



Investor Teleconference Presentation Second Quarter 2006

July 26, 2006

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; the ability to attract, hire, and retain qualified personnel; the impact of changes in financial accounting standards; the impact of tax and other legislation and government regulation in jurisdictions in which the company operates; the cost and outcomes of litigation and regulatory agency actions; 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.

Financial Highlights⁽¹⁾

- ◆ **Sales growth +8% YOY, +3% vs Q1**
 - Refinery outages impact of 3%
- ◆ **Earnings +23% YOY**
- ◆ **Quarter includes \$15MM of insurance recoveries**
- ◆ **After-tax return on capital of 14.5%, up +110 basis points YOY**
- ◆ **Raising guidance**
 - Third quarter EPS \$0.70 to \$0.73
 - Full year EPS \$2.85 to \$2.90 – 18% to 20% growth
- ◆ **Backlog of new business continues to grow**

(1) 2005 quarters are shown on a comparable basis, adjusted to include stock option expense and exclude the \$92 million income tax charge in the third quarter. Non-GAAP measures, see Appendix.

Global End-Market Trends

Q2 YOY Sales Growth

Energy	-19%	Lower NG prices and lower H2 volumes due to customer outages, more than offset new business development
Electronics	+26%	Growth in all regions and product lines
Chemicals	-1%	Lower due to customer outages in North America
Metals	+19%	Growth in on-site volumes in Asia
Manufacturing	+17%	Strong growth continues in US, South America and Europe
Healthcare	+5%	Volume growth and cost reduction offset rate cuts
Aerospace	+5%	Continued strength in OEM aviation coatings
Food and Bev.	+3%	Shedding lower margin business to free up product for oil and gas recovery

Second Quarter Results⁽¹⁾

(\$MM)	<u>Second Quarter 2006</u>	<u>First Quarter 2006</u>	<u>Second Quarter 2005</u>		<u>YOY</u>	<u>Q2 vs Q1</u>
				Sales Growth	+8%	+3%
Sales	\$2,076	\$2,026	\$1,919	Volume	+3%	+3%
				Price	+3%	0%
Operating Profit	\$ 382	\$ 352	\$ 311	Currency	+2%	0%
Operating Margin	18.4%	17.4%	16.2%	Volume +6% YOY ex-refinery outages		
Net Income	\$ 247	\$ 225	\$ 202			
Diluted EPS	\$ 0.75	\$ 0.68	\$ 0.61	♦ Operating profit and EPS +23% <ul style="list-style-type: none"> – Sales growth – Operating leverage/cost reduction – Reallocating product to profitable accounts – Insurance recoveries – Lower H₂ mix in sales 		
After Tax ROC	14.5%	13.7 %	13.4 %			

(1) 2005 quarters are shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measures, see Appendix.

North America⁽¹⁾

(\$MM)	<u>Second Quarter 2006</u>	<u>First Quarter 2006</u>	<u>Second Quarter 2005</u>
Sales	\$1,158	\$1,169	\$1,097
Segment OP	\$ 215	\$ 200	\$ 155
Operating Margin	18.6%	17.1%	14.1%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	<u>+6%</u>	<u>-1%</u>
Volume	0%	+1%
Price	+5%	0%
Natural Gas	0%	- 2%
Currency	+1%	0%

