

# Investor Teleconference Presentation Third Quarter 2013



Praxair, Inc.  
October 30, 2013

# 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.**

# Third Quarter Results

<u>(\$MM)</u>	<u>Adj. Third Quarter 2013<sup>(1)</sup></u>	<u>Second Quarter 2013</u>	<u>Adj. Third Quarter 2012<sup>(1)</sup></u>
Sales	\$3,013	\$3,014	\$2,774
Operating Profit	\$679	\$665	\$623
Operating Margin	22.5%	22.1%	22.5%
Net Income <sup>(2)</sup>	\$451	\$445	\$419
Diluted EPS <sup>(2)</sup>	\$1.51	\$1.49	\$1.39
After – Tax ROC <sup>(1)</sup>	12.8%	13.0%	14.2%
ROE <sup>(1)</sup>	28.4%	28.4%	29.2%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+ 9%	--
Volume	+ 5%	+ 2%
Price	+ 2%	--
Cost pass-thru	--	--
Currency	- 1%	- 2%
Acq/Div	+ 3%	--

- Sales +10% and OP +11%, ex-FX
- Strong on-site volume growth in Asia and North America, including refinery hydrogen start-ups
- Record operating cash flow \$0.9B
- \$2B backlog of projects

(1) Non-GAAP measures, other than sales. 3Q13 adjusted amounts exclude a pension settlement charge. 3Q12 adjusted amounts exclude cost reduction charges, a pension settlement charge and an income tax benefit. See Appendix.

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

<u>(\$MM)</u>	<u>Third Quarter 2013</u>	<u>Second Quarter 2013</u>	<u>Third Quarter 2012</u>
Sales	\$1,588	\$1,552	\$1,391
Segment OP	\$406	\$381	\$374
Operating Margin	25.6%	24.5%	26.9%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+ 14%	+ 2%
Volume	+ 5%	+ 4%
Price	+ 2%	--
Cost pass-thru	+ 1%	- 1%
Currency	--	- 1%
Acq/Div	+ 6%	--

- On-site volume +13% YoY primarily driven by hydrogen project start-ups
- Merchant sales organic growth of 4% YoY and 3% sequentially, on higher volumes and pricing
- U.S. packaged gas sales up 6%, and 2% ex-acquisitions. Strong pricing more than offset lower hard goods volumes
- NuCO<sub>2</sub> micro-bulk business on track to deliver \$120 million EBITDA run rate
- Solid project proposal activity in chemicals and metals

<u>(\$MM)</u>	<u>Third Quarter 2013</u>	<u>Second Quarter 2013</u>	<u>Third Quarter 2012</u>
Sales	\$386	\$382	\$352
Segment OP	\$64	\$69	\$60
Operating Margin	16.6%	18.1%	17.0%
	<u>YOY</u>	<u>Q3 vs Q2</u>	
Sales Growth	+10%	+ 1%	
Volume	--	- 4%	
Price	+ 1%	+ 1%	
Cost pass-thru	- 2%	+ 1%	
Currency	+ 6%	+ 1%	
Acq/Div	+ 5%	+ 2%	

- Steady YoY volume reflects new project start-ups primarily in Russia, offset by continued weaker base volumes in Spain and Italy
- Sequential volume includes seasonal slowdown
- Continued operating margin expansion expected from Russia new plant merchant loadings, Southern Europe economic improvement and continued productivity and price

<u>(\$MM)</u>	<u>Third Quarter 2013</u>	<u>Second Quarter 2013</u>	<u>Third Quarter 2012</u>
Sales	\$494	\$536	\$516
Segment OP	\$115	\$123	\$112
Operating Margin	23.3%	22.9%	21.7%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	- 4%	- 8%
Volume	+ 3%	- 1%
Price	+ 3%	+ 1%
Cost pass-thru	--	--
Currency	- 10%	- 8%

- Continued operating margin expansion driven by volume improvement, higher price and lower costs
- Brazil industrial production growth in capital goods and construction
- Organic growth YoY to manufacturing, metals, chemicals, healthcare and food & beverage customers
- Merchant growth supported by application technology

