



# Investor Teleconference Presentation First Quarter 2011

April 27, 2011

# 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.**

# First Quarter Results

(\$MM)	First Quarter <u>2011</u>	Adj. Fourth Quarter <u>2010</u> <sup>(2)</sup>	Adj. First Quarter <u>2010</u> <sup>(2)</sup>
Sales	\$2,702	\$2,623	\$2,428
Operating Profit	\$ 591	\$ 563	\$ 506
Operating Margin	21.9%	21.5%	20.8%
Net Income <sup>(1)</sup>	\$ 398	\$ 388	\$ 340
Diluted EPS <sup>(1)</sup>	\$ 1.29	\$ 1.25	\$ 1.09
After-Tax ROC <sup>(2)</sup>	14.4%	14.4%	13.6%
ROE <sup>(2)</sup>	26.6%	26.4%	25.4%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+ 11%	+ 3%
Volume	+ 8%	+ 1%
Price/Mix/Other	+ 1%	+ 1%
Cost pass-thru	--	--
Currency	+ 2 %	+ 1%

◆ Strong volume growth in North America, South America and Asia

◆ Strong operating leverage

Sales + 11%

OP + 17%

EPS + 18%

◆ Growing project backlog

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

(2) Non-GAAP measures, other than sales. Q4 10 and Q1 10 amounts are adjusted to exclude the Spain income tax settlement and other charges and Venezuela currency devaluation, respectively. See Appendix.

# North America

(\$MM)	<u>First Quarter 2011</u>	<u>Fourth Quarter 2010</u>	<u>First Quarter 2010</u>
Sales	\$1,334	\$1,310	\$1,238
Segment OP	\$ 322	\$ 311	\$ 277
Operating Margin	24.1%	23.7%	22.4%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+ 8%	+ 2%
Volume	+ 6%	--
Price/Mix/Other	+ 1%	+ 1%
Cost pass-thru	--	+ 1%
Currency	+ 2%	+ 1%
Acq/Div	- 1%	- 1%

- ◆ Merchant volumes +10% YOY and +3% vs Q4 10
  - Canada frac & Mexico oil well services volumes strong
  - Capacity utilization up to 82%
- ◆ On-site sales impacted by hydrogen customer turnarounds
- ◆ Packaged gas volumes +9% YOY and +2% vs. Q4 10
- ◆ Divestiture of U.S. Homecare assets completed

# Europe

(\$MM)	<u>First Quarter 2011</u>	<u>Fourth Quarter 2010</u>	<u>First Quarter 2010</u>
Sales	\$343	\$339	\$338
Segment OP	\$ 65	\$ 68	\$ 67
Operating Margin	19.0%	20.1%	19.8%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+ 1%	+ 1%
Volume	+ 3%	+ 2%
Price/Mix/Other	--	--
Cost pass-thru	+ 1%	- 1%
Currency	- 3%	--

- ◆ Ex-FX, +4% YOY on 3% volume growth
- ◆ Spain on-site and merchant volumes higher YOY and vs Q4 10; packaged gas remains flat due to economy
- ◆ Modest growth in Italy with improved trends in medical oxygen pricing
- ◆ Continued good trends in German volumes YOY in merchant, on-site and packaged gas. Strongest in manufacturing, metals and chemicals.

# South America

(\$MM)	First Quarter <u>2011</u>	Fourth Quarter <u>2010</u>	First Quarter <u>2010</u>
Sales	\$558	\$516	\$458
Segment OP	\$133	\$114	\$109
Operating Margin	23.8%	22.1%	23.8%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+ 22%	+ 8%
Volume	+ 10%	+ 3%
Price/Mix/Other	+ 4%	+ 4%
Cost pass-thru	+ 1%	--
Currency	+ 7%	+ 1%

- ◆ Strong volume growth YOY
- ◆ Merchant and packaged gas volumes growing +7% YOY and sequentially +2%, respectively, due to manufacturing rebound
- ◆ On-site volumes steady
- ◆ Inflation cost recovery in price
- ◆ Several new on-site contracts signed across South America

# Asia

(\$MM)	<u>First Quarter 2011</u>	<u>Fourth Quarter 2010</u>	<u>First Quarter 2010</u>
Sales	\$310	\$308	\$258
Segment OP	\$ 46	\$ 50	\$ 34
Operating Margin	14.8%	16.2%	13.2%

	<u>YOY</u>	<u>Q1 vs Q4</u>
Sales Growth	+20%	+ 1%
Volume	+14%	- 2%
Price/Mix/Other	+ 1%	+ 1%
Cost pass-thru	+ 2%	+ 1%
Currency	+ 3%	+ 1%

- ◆ Strong volume growth YOY in on-site and merchant sales in China, India and Korea
- ◆ Sequential volumes impacted by Lunar New Year
- ◆ Continued positive merchant pricing trends in China
- ◆ Significant new contracts signed in:
  - China – Chemical enclave
  - Korea – Semiconductors
  - Thailand - Energy

