



# JP MORGAN Basics & Industrials Conference



**Stephen F. Angel**  
President and COO

**June 5, 2006**

# Forward Looking Statement

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**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.**

# What We Are Doing

◆ Taking advantage of explosive growth in developing economies



◆ China  
◆ India  
◆ Brazil

Joining the ranks of the largest economies

◆ Moving fast to capture opportunities



◆ Oil & gas services  
◆ Canadian oil sands

◆ Managing existing business better than anyone else



◆ Continuous pricing efforts  
◆ Keen focus on productivity  
◆ Application development

◆ Creating new markets based on industrial gases competencies

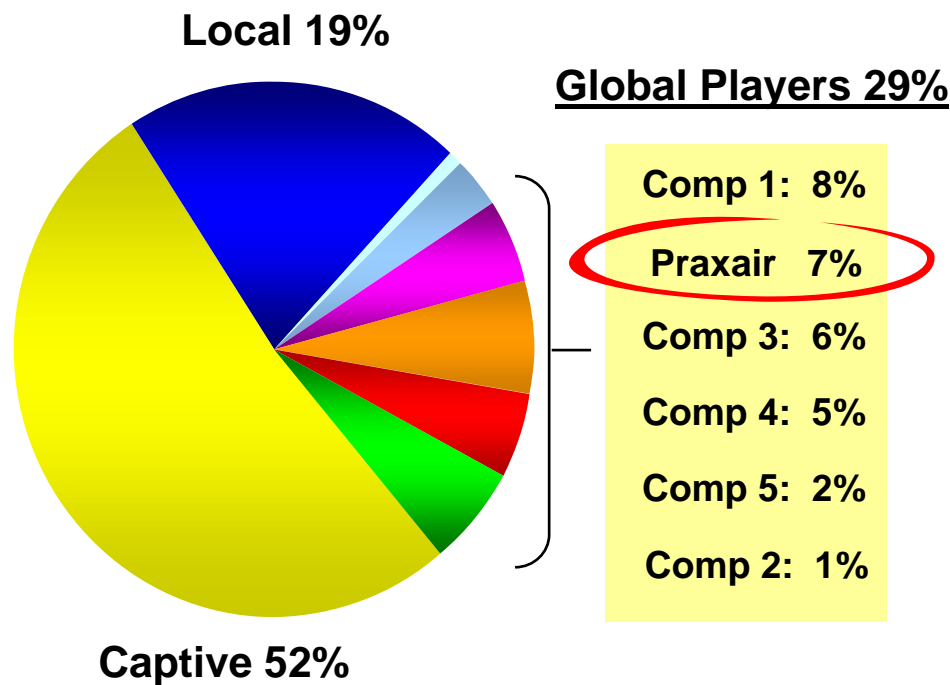


◆ On demand H<sub>2</sub>  
◆ LNG distribution  
◆ Capturing CO<sub>2</sub> for EOR

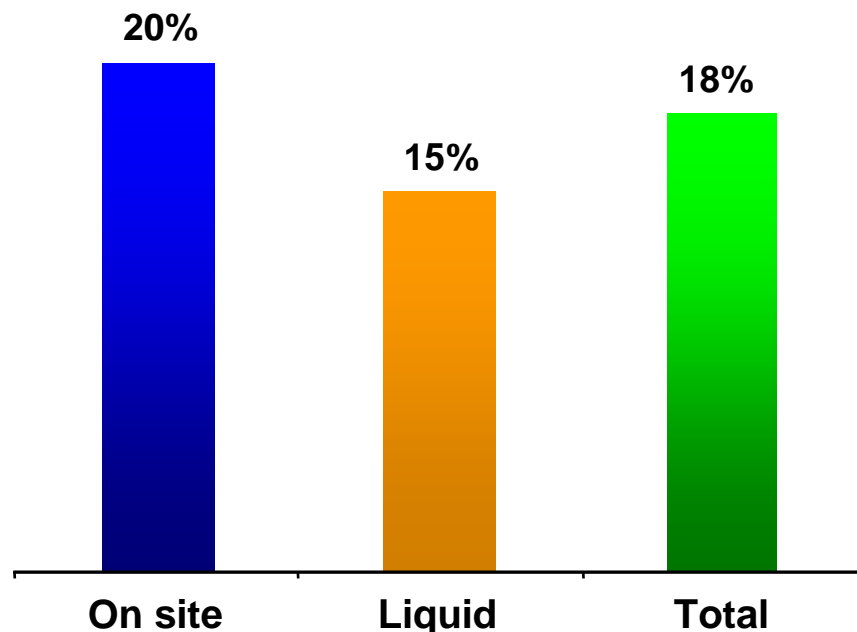
**Providing double digit earnings growth**