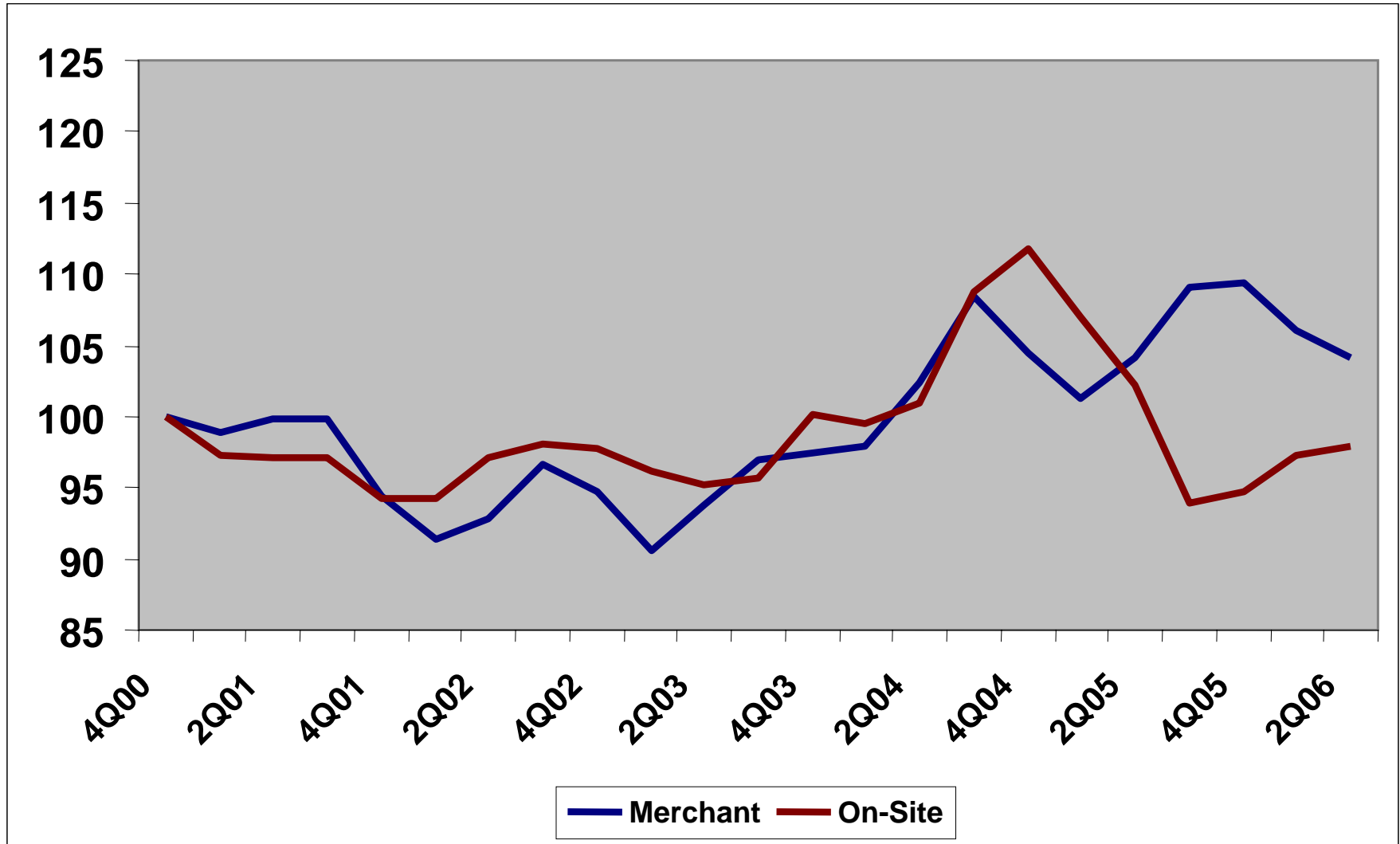
Volume +5% YOY ex-refinery outages

- ◆ Continued strong demand for atmospheric gases
- ◆ Hydrogen sales lower YOY due to refinery outages and turnarounds
- ◆ Lower LH₂ sales to competitors in aftermath of hurricanes
- ◆ PDI sales +14% YOY
- ◆ Operating profit includes \$15MM insurance recoveries

<u>Key Indicators</u>	<u>YOY</u>
On-Site Volume	- 4%
ex-Hydrogen	+6%
Merchant Volume	+2%
LIN/LOX Volume	+5%
LIN/LOX Price Index	+8 %

(1) 2005 quarters are shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measures, see Appendix.

North American Volumes



Volumes not days adjusted

Europe⁽¹⁾

(\$MM)	Second Quarter <u>2006</u>	First Quarter <u>2006</u>	Second Quarter <u>2005</u>
Sales	\$296	\$268	\$287
Segment OP	\$ 65	\$ 59	\$ 71
Operating Margin	22.0%	22.0%	24.7%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	<u>+3%</u>	<u>+10%</u>
Volume	+4%	+7%
Price	+1%	- 1%
Currency	- 3%	+3%
Acquisitions	+1%	+1%

- ◆ Overall volumes improving both YOY and sequentially
- ◆ Electronics sales up sharply
- ◆ New business signings picked up in Q2
- ◆ Positive economic outlook in Spain and Germany
- ◆ Unable to offset power cost increases in price

(1) 2005 quarters are shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measures, see Appendix.

South America⁽¹⁾

(\$MM)	<u>Second Quarter 2006</u>	<u>First Quarter 2006</u>	<u>Second Quarter 2005</u>
Sales	\$340	\$317	\$274
Segment OP	\$ 58	\$ 57	\$ 49
Operating Margin	17.1%	18.0%	17.9%

- ◆ **Stable economy and currency**
- ◆ **Lower inflation and interest rates expected to enable stronger domestic economic growth**
- ◆ **Volume growth impacted by major on-site customer outage**
- ◆ **3 plant start-ups scheduled for 2H06**

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+24%	+7%
Volume	+2%	0%
Price	+3%	0%
Currency	+11%	0%
Equipment Sale	+8%	+7%

(1) 2005 quarters are shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measures, see Appendix.