<u>(\$MM)</u>	<u>Third Quarter 2013</u>	<u>Second Quarter 2013</u>	<u>Third Quarter 2012</u>
Sales	\$385	\$379	\$358
Segment OP	\$67	\$61	\$52
Operating Margin	17.4%	16.1%	14.5%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+ 8%	+ 2%
Volume	+ 10%	+ 3%
Price	- 1%	--
Cost pass-thru	- 1%	+ 1%
Currency	--	- 2%

- On-site volumes +15% YoY driven by China, Korea and India, including new project start-ups
- Electronics sales -3% YoY
- Operating profit includes settlement of prior-year receivable
- Solid backlog with significant projects in China chemicals, Korea electronics and India steel

<u>(\$MM)</u>	<u>Third Quarter 2013</u>	<u>Second Quarter 2013</u>	<u>Third Quarter 2012</u>
Sales	\$160	\$165	\$157
Segment OP	\$27	\$31	\$25
Operating Margin	16.9%	18.8%	15.9%

- Sales +1% YoY, ex-FX
- Higher operating margin YoY reflects favorable pricing and lower costs resulting from productivity and previous restructure actions
- Strength in commercial aviation and industrial coatings partially offset by weakness in military aviation
- Solid oil and gas coating demand
- Positive outlook for commercial aviation and energy coatings



