

# Investor Conference Call

## *Planned Acquisition of German Industrial Gas Business from Air Liquide*

October 7, 2004



# Forward Looking Statements

**The forward-looking statements contained in this announcement concerning demand for products and services, the expected macroeconomic environment, sales and earnings growth, and other financial goals involve risks and uncertainties, and are subject to change based on various factors. These include the risk that Praxair will not succeed in acquiring the assets in Germany, the impact of changes in the global economy in general, and the economies of Europe and Germany, in particular, the cost and availability of electric power, natural gas and other materials, development of operational efficiencies, including the ability to achieve the forecasted synergies, changes in foreign currencies, changes in interest rates, the continued timely development and acceptance of new products and processes, the impact of competitive products and pricing, and the impact of tax and other legislation and regulation in Europe generally, Germany in particular, and other relevant geographies.**

# Planned Acquisition of Air Liquide Business in Germany

- ◆ **Business sale required by antitrust regulators**
  - Must be competitive business franchise
  - Expected closing by year-end subject to final approval
  
- ◆ **Attractive highly profitable business**
  - Pipeline/On-Site      42%
  - Merchant              29%
  - Packaged Gases      29%
  
- ◆ **Purchase price**
  - \$600MM\*
  - 8.0X EBITDA
  - 6.9X EBITDA with synergies and new air separation unit

\*@ 1.2 €USD

# High Quality Assets

## ◆ Pipeline/On-Site: \$91MM\*

- 2 pipeline enclaves
  - 220 km of pipe: 50% of Rhine/Ruhr and 100% of Saar pipelines
  - 6 ASUs, 1 SMR (CO)
- Key global customers in the heavily industrialized corridor: Bayer, BP, Shell, Degussa, Dillinger Hütte, Saarstahl
- Refining, petrochemical and steel industries
- 8500 TPD O<sub>2</sub> and N<sub>2</sub>, 200 TPD CO
- 90% of production is under contract through 2008, 60% through 2012

## ◆ Merchant: \$63MM\*

1100 customers concentrated along the pipeline

## ◆ Packaged Gases: \$63MM\*

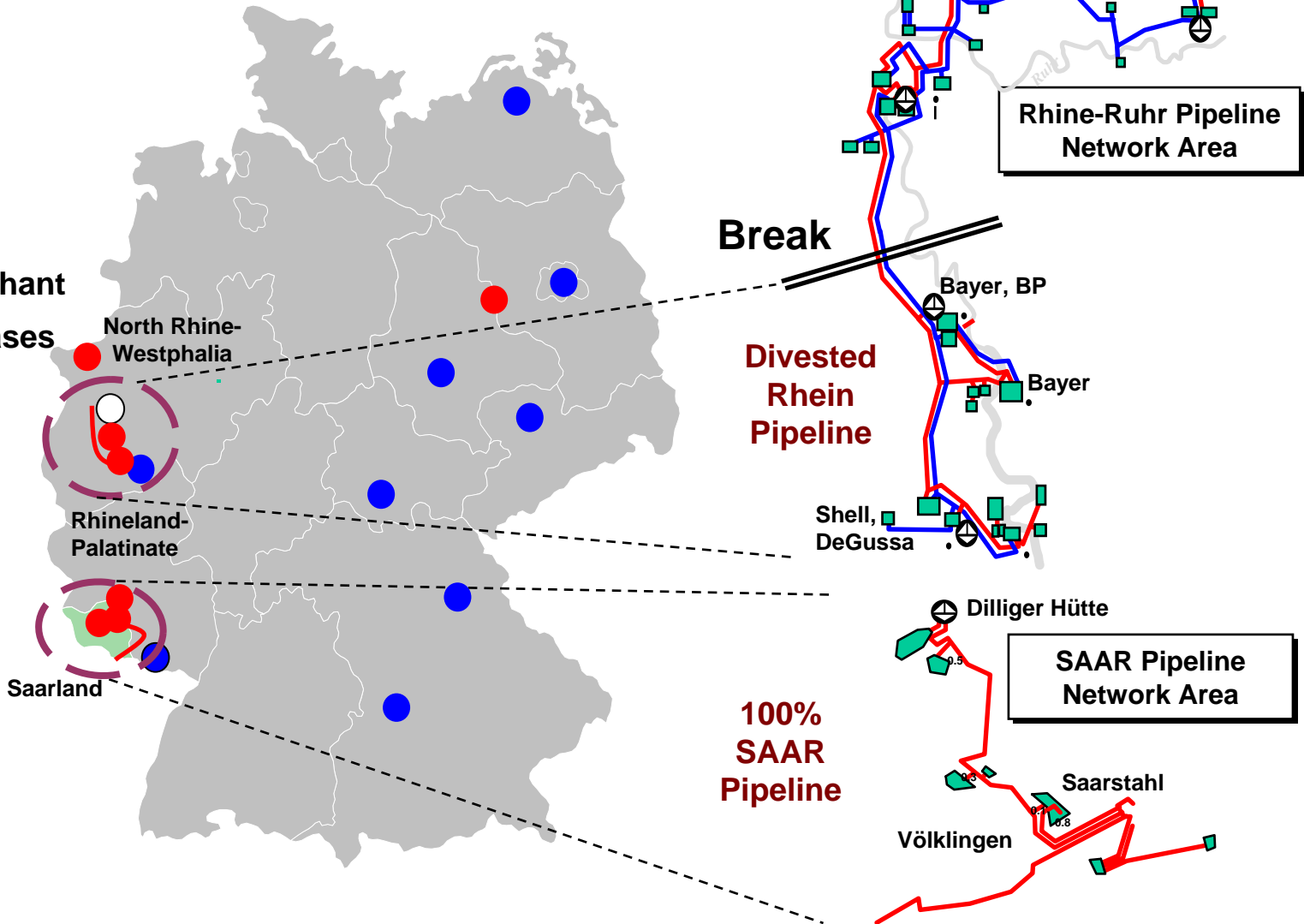
- 6 filling stations across Germany
- 38,000 customers

