



Investor Teleconference Presentation Third Quarter 2010

October 27, 2010

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 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; 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 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

(\$MM)	Third Quarter <u>2010</u>	Second Quarter <u>2010</u>	Adj.Third Quarter <u>2009⁽³⁾</u>
Sales	\$2,538	\$2,527	\$2,288
Operating Profit	\$ 551	\$ 547	\$ 480
Operating Margin	21.7%	21.6%	21.0%
Net Income⁽¹⁾	\$ 377	\$ 371	\$ 318
Diluted EPS⁽¹⁾	\$ 1.21	\$ 1.19	\$ 1.02
After-Tax ROC⁽²⁾	14.7%	14.7%	13.6%
ROE⁽²⁾	26.4%	27.4%	26.2%

- ◆ Sales +11% YOY
OP +15%
NI and EPS +19%
- ◆ Strong volume growth in all geographies vs. prior year
- ◆ Strong growth continues in emerging markets; slow but steady in developed markets

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+11%	0%
Volume	+ 9%	0%
Price/Mix/Other	0%	0%
Cost pass-thru	+ 2%	0%
Currency	0%	0%
Acq/Div	0%	0%

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

(2) Non-GAAP measures. See Appendix.

(3) Q3 09 amounts, other than Sales, are non-GAAP measures, adjusted to exclude the Brazil tax amnesty program and other charges. See Appendix.

North America

(\$MM)	<u>Third Quarter 2010</u>	<u>Second Quarter 2010</u>	<u>Third Quarter 2009</u>
Sales	\$1,282	\$1,281	\$1,162
Segment OP	\$ 314	\$ 294	\$ 263
Operating Margin	24.5%	23.0%	22.6%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+ 10%	0%
Volume	+ 7%	0%
Price/Mix/Other	- 1%	0%
Cost pass-thru	+ 3%	0%
Currency	+ 1%	0%

- ◆ Broad-based sales growth YOY -- chemicals, electronics, metals and manufacturing
- ◆ On-site volumes +7% YOY due to O2 and N2 demand, and H2 plant startup. Modest sequential decline due to customer outages in steel and refining
- ◆ Steady growth in merchant volumes +12% YOY and +3% vs. Q2 10
- ◆ Packaged gases volumes +6% YOY, and slowly improving sequentially
- ◆ Steady volume growth and large project opportunities in Mexico

Europe

(\$MM)	<u>Third Quarter 2010</u>	<u>Second Quarter 2010</u>	<u>Third Quarter 2009</u>
Sales	\$322	\$335	\$323
Segment OP	\$ 59	\$ 73	\$ 68
Operating Margin	18.3%	21.8%	21.1%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	0%	- 4%
Volume	+ 7%	- 1%
Price/Mix/Other	0%	- 1%
Cost pass-thru	+ 1%	- 1%
Currency	- 10%	- 2%
Acq/Div	+ 1%	0%
Equipment	+ 1%	+ 1%

- ◆ YOY underlying sales growth driven by chemicals, metals and healthcare end markets – offset by 10% currency headwind
- ◆ Sequential sales decline consistent with historic seasonality in Europe
- ◆ YOY operating profit impacted by \$10MM currency headwind, including \$4MM hedge loss, plus non-recurring costs associated with new business start-ups in the Middle East and Russia
- ◆ Operating margin on track back to 20%+ range

South America

(\$MM)	<u>Third Quarter 2010</u>	<u>Second Quarter 2010</u>	<u>Third Quarter 2009</u>
Sales	\$506	\$490	\$ 436
Segment OP	\$117	\$114	\$ 94
Operating Margin	23.1%	23.3%	21.6%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+16%	+ 3%
Volume	+10%	+ 1%
Price/Mix/Other	+ 2%	0%
Cost pass-thru	0%	0%
Currency	+ 4%	+ 2%

- ◆ Strong YOY growth from metals, manufacturing, healthcare and food markets
- ◆ Strong growth in on-site, merchant and packaged volumes YOY
- ◆ Sequential growth in merchant and packaged, offset by lower on-site steel volumes
- ◆ Strong operating leverage YOY from volume recovery, pricing and productivity
- ◆ Optimistic outlook for Brazil and other South American countries

Asia

(\$MM)	<u>Third Quarter 2010</u>	<u>Second Quarter 2010</u>	<u>Third Quarter 2009</u>
Sales	\$287	\$280	\$232
Segment OP	\$ 38	\$ 44	\$ 37
Operating Margin	13.2%	15.7%	15.9%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+24%	+ 3%
Volume	+17%	+ 3%
Price/Mix/Other	- 2%	- 1%
Cost pass-thru	+ 6%	+ 1%
Currency	+ 3%	0%