## Fourth Quarter 2013

- **EPS in the range of \$1.52 to \$1.57, up 10% to 14%**

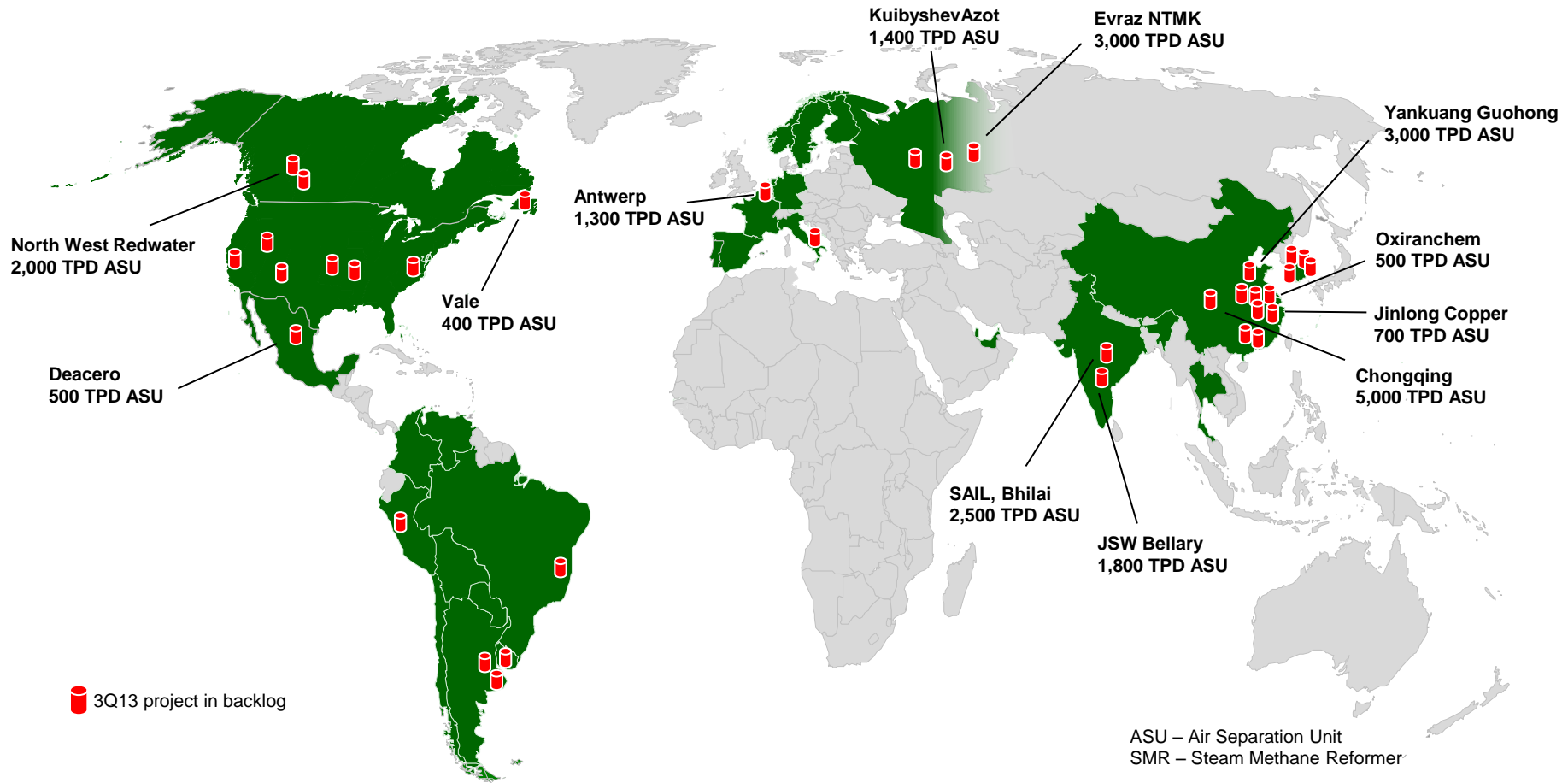
## Full Year 2013

- **Sales in the area of \$12 billion**
- **Adjusted EPS in the range of \$5.90 to \$5.95\***
- **Adjusted tax rate of about 28%\***
- **CAPEX of about \$1.9 billion**

\*Non-GAAP measures. Adjusted amounts exclude 1Q13 charge related to the Venezuela currency devaluation and 3Q13 pension settlement charge. See Appendix for reconciliations to GAAP amounts.



# Strong Backlog - \$ 2B Capital



New project development remains healthy

## Q3 13 Organic Sales Growth

	<u>YOY</u>	<u>Vs. Q2 13</u>	
<b>Energy</b>	+ 17%	+ 14%	<b>North America and India hydrogen project growth</b>
<b>Electronics</b>	- 5%	- 3%	<b>Solar and material science weakness partially offset by Korea on-site demand</b>
<b>Chemicals</b>	+ 10%	- 3%	<b>Project contribution in Asia and Brazil</b>
<b>Metals</b>	+ 7%	+ 2%	<b>North America solid; project contribution in Asia</b>
<b>Manufacturing</b>	+ 1%	- 3%	<b>Sequential softening in North America and India</b>
<b>Healthcare</b>	+ 2%	- 1%	<b>Growth in South America</b>
<b>Aerospace</b>	+ 12%	+ 6%	<b>Surface technologies aviation coatings and U.S. government sales for satellite launches</b>
<b>Food and Bev.</b>	+ 4%	+ 6%	<b>South America growth including applications technology</b>

Excludes impact of currency, natural gas/precious metals cost pass-through and acquisitions/divestitures. Volume impact from days +1% Seq.

# 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 2013 third quarter pension settlement, and 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; and the 2011 fourth quarter gain on acquisition and cost reduction program which helps investors understand underlying performance on a comparable basis.

