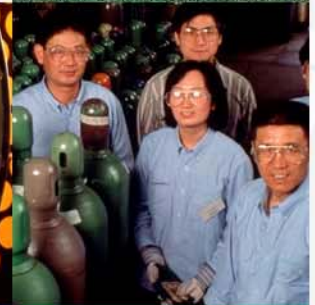
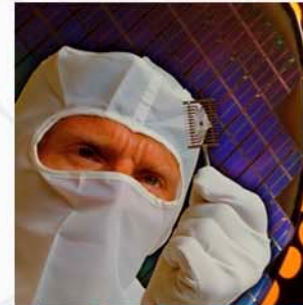




# PRAXAIR, INC.

**James S. Sawyer**  
**Senior Vice President and CFO**

September 15, 2005



**We deliver.**

**The forward-looking statements contained in this document concerning demand for products and services, the expected macroeconomic environment, sales, margins and earnings growth rates, projected capital and acquisition spending, the impact of required changes in accounting, the impact of accounting and other estimates, and other financial goals involve risks and uncertainties, and are subject to change based on various factors. These risk factors include the impact of changes in worldwide and national economies, the performance of stock markets, the cost and availability of electric power, natural gas and other materials, and the ability to achieve price increases to offset such cost increases, inflation in wages and other compensation, development of operational efficiencies, 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, accounting and other legislation, litigation, government regulation in the jurisdictions in which the Company operates and the effectiveness and speed of integrating new acquisitions into the business.**

# ***“Terms of Trade” Drive Return on Capital***

## **On-Site/Pipeline Supply - 25%**



- ◆ 15 year take or pay contracts
- ◆ Escalation formulas – Electricity/Gas, Inflation, Currency exposure
- ◆ Price recovers fixed and capital costs

## **Merchant Liquid Supply - 29%**



- ◆ 5 year requirements contracts
- ◆ Sourced as by-product from on-site
- ◆ Limited distribution range – 200/250 miles

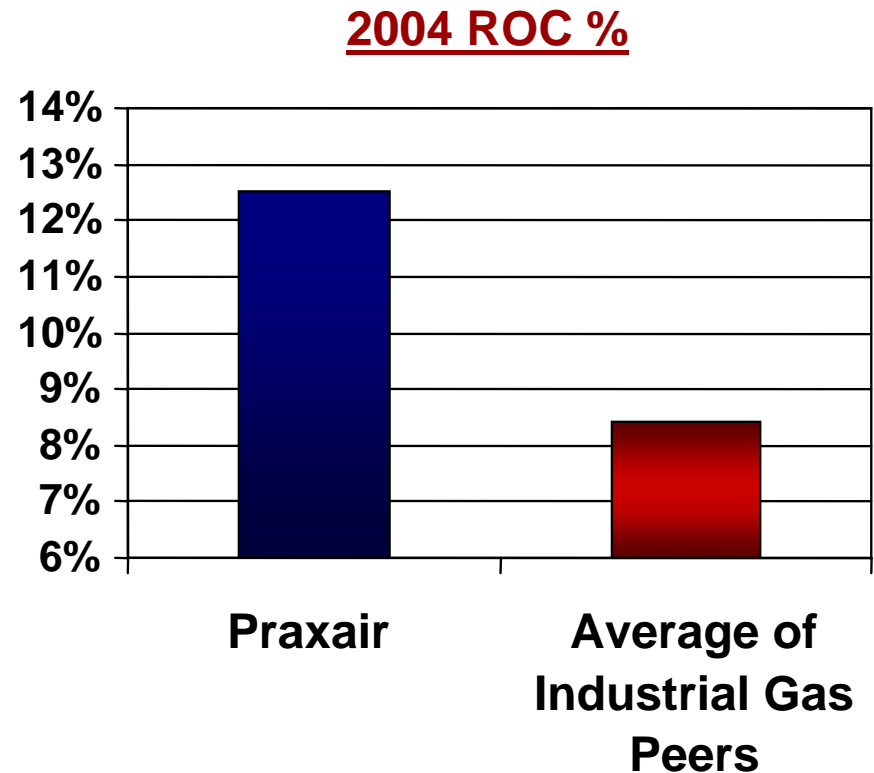
## **Packaged/Medical Gases - 33%**



- ◆ Cylinder and equipment rental
- ◆ 40% gases revenues under contract
- ◆ Sourced as by-product from bulk

***Pricing leverage – small fraction of customers’ costs***

- ◆ Focus on 11 core geographies
- ◆ Leverage regional density
  - Focus where we have an advantage
- ◆ Optimized co-product economics
- ◆ Best local supplier gets growth
- ◆ Incremental growth synergy