- ◆ Strong volume growth across the region YOY and vs. Q2 10 due to new plant start-ups in China and Korea and increasing base business demand
- ◆ China volumes at record levels
- ◆ Strong growth in India, volumes +15% YOY and +4% vs. Q2 10
- ◆ Electronics sales +30% YOY and represent 40% of sales
- ◆ Positive price trends for merchant gases, offset by lower prices for xenon and silane
- ◆ Operating profit impacted by higher business development costs

Surface Technologies

(\$MM)	Third Quarter <u>2010</u>	Second Quarter <u>2010</u>	Third Quarter <u>2009</u>
Sales	\$141	\$141	\$135
Segment OP	\$ 23	\$ 22	\$ 18
Operating Margin	16.3%	15.6%	13.3%

- ◆ Sales +8% YOY, ex-FX
- ◆ Strong EBPVD aerospace coatings
- ◆ IGT coatings down vs. prior year due to weak new builds
- ◆ Strengthening demand for coatings for oil field gate valve components
- ◆ Strong OP leverage from higher volumes and productivity

Global End-Market Trends

Q3 10 Organic Sales Growth

	<u>YOY</u>	<u>Vs. Q2 10</u>	
Energy	+ 1%	- 2%	Large H2 customer outage offset new plant startup
Electronics	+ 17%	+ 2%	Strong volume growth offset by price
Chemicals	+ 15%	+ 2%	Strong recovery in US, Germany, growth in Asia
Metals	+ 16%	- 3%	Strong YOY recovery partially offset by temporary plant outages
Manufacturing	+ 12%	0%	Slowly improving, offset by lower sales in Europe due to August holiday
Healthcare	+ 4%	0%	Higher sales in Spain and South America
Aerospace	- 4%	- 1%	Growth in PST offset by lower liquid H2 for NASA
Food and Bev.	+ 7%	+ 6%	Continued applications-driven growth

Financial Outlook

Fourth Quarter 2010

- ◆ Diluted EPS in the range of \$1.18 to \$1.23

Full Year 2010

- ◆ Sales in the area of \$10 billion
- ◆ Diluted EPS in the range of \$4.67 to \$4.72*
 - Excludes the impact of the (\$0.08) one-time charge resulting from Venezuela currency devaluation in Q1
- ◆ Tax rate about 28%
- ◆ CAPEX of about \$1.4 billion

*Non-GAAP measure. See Appendix

APPENDIX

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. Special 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 2010 first quarter Venezuela currency devaluation and the 2009 third quarter Brazil tax amnesty program and other charges which helps investors understand underlying performance on a comparable basis.

	2010			2009			
	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.							
Total debt	\$ 5,077	\$ 5,026	\$ 5,404	\$ 5,055	\$ 5,235	\$ 5,107	\$ 5,045
Equity:							
Praxair, Inc. shareholders' equity	5,991	5,452	5,398	5,315	5,085	4,638	4,073
Noncontrolling interests	339	315	332	333	322	308	302
Total equity	6,330	5,767	5,730	5,648	5,407	4,946	4,375
Total Capital	\$ 11,407	\$ 10,793	\$ 11,134	\$ 10,703	\$ 10,642	\$ 10,053	\$ 9,420
Debt to capital ratio	44.5%	46.6%	48.5%	47.2%	49.2%	50.8%	53.6%

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)	\$ 551	\$ 547	\$ 506	\$ 512	\$ 480	\$ 447	\$ 442
Less: adjusted income taxes (a)	(146)	(145)	(132)	(133)	(126)	(109)	(114)
Less: tax benefit on interest expense	(8)	(8)	(9)	(9)	(9)	(9)	(10)
Add: income from equity investments	12	8	7	6	7	6	5
Net operating profit after-tax (NOPAT)	\$ 409	\$ 402	\$ 372	\$ 376	\$ 352	\$ 335	\$ 323
Beginning capital	\$ 10,793	\$ 11,134	\$ 10,703	\$ 10,642	\$ 10,053	\$ 9,420	\$ 9,336
Ending capital	\$ 11,407	\$ 10,793	\$ 11,134	\$ 10,703	\$ 10,642	\$ 10,053	\$ 9,420
Average capital	\$ 11,100	\$ 10,964	\$ 10,919	\$ 10,673	\$ 10,348	\$ 9,737	\$ 9,378
ROC %	3.7%	3.7%	3.4%	3.5%	3.4%	3.4%	3.4%
ROC % (annualized)	14.7%	14.7%	13.6%	14.1%	13.6%	13.8%	13.8%

Non-GAAP Measures, cont.

