



Investor Teleconference Presentation Second Quarter 2008

July 23, 2008

Forward Looking Statements

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 tax, environmental, home 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 latest Annual Report on Form 10-K 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

	Second Quarter <u>2008</u>	First Quarter <u>2008</u> ²	Second Quarter <u>2007</u>		<u>YOY</u>	<u>Q2 vs Q1</u>
(\$MM)						
Sales	\$2,878	\$2,663	\$2,332	Sales Growth	+23%	+ 8%
Operating Profit	\$ 543	\$ 499	\$ 439	Volume	+ 6%	+ 3%
Operating Margin	18.9%	18.7%	18.8%	Price	+ 6%	+ 1%
Net Income	\$ 349	\$ 318	\$ 291	Natural Gas	+ 2%	+ 2%
Diluted EPS	\$ 1.08	\$ 0.99	\$ 0.89	Currency	+ 7%	+ 2%
After-Tax ROC¹	15.4%	14.8%	15.3%	Acq/Div	+ 2%	+ 0%
ROE¹	25.7%	24.6%	25.0%			
				<u>YOY</u>		
				◆ Sales +23%		
				◆ Operating Profit +24%		
				◆ Net Income +20%		
				–Tax rate of 28% in Q2 08 vs. 26% in Q2 07		
				◆ EPS +21%		

(1) Non-GAAP measures. See Appendix.

(2) Q1 08 amounts, other than Sales, are non-GAAP measures, adjusted to exclude a pension settlement charge of \$17 MM, \$11 MM after tax, or 3 cents EPS. See Appendix.

North America

(\$MM)	<u>Second Quarter 2008</u>	<u>First Quarter 2008</u>	<u>Second Quarter 2007</u>
Sales	\$1,573	\$1,454	\$1,293
Segment OP	\$ 275	\$ 262	\$ 231
Operating Margin	17.5%	18.0%	17.9%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+22%	+ 8%
Volume	+ 6%	+ 3%
Price	+ 6%	+ 2%
Natural Gas	+ 4%	+ 3%
Currency	+ 2%	+ 0%
Acq/Div	+ 4%	+ 0%

- ◆ Strong sales growth to energy, chemicals, metals and some segments of manufacturing. Softness in automotive and transportation
- ◆ Canada sales +11% ex-currency; Western Canada strong due to sales to energy and chemicals
- ◆ Mexico sales +21% YOY, strong growth in energy
- ◆ Robust business development activity for energy, food, water treatment and chemicals

North America Business Trends – Q2 08 YOY

On-site

- ◆ On-site sales +40%, +25% ex-NG
- ◆ Refinery hydrogen volume +28%
- ◆ On-site atmospheric gases volume +12%

Merchant

- ◆ Merchant sales +13%
- ◆ Steady volume growth and strong pricing trends
- ◆ Growth in oil well services in US, Canada and Mexico
- ◆ Seasonal pickup in beverage CO2

Packaged

- ◆ Packaged gases sales +15%
- ◆ Specialty gases +24% YOY
- ◆ PDI SSS +5%, driven by gases
- ◆ Closed 5 distributor acquisitions (US and Canada)
- ◆ April pricing action to recover higher power and distribution costs

Europe

(\$MM)	<u>Second Quarter 2008</u>	<u>First Quarter 2008</u>	<u>Second Quarter 2007</u>
Sales	\$406	\$390	\$336
Segment OP	\$ 99	\$ 87	\$ 79
Operating Margin	24.4%	22.3%	23.5%

- ◆ Strong YOY sales growth in Germany to industrial, petrochemical and refining markets
- ◆ Southern Europe slowing
- ◆ Completed sale of industrial gas business in Israel – annual sales of \$27MM

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+21%	+ 4%
Volume	+ 2%	+ 2%
Price	+ 5%	- 1%
Currency	+16%	+ 5%
Acq/Div	- 2%	- 2%

South America

(\$MM)	<u>Second Quarter 2008</u>	<u>First Quarter 2008</u>	<u>Second Quarter 2007</u>
Sales	\$ 514	\$466	\$393
Segment OP	\$ 102	\$ 89	\$ 76
Operating Margin	19.8%	19.1%	19.3%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+31%	+ 10%
Volume	+ 7%	+ 1%
Price	+ 8%	+ 4%
Currency	+16%	+ 5%