ROC=Net Operating Profit After Tax/Average Capital

Source: Bloomberg and company reports

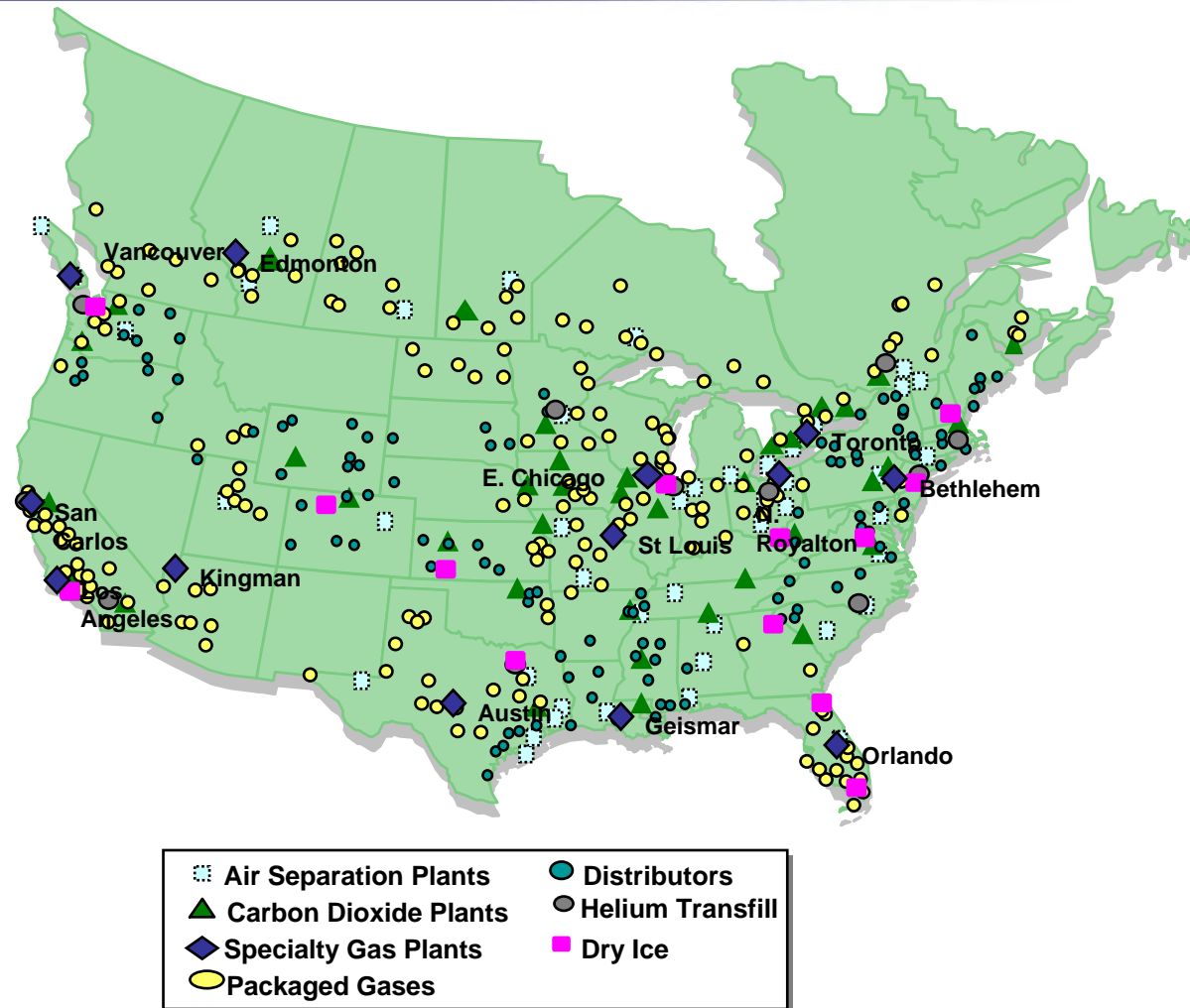
**2004 Sales \$4,191 MM**

## Onsite and Bulk Gases

- ◆ 300 production plants
- ◆ 8000 customer locations
- ◆ 1500 distribution vehicles
- ◆ 11 pipeline enclaves

## Packaged and Specialty Gases

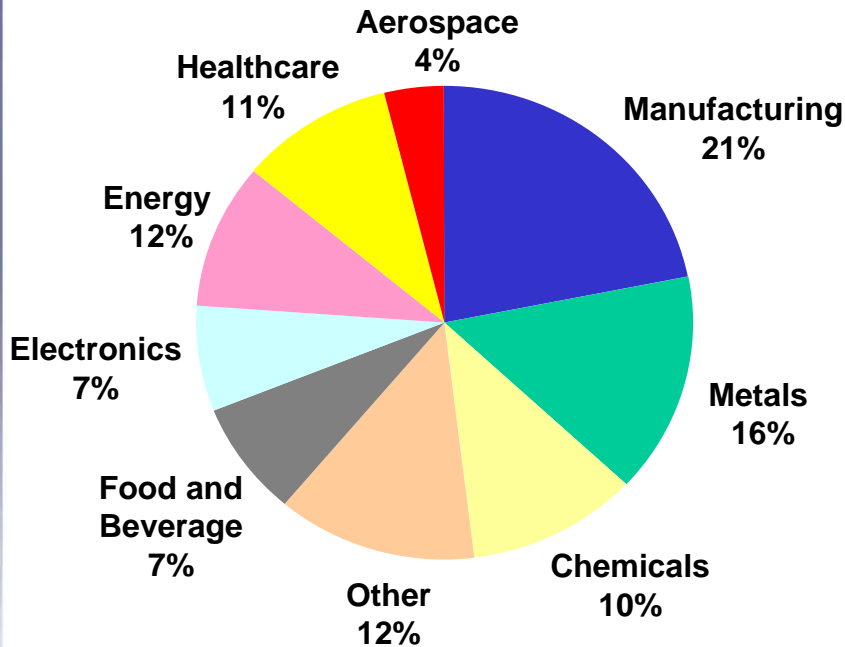
- ◆ 400 branches
- ◆ >300,000 customers
- ◆ 280 independent distributors