Asia⁽¹⁾

(\$MM)	Second Quarter <u>2006</u>	First Quarter <u>2006</u>	Second Quarter <u>2005</u>
Sales	\$155	\$147	\$137
Segment OP	\$ 28	\$ 23	\$ 23
Operating Margin	18.1%	15.6%	16.8%

	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	+13%	+5%
Volume	+16%	+5%
Price	- 2%	0%
Currency	+2%	0%
Equipment sale	- 3%	0%

- ◆ New on-site projects in Korea, China and India drive volume growth and margin expansion
- ◆ Electronics sales +28% with introduction of new products
- ◆ China merchant prices down -9% YOY – anticipate price recovery in second half
- ◆ Long term profitable growth outlook on track
- ◆ 3 plant start-ups scheduled for 2H06

(1) 2005 quarters are shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measures, see Appendix.

Surface Technologies⁽¹⁾

(\$MM)	Second Quarter <u>2006</u>	First Quarter <u>2006</u>	Second Quarter <u>2005</u>
Sales	\$127	\$125	\$124
Segment OP	\$ 16	\$ 13	\$ 13
Operating Margin	12.6%	10.4%	10.5%
Sales +4% YOY ex-currency			

- ◆ **Strong growth in high technology aircraft engine coatings**
- ◆ **Closed aviation repair divestiture. Sales impact (-\$35MM) in 2H06**
- ◆ **Shedding low margin sales accounts to printing and textile industries, which partially offsets sales growth**
- ◆ **Margin improvement from higher volumes and lower fixed costs**

(1) 2005 quarters are shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measures, see Appendix.

Financial Outlook

Third Quarter 2006

- ◆ Diluted EPS in the range of \$0.70 to \$0.73
 - Includes **(\$0.02)** stock option expense impact

Full Year 2006

- ◆ YOY sales growth in the area of 10%
- ◆ Diluted EPS in the range of \$2.85 to \$2.90
 - Includes **(\$0.08)** stock option expense impact
- ◆ Tax rate about 26-27%
- ◆ CAPEX in the area of \$1 Billion

APPENDIX

Non-GAAP Measures (\$MM)

PRAXAIR, INC. AND SUBSIDIARIES
APPENDIX
NON-GAAP MEASURES
 (Dollar amounts in millions)
 (UNAUDITED)

Definitions of the following non-GAAP measures may not be comparable to similar definitions used by other companies. Praxair believes that (i) its debt-to-capital ratio is appropriate for measuring its financial leverage; (ii) its after-tax return on invested capital ratio 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) and the adjusted ROC amount will help investors understand underlying performance on a comparable basis; and (iii) operating profit, net income and diluted EPS amounts that include pro-forma stock option expense in 2005 periods, help investors understand underlying performance on a comparable basis.

	2006		2005			
	Q2	Q1	Q4	Q3	Q2	Q1
<u>Total Capital</u>						
Total debt	\$ 3,454	\$ 3,408	\$ 3,447	\$ 3,272	\$ 3,327	\$ 3,449
Minority interests	203	207	202	225	225	221
Shareholders' equity	4,269	4,125	3,902	3,873	3,821	3,651
Total Capital	<u>\$ 7,926</u>	<u>\$ 7,740</u>	<u>\$ 7,551</u>	<u>\$ 7,370</u>	<u>\$ 7,373</u>	<u>\$ 7,321</u>
<u>Debt-to-Capital Ratio</u>	<u>43.6%</u>	<u>44.0%</u>	<u>45.6%</u>	<u>44.4%</u>	<u>45.1%</u>	<u>47.1%</u>
<u>After-Tax Return on Capital (ROC)</u>						
Adjusted operating profit (a,c)	\$ 382	\$ 352	\$ 335	\$ 307	\$ 311	\$ 300
Less: adjusted taxes (a,b)	(90)	(83)	(76)	(68)	(60)	(66)
Less: tax benefit on interest expense	(11)	(10)	(10)	(10)	(11)	(11)
Add: income from equity investments	3	2	4	2	5	4
Net operating profit after-tax (NOPAT)	<u>\$ 284</u>	<u>\$ 261</u>	<u>\$ 253</u>	<u>\$ 231</u>	<u>\$ 245</u>	<u>\$ 227</u>
Beginning capital	\$ 7,740	\$ 7,551	\$ 7,370	\$ 7,373	\$ 7,321	\$ 7,358
Ending capital	\$ 7,926	\$ 7,740	\$ 7,551	\$ 7,370	\$ 7,373	\$ 7,321
Average capital	\$ 7,833	\$ 7,646	\$ 7,461	\$ 7,372	\$ 7,347	\$ 7,340
ROC %	3.6%	3.4%	3.4%	3.1%	3.3%	3.1%
ROC % (annualized)	<u>14.5%</u>	<u>13.7%</u>	<u>13.6%</u>	<u>12.5%</u>	<u>13.4%</u>	<u>12.4%</u>

