South and North America growth
	Food & Bev (8%)	+ 8%	+ 6%	Growth in South and North America
	Electronics (7%)	+ 1%	- 1%	Stable sales, weaker material science in Asia

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

Currency Movements Since July



Brazil Industrial Production Trends Year-over-Year



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, the 2013 third quarter pension settlement, the 2013 first quarter loss on Venezuela currency devaluation, and the 2012 third quarter cost reduction program, pension settlement charge, and an income tax benefit.

	2014			2013			2012				
	Q3	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	\$ 9,121	\$ 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	(168)	(173)	(144)	(138)	(134)	(102)	(113)	(157)	(108)	(104)	(107)
Net debt	8,953	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	190	194	195	307	290	259	255	252	243	232	232
Praxair, Inc. shareholders' equity	6,552	6,911	6,600	6,609	6,210	5,928	6,169	6,064	6,015	5,615	5,940
Noncontrolling interests	388	395	398	394	365	357	357	357	331	279	327
Total equity and redeemable noncontrolling interests	7,130	7,500	7,193	7,310	6,865	6,544	6,781	6,673	6,589	6,126	6,499
Capital	\$ 16,083	\$ 16,492	\$ 16,319	\$ 15,983	\$ 15,757	\$ 15,548	\$ 15,344	\$ 13,878	\$ 13,617	\$ 13,017	\$ 13,248
Debt-to-capital	55.7%	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)	\$ 711	\$ 697	\$ 675	\$ 690	\$ 679	\$ 665	\$ 623	\$ 616	\$ 623	\$ 636	\$ 627
Less: adjusted income taxes (a)	(187)	(183)	(176)	(182)	(178)	(174)	(164)	(162)	(164)	(169)	(165)
Less: tax benefit on adjusted interest expense (a)	(13)	(12)	(13)	(11)	(11)	(11)	(11)	(10)	(10)	(9)	(10)
Add: income from equity investments	11	10	9	9	8	11	10	9	8	10	7
Adjusted net operating profit after-tax (NOPAT)	\$ 522	\$ 512	\$ 495	\$ 506	\$ 498	\$ 491	\$ 458	\$ 453	\$ 457	\$ 468	\$ 459
4-quarter trailing adjusted NOPAT	\$ 2,035	\$ 2,011	\$ 1,990	\$ 1,953	\$ 1,900	\$ 1,859	\$ 1,836				
Ending capital (see above)	\$ 16,083	\$ 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	\$ 16,127	\$ 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%	12.6%	12.8%	12.8%	13.0%	13.3%				

Non-GAAP Measures, cont.

	2014			2013				2012				
	Q3	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)	\$ 477	\$ 467	\$ 448	\$ 462	\$ 451	\$ 445	\$ 414	\$ 414	\$ 419	\$ 429	\$ 419	
4-quarter trailing adjusted net income - Praxair, Inc.	\$ 1,854	\$ 1,828	\$ 1,806	\$ 1,772	\$ 1,724	\$ 1,692	\$ 1,676					
Ending Praxair, Inc. shareholders' equity	\$ 6,552	\$ 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	\$ 6,576	\$ 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)	28.2%	28.3%	28.7%	28.6%	28.4%	28.4%	28.1%	28.9%	29.2%	29.0%	28.4%	
Adjusted EBITDA, Adjusted EBITDA Margin 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 net income - Praxair, Inc. (a)	\$ 477	\$ 467	\$ 448	\$ 462	\$ 451	\$ 445	\$ 414	\$ 414	\$ 419	\$ 429	\$ 419	
Add: adjusted noncontrolling interests (a)	13	14	14	17	17	16	15	14	12	15	13	
Add: adjusted interest expense - net (a)	45	43	46	38	41	41	40	35	36	33	37	
Add: adjusted income taxes (a)	187	183	176	182	178	174	164	162	164	169	165	
Add: depreciation and amortization	301	293	285	287	281	275	266	254	248	247	252	
Adjusted EBITDA	\$ 1,023	\$ 1,000	\$ 969	\$ 986	\$ 968	\$ 951	\$ 899	\$ 879	\$ 879	\$ 893	\$ 886	
Reported sales	3,144	3,113	3,026	3,010	3,013	3,014	2,888	2,799	2,774	2,811	2,840	
Adjusted EBITDA margin	32.5%	32.1%	32.0%	32.8%	32.1%	31.6%	31.1%	31.4%	31.7%	31.8%	31.2%	
Ending net debt (see above)	\$ 8,953	\$ 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	\$ 8,927	\$ 8,937	\$ 8,852	\$ 8,467	\$ 8,138	\$ 7,738	\$ 7,287					
4-quarter trailing adjusted EBITDA	\$ 3,978	\$ 3,923	\$ 3,874	\$ 3,804	\$ 3,697	\$ 3,608	\$ 3,550					
average net debt / 4-quarter trailing adjusted EBITDA)	2.2	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. Third quarter 2014 amounts have been included for reference purposes and to facilitate the calculations contained herein.