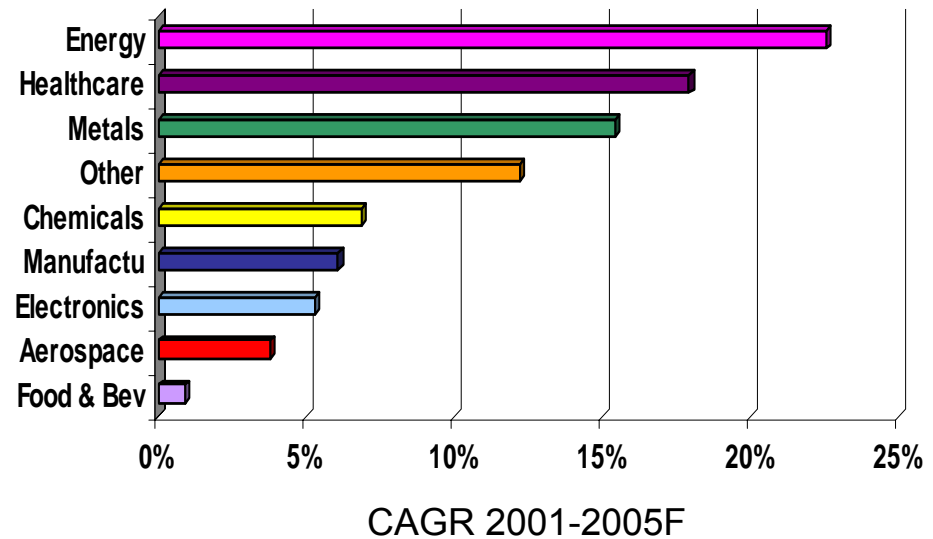
***Unrivalled North American network***

2004 Sales \$6.6 Billion

## End Markets



## Sales Growth

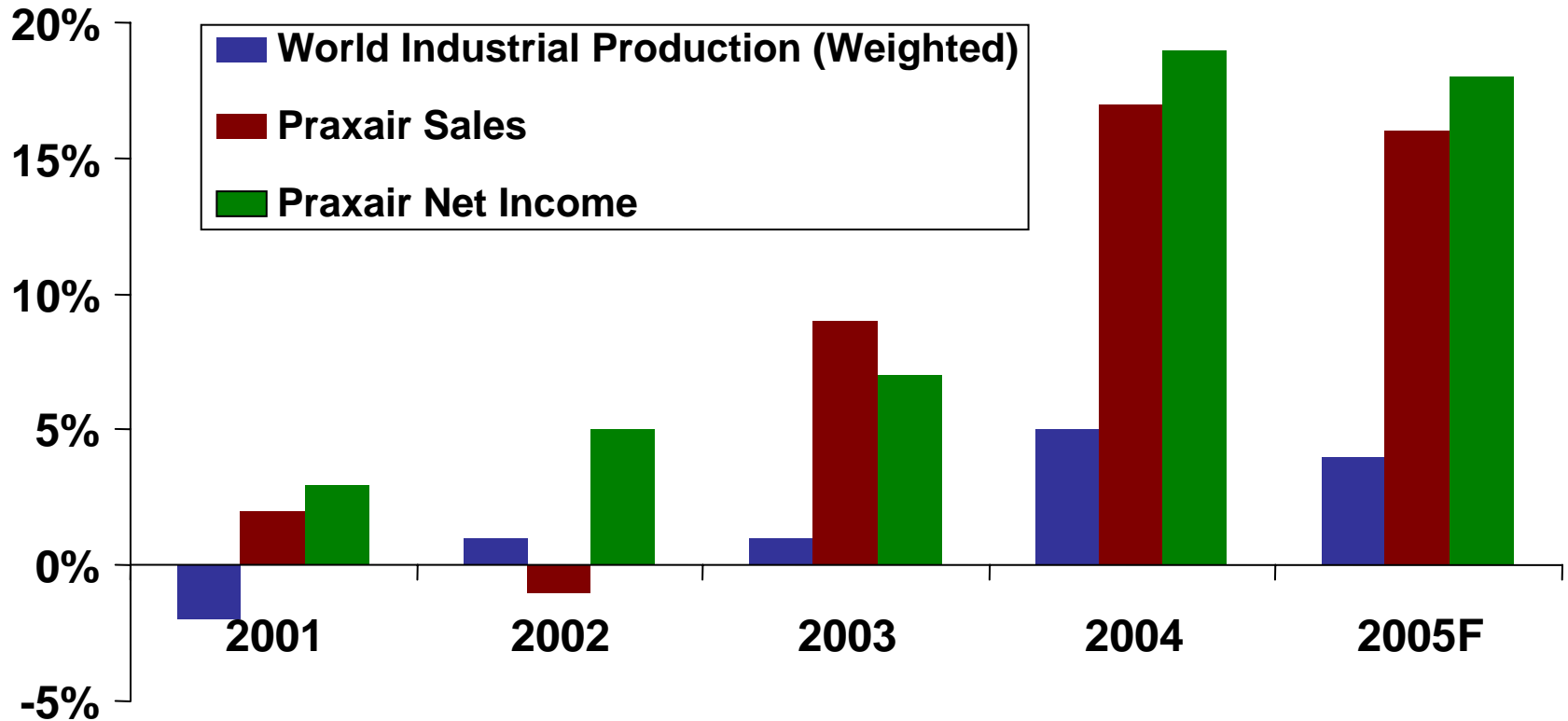


***Customer diversity delivers growth and stability***

# Applications Technology Drives Growth



## Growth



***Growing at an increasing multiple of IP***

# A Perfect Storm for Oxygen Applications

- ◆ Higher energy efficiency
- ◆ Higher throughput
- ◆ Less emissions

*Steel*



Blast furnace coal injection

*Glass*



New oxyfuel burner

*Refining*



Process heaters

*Aluminum*



Remelting furnaces

*Utilities*



Reduced NOX emissions

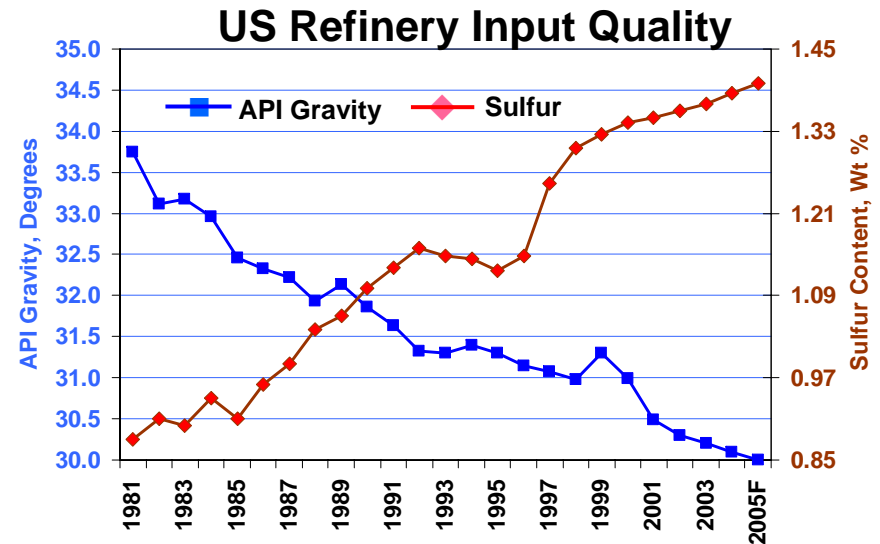
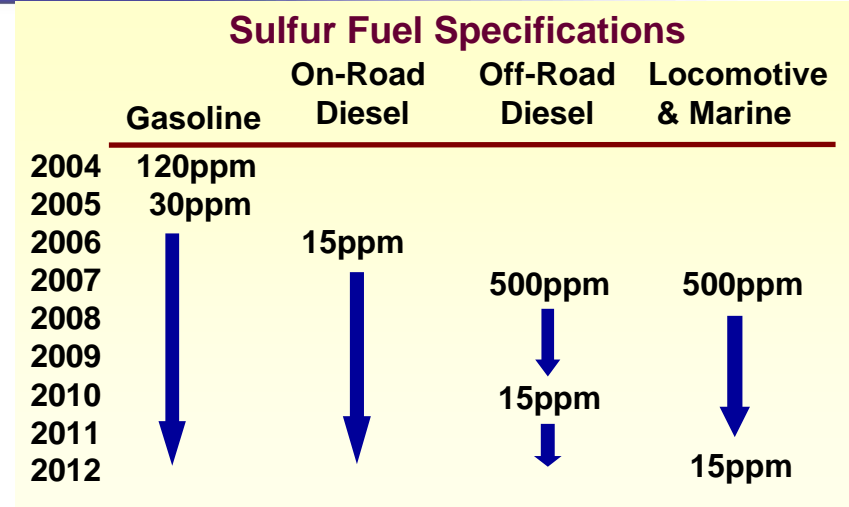
***PX will commercialize 20+ new application technologies in 2005***