# China Industrial Gases Market

**Total Gases Market: \$2+ Billion**



**Market Growth Rate 2005-10**



**Praxair is a leader in a high growth market**

# Leading Position in China

## ◆ Petrochemical Parks

- Shanghai, Caojing
- Daya Bay, Nanhai

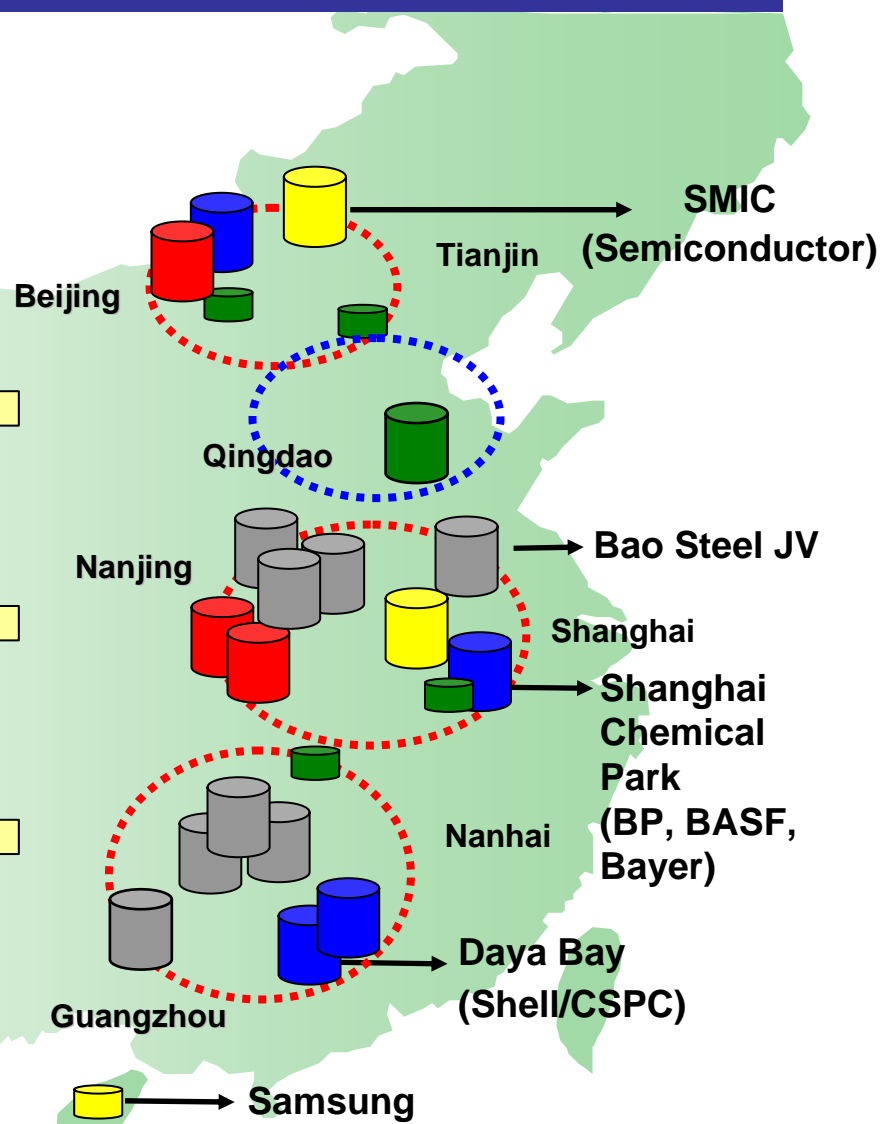
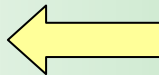
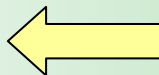
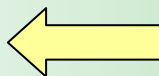
## ◆ Metals