	2013			2012				2011			
	Q3	Q2	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 financing its operations.											
Debt	\$ 9,026	\$ 9,106	\$ 8,676	\$ 7,362	\$ 7,136	\$ 6,995	\$ 6,856	\$ 6,562	\$ 6,310	\$ 6,119	\$ 5,838
Less: cash and cash equivalents	(134)	(102)	(113)	(157)	(108)	(104)	(107)	(90)	(125)	(80)	(86)
Net debt	8,892	9,004	8,563	7,205	7,028	6,891	6,749	6,472	6,185	6,039	5,752
Equity and redeemable noncontrolling interests:											
Redeemable noncontrolling interests	290	259	255	252	243	232	232	220	-	-	-
Praxair, Inc. shareholders' equity	6,210	5,928	6,169	6,064	6,015	5,615	5,940	5,488	5,753	6,400	6,165
Noncontrolling interests	365	357	357	357	331	279	327	309	368	370	372
Total equity and redeemable noncontrolling interests	6,865	6,544	6,781	6,673	6,589	6,126	6,499	6,017	6,121	6,770	6,537
Capital	\$ 15,757	\$ 15,548	\$ 15,344	\$13,878	\$13,617	\$13,017	\$13,248	\$12,489	\$12,306	\$12,809	\$12,289
Debt-to-capital	<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>	<b>51.8%</b>	<b>50.3%</b>	<b>47.1%</b>	<b>46.8%</b>
<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)	\$ 679	\$ 665	\$ 623	\$ 616	\$ 623	\$ 636	\$ 627	\$ 619	\$ 632	\$ 627	\$ 591
Less: adjusted income taxes (a)	(178)	(174)	(164)	(162)	(164)	(169)	(165)	(162)	(166)	(163)	(156)
Less: tax benefit on interest expense	(11)	(11)	(11)	(10)	(10)	(9)	(10)	(11)	(10)	(10)	(10)
Add: income from equity investments	8	11	10	9	8	10	7	7	13	11	9
Adjusted net operating profit after-tax (NOPAT)	\$ 498	\$ 491	\$ 458	\$ 453	\$ 457	\$ 468	\$ 459	\$ 453	\$ 469	\$ 465	\$ 434
4-quarter trailing adjusted NOPAT	\$ 1,900	\$ 1,859	\$ 1,836	\$ 1,837	\$ 1,837	\$ 1,849	\$ 1,846				
Ending capital (see above)	\$ 15,757	\$ 15,548	\$ 15,344	\$13,878	\$13,617	\$13,017	\$13,248	\$12,489	\$12,306	\$12,809	\$12,289
5-quarter average ending capital	\$ 14,829	\$ 14,281	\$ 13,821	\$13,250	\$12,935	\$12,774	\$12,628				
After-tax ROC (4-quarter trailing NOPAT / 5-quarter average capital)	<b>12.8%</b>	<b>13.0%</b>	<b>13.3%</b>	<b>13.9%</b>	<b>14.2%</b>	<b>14.5%</b>	<b>14.6%</b>				

# Non-GAAP Measures, cont.

	2013			2012				2011				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
<b>Return on Praxair, Inc. Shareholder's equity (ROE)</b> - 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)	\$ 451	\$ 445	\$ 414	\$ 414	\$ 419	\$ 429	\$ 419	\$ 414	\$ 429	\$ 425	\$ 398	
4-quarter trailing adjusted net income - Praxair, Inc.	\$ 1,724	\$ 1,692	\$ 1,676	\$ 1,681	\$ 1,681	\$ 1,691	\$ 1,687					
Ending Praxair, Inc. shareholders' equity	\$ 6,210	\$ 5,928	\$ 6,169	\$ 6,064	\$ 6,015	\$ 5,615	\$ 5,940	\$ 5,488	\$ 5,753	\$ 6,400	\$ 6,165	
5-quarter average Praxair shareholders' equity	\$ 6,077	\$ 5,958	\$ 5,961	\$ 5,824	\$ 5,762	\$ 5,839	\$ 5,949					
<b>ROE (4-quarter trailing adjusted net income - Praxair, Inc. / 5-quarter average Praxair shareholders' equity)</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 its financial obligations.

