



Investor Teleconference Presentation Fourth Quarter 2005

January 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; the cost and availability of electric power, natural gas and other raw materials; the ability to achieve price increases to offset cost increases; the degree of inflation in wages and other compensation; the ability to attain expected operational efficiencies; changes in foreign currencies and interest rates; continued timely development and market acceptance of new products and applications; the impact of competitive products and pricing; 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; 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 statements in response to changing circumstances.

Fourth Quarter Results

(\$MM)	Fourth Quarter <u>2005²</u>	Third Quarter <u>2005³</u>	Fourth Quarter <u>2004</u>	<u>Sales Comparison</u>	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales	\$2,020	\$1,890	\$ 1,786	Sales Growth	+ 13%	+ 7%
				Volume	+ 1%	+ 3%
				Price	+ 6%	+ 2%
Operating Profit	\$ 345	\$ 317	\$ 289	Natural Gas	+ 2%	+ 1%
				Acquisitions	+ 2%	0%
Operating Margin	17.1%	16.8%	16.2%	Currency	+ 2%	+ 1%
Adj. Net Income¹	\$ 220	\$ 200	\$ 181			
Adj. Diluted EPS¹	\$ 0.67	\$ 0.61	\$ 0.55			
Adj. After-Tax ROC¹	13.9%	12.9%	12.7%			

1) Non-GAAP measure. See Appendix

2) Adjusted amounts are before the cumulative effect of an accounting change, 2 cents per diluted share

3) Adjusted amounts exclude a \$92 million tax charge, 28 cents per diluted share

Full Year Results

(\$MM)	<u>2005^{2,3}</u>	<u>2004</u>	<u>Δ%</u>
Sales	\$7,656	\$6,594	+16%
Operating Profit	\$1,293	\$1,103	+17%
Operating Margin	16.9%	16.7%	
Adj. Net Income¹	\$ 824	\$ 697	+18%
Adj. Diluted EPS¹	\$ 2.50	\$ 2.10	+19%
Operating Cash Flow	\$1,475	\$1,243	+19%
Adj. After-Tax ROC¹	13.2%	12.5%	

<u>Sales Comparison</u>	<u>YOY</u>
Sales Growth	+16%
Volume	+2%
Price	+4%
Natural Gas	+1%
Acquisitions	+5%
Currency	+4%

1) Non-GAAP measure. See Appendix

2) Adjusted amounts are before the cumulative effect of an accounting change, 2 cents per diluted share

3) Adjusted amounts exclude a \$92 million tax charge, 28 cents per diluted share

North America

(\$MM)	<u>Fourth Quarter 2005</u>	<u>Third Quarter 2005</u>	<u>Fourth Quarter 2004</u>
Sales	\$1,253	\$1,159	\$ 1,130
Segment OP	\$ 193	\$ 165	\$ 161
Operating Margin	15.4%	14.2%	14.2%

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	<u>+11%</u>	<u>+ 8%</u>
Volume	- 1%	+ 1%
Price	+ 8%	+ 4%
Natural Gas	+ 3%	+ 2%
Currency	+ 1%	+ 1%

- ◆ **Gulf Coast recovery continues**
- ◆ **Q4 price increases offset higher energy and materials costs**
- ◆ **Strong results in Mexico**
- ◆ **Q4 OP includes about \$10MM of product sales and power and tax recoveries not expected to occur in Q106**
- ◆ **Robust business activity from new applications**
- ◆ **2006 forecast organic sales growth of 8 - 10%**

North America Business Trends

On-site

- ◆ Volumes -15% YOY, -4% ex-HYCO
- ◆ GO₂ volumes to steel -7% YOY, +22% vs Q3
- ◆ HYCO volumes set to recover over the course of 2006
- ◆ GN₂ to chemicals mkts strong in the South

Merchant

- ◆ Merchant volumes +5% YOY, +2% vs Q3
- ◆ Higher LOX, LIN, LAR and liquid hydrogen
- ◆ Strong demand for LN₂ and CO₂ from oil well service market
- ◆ LIN / LOX price index +5%