- Shanghai
- Guangzhou

## ◆ Electronics

- Beijing
- Shanghai

CO<sub>2</sub> Plant    Other

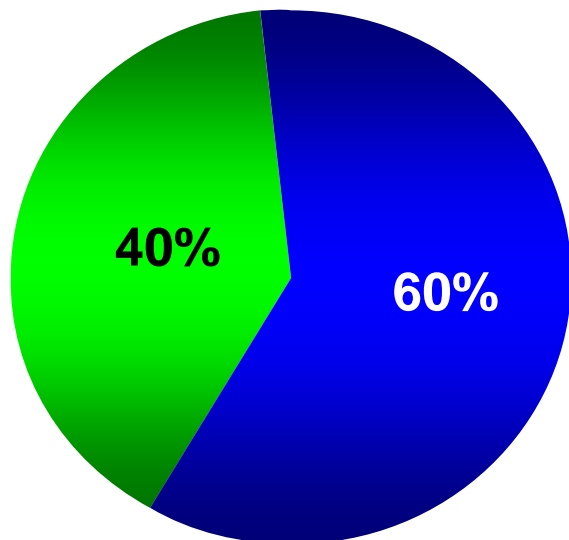


**Customers moving west will create new growth opportunities**

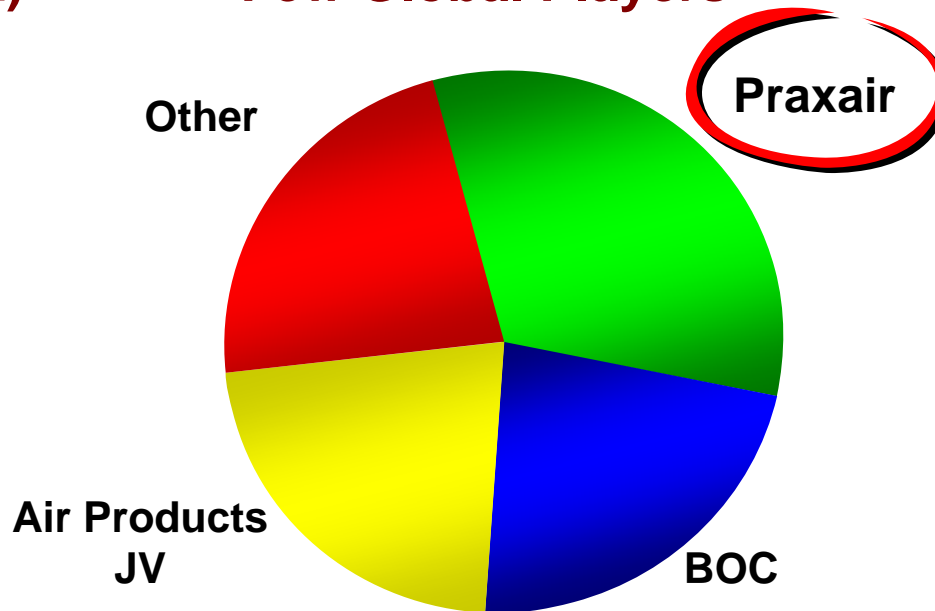
# India Industrial Gases Market

2005: \$896 MM (1/3<sup>rd</sup> of China)

