



Investor Teleconference Presentation Third Quarter 2006

October 25, 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.

Third Quarter Results⁽¹⁾

(\$MM)	Third Quarter 2006	Second Quarter 2006	Third Quarter 2005 ⁽²⁾		YOY	Q3 vs Q2
Sales	\$2,099	\$2,076	\$1,890	Sales Growth	+11%	+1%
Operating Profit	\$ 392	\$ 382	\$ 307	Volume	+6%	+1%
Operating Margin	18.7%	18.4%	16.2%	Price	+4%	0%
Net Income	\$ 247	\$ 247	\$ 193	Currency	+2%	+1%
Diluted EPS	\$ 0.75	\$ 0.75	\$ 0.59	Natural Gas	- 1%	0%
After-Tax ROC	14.3%	14.5%	12.5%	Acquisitions	0%	- 1%
				◆ 3Q 06 includes gain on divestitures		
				+ \$14MM Operating Profit		
				- (\$11MM) Taxes		
				+ \$ 3MM Net Income		
				+ \$ 0.01 EPS		

(1) Includes Non-GAAP measures, see Appendix.

(2) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense, 2 cents per diluted share; and exclude a \$92 million tax charge, 28 cents per diluted share

North America⁽¹⁾

(\$MM)	Third Quarter <u>2006</u>	Second Quarter <u>2006</u>	Third Quarter <u>2005</u>
Sales	\$1,187	\$1,158	\$1,087
Segment OP	\$ 204	\$ 215	\$ 159
Operating Margin	17.2%	18.6%	14.6%

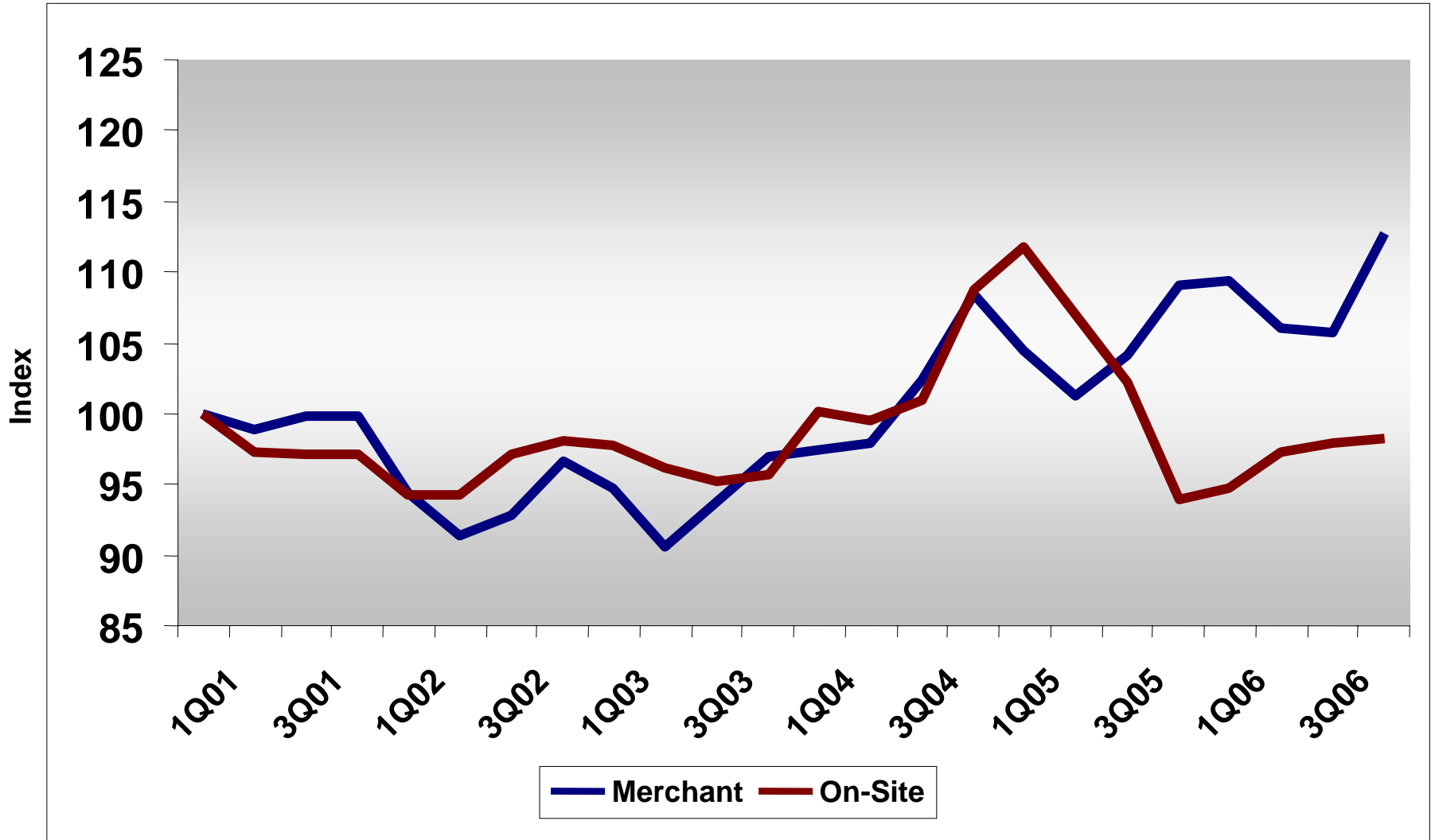
	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	<u>+9%</u>	<u>+3%</u>
Volume	+5%	+2%
Price	+5%	+1%
Natural Gas	- 2%	0%
Currency	+1%	0%