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)	\$ 377	\$ 371	\$ 340	\$ 340	\$ 318	\$ 299	\$ 290
Beginning Praxair, Inc. shareholders' equity	\$ 5,452	\$ 5,398	\$ 5,315	\$ 5,085	\$ 4,638	\$ 4,073	\$ 4,009
Ending Praxair, Inc. shareholders' equity	\$ 5,991	\$ 5,452	\$ 5,398	\$ 5,315	\$ 5,085	\$ 4,638	\$ 4,073
Average Praxair, Inc. shareholders' equity	\$ 5,722	\$ 5,425	\$ 5,357	\$ 5,200	\$ 4,862	\$ 4,356	\$ 4,041
ROE %	6.6%	6.8%	6.3%	6.5%	6.5%	6.9%	7.2%
ROE % (annualized)	<u>26.4%</u>	<u>27.4%</u>	<u>25.4%</u>	<u>26.2%</u>	<u>26.2%</u>	<u>27.5%</u>	<u>28.7%</u>

(a) **Adjusted Operating Profit and Operating Profit Margin, Income Taxes, Effective Tax Rate, Net income - Praxair, Inc., Diluted EPS, and Full-Year Diluted EPS Guidance**

	<u>Third Quarter 2010</u>	<u>First Quarter 2010</u>	<u>Third Quarter 2009</u>
Adjusted Operating Profit and Operating Profit Margin			
Reported operating profit	\$ 551	\$ 479	\$ 174
Add: Venezuela currency devaluation and other charges (b)	-	27	306
Adjusted operating profit	<u>\$ 551</u>	<u>\$ 506</u>	<u>\$ 480</u>
Reported sales	\$ 2,538	\$ 2,428	\$ 2,288
Adjusted operating profit margin	22%	21%	21%
Percentage change from 2009 third quarter	15%		
Adjusted Income Taxes			
Reported income taxes		\$ 131	\$ (187)
Add: Venezuela currency devaluation and other charges (b)		1	313
Adjusted income taxes		<u>\$ 132</u>	<u>\$ 126</u>
Adjusted Effective Tax Rate			
Reported income before income taxes and equity investments		\$ 447	\$ 142
Add: Venezuela currency devaluation and other charges (b)		27	306
Adjusted income before income taxes and equity investments		<u>\$ 474</u>	<u>\$ 448</u>
Adjusted income taxes (above)		\$ 132	\$ 126
Adjusted effective tax rate		28%	28%
Adjusted Net Income - Praxair, Inc.			
Reported net income - Praxair, Inc.	\$ 377	\$ 314	\$ 325
Add: Venezuela currency devaluation and other charges (b)	-	26	(7)
Adjusted net income - Praxair, Inc.	<u>\$ 377</u>	<u>\$ 340</u>	<u>\$ 318</u>
Percentage change from 2009 third quarter	19%		
Adjusted Diluted EPS			
Diluted weighted average shares		311,159	312,182
Reported diluted EPS	\$ 1.21	\$ 1.01	\$ 1.04
Add: Venezuela currency devaluation and other charges (b)	-	0.08	(0.02)
Adjusted diluted EPS	<u>\$ 1.21</u>	<u>\$ 1.09</u>	<u>\$ 1.02</u>
Percentage change from 2009 third quarter	19%		

Non-GAAP Measures, cont.

Adjusted Full-Year 2010 Diluted EPS Guidance

	<u>Low End</u>	<u>High End</u>
Expected full-year 2010 diluted EPS	\$ 4.59	\$ 4.64
Add: Venezuela currency devaluation (b)	0.08	0.08
Adjusted expected full-year 2010 diluted EPS	<u>\$ 4.67</u>	<u>\$ 4.72</u>
Reported 2009 diluted EPS	\$ 4.01	\$ 4.01
Less: Brazil tax amnesty program and other charges (b)	<u>(0.02)</u>	<u>(0.02)</u>
Adjusted full-year 2009 diluted EPS	\$ 3.99	\$ 3.99
Percentage change from 2009	17%	18%

(b) Represent non-GAAP adjustments to eliminate the impact of (i) 2010 first quarter Venezuela currency devaluation and (ii) 2009 third quarter Brazil tax amnesty program and other charges. The company does not believe these items are indicative of on-going business trends and, accordingly, their impacts are excluded from the adjusted non-GAAP amounts so that investors can better evaluate and analyze historical and future business trends on a consistent basis.

(i) On January 8, 2010, Venezuela announced a devaluation of the Venezuelan bolivar and created a two tier exchange rate system. Under the new system, a 2.60 exchange rate between the bolivar and the U.S. dollar (which implies 17.3% devaluation) will apply for essential goods while an exchange rate of 4.3 (implying 50% devaluation) will apply for all remaining sectors, including Praxair's operations. In the first quarter 2010, Praxair recorded a \$27 million charge (\$26 million after-tax or \$ 0.08 per diluted share) due primarily to the remeasurement of the local Venezuelan balance sheet to reflect the new official 4.3 exchange rate.

(ii) The 2009 third quarter period included a net after-tax benefit of \$7 million (\$306 million pre-tax charge offset by a \$313 million tax benefit), or \$0.02 per diluted share, related primarily to a third quarter Federal tax amnesty program in Brazil and other charges. (See Note 2 of Praxair's 2009 Annual Report on Form 10-K)