- ◆ Strong domestic demand driving economic growth
- ◆ Volume growth from on-site, merchant and packaged gases
- ◆ Strong YOY growth from manufacturing, metals, and food & beverage markets
- ◆ Sales outside of Brazil +20% ex-FX
- ◆ Increasing project backlog

Asia

(\$MM)	<u>Second Quarter 2008</u>	<u>First Quarter 2008</u>	<u>Second Quarter 2007</u>
Sales	\$232	\$211	\$179
Segment OP	\$ 40	\$ 37	\$ 30
Operating Margin	17.2%	17.5%	16.8%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+30%	+10%
Volume	+ 15%	+ 8%
Price	+ 12%	+ 3%
Currency	+ 3%	- 1%

- ◆ Broad-based growth in China, India and Korea
- ◆ Electronics +37% YOY
 - Strong growth in Korea and Taiwan in specialty and rare gases for solar and flat panel displays
- ◆ Strong pricing gains for xenon and helium
- ◆ Higher sales to metals, chemicals and manufacturing in China and India
- ◆ Growing project backlog – chemicals, metals and electronics – project starts 2008 to 2010.

Surface Technologies

(\$MM)	<u>Second Quarter 2008</u>	<u>First Quarter 2008</u>	<u>Second Quarter 2007</u>
Sales	\$153	\$142	\$131
Segment OP	\$ 27	\$ 24	\$ 23
Operating Margin	17.6%	16.9%	17.6%

- ◆ Sales growth +9% ex-currency
- ◆ Steady growth in jet engine coatings
- ◆ Higher coatings of industrial gas turbines and oil well components
- ◆ Started up plant in India, supplying thermal spray coatings for oilfield services

Global End-Market Trends

Q2 YOY Sales Growth

Ex-FX

		<u>Ex-FX</u>	
Energy ⁽¹⁾	+33%	+29%	Hydrogen and oil well services; Brazil LNG
Electronics	+15%	+12%	Growth in Asia; growth in gases and PVD materials for solar and flat panel
Chemicals	+24%	+18%	Growth in North America, Asia and Germany
Metals	+19%	+10%	Growth in steel in SA and Asia; growth in non-ferrous (zinc, copper, nickel) due to high commodity prices
Manufacturing	+29%	+21%	Growth in all regions; acquisitions added 10%
Healthcare	+ 8%	+ 2%	Growth in SA, Europe and US hospital services, offset by US homecare
Aerospace	+13%	+10%	Higher jet engine coatings
Food and Bev.	+11%	+ 3%	Applications driven growth in US and South America

(1) Excluding natural gas pass-through

Financial Outlook

Third Quarter 2008

- ◆ Diluted EPS in the range of \$1.06 to \$1.10

Full Year 2008

- ◆ YOY sales growth in the range of 16% to 20%
- ◆ Diluted EPS in the range of \$4.20 to \$4.30, excluding (\$.03) Q1 impact of pension settlement charge
 - Represents +16% to +19% YOY*
- ◆ Tax rate about 28%, up 2% from 2007
- ◆ CAPEX of about \$1.5 billion

*Non-GAAP measures, see Appendix

APPENDIX

Non-GAAP Measures (\$MM)

Definitions of the following non-GAAP measures may not be comparable to similar definitions used by other companies. Praxair believes that its (i) debt-to-capital ratio is appropriate for measuring its financial leverage; (ii) after-tax return on invested capital ratio (ROC) is an appropriate measure for judging performance as it reflects the approximate after-tax profit earned as a percentage of investments by all parties in the business (debt, minority interests and shareholders' equity); (iii) return on equity ratio (ROE) is an appropriate measure for judging performance for shareholders; and (iv) 2008 adjusted operating profit, net income and diluted EPS which are adjusted for the impact of the 2008 Q1 pension settlement charge helps investors understand underlying performance on a comparable basis.