Few Global Players



■ Purchased ■ Captive

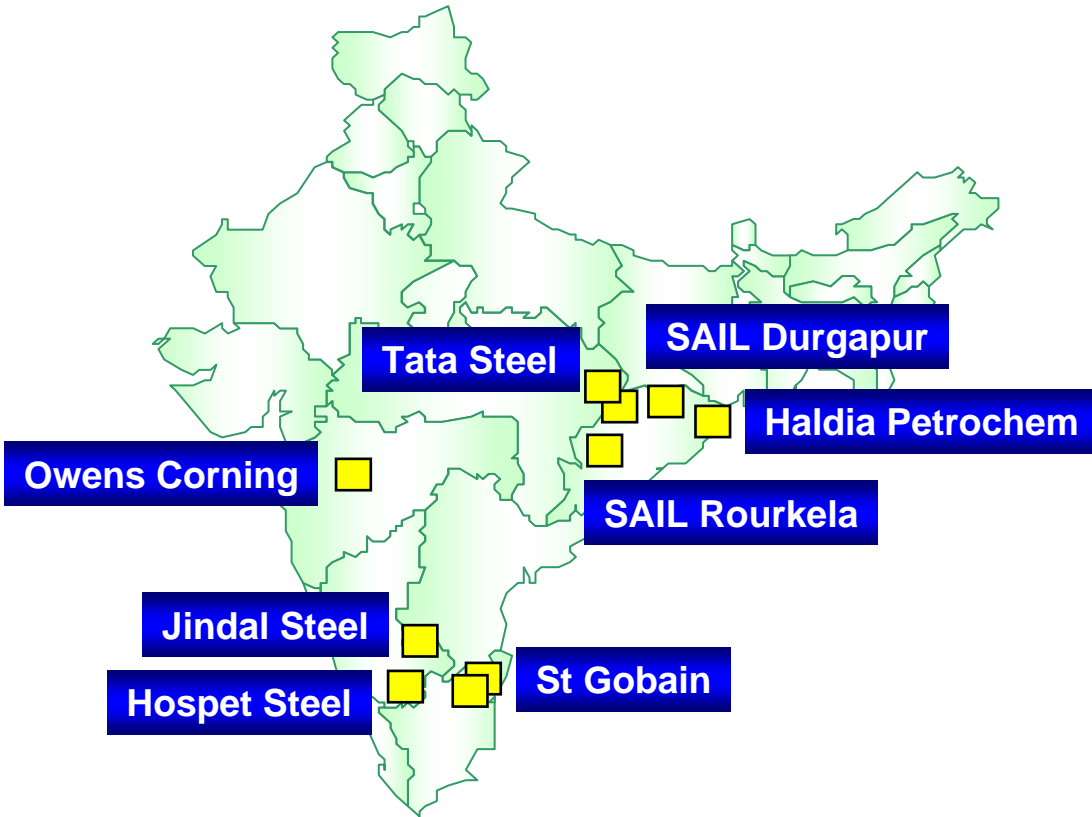


- ◆ Demand growing 15% annually
- ◆ Captive users moving to purchased product
- ◆ Purchased product market growing 20%

\* Non-captive supply – PX estimated market shares

**Well positioned in a high growth market**

# Expanding Presence in India

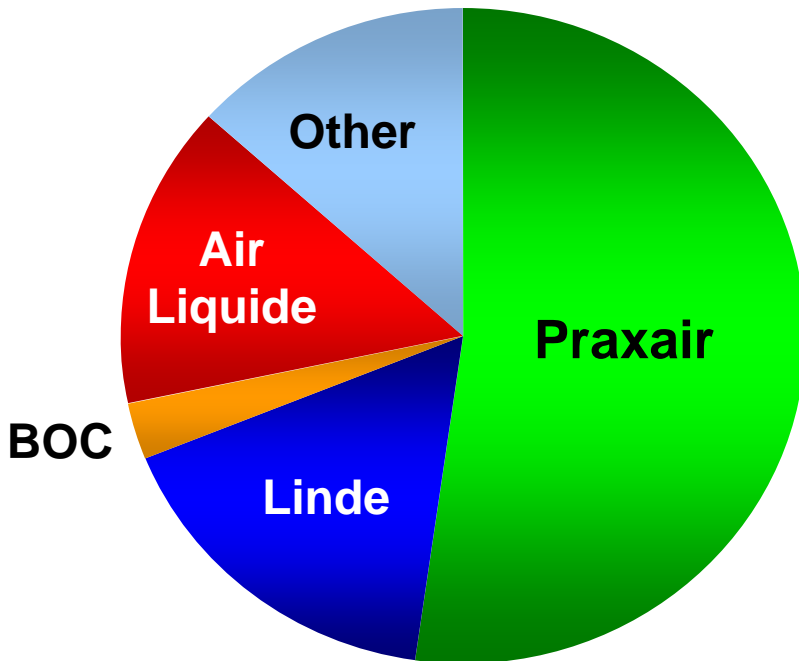


<u>Project</u>	<u>Start-up Date</u>
Tata Steel II	April 2008
SAIL Durgapur	April 2008
SAIL Rourkela	April 2008
Owens Corning	July 2007
Hospet Steel	Aug 2006
St Gobain II	Nov 2005
Tata Steel I	Oct 2005