Packaged

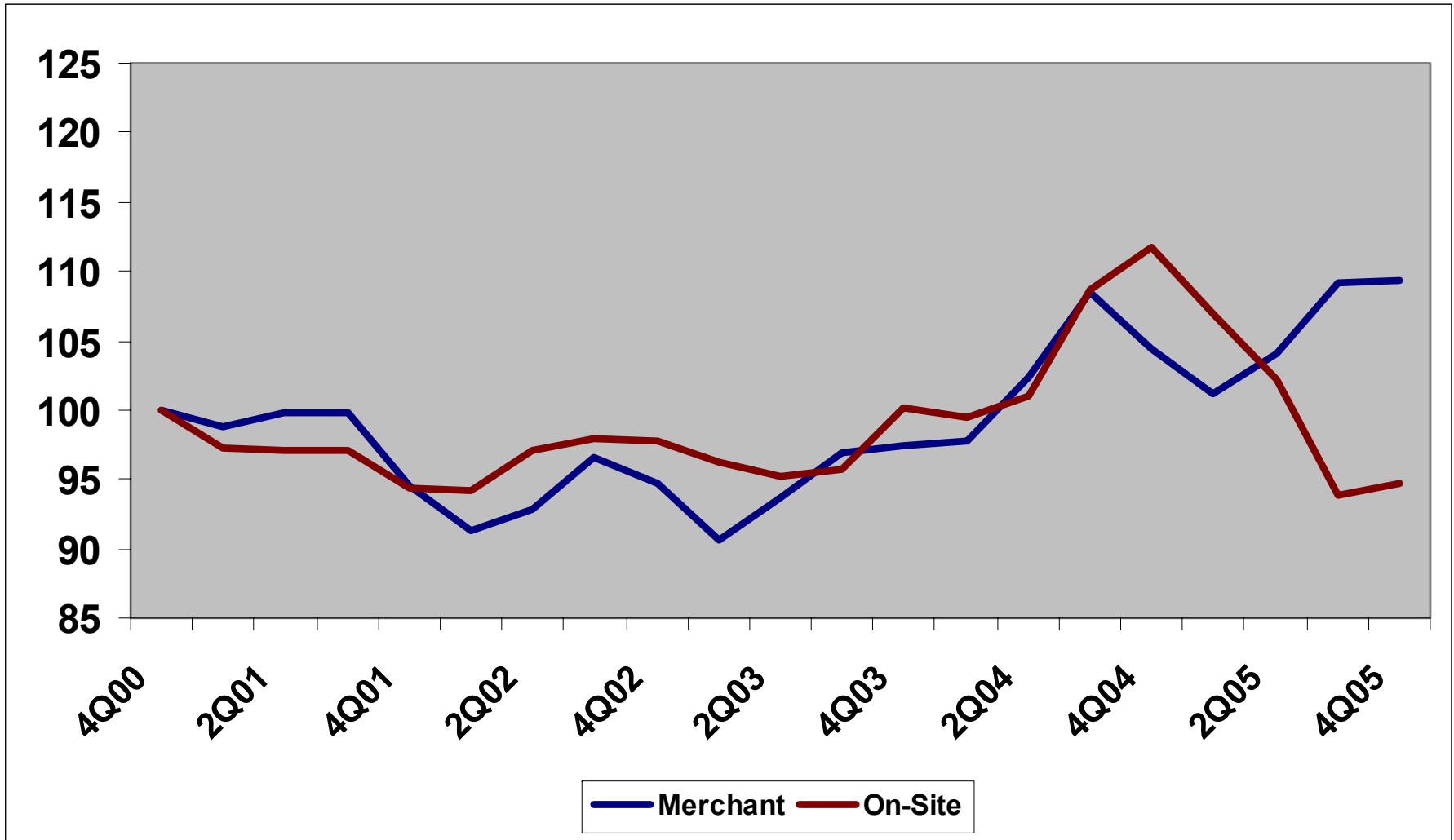
- ◆ Packaged gas index* +9% YOY
- ◆ PDI 2005 sales \$1.1B, +10% vs 2004
- ◆ Acquisitions expand coverage in Southeast US. Closed 5 acquisitions in 2005
- ◆ Achieved 12% operating profit margin
- ◆ Expect 2006 sales growth of 8 - 10%

Healthcare

- ◆ 2005 NA Healthcare sales reach \$580MM
- ◆ 7% organic volume trend in Homecare
- ◆ Cost reduction offsets Medicare rate cuts
- ◆ 24 new Hospital-to-Home accounts signed
- ◆ Expect 6 - 8% volume growth to continue