Adjusted net income - Praxair, Inc. (a)	\$ 451	\$ 445	\$ 414	\$ 414	\$ 419	\$ 429	\$ 419	\$ 414	\$ 429	\$ 425	\$ 398
Add: adjusted noncontrolling interests (a)	17	16	15	14	12	15	13	12	14	14	11
Add: interest expense - net	41	41	40	35	36	33	37	38	36	36	35
Add: adjusted income taxes (a)	178	174	164	162	164	169	165	162	166	163	156
Add: depreciation and amortization	281	275	266	254	248	247	252	249	256	254	244
Adjusted EBITDA	\$ 968	\$ 951	\$ 899	\$ 879	\$ 879	\$ 893	\$ 886	\$ 875	\$ 901	\$ 892	\$ 844
4-quarter trailing adjusted EBITDA	\$ 3,697	\$ 3,608	\$ 3,550	\$ 3,537	\$ 3,533	\$ 3,555	\$ 3,554				
Ending net debt (see above)	\$ 8,892	\$ 9,004	\$ 8,563	\$ 7,205	\$ 7,028	\$ 6,891	\$ 6,749	\$ 6,472	\$ 6,185	\$ 6,039	\$ 5,752
5-quarter average net debt	\$ 8,138	\$ 7,738	\$ 7,287	\$ 6,869	\$ 6,665	\$ 6,467	\$ 6,239				
<b>Debt-to-adjusted EBITDA ratio (5-quarter average net debt / 4-quarter trailing adjusted EBITDA)</b>	<b>2.2</b>	<b>2.1</b>	<b>2.1</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</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 periods presented. Additionally, this table presents the percentage change in Diluted EPS Guidance for the full year 2013.

	Year-to-date September 30, 2013	Third Quarter 2013	First Quarter 2013	Year 2012	Year-to-date September 30, 2012	Third Quarter 2012	Fourth Quarter 2011
<b>Adjusted Operating Profit and Operating Profit Margin</b>							
Reported operating profit	\$ 1,935	\$ 670	\$ 600	\$ 2,437	\$ 1,821	\$ 558	\$ 618
Add: Venezuela currency devaluation	23	-	23	-	-	-	-
Add: Pension settlement charge	9	9	-	9	9	9	-
Add: Cost reduction program	-	-	-	56	56	56	40
Less: Gain on acquisition	-	-	-	-	-	-	(39)
Total adjustments	32	9	23	65	65	65	1
Adjusted operating profit	<u>\$ 1,967</u>	<u>\$ 679</u>	<u>\$ 623</u>	<u>\$ 2,502</u>	<u>\$ 1,886</u>	<u>\$ 623</u>	<u>\$ 619</u>
Reported sales	\$ 8,915	\$ 3,013	\$ 2,888	\$ 11,224	\$ 8,425	\$ 2,774	\$ 2,796
Adjusted operating profit margin	22.1%	22.5%	21.6%	22.3%	22.4%	22.5%	22.1%
<b>Adjusted Income Taxes</b>							
Reported income taxes	\$ 513	\$ 175	\$ 164	\$ 586	\$ 424	\$ 90	\$ 156
Add: Venezuela currency devaluation	-	-	-	-	-	-	-
Add: Pension settlement charge	3	3	-	3	3	3	-
Add: Income tax benefit	-	-	-	55	55	55	-
Add: Cost reduction program	-	-	-	16	16	16	9
Less: Gain on acquisition	-	-	-	-	-	-	(3)
Total adjustments	3	3	-	74	74	74	6
Adjusted income taxes	<u>\$ 516</u>	<u>\$ 178</u>	<u>\$ 164</u>	<u>\$ 660</u>	<u>\$ 498</u>	<u>\$ 164</u>	<u>\$ 162</u>
<b>Adjusted Effective Tax Rate</b>							
Reported income before income taxes and equity investments	\$ 1,813	\$ 629	\$ 560	\$ 2,296	\$ 1,715	\$ 522	\$ 580
Add: Venezuela currency devaluation	23	-	23	-	-	-	-
Add: Pension settlement charge	9	9	-	9	9	9	-
Add: Cost reduction program	-	-	-	56	56	56	40
Less: Gain on acquisition	-	-	-	-	-	-	(39)
Total adjustments	32	9	23	65	65	65	1
Adjusted income before income taxes and equity investments	<u>\$ 1,845</u>	<u>\$ 638</u>	<u>\$ 583</u>	<u>\$ 2,361</u>	<u>\$ 1,780</u>	<u>\$ 587</u>	<u>\$ 581</u>
Adjusted income taxes (above)	\$ 516	\$ 178	\$ 164	\$ 660	\$ 498	\$ 164	\$ 162
Adjusted effective tax rate	28%	28%	28%	28%	28%	28%	28%