**2004 Global Sales - \$690 MM**

## Strong growth in North America

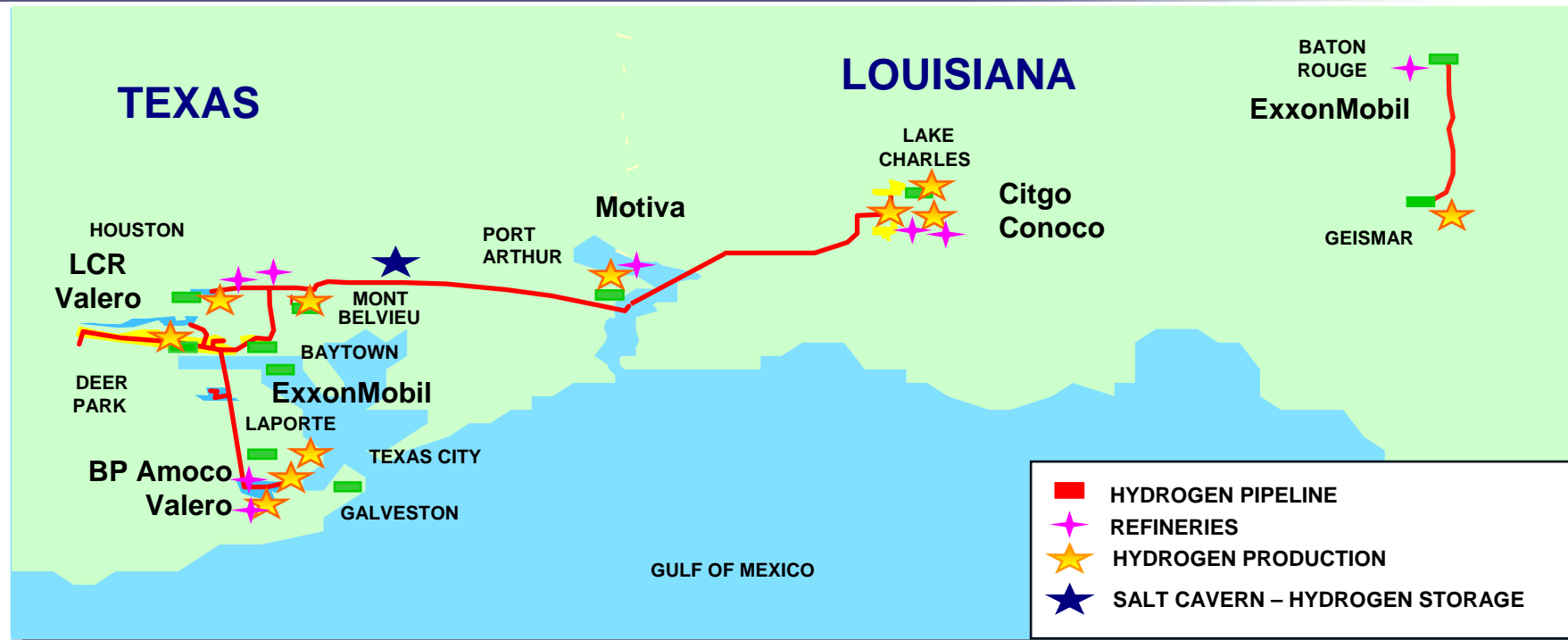
- ◆ Low sulfur fuel regulations
- ◆ Strong demand for gasoline and diesel
- ◆ Heavy crude upgrading
- ◆ Outsourcing hydrogen supply
- ◆ Canadian synthetic crude
  - Upgrading bitumen
  - Refining



Source: EIA and PX estimates

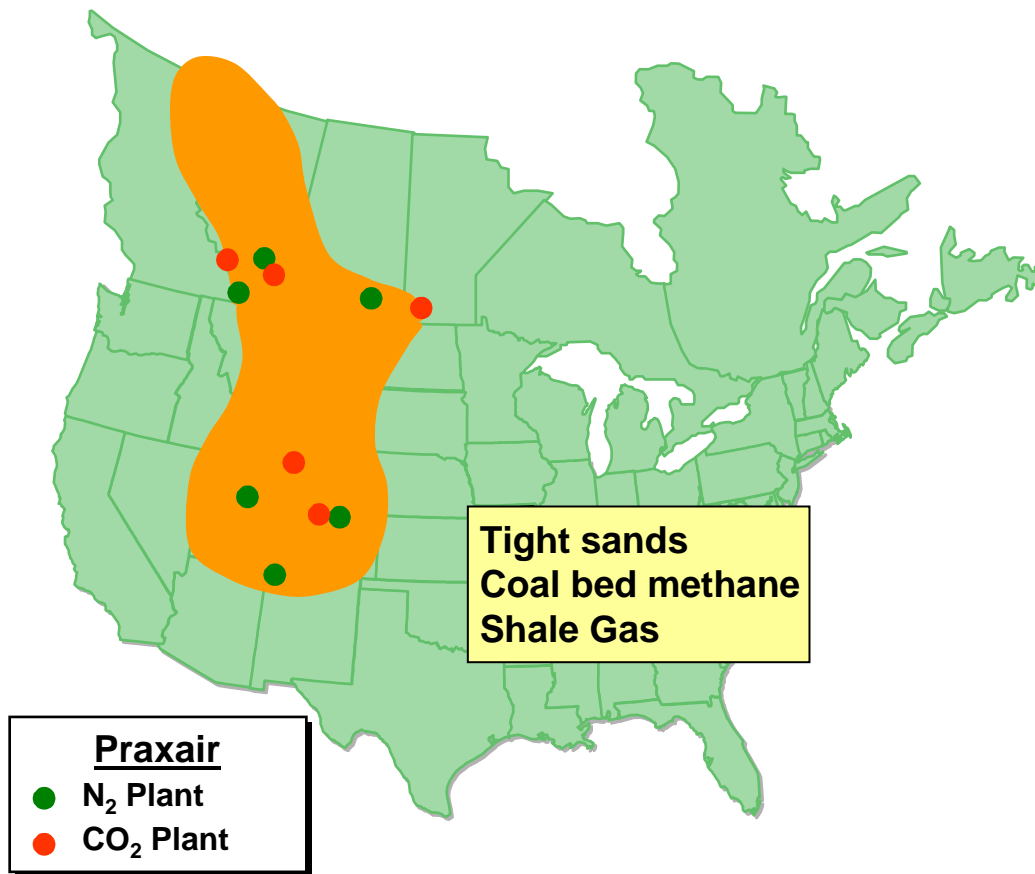
**Expect 20% p.a. growth through 2010**

# Gulf Coast Hydrogen System



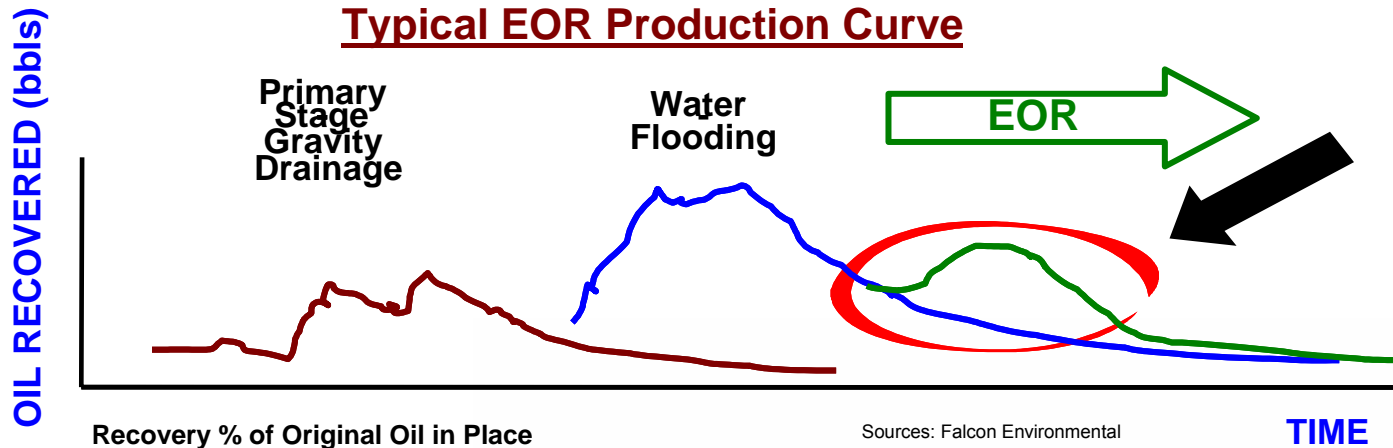
- ◆ 310 miles of pipeline
- ◆ 50 customers – refining and chemicals
- ◆ Connected to 85% of refining capacity
- ◆ 600 MMSCFD production capacity, 700MMSCFD by Q3 2006
- ◆ Capital investment underpinned by long-term contracts