- ◆ Growth in on-site and merchant gas volumes across all major end markets
- ◆ Strong packaged gases, PDI +14% YOY
- ◆ Pricing initiatives continuing to offset higher power costs
- ◆ Productivity savings improving margins
- ◆ High level of new business development activity

<u>Key Indicators</u>	<u>YOY</u>
On-Site Volume	+6%
Merchant Volume	+3%
LIN/LOX Volume	+5%
LIN/LOX Price Index	+8%

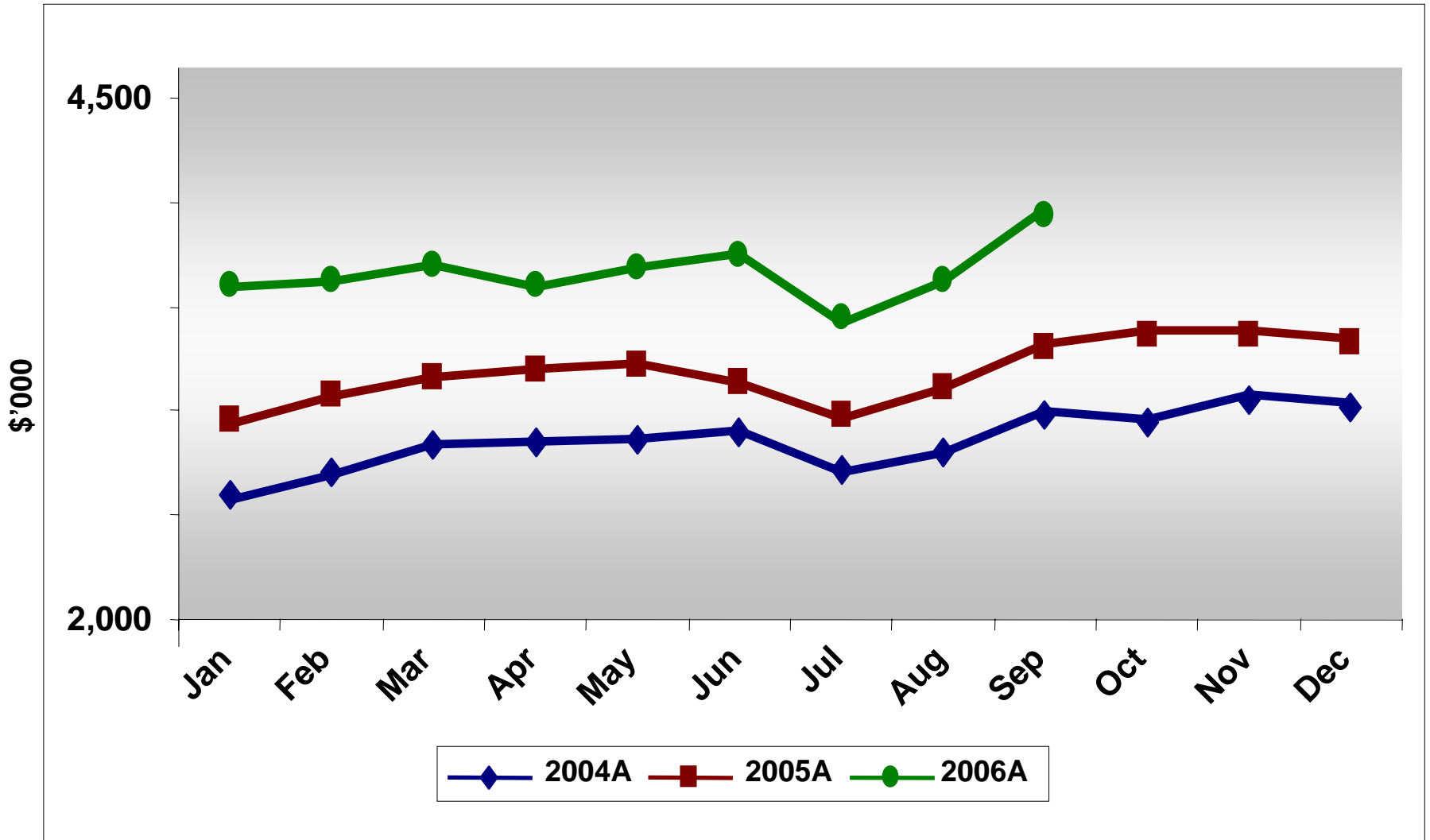
(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

North American Volumes



Volumes not days adjusted

North America - Packaged Gas Sales Per Day



Industrial sales only

Europe⁽¹⁾

(\$MM)	<u>Third Quarter 2006</u>	<u>Second Quarter 2006</u>	<u>Third Quarter 2005</u>
Sales	\$293	\$296	\$258
Segment OP	\$ 69	\$ 65	\$ 62
Operating Margin	23.5%	22.0%	24.0%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	<u>+14%</u>	<u>-1%</u>
Volume	+6%	- 4%
Price	+4%	+1%
Currency	+4%	+2%

- ◆ Strong sales growth to electronics market
- ◆ Strong healthcare sales in Spain and Italy
- ◆ Operating profit includes \$5MM gain from divestiture in Turkey