* Adjusted for acquisitions, days and currency

North American Volumes*



* Volumes not days adjusted

Europe

(\$MM)	Fourth Quarter <u>2005</u>	Third Quarter <u>2005</u>	Fourth Quarter <u>2004</u>
Sales	\$263	\$262	\$234
Segment OP	\$ 61	\$ 63	\$ 56
<i>Operating Margin</i>	23.2%	24.0%	23.9%

Sales Comparison

	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	+12%	0%
Volume	+ 2%	+2%
Price	0%	- 1%
Acquisition	+17%	0%
Currency	- 7%	- 1%

- ◆ Improved outlook for Germany, 2006 IP forecast +3 - 4%
- ◆ Homecare growth in Spain. On-site O₂ volumes lower YOY due to customer outage
- ◆ Strong pipeline O₂ and N₂ sales in Antwerp enclave to chemicals customers
- ◆ Start-up of new hydrogen plant in Ravenna enclave
- ◆ 2006 forecast sales growth of 4 - 6%

South America

(\$MM)	Fourth Quarter <u>2005</u>	Third Quarter <u>2005</u>	Fourth Quarter <u>2004</u>
Sales	\$314	\$293	\$236
Segment OP	\$ 56	\$ 52	\$ 41
<i>Operating Margin</i>	17.8%	17.7%	17.4%

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	<u>+33%</u>	<u>+ 7%</u>
Volume	+ 6%	+ 4%
Price	+ 8%	0%
Currency	+19%	+ 3%

- ◆ Stable economic outlook. Exports remain strong, domestic demand soft
- ◆ Volume growth in all markets except on-site steel
- ◆ Pricing actions offset cost inflation
- ◆ Sales growth in LNG conversion kits and cylinders
- ◆ New project start-ups:
 - LNG Petrobras JV – Q1 2006
 - O₂ plant for CST – Q3 2006
- ◆ 2006 forecast sales growth of 8 - 10%

Asia

(\$MM)	Fourth Quarter <u>2005</u>	Third Quarter <u>2005</u>	Fourth Quarter <u>2004</u>
Sales	\$148	\$136	\$134
Segment OP	\$ 25	\$ 24	\$ 24
Operating Margin	16.9%	17.6%	17.9%

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q4 vs Q3</u>
Sales Growth	<u>+10%</u>	<u>+ 9%</u>
Volume	+14%	+11%
Price	- 2%	- 1%
Currency	+ 2%	- 1%
Equipment	- 4%	0%

- ◆ Electronics sales +24% YOY to semiconductor and LCD markets. Sputtering targets sales +16% YOY
- ◆ Significant YOY pricing declines in electronic specialty gases
- ◆ 2 new plants on-stream in India
- ◆ China merchant price increases. Distributor sales curtailed
- ◆ Volume growth in India to metals and pharmaceuticals
- ◆ 4 new plant start-ups in 2006 in India, China, Korea and Thailand
- ◆ 2006 forecast sales growth of 15 - 20%

Surface Technologies

(\$MM)	Fourth Quarter <u>2005</u>	Third Quarter <u>2005</u>	Fourth Quarter <u>2004</u>
Sales	\$112	\$121	\$116
Segment OP	\$ 10	\$ 13	\$ 7
<i>Operating Margin</i>	8.9%	10.7%	6.0%

- ◆ Strong demand for OEM aviation coatings
- ◆ Higher coatings for oil well services
- ◆ Textiles, printing and aviation repair markets weak
- ◆ Plant shutdown in Q4 reduced volumes temporarily
- ◆ Impact of higher metals costs
- ◆ 2006 forecast sales growth of 4 - 6%

Financial Outlook

First Quarter 2006

- ◆ Diluted EPS in the range of \$0.61 to \$0.65
 - Includes **(\$0.02)** stock option expense impact

Full Year 2006

- ◆ Sales in the range of \$8.1 to \$8.4 billion
- ◆ Operating profit in the range of \$1,350 to \$1,425 million
- ◆ Diluted EPS in the range of \$2.65 to \$2.75
 - Includes **(\$0.08)** stock option expense impact
- ◆ Tax rate about 26-27%
- ◆ CAPEX in the area of \$900 to \$950 million

Global End-Market Trends

YOY Sales Growth*

	<u>2005</u>	<u>2006F</u>	
Energy	10%	15-20%	Hydrogen and oil well services
Electronics	4%	6-12%	Focus on Asia and materials science
Chemicals	8%	8-10%	Growth from Asia and German pipeline enclaves
Metals	5%	6-10%	Plant start-ups in Asia and South America
Manufacturing	12%	5-10%	Applications drive volume growth at 2X IP
Healthcare	2%	6-8%	Volume growth offset by lower pricing
Aerospace	2%	4-6%	Growth in OEM aviation coatings business
Food and Bev.	5%	4-6%	Consistent modest growth