# Non-GAAP Measures, cont.

	Year-to-date September 30, 2013	Third Quarter 2013	First Quarter 2013	Year 2012	Year-to-date September 30, 2012	Third Quarter 2012	Fourth Quarter 2011
<b><u>Adjusted Noncontrolling interest</u></b>							
Reported noncontrolling interest	\$ 48	\$ 17	\$ 15	\$ 52	\$ 38	\$ 10	\$ 11
Add: Cost reduction program	-	-	-	2	2	2	-
Add: Gain on acquisition	-	-	-	-	-	-	1
Total adjustments	-	-	-	2	2	2	1
Adjusted noncontrolling interest	\$ 48	\$ 17	\$ 15	\$ 54	\$ 40	\$ 12	\$ 12
<b><u>Adjusted Net Income - Praxair, Inc.</u></b>							
Reported net income - Praxair, Inc.	\$ 1,281	\$ 445	\$ 391	\$ 1,692	\$ 1,278	\$ 430	\$ 420
Add: Venezuela currency devaluation	23	-	23	-	-	-	-
Add: Pension settlement charge	6	6	-	6	6	6	-
Less: Income tax benefit	-	-	-	(55)	(55)	(55)	-
Add: Cost reduction program	-	-	-	38	38	38	31
Less: Gain on acquisition	-	-	-	-	-	-	(37)
Total adjustments	29	6	23	(11)	(11)	(11)	(6)
Adjusted net income - Praxair, Inc.	\$ 1,310	\$ 451	\$ 414	\$ 1,681	\$ 1,267	\$ 419	\$ 414
<b><u>Adjusted Diluted EPS</u></b>							
Reported diluted EPS	\$ 4.28	\$ 1.49	\$ 1.30	\$ 5.61	\$ 4.23	\$ 1.43	\$ 1.38
Add: Venezuela currency devaluation	0.08	-	0.08	-	-	-	-
Add: Pension settlement charge	0.02	0.02	-	0.02	0.02	0.02	-
Less: Income tax benefit	-	-	-	(0.18)	(0.18)	(0.18)	-
Add: Cost reduction program	-	-	-	0.12	0.12	0.12	0.10
Less: Gain on acquisition	-	-	-	-	-	-	(0.12)
Total adjustments	0.10	0.02	0.08	(0.04)	(0.04)	(0.04)	(0.02)
Adjusted diluted EPS	\$ 4.38	\$ 1.51	\$ 1.38	\$ 5.57	\$ 4.19	\$ 1.39	\$ 1.36

## **Percentage Change in Adjusted Full Year 2013 Diluted EPS Guidance**

	Full Year 2013	
	Low End	High End
Diluted EPS guidance - GAAP	\$ 5.80	\$ 5.85
Non-GAAP adjustments:		
Add: Venezuela currency devaluation	0.08	0.08
Add: Pension settlement	0.02	0.02
2013 adjusted diluted EPS - Non-GAAP	\$ 5.90	\$ 5.95
2012 adjusted diluted EPS (see above) - Non-GAAP	\$ 5.57	\$ 5.57
Percentage change from 2012 adjusted amounts	6%	7%



# Principles of Sustainable Development

## **Governance and Integrity**

Maintain strong systems and a culture of global corporate governance, compliance, ethics, human rights, integrity and accountability.

## **Strategic Leadership**

Stay current with, and take advantage of, emerging global opportunities, developments and challenges to position Praxair for the future.

## **Customer Commitment**

Focus relentlessly on the delivery of customer value through continuous innovation that helps our customers enhance their product quality, service, reliability, productivity, safety, energy efficiency and environmental performance.

## **Environmental Responsibility**

Achieve continuous environmental performance improvement and energy efficiency in our operations.

## **Employee Safety and Development**

Provide opportunities that allow employees to develop to their fullest potential in a creative, inclusive and safe environment.

## **Community Support**

Participate in community development in regions where we operate.

## **Financial Performance**

Maintain year-on-year recognition from shareholders and stakeholders for top-tier financial performance.

## **Stakeholder Engagement and Communication**

Partner with internal and external stakeholders to achieve a strong, secure and sustainable society, economy and environment.



MSCI ESG Indices



For further information, please contact:

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