# Surface Technologies

(\$MM)	First Quarter <u>2011</u>	Fourth Quarter <u>2010</u>	First Quarter <u>2010</u>
Sales	\$157	\$150	\$136
Segment OP	\$ 25	\$ 20	\$ 19
Operating Margin	15.9%	13.3%	14.0%

- ◆ Sales + 15% YOY
- ◆ Strong demand for jet engine coatings, particularly EBPVD
- ◆ Industrial gas turbine volumes steady and set to increase in Europe
- ◆ Industrial coatings strengthening
- ◆ Improved operating leverage as volume begins to recover
- ◆ Minimal disruption to Japan production from periodic power outages



# Global End-Market Trends

## Q1 11 Organic Sales Growth

	<u>YOY</u>	<u>Vs. Q4 10</u>	
Energy	+ 8%	- 4%	Strong oil well services, offset by customer turnarounds in hydrogen
Electronics	+ 9%	+ 1%	Continued strong demand; pricing remains competitive
Chemicals	+13%	+ 5%	Global growth YoY; sequential growth in North America from low natural gas prices
Metals	+14%	+ 10%	Growth in Asia, No and So America
Manufacturing	+14%	+ 7%	Continuing to improve globally
Healthcare	+ 4%	+ 2%	Steady growth in hospital and non-U.S. Homecare
Aerospace	+ 9%	--	Higher jet engine coatings
Food and Bev.	+ 5%	- 4%	North America seasonality

# Financial Outlook

## Second Quarter 2011

- ◆ Diluted EPS in the range of \$1.33 to \$1.38
- ◆ Investor Field Trip Chicago June 22<sup>nd</sup>

## Full Year 2011

- ◆ Sales in the area of \$11 billion
- ◆ Diluted EPS in the range of \$5.35 to \$5.45
- ◆ Tax rate about 28%
- ◆ CAPEX in the range of \$1.6 to \$1.8 billion

# 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. 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 fourth quarter Spanish income tax settlement, business divestiture and repatriation tax benefit which helps investors understand underlying performance on a comparable basis.

	<u>2011</u>	<u>2010</u>			
	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.					
Total debt	\$ 5,838	\$ 5,557	\$ 5,077	\$ 5,026	\$ 5,404
Equity:					
Praxair, Inc. shareholders' equity	6,165	5,792	5,991	5,452	5,398
Noncontrolling interests	372	353	339	315	332
Total equity	<u>6,537</u>	<u>6,145</u>	<u>6,330</u>	<u>5,767</u>	<u>5,730</u>
Total Capital	<u>\$ 12,375</u>	<u>\$ 11,702</u>	<u>\$ 11,407</u>	<u>\$ 10,793</u>	<u>\$ 11,134</u>
Debt-to-capital ratio	<u>47.2%</u>	<u>47.5%</u>	<u>44.5%</u>	<u>46.6%</u>	<u>48.5%</u>

**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).

Operating profit (a)	\$ 591	\$ 563	\$ 551	\$ 547	\$ 506
Less: income taxes (a)	(156)	(149)	(146)	(145)	(132)
Less: tax benefit on interest expense	(10)	(8)	(8)	(8)	(9)
Add: income from equity investments	9	11	12	8	7
Net operating profit after-tax (NOPAT)	<u>\$ 434</u>	<u>\$ 417</u>	<u>\$ 409</u>	<u>\$ 402</u>	<u>\$ 372</u>
Beginning capital	\$ 11,702	\$ 11,407	\$ 10,793	\$ 11,134	\$ 10,703
Ending capital	\$ 12,375	\$ 11,702	\$ 11,407	\$ 10,793	\$ 11,134
Average capital	\$ 12,039	\$ 11,555	\$ 11,100	\$ 10,964	\$ 10,919
ROC %	3.6%	3.6%	3.7%	3.7%	3.4%
ROC % (annualized)	<u>14.4%</u>	<u>14.4%</u>	<u>14.7%</u>	<u>14.7%</u>	<u>13.6%</u>

## 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.

	2011	2010			
	Q1	Q4	Q3	Q2	Q1
Net income - Praxair, Inc. (a)	\$ 398	\$ 388	\$ 377	\$ 371	\$ 340
Beginning Praxair, Inc. shareholders' equity	\$ 5,792	\$ 5,991	\$ 5,452	\$ 5,398	\$ 5,315
Ending Praxair, Inc. shareholders' equity	\$ 6,165	\$ 5,792	\$ 5,991	\$ 5,452	\$ 5,398
Average Praxair, Inc. shareholders' equity	\$ 5,979	\$ 5,892	\$ 5,722	\$ 5,425	\$ 5,357
ROE %	6.7%	6.6%	6.6%	6.8%	6.3%
<b>ROE % (annualized)</b>	26.6%	26.4%	26.4%	27.4%	25.4%