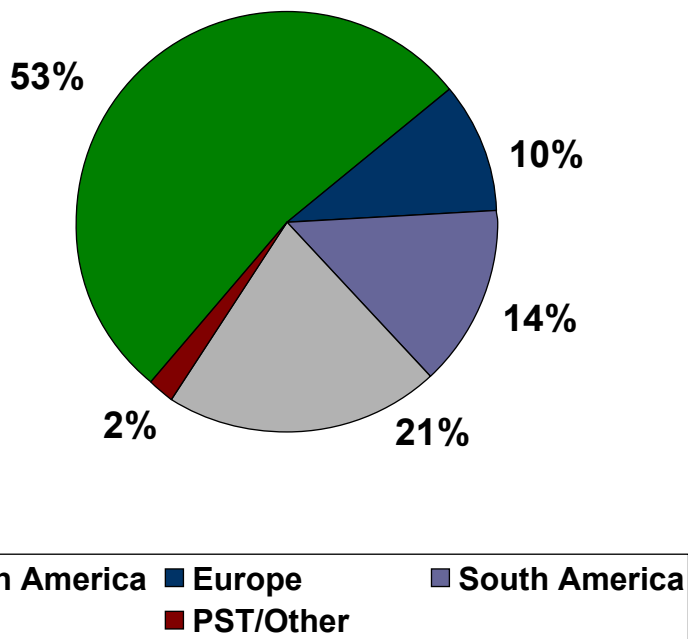
* Organic growth (i.e. ex-currency, acquisitions and natural gas price change)