***Pipeline enclave delivers high reliability and high return on capital***



- ◆ US Rockies rig count has increased 75% since 2002
- ◆ CO<sub>2</sub> and N<sub>2</sub> widely used to fracture low permeability formations during well completion
- ◆ Praxair best positioned
  - Location
  - Expertise
  - Relationships
- ◆ Additional pipeline services

**\$200 MM revenues expected to grow 25% p.a.**

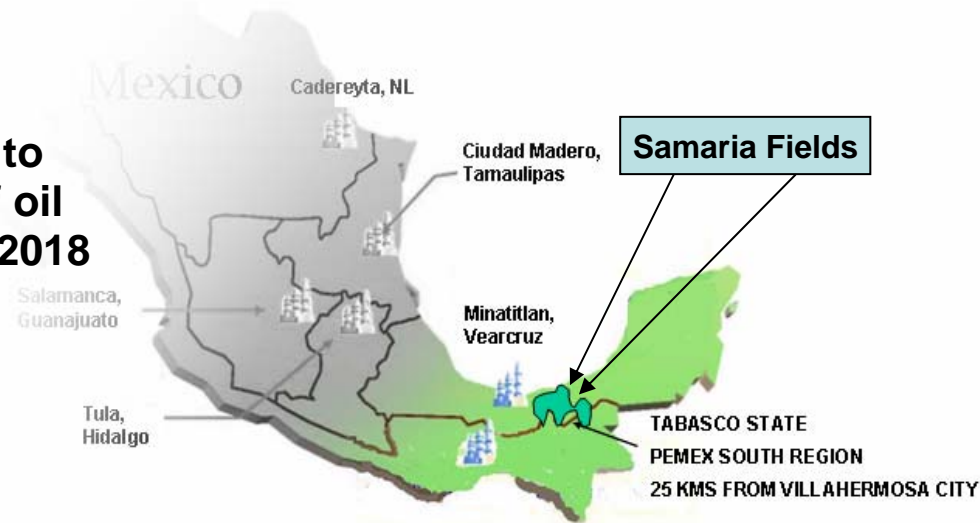


## PEMEX Samaria Oil Fields

- ◆ >6500 TPD of nitrogen injection
- ◆ N<sub>2</sub> injection and new wells expected to recover additional 470 MM barrels of oil and 540 BCF of natural gas through 2018
- ◆ Start-up Q1 2007

## Occidental Petroleum

- ◆ 1100 TPD N<sub>2</sub> nitrogen injection
- ◆ Start-up Q2 2006



**Long term potential to recover 120 B barrels of oil in NA**

## **2004 Global Sales - \$740 MM\***

- ◆ North America - 64%
- ◆ South America - 20%
- ◆ Europe/Asia - 16%



## **Service Offerings**

- ◆ **Homecare – 60%**
  - Home oxygen
  - Sleep therapy
- ◆ **Hospital – 40%**
  - Oxygen supply systems
  - Analytical gases

## **Industry Outlook**

- ◆ **Organic growth of 6-8%**
- ◆ **Industry consolidation**
  - US Homecare

***Strong non-cyclical organic growth and low capital intensity***

\*includes 6 mos. HCS acquisition

## 2004 Global Sales - \$480 MM

### ◆ Materials Science for 300mm

- Thin film metal deposition:  
PVD, CVD, & ALD
- CMP consumables:  
pads, slurries
- Advanced components