\*2003 Sales @ 1.2 €/USD

# Location of Acquired Assets

**Acquired Assets**

- On-Site/Merchant
- Packaged Gases
- CO
- Pipeline



# Creates Strong Regional Position

- ◆ Post acquisition - Northern France/Germany/Benelux region

	<u>2003 Sales (\$MM)*</u>
Praxair	\$103
Acquired Business	<u>\$217</u>
	\$320

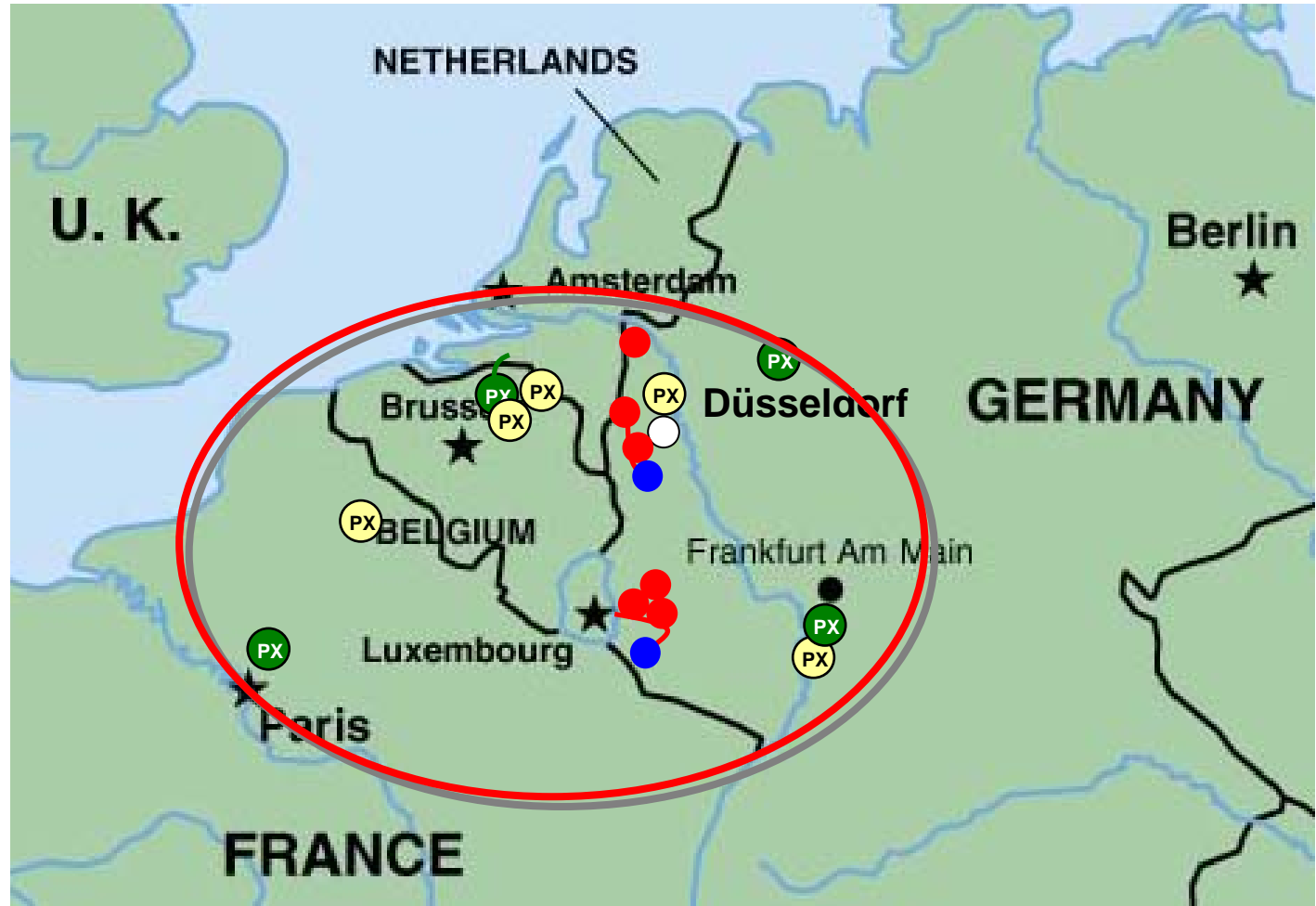
- ◆ Regional production/distribution density
- ◆ Full industrial gas capabilities
  - 3 pipeline enclaves
  - Onsite and bulk atmospheric gases
  - Specialty gases
  - Electronic gases (Oevel state of the art filling center)
  - Packaged gases

\*@ 1.2 €USD

# New core geography of Germany/Benelux

- Acquired Assets**
- Onsite/Merchant
  - Cylinders
  - CO
  - Pipeline

- Existing Assets**
- PX Onsite/Merchant
  - PX Cylinders
  - Pipeline



**Good production and distribution density**

# Acquisition Terms

- ◆ Acquisition Terms
  - Carve-out and drop down of assets
  - Significant environmental indemnity
  - No retirees