- ◆ Difficult pricing environment – unable to fully offset significantly higher power costs
- ◆ On track for \$30MM productivity savings in 2006

(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

South America⁽¹⁾

(\$MM)	Third Quarter <u>2006</u>	Second Quarter <u>2006</u>	Third Quarter <u>2005</u>
Sales	\$340	\$340	\$292
Segment OP	\$ 69	\$ 58	\$ 51
Operating Margin	20.3%	17.1%	17.5%

- ◆ Sales growth due to three plant start-ups and improved volumes
 - CST
 - LNG
 - Owens Corning

- ◆ Q206 included \$22MM plant sale

- ◆ Higher sales to metals, energy and healthcare markets

- ◆ Margin improvement from higher volumes and productivity improvements

- ◆ Stable currency, trade surplus in Brazil

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	<u>+16%</u>	<u>0%</u>
Volume	+7%	+5%
Price	+1%	- 1%
Currency	+6%	0%
Equipment Sale	+2%	- 4%

(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

Asia⁽¹⁾

(\$MM)	Third Quarter <u>2006</u>	Second Quarter <u>2006</u>	Third Quarter <u>2005</u>
Sales	\$165	\$155	\$136
Segment OP	\$ 27	\$ 28	\$ 23
Operating Margin	16.4%	18.1%	16.9%