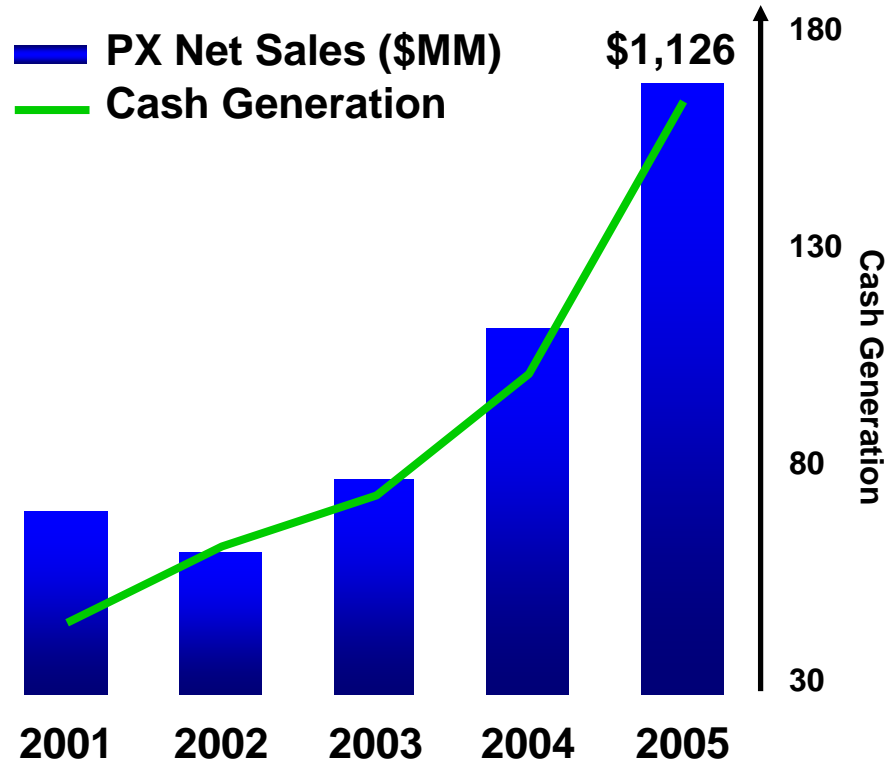
**The future is now**

# South America – A Pre-eminent Position

**Market Share**



**PX Net Sales (\$MM)**  
**Cash Generation**



**Sales Growth 16% 19% 18% 13%**  
(ex-currency)

**Growth looks like China**



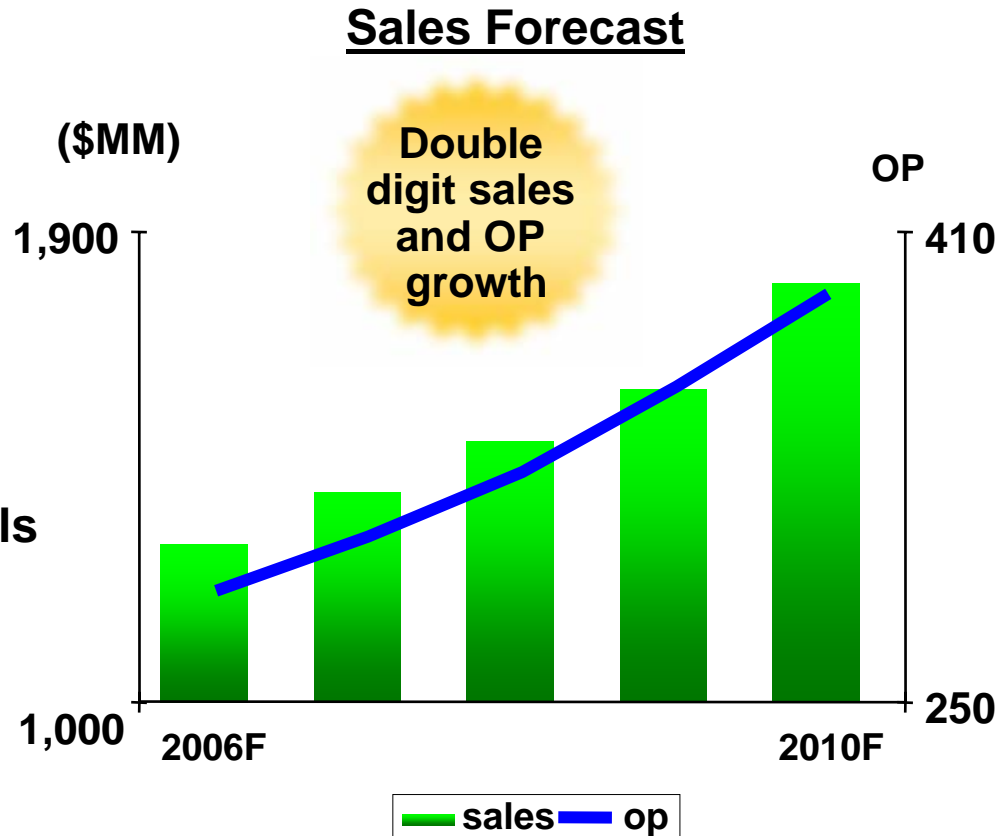