  - 3 year non-compete agreement (20km)

- ◆ Reasonably priced at \$600MM

**Sales (2003A)**                      **\$217 MM\***

## Purchase Price Multiple

**2.8X**

**EBITDA (2003A)**                      **\$75 MM\***

**8.0X**

**6.9X\*\***

- ◆ IRR after-tax in mid-teens assuming slow growth of economy
- ◆ Slightly accretive to EPS in 2005 after restructuring costs and intangible amortization
- ◆ Bank financing in Euros to serve as currency hedge

\*@ 1.2 €/USD

\*\*Purchase price multiple including synergies and a new air separation plant starting in Q2 2005



# Comparative Acquisition Multiples

<u>Transaction</u>	<u>Purchase Price *</u>	<u>EBITDA Multiple</u>
<i>PX → German Assets</i>	<i>\$600MM</i>	<i>8.0</i> → <i>6.9</i>
Air Liquide → Messer	\$3,216	10.1
Nippon Sanso → U.S. Messer Assets	\$155	8.5**
Linde → AGA	\$4,680	10.9**

Recent Specialty Chemical Companies Transactions      8.2 – 13.4  
 (Apollo/Borden, Lubrizol/Noveon, Ciba/Raisio, Dansico/Rhodia)

\*@1.2 €USD

\*\* Analyst Estimate