	Third Quarter	Year	Fourth Quarter	Third Quarter	First Quarter	Third Quarter
	2014	2013	2013	2013	2013	2012
<u>Adjusted Operating Profit and Operating Profit Margin</u>						
Reported operating profit	\$ 711	\$ 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>\$ 711</u>	<u>\$ 2,657</u>	<u>\$ 690</u>	<u>\$ 679</u>	<u>\$ 623</u>	<u>\$ 623</u>
Reported percentage change	6%					
Adjusted percentage change	5%					
Reported sales	\$ 3,144	\$ 11,925	\$ 3,010	\$ 3,013	\$ 2,888	\$ 2,774
Adjusted operating profit margin	22.6%	22.3%	22.9%	22.5%	21.6%	22.5%
<u>Adjusted Interest Expense - net</u>						
Reported interest expense - net	\$ 45	\$ 178	\$ 56	\$ 41	\$ 40	\$ 36
Less: Bond redemption	-	(18)	(18)	-	-	-
Adjusted interest expense - net	<u>\$ 45</u>	<u>\$ 160</u>	<u>\$ 38</u>	<u>\$ 41</u>	<u>\$ 40</u>	<u>\$ 36</u>
<u>Adjusted Income Taxes</u>						
Reported income taxes	\$ 187	\$ 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>\$ 187</u>	<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	\$ 666	\$ 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>\$ 666</u>	<u>\$ 2,497</u>	<u>\$ 652</u>	<u>\$ 638</u>	<u>\$ 583</u>	<u>\$ 587</u>
Adjusted income taxes (above)	\$ 187	\$ 698	\$ 182	\$ 178	\$ 164	\$ 164
Adjusted effective tax rate	28%	28%	28%	28%	28%	28%

Non-GAAP Measures, cont.

Adjusted Noncontrolling interests

	Third Quarter 2014	Year 2013	Fourth Quarter 2013	Third Quarter 2013	First Quarter 2013	Third Quarter 2012
Reported noncontrolling interests	\$ (13)	\$ 81	\$ 33	\$ 17	\$ 15	\$ 10
Less: Income tax benefit	-	(16)	(16)	-	-	-
Add: Cost reduction program	-	-	-	-	-	2
Total adjustments	-	(16)	(16)	-	-	2
Adjusted noncontrolling interests	\$ (13)	\$ 65	\$ 17	\$ 17	\$ 15	\$ 12

Adjusted Net Income - Praxair, Inc.

Reported net income - Praxair, Inc.	\$ 477	\$ 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.	\$ 477	\$ 1,772	\$ 462	\$ 451	\$ 414	\$ 419

Reported percentage change	7%
Adjusted percentage change	6%

Adjusted Diluted EPS

Reported diluted EPS	\$ 1.62	\$ 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	\$ 1.62	\$ 5.93	\$ 1.55	\$ 1.51	\$ 1.38	\$ 1.39

Reported percentage change	9%
Adjusted percentage change	7%

Full-Year 2014 Diluted EPS Guidance

	Full Year 2014	
	Low End	High End
Diluted EPS guidance	\$ 6.23	\$ 6.30
2013 adjusted diluted EPS (see above)	\$ 5.93	\$ 5.93
Percentage change	5%	6%

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



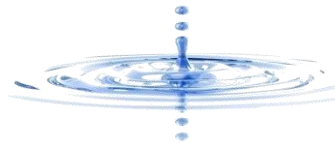
EMERGING ECONOMIES



>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)

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM



For further information, please contact:

INVESTOR RELATIONS

Phone: (203) 837-2118

Kelcey_Hoyt@praxair.com

www.praxair.com/investors

2014 Reporting Calendar:

Fourth Quarter January 28, 2015