	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+21%	+6%
Volume	+20%	+5%
Price	+2%	+2%
Currency	+2%	- 1%
Equipment Sale	- 3%	0%

- ◆ Strong sales growth in Korea and China
- ◆ Electronics sales +37% YOY
- ◆ Higher sales across the region to chemicals, metals, electronics and food and beverage
- ◆ High level of business development activity in India and China

(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

Surface Technologies⁽¹⁾

(\$MM)	Third Quarter <u>2006</u>	Second Quarter <u>2006</u>	Third Quarter <u>2005</u>
Sales	\$114	\$127	\$117
Segment OP	\$ 23	\$ 16	\$ 12
Operating Margin	20.2%	12.6%	10.3%

- ◆ Sales +9% ex-divestiture and currency
- ◆ Sales impact of aviation repair divestiture (-\$17MM). Segment OP includes \$7MM gain on sale
- ◆ Strong coatings demand from aerospace, power and energy markets
- ◆ Margin improvement from higher volumes and fixed cost control

(1) 2005 quarter is shown on a comparable basis, adjusted to include stock option expense. Non-GAAP measure, see Appendix.

Global End-Market Trends

Q3 YOY Sales Growth

Energy⁽¹⁾	+16%	Refinery hydrogen, gas well fracturing and CNG/LNG in Brazil
Electronics	+33%	Growth in materials science, increased semiconductor production
Chemicals	+7%	Strong comparables due to Katrina
Metals	+23%	New projects in Asia and South America, higher volumes in US and Europe
Manufacturing	+16%	Strong global demand for infrastructure and machinery
Healthcare	+5%	Organic growth offset by price reductions
Aerospace⁽²⁾	+19%	Strong OEM engine orders in PST
Food and Bev.	+10%	Strong season for beverage carbonation – tight supply situation

(1) Excluding natural gas pass-through

(2) Excluding effect of divestiture

Financial Outlook

Fourth Quarter 2006

- ◆ YOY sales growth of 6% to 9%
 - Sales comparisons will be negatively impacted by last year's high natural gas prices (and consequently lower natural gas pass-through this year) particularly in October
- ◆ Diluted EPS in the range of \$0.75 to \$0.78
 - Includes (\$0.02) stock option expense impact

Full Year 2006

- ◆ YOY sales growth of about 10%
- ◆ Diluted EPS in the range of \$2.93 to \$2.96
 - Includes (\$0.08) stock option expense impact
- ◆ Tax rate about 26-27%
- ◆ CAPEX in the area of \$1.05 Billion to \$1.10 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			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Capital							
Total debt	\$ 3,174	\$ 3,454	\$ 3,408	\$ 3,447	\$ 3,272	\$ 3,327	\$ 3,449
Minority interests	209	203	207	202	225	225	221
Shareholders' equity	4,494	4,269	4,125	3,902	3,873	3,821	3,651
Total Capital	<u>\$ 7,877</u>	<u>\$ 7,926</u>	<u>\$ 7,740</u>	<u>\$ 7,551</u>	<u>\$ 7,370</u>	<u>\$ 7,373</u>	<u>\$ 7,321</u>
Debt-to-Capital Ratio	<u>40.3%</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>
After-Tax Return on Capital (ROC)							
Adjusted operating profit (a,c)	\$ 392	\$ 382	\$ 352	\$ 335	\$ 307	\$ 311	\$ 300
Less: adjusted taxes (a,b)	(101)	(90)	(83)	(76)	(68)	(60)	(66)
Less: tax benefit on interest expense	(10)	(11)	(10)	(10)	(10)	(11)	(11)
Add: income from equity investments	1	3	2	4	2	5	4
Net operating profit after-tax (NOPAT)	<u>\$ 282</u>	<u>\$ 284</u>	<u>\$ 261</u>	<u>\$ 253</u>	<u>\$ 231</u>	<u>\$ 245</u>	<u>\$ 227</u>
Beginning capital	\$ 7,926	\$ 7,740	\$ 7,551	\$ 7,370	\$ 7,373	\$ 7,321	\$ 7,358
Ending capital	\$ 7,877	\$ 7,926	\$ 7,740	\$ 7,551	\$ 7,370	\$ 7,373	\$ 7,321
Average capital	\$ 7,902	\$ 7,833	\$ 7,646	\$ 7,461	\$ 7,372	\$ 7,347	\$ 7,340
ROC %	3.6%	3.6%	3.4%	3.4%	3.1%	3.3%	3.1%
ROC % (annualized)	<u>14.3%</u>	<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 insurance recoveries which increased annualized ROC by 0.5% for that 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 (b)												
Basic earnings per share	\$ 0.60	(0.02)	\$ 0.58	\$ 0.65	(0.02)	\$ 0.63	\$ 0.33	(0.02)	\$ 0.31	\$ 0.68	(0.02)	\$ 0.66
Diluted earnings per share	\$ 0.59	(0.02)	\$ 0.57	\$ 0.63	(0.02)	\$ 0.61	\$ 0.33	(0.02)	\$ 0.31	\$ 0.67	(0.02)	\$ 0.65
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.)