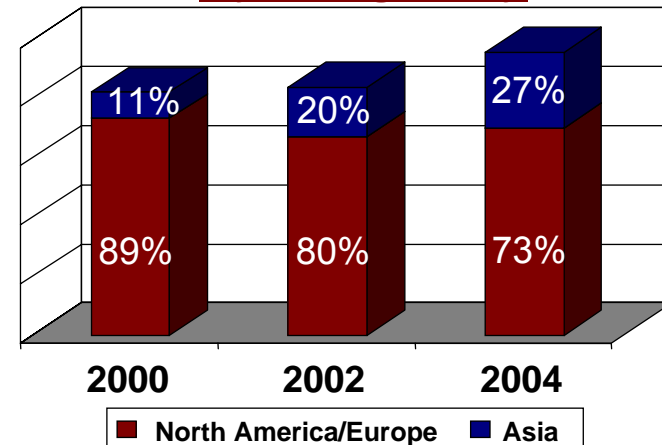
### ◆ Supply Chain Services

- Generic components
- Parts management

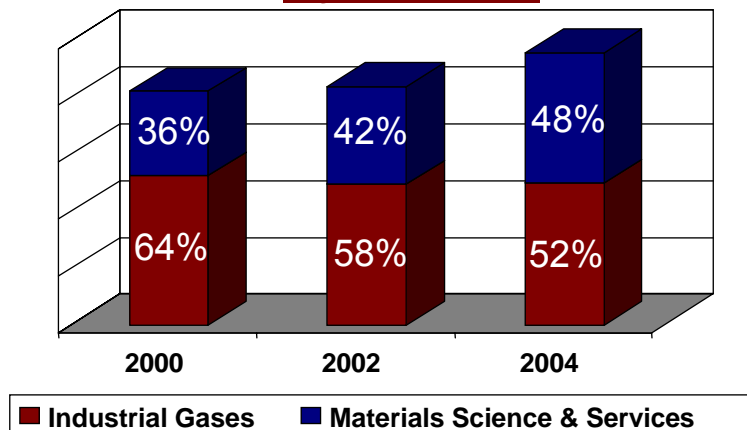
### ◆ Electronic Gases

- On-site high purity gases
- Select specialty gases
- Expansion in Asia

### By Geography



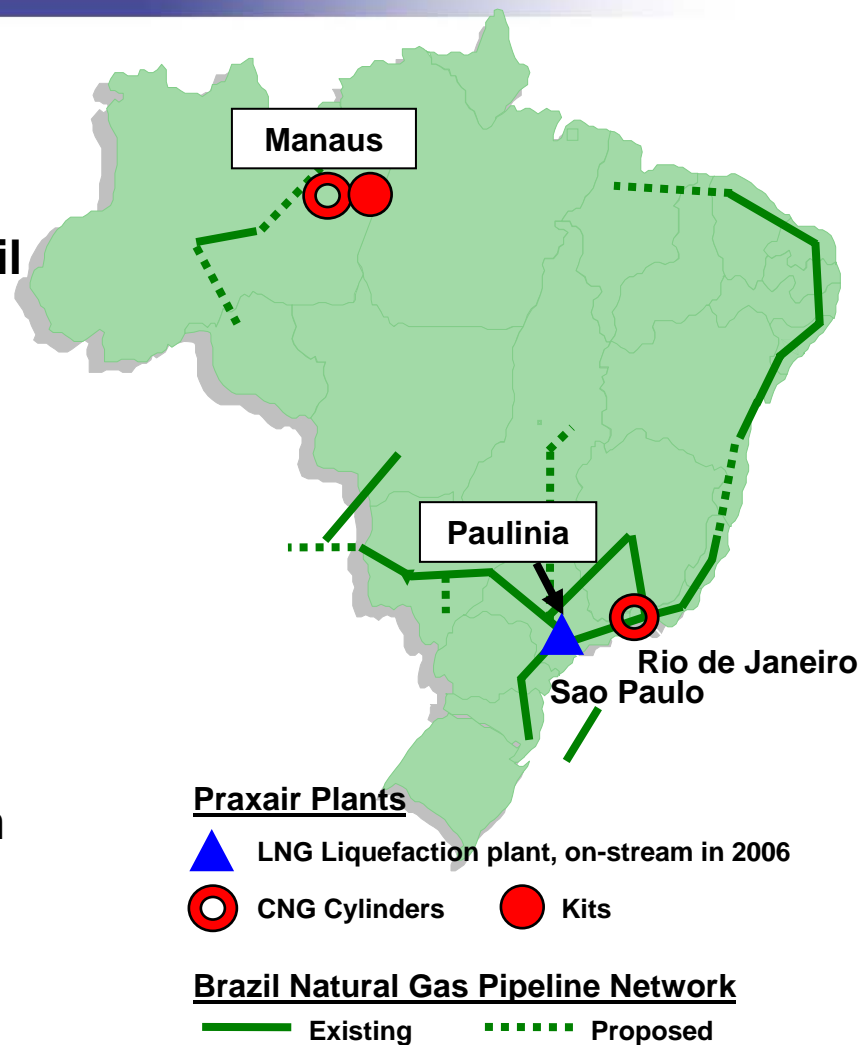
### By Product



**Investment focus on high growth, high return segments**

## 2004 Sales - \$866 MM

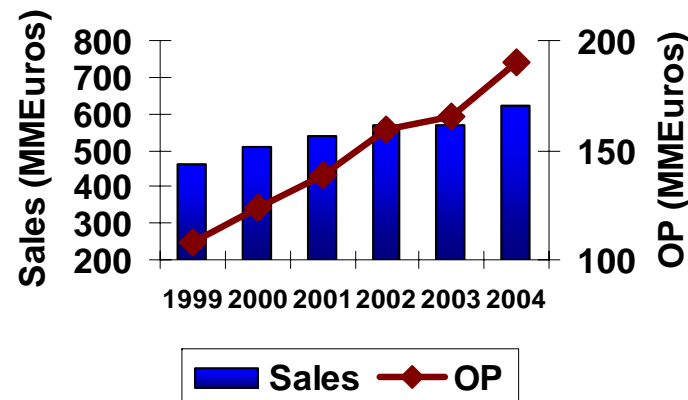
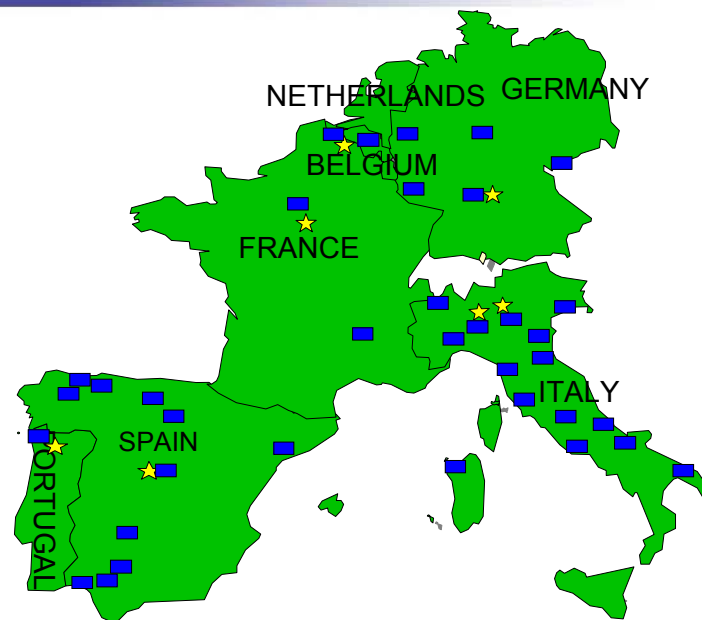
- ◆ #1 position – 60% market share in Brazil
- ◆ Export industries very competitive
- ◆ Natural gas business driving growth
  - More natural gas than oil
  - Conversions from alternative fuels
- ◆ Praxair participating actively
  - JV with Petrobras for LNG distribution
  - First plant: Q1 2006 start-up



***New capital investment indexed to USD***

## 2004 Sales - \$847 MM\*

- ◆ Solid businesses in Spain, Italy, Benelux, and now Germany
- ◆ 5 pipeline enclaves
- ◆ German acquisition – 12/04
- ◆ Builds density in Germany/Benelux
- ◆ High quality pipeline assets
- ◆ Attractive price – mid teens after tax IRR
- ◆ Accretive to earnings in 2005
- ◆ Integration on track
- ◆ Financial results exceeding expectations