	2008		2007			
	Q2	Q1	Q4	Q3	Q2	Q1
<u>Total Capital</u>						
Total debt	\$ 4,596	\$ 4,574	\$ 4,192	\$ 4,003	\$ 3,700	\$ 3,736
Minority interests	317	344	321	255	234	230
Shareholders' equity	5,671	5,209	5,142	4,862	4,850	4,467
Total Capital	<u>\$ 10,584</u>	<u>\$ 10,127</u>	<u>\$ 9,655</u>	<u>\$ 9,120</u>	<u>\$ 8,784</u>	<u>\$ 8,433</u>
<u>Debt-to-Capital Ratio</u>	<u>43.4%</u>	<u>45.2%</u>	<u>43.4%</u>	<u>43.9%</u>	<u>42.1%</u>	<u>44.3%</u>
<u>After-Tax Return on Capital (ROC)</u>						
Adjusted operating profit (see below)	\$ 543	\$ 499	\$ 484	\$ 460	\$ 439	\$ 403
Less: income taxes	(137)	(122)	(115)	(106)	(103)	(95)
Less: tax benefit on pension settlement charge*	-	(6)	-	-	-	-
Less: tax benefit on interest expense	(15)	(13)	(13)	(11)	(11)	(10)
Add: income from equity investments	8	9	13	4	5	4
Net operating profit after-tax (NOPAT)	<u>\$ 399</u>	<u>\$ 367</u>	<u>\$ 369</u>	<u>\$ 347</u>	<u>\$ 330</u>	<u>\$ 302</u>
Beginning capital	\$ 10,127	\$ 9,655	\$ 9,120	\$ 8,784	\$ 8,433	\$ 7,943
Ending capital	\$ 10,584	\$ 10,127	\$ 9,655	\$ 9,120	\$ 8,784	\$ 8,433
Average capital	\$ 10,356	\$ 9,891	\$ 9,388	\$ 8,952	\$ 8,609	\$ 8,188
ROC %	3.9%	3.7%	3.9%	3.9%	3.8%	3.7%
ROC % (annualized)	<u>15.4%</u>	<u>14.8%</u>	<u>15.7%</u>	<u>15.5%</u>	<u>15.3%</u>	<u>14.8%</u>

Non-GAAP Measures, cont.

Return on Equity (ROE)

Adjusted net income (see below)	\$ 349	\$ 318	\$ 316	\$ 305	\$ 291	\$ 265
Beginning shareholders' equity	\$ 5,209	\$ 5,142	\$ 4,862	\$ 4,850	\$ 4,467	\$ 4,554
Ending shareholders' equity	\$ 5,671	\$ 5,209	\$ 5,142	\$ 4,862	\$ 4,850	\$ 4,467
Average shareholders' equity	\$ 5,440	\$ 5,176	\$ 5,002	\$ 4,856	\$ 4,659	\$ 4,511
ROE %	6.4%	6.1%	6.3%	6.3%	6.2%	5.9%
ROE % (annualized)	25.7%	24.6%	25.3%	25.1%	25.0%	23.5%

2008 Adjusted Operating profit, Net income and Diluted EPS (millions of dollars, except per share data)

	<u>First Quarter</u>	<u>Full Year 2008 Guidance</u>	
	<u>2008</u>	<u>Low End</u>	<u>High End</u>
Reported operating profit	\$ 482		
Add: pension settlement charge*	17		
Adjusted operating profit	\$ 499		
Reported net income	\$ 307		
Add: pension settlement charge*	11		
Adjusted net income	\$ 318		
Diluted weighted average shares	320,409		
Reported diluted EPS	\$ 0.96	\$ 4.17	\$ 4.27
Add: pension settlement charge*	0.03	0.03	0.03
Adjusted Diluted EPS	\$ 0.99	\$ 4.20	\$ 4.30
Reported 2007 Diluted EPS		\$ 3.62	\$ 3.62
Percentage change from 2007		16%	19%

* A pension settlement charge of \$17 million (\$11 million after-tax or \$0.03 per diluted share) was recorded in the 2008 first quarter related to lump sum benefit payments made from the U.S. supplemental pension plan to a number of recently retired senior managers, including Praxair's former chairman and chief executive officer.