(b) Calculated on income before accounting change.

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

The Company believes adjusted net income and diluted EPS, quarterly and full-year earnings guidance amounts for 2006, and quarterly effective tax rates, which reflect 2005 results adjusted to include stock option expense and exclude the impact of a third quarter \$92 million income tax charge and accounting change, help investors understand underlying performance on a comparable basis.

	Quarter Ended September 30,		Full Year	4Q
	2006	2005	2005	2005
Adjusted Net Income, Diluted EPS				
Reported income before accounting change	\$ 247	\$ 108	\$ 732	\$ 220
Add: income tax charge	-	92	92	-
Less: proforma stock option expense	-	(7)	\$ (26)	\$ (6)
Adjusted Net income	<u>\$ 247</u>	<u>\$ 193</u>	<u>\$ 798</u>	<u>\$ 214</u>
Diluted weighted average shares	329,498	329,993	329,685	329,113
Reported diluted earnings per share before accounting change	\$ 0.75	\$ 0.33	\$ 2.22	\$ 0.67
Add back: income tax charge	\$ -	\$ 0.28	\$ 0.28	\$ -
Less: proforma stock option expense	\$ -	\$ (0.02)	\$ (0.08)	\$ (0.02)
Adjusted diluted earnings per share	<u>\$ 0.75</u>	<u>\$ 0.59</u>	<u>\$ 2.42</u>	<u>\$ 0.65</u>
Percentage increase diluted EPS versus 2005	27%			
Adjusted 2006 Quarterly and Full Year Diluted EPS Guidance				
	Fourth Quarter 2006		Full Year 2006	
	Low end	High end	Low end	High end
Reported nine-month 2006 diluted EPS	\$ -	\$ -	\$ 2.18	\$ 2.18
Expected fourth quarter 2006 diluted EPS	\$ 0.75	\$ 0.78	\$ 0.75	\$ 0.78
	<u>\$ 0.75</u>	<u>\$ 0.78</u>	<u>\$ 2.93</u>	<u>\$ 2.96</u>
2005 Adjusted diluted earnings per share (above)	\$ 0.65	\$ 0.65	\$ 2.42	\$ 2.42
Percentage increase	15%	20%	21%	22%
Adjusted Quarterly Effective Tax Rate				
	Quarter Ended September 30,			
	2006	2005		
Reported income before income tax	\$ 354	\$ 277		
Less: divestiture gains	(14)	-		
Adjusted income before income tax	<u>\$ 340</u>	<u>\$ 277</u>		
Reported income tax expense	\$ 101	\$ 163		
Less: 2005 income tax charge	-	(92)		
Less: taxes on divestiture gains	(11)	-		
Adjusted income tax expense	<u>90</u>	<u>71</u>		
Underlying effective tax rate	26.5%	26%		