Capital Investment

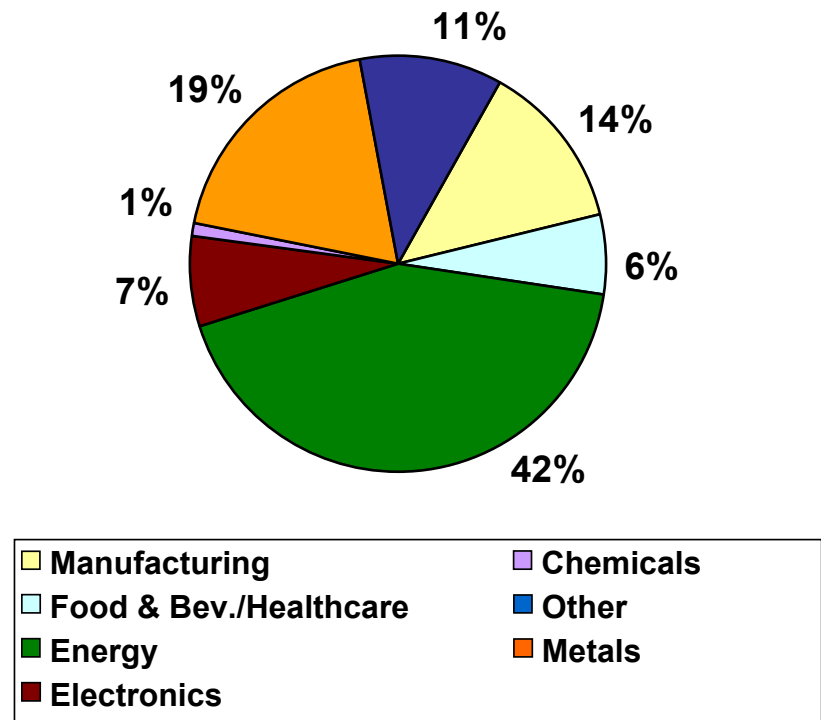
2006F: About \$900-\$950MM

- Growth ~\$630MM
- Maintenance ~\$200MM
- Cost Reduction ~\$95MM

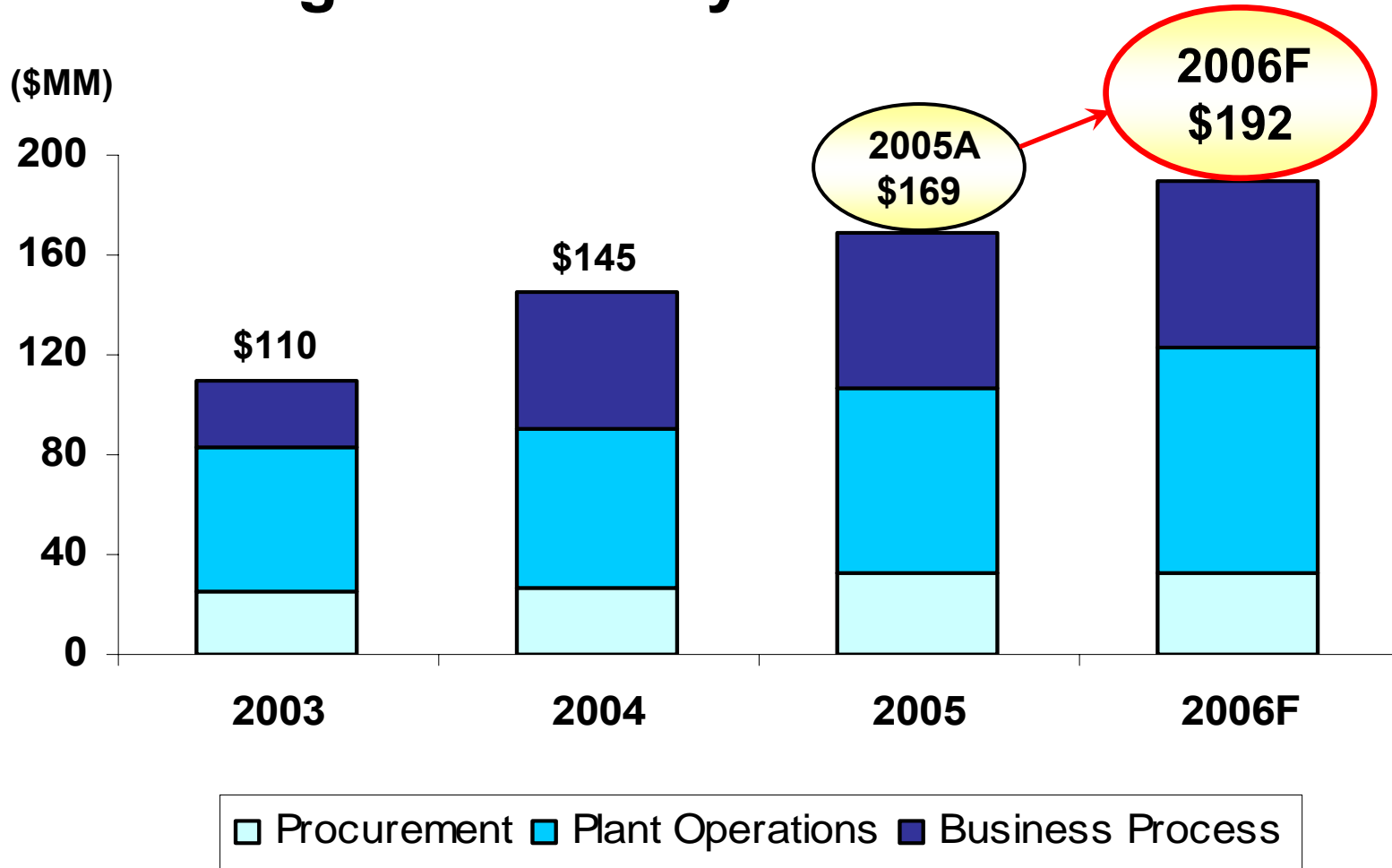
Growth CAPEX By Segment



Growth CAPEX By Market



Accelerating Productivity Gains



Over 600 Six Sigma Projects Completed in 2005

Summary

- ◆ **Delivered strong 2005 performance**
- ◆ **Growing cash flow – Dividend increase of 39%**
- ◆ **Positive outlook for 2006**
- ◆ **Long term growth:**
 - **Hydrogen**
 - **Oil & Gas**
 - **Asia & South America**
 - **Electronics**
 - **Healthcare**
 - **Applications Technology**
- ◆ **IT'S ALL ABOUT EXECUTION**

APPENDIX

Non-GAAP Measures (\$MM)

Definitions of the following non-GAAP measures may not be comparable to similar definitions used by other companies. Praxair believes that its debt-to-capital ratio is appropriate for measuring its financial leverage. The company believes that 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). The company believes that the adjusted ROC amount will help investors understand underlying performance on a comparable basis.