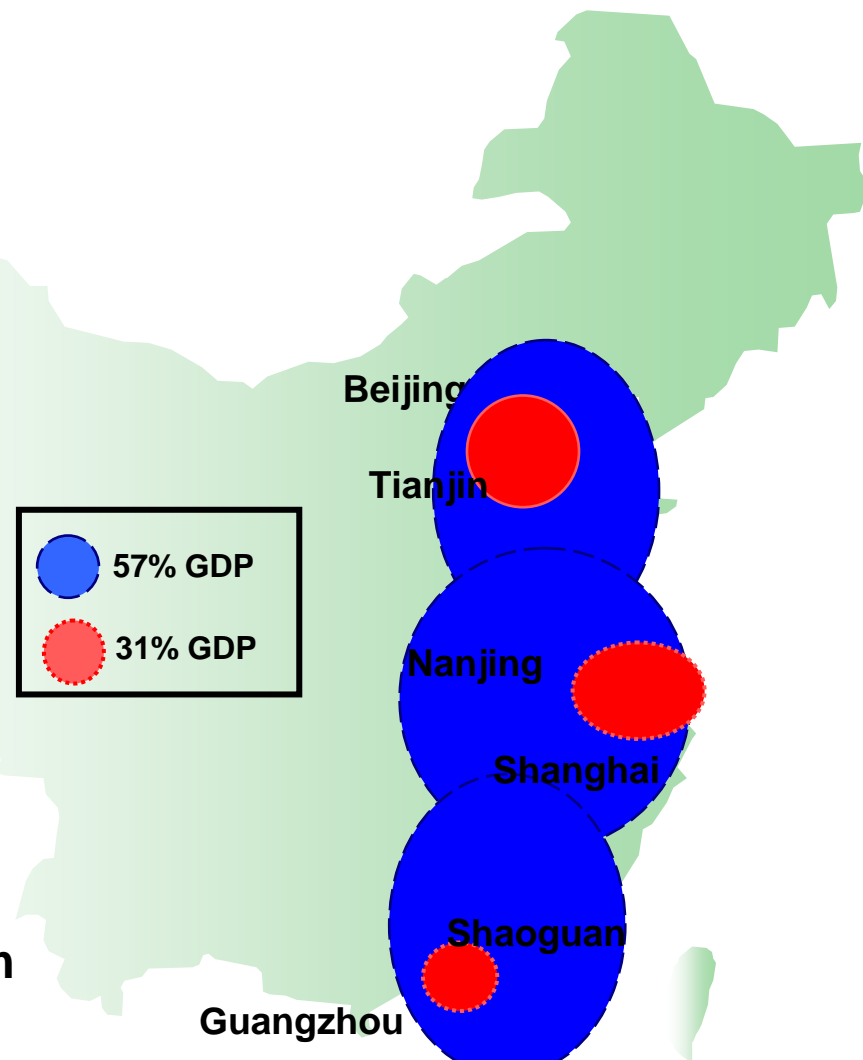


\* Includes 1 mo. of German acquisition

**Expect 2005 sales over \$1 Billion and operating margin of ~ 25%**



- ◆ **Leading position in steel with strongest producers**
- ◆ **Leading position in semi-conductors**
  - Shanghai - SMIC & Tailong
  - Beijing - SMIC 300mm wafer fab
- ◆ **Shell Nanhai Complex**
  - Shell & CNOOC \$4.3B
  - O<sub>2</sub>, N<sub>2</sub> & Ar supply
- ◆ **Caojing petrochemical park**
  - 50/50 JV with Air Liquide
  - BP, BAYER, BASF & SINOPEC \$8B
  - O<sub>2</sub>, N<sub>2</sub> & H<sub>2</sub> supply
- ◆ **Six major projects to come on-stream in 2005-2007**



**2004 After tax return on capital above 12%**

# Praxair India Set To Grow Strongly

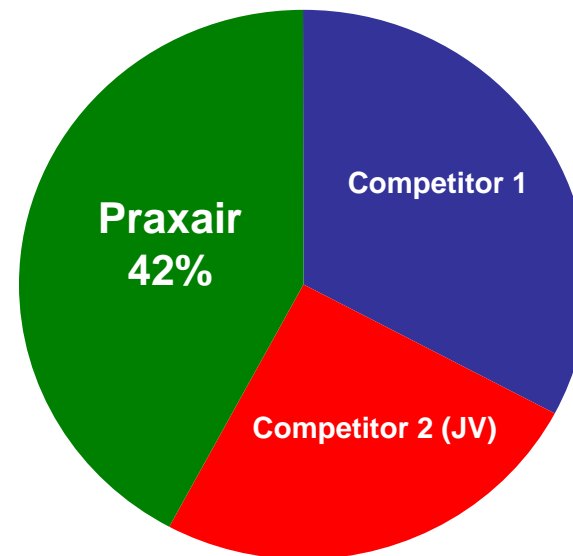


- ◆ Unprecedented new capital investment in manufacturing industries
- ◆ Per capita industrial gas sales
  - About 30% of China
  - About 1% of US
- ◆ Demand set to grow double digits
- ◆ Praxair #1 position
  - Strong relationships with industry leaders
- ◆ Recent business wins
  - Tata Steel
  - Saint Gobain
  - Owens Corning
  - Hospet Steel



**~\$50 MM  
Sales**

## Industrial Gas Market Supplied By Global Players (\$260 MM)



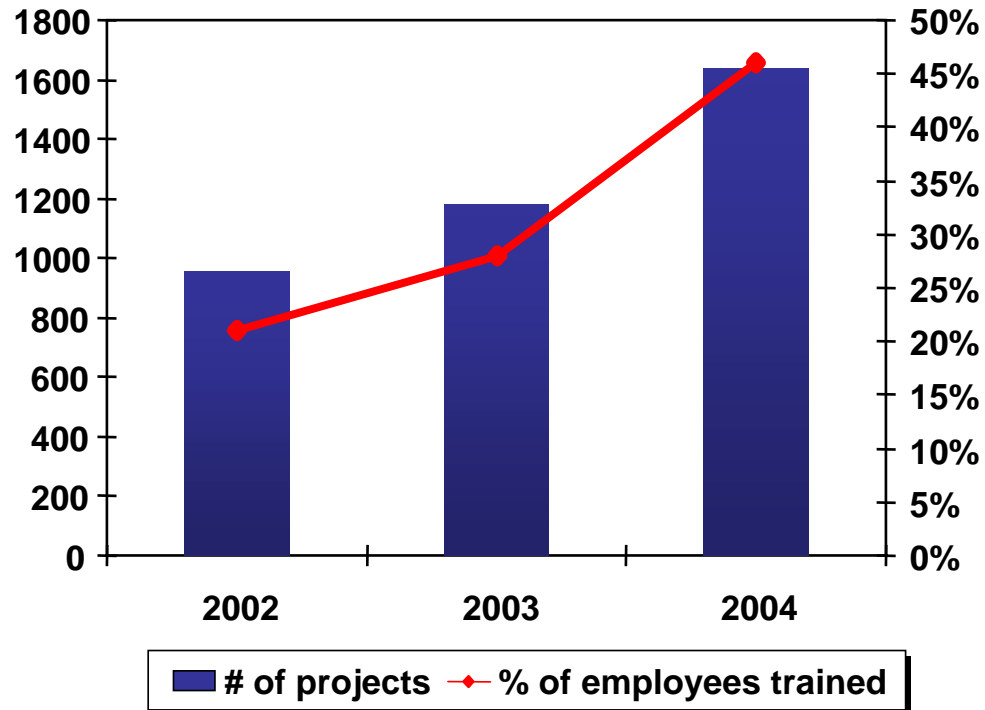
Source: Praxair Estimates

**Sales of \$110 MM expected to grow ~20% p.a. through 2010**

## Sources of Cost Savings

- ◆ Leverage procurement
- ◆ Drive operations efficiency
  - Per unit power consumption
  - Volume/trip
  - On-stream reliability
- ◆ Utilize six sigma
  - Operations
  - Business processes
  - Customer interface