(a) Reported 2006 operating profit and taxes include the effect of expensing stock options while 2005 reported amounts do not. The 2005 operating profit and reported tax amounts have been adjusted to include the pro-forma impact of expensing stock options and are comparable to the 2006 presentation. See the following section "2005 FAS 123R Revised," for the calculation of these non-GAAP measures.

(b) The third quarter 2005 excludes the impact of a \$92 million income tax charge for the repatriation of foreign earnings and other tax adjustments.

(c) The second quarter 2006 includes the impact of a \$15 million benefit related to an insurance recovery which increased annualized ROC by 0.5% for the quarter.

Non-GAAP Measures, cont. (\$MM, except per share data)

2005 SFAS 123R Revised Income Statement Amounts ("Revised")

	First Quarter 2005			Second Quarter 2005			Third Quarter 2005			Fourth Quarter 2005		
	Reported	Adj. (a)	Revised	Reported	Adj. (a)	Revised	Reported	Adj. (a)	Revised	Reported	Adj. (a)	Revised
Praxair Consolidated:												
Sales	\$ 1,827	\$ -	\$ 1,827	\$ 1,919	\$ -	\$ 1,919	\$ 1,890	\$ -	\$ 1,890	\$ 2,020	\$ -	\$ 2,020
Cost of sales	1,109	-	1,109	1,167	-	1,167	1,144	(1)	1,145	1,221	-	1,221
Selling, general and administrative	245	(9)	254	247	(10)	257	243	(9)	252	252	(9)	261
Depreciation and amortization	162	-	162	163	-	163	165	-	165	175	-	175
Research and development	20	-	20	19	(1)	20	19	-	19	22	(1)	23
Other income (expense) - net	18	-	18	(1)	-	(1)	(2)	-	(2)	(5)	-	(5)
Operating profit	309	(9)	300	322	(11)	311	317	(10)	307	345	(10)	335
Interest expense - net	42	-	42	41	-	41	40	-	40	40	-	40
Income before income taxes	267	(9)	258	281	(11)	270	277	(10)	267	305	(10)	295
Income taxes	69	(3)	66	64	(4)	60	163	(3)	160	80	(4)	76
	198	(6)	192	217	(7)	210	114	(7)	107	225	(6)	219
Minority interests	(7)	-	(7)	(13)	-	(13)	(8)	-	(8)	(9)	-	(9)
Income from equity investments	4	-	4	5	-	5	2	-	2	4	-	4
Income before accounting change	195	(6)	189	209	(7)	202	108	(7)	101	220	(6)	214
Cumulative effect of accounting change	-	-	-	-	-	-	-	-	-	(6)	-	(6)
Net Income	\$ 195	\$ (6)	\$ 189	\$ 209	\$ (7)	\$ 202	\$ 108	\$ (7)	\$ 101	\$ 214	\$ (6)	\$ 208
Per share data												
Basic earnings per share	\$ 0.60	(0.02)	\$ 0.58	\$ 0.65	(0.02)	\$ 0.63	\$ 0.33	(0.02)	\$ 0.31	\$ 0.66	(0.02)	\$ 0.64
Diluted earnings per share	\$ 0.59	(0.02)	\$ 0.57	\$ 0.63	(0.02)	\$ 0.61	\$ 0.33	(0.02)	\$ 0.31	\$ 0.65	(0.02)	\$ 0.63
Segment Operating Profit:												
North America	\$ 166	(5)	\$ 161	\$ 161	(6)	\$ 155	\$ 165	(6)	\$ 159	\$ 193	(6)	\$ 187
Europe	67	(1)	66	72	(1)	71	63	(1)	62	61	(1)	60
South America	43	(1)	42	51	(2)	49	52	(1)	51	56	(1)	55
Asia	22	(1)	21	24	(1)	23	24	(1)	23	25	(1)	24
Surface Technologies	11	(1)	10	14	(1)	13	13	(1)	12	10	(1)	9
Total	\$ 309	(9)	\$ 300	\$ 322	(11)	\$ 311	\$ 317	(10)	\$ 307	\$ 345	(10)	\$ 335

(a) Pro-forma adjustments reflect the impact of expensing stock options and include a change in expense recognition related to full-retirement eligible employees (see Note 1 on page 47 of the 2005 Annual Report.)