	2005						2004						
	Year Adj.(a)	Year	Q4	Q3 Adj.(a)	Q3(a)	Q2	Q1	Year	Q4	Q3	Q2	Q1	
Total Capital													
Total debt		\$3,447	\$3,447		\$3,272	\$3,327	\$3,449	\$3,525	\$3,525	\$ 2,887	\$ 3,021	\$ 2,843	
Minority interests		202	202		225	225	221	225	225	206	203	198	
Shareholders' equity		3,902	3,902		3,873	3,821	3,651	3,608	3,608	3,369	3,181	3,136	
Total Capital		<u>\$7,551</u>	<u>\$7,551</u>		<u>\$7,370</u>	<u>\$7,373</u>	<u>\$7,321</u>	<u>\$7,358</u>	<u>\$7,358</u>	<u>\$ 6,462</u>	<u>\$ 6,405</u>	<u>\$ 6,177</u>	
Debt-to-Capital Ratio													
		45.6%	45.6%		44.4%	45.1%	47.1%	47.9%	47.9%	44.7%	47.2%	46.0%	
After-Tax Return on Capital (ROC)													
Operating profit	\$	1,293	\$1,293	\$ 345	\$ 317	\$ 317	\$ 322	\$ 309	\$1,103	\$ 289	\$ 280	\$ 274	\$ 260
Less: reported taxes		(376)	(376)	(80)	(163)	(163)	(64)	(69)	(232)	(60)	(61)	(55)	(56)
Add: income tax charge		92	-	-	92	-	-	-	-	-	-	-	-
Less: tax benefit on interest expense		(42)	(42)	(10)	(10)	(10)	(11)	(11)	(39)	(10)	(10)	(10)	(9)
Add: income from equity investments		15	15	4	2	2	5	4	11	1	3	4	3
Net operating profit after-tax (NOPAT)	\$	982	\$ 890	\$ 259	\$ 238	\$ 146	\$ 252	\$ 233	\$ 843	\$ 220	\$ 212	\$ 213	\$ 198
Beginning capital	\$	7,358	\$7,358	\$7,370	\$ 7,373	\$7,373	\$7,321	\$7,358	\$6,099	\$6,462	\$ 6,405	\$ 6,177	\$ 6,099
Ending capital	\$	7,551	\$7,551	\$7,551	\$ 7,370	\$7,370	\$7,373	\$7,321	\$7,358	\$7,358	\$ 6,462	\$ 6,405	\$ 6,177
Average capital	\$	7,455	\$7,455	\$7,461	\$ 7,372	\$7,372	\$7,347	\$7,340	\$6,729	\$6,910	\$ 6,434	\$ 6,291	\$ 6,138
ROC %		13.2%	11.9%	3.5%	3.2%	2.0%	3.4%	3.2%	12.5%	3.2%	3.3%	3.4%	3.2%
ROC % (annualized)		<u>13.2%</u>	<u>11.9%</u>	<u>13.9%</u>	<u>12.9%</u>	<u>7.9%</u>	<u>13.7%</u>	<u>12.7%</u>	<u>12.5%</u>	<u>12.7%</u>	<u>13.2%</u>	<u>13.5%</u>	<u>12.9%</u>

(a) Adjusted ROC excludes the impact of a \$92 million income tax charge recorded in the 2005 third quarter.

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

The company believes adjusted net income, and diluted EPS amounts, which exclude the impact of a 2005 third quarter \$92 million income tax charge, help investors understand underlying performance on a comparable basis.

	Third Quarter	Fourth Quarter	Year Ended December 31,	
	2005	2005	2005	2004
<u>Adjusted Net Income and Adjusted Diluted EPS</u>				
Net Income	\$ 108	\$ 214	\$ 726	\$ 697
Add: Income tax charge	92	-	92	-
Add: Cumulative effect of accounting change	-	6	6	-
Adjusted Net Income	<u>\$ 200</u>	<u>\$ 220</u>	<u>\$ 824</u>	<u>\$ 697</u>
Diluted weighted average shares	329,993	329,113	329,685	331,403
Diluted earnings per share:				
Net Income	\$ 0.33	\$ 0.65	\$ 2.20	\$ 2.10
Add back: income tax charge	0.28	-	0.28	-
Add back: cumulative effect of accounting change	-	0.02	0.02	-
Adjusted diluted earnings per share	<u>\$ 0.61</u>	<u>\$ 0.67</u>	<u>\$ 2.50</u>	<u>\$ 2.10</u>