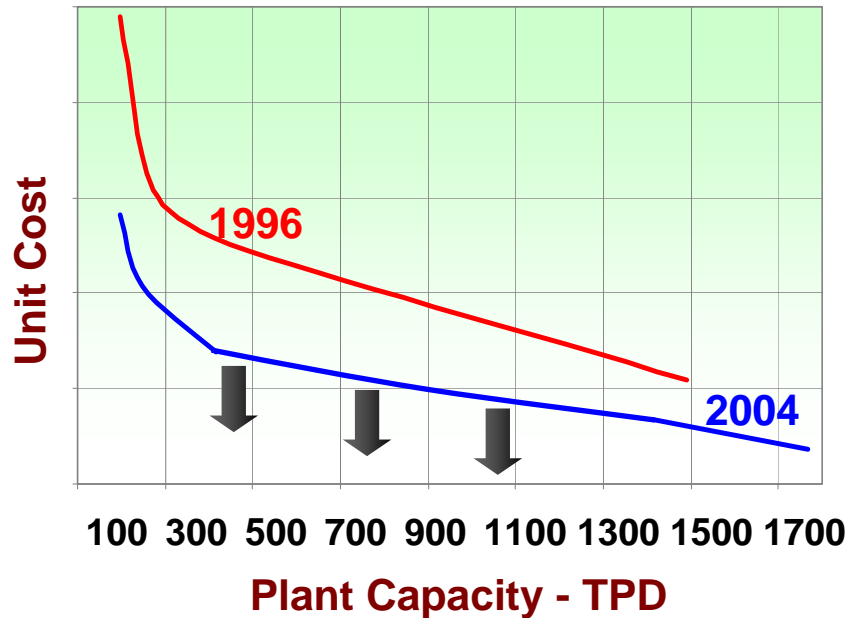
## Six Sigma # of projects and % of workforce trained



***\$160MM planned productivity savings in 2005***

## Cryogenic High Purity Oxygen

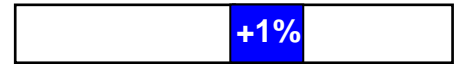
## 2004 Plant Projects Variance From Budget



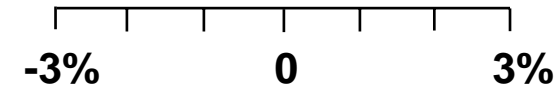
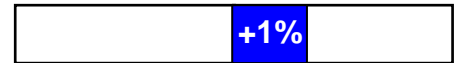
Cost



Schedule



Power Efficiency



***Flawless execution assures that expected returns  
will be achieved***

◆ **Operating cash flow**  
9% CAGR

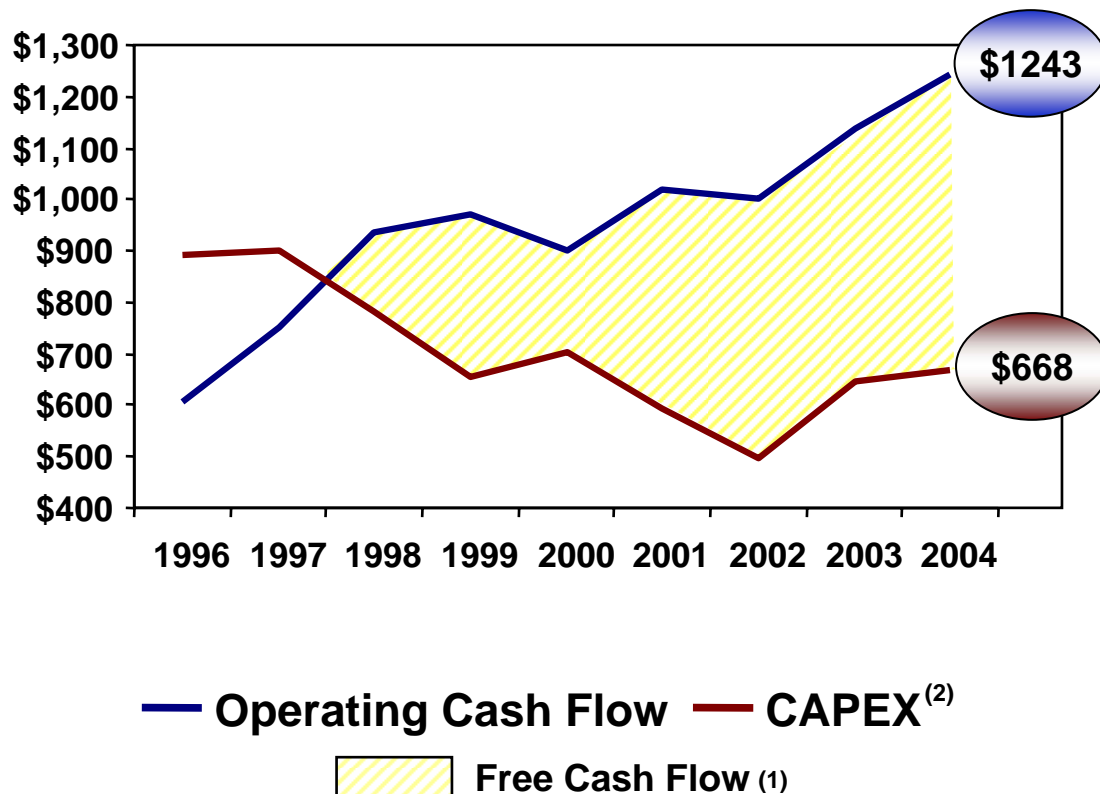
◆ **Capital spending discipline**

- Increased hurdle rates
- Core geographies

◆ **Uses of free cash flow**

- Dividends
- Selective acquisitions
- Share repurchases
- Debt reduction

**Free Cash Flow 1996-2004 (\$MM)**



1) Non-GAAP measure. Free cash flow equals operating cash flow minus capital expenditures.

2) Excludes Leased Asset Purchase in 2003

- ◆ Refinery hydrogen and oil and gas well services continue to grow rapidly
- ◆ Business capital spending strong, continued strength in heavy manufacturing
- ◆ Steel industry expected to “work off” excess inventory – volumes set to improve
- ◆ Electronics demand beginning to rebound
- ◆ Six Sigma and productivity initiatives on track for \$160MM savings in 2005
- ◆ Accelerating contribution of Messer and Home Care Supply acquisitions
- ◆ Substantial new business on stream in 2006 and 2007 – over 30 new projects

# Principles of Sustainability

## ***Governance and Integrity***

Foster a culture of integrity and accountability throughout the company through rigorous compliance with all laws, and by establishing and following effective corporate governance practices.

## ***Customer Commitment***

Continuously develop new products and applications that help our customers improve their productivity, energy efficiency and environmental performance. Provide the highest levels of service, reliability and quality to our customers.

## ***Environmental Responsibility***

Continue to improve the efficiency of energy consumption. Reduce the intensity<sup>1</sup> of air emissions, including greenhouse gases.

## ***Employee Safety and Development***

Maintain a safe work environment with a goal of zero accidents. Provide training and career opportunities that allow employees to develop to their fullest potential. Increase the diversity of our workforce so that it is more representative of the communities in which we operate.

## ***Community Support***

Help to improve the welfare and future of the communities in which we operate by sharing our knowledge, expertise and resources related to environmental protection, and community health, safety and security.

## ***Financial Performance***

Continuously improve our financial performance and provide attractive returns to our shareholders. Generate operating cash flow to reinvest in business growth and pay dividends.

<sup>1</sup>Intensity is per-unit-of-production measure