**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 its financial obligations.

Net income - Praxair, Inc. (a)	\$ 398	\$ 388	\$ 377	\$ 371	\$ 340
Add: noncontrolling interests	11	9	11	10	9
Add: interest expense - net	35	28	29	29	32
Add: income taxes (a)	156	149	146	145	132
Add: depreciation and amortization	244	240	227	230	228
Adjusted EBITDA	\$ 844	\$ 814	\$ 790	\$ 785	\$ 741
Percentage change from 2010 first quarter	14%				
Beginning total debt	\$ 5,557	\$ 5,077	\$ 5,026	\$ 5,404	\$ 5,055
Ending total debt	\$ 5,838	\$ 5,557	\$ 5,077	\$ 5,026	\$ 5,404
Average total debt	\$ 5,698	\$ 5,317	\$ 5,052	\$ 5,215	\$ 5,230
Debt-to-adjusted EBITDA ratio	6.8	6.5	6.4	6.6	7.1
<b>Debt-to-adjusted EBITDA ratio (annualized)</b>	1.7	1.6	1.6	1.7	1.8

## Non-GAAP Measures, cont.

(a) The following table presents adjusted amounts for Operating Profit and Operating Profit Margin, Income Taxes, Effective Tax Rate, Net income - Praxair, Inc., and Diluted EPS for the First and Fourth Quarter of 2010 and percentage change in Diluted EPS Guidance for the full year 2011. Certain 2011 amounts are included for reference purposes.

	First Quarter <u>2011</u>	Fourth Quarter <u>2010</u>	First Quarter <u>2010</u>
<b><u>Adjusted Operating Profit and Operating Profit Margin *</u></b>			
Reported operating profit	\$ 591	\$ 505	\$ 479
Add: U.S. Homecare divestiture	-	58	-
Add: Venezuela currency devaluation	-	-	27
Adjusted operating profit	<u>\$ 591</u>	<u>\$ 563</u>	<u>\$ 506</u>
Percentage change from 2010 first quarter	17%		
Reported sales	\$ 2,702	\$ 2,623	\$ 2,428
Adjusted operating profit margin	22%	21%	21%
<b><u>Adjusted Income Taxes *</u></b>			
Reported income taxes		\$ 346	\$ 131
Less: Spanish income tax settlement		(250)	-
Add: U.S. Homecare divestiture		18	-
Add: Repatriation tax benefit		35	-
Add: Venezuela currency devaluation		-	1
Total adjustments		<u>(197)</u>	<u>1</u>
Adjusted income taxes		<u>\$ 149</u>	<u>\$ 132</u>
<b><u>Adjusted Effective Tax Rate *</u></b>			
Reported income before income taxes and equity investments		\$ 477	\$ 447
Add: U.S. Homecare divestiture		58	-
Add: Venezuela currency devaluation		-	27
Adjusted income before income taxes and equity investments		<u>\$ 535</u>	<u>\$ 474</u>
Adjusted income taxes (above)		\$ 149	\$ 132
Adjusted effective tax rate		28%	28%
<b><u>Adjusted Net Income - Praxair, Inc. *</u></b>			
Reported net income - Praxair, Inc.	\$ 398	\$ 133	\$ 314
Add: Spanish income tax settlement	-	250	-
Add: U.S. Homecare divestiture	-	40	-
Less: Repatriation tax benefit	-	(35)	-
Add: Venezuela currency devaluation	-	-	26
Total adjustments	<u>-</u>	<u>255</u>	<u>26</u>
Adjusted net income - Praxair, Inc.	<u>\$ 398</u>	<u>\$ 388</u>	<u>\$ 340</u>
Percentage change from 2010 first quarter	17%		

## Non-GAAP Measures, cont.

	<u>First Quarter</u> <u>2011</u>	<u>Fourth Quarter</u> <u>2010</u>	<u>First Quarter</u> <u>2010</u>
<b><u>Adjusted Diluted EPS</u> *</b>			
Diluted weighted average shares	308,595	310,733	311,159
Reported diluted EPS	\$ 1.29	\$ 0.43	\$ 1.01
Add: Spanish income tax settlement	-	0.80	-
Add: U.S. Homecare divestiture	-	0.13	-
Less: Repatriation tax benefit	-	(0.11)	-
Add: Venezuela currency devaluation	-	-	0.08
Total adjustments	-	0.82	0.08
Adjusted diluted EPS	<u>\$ 1.29</u>	<u>\$ 1.25</u>	<u>\$ 1.09</u>
Percentage change from 2010 first quarter	18%		
<b><u>Percentage Change in Adjusted Full Year 2011 Diluted EPS Guidance</u> *</b>		<u>Full Year 2011</u>	
	<u>Low End</u>	<u>High End</u>	
2011 diluted EPS guidance	\$ 5.35	\$ 5.45	
2010 Adjusted diluted EPS	\$ 4.74	\$ 4.74	
Percentage change from 2010	13%	15%	

\* Adjusted for non-GAAP adjustments to eliminate the impact of (i) 2010 fourth quarter U.S. Homecare divestiture charge; (ii) 2010 fourth quarter Spanish income tax settlement; (iii) 2010 fourth quarter repatriation tax benefit and (iv) 2010 first quarter Venezuela currency devaluation. See Praxair's 2010 Annual Report on Form 10-K for additional information.