# South America Growth Opportunities

## Strong On-site Position

- ◆ 82% market share - 92% win rate
- ◆ Recent wins - steel:
  - Gerdau, Arcelor, Techint
- ◆ Recent wins - pulp and paper:
  - Suzano, Botnia

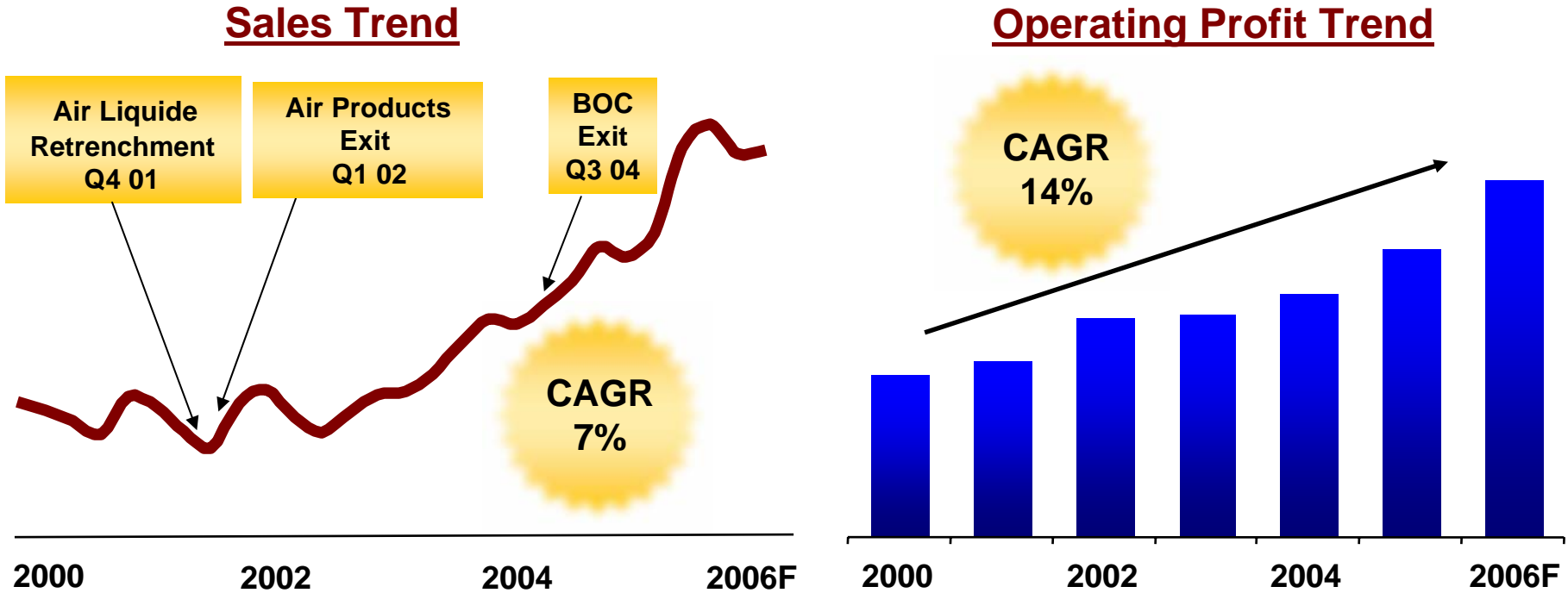
## Exploiting Energy Markets

- ◆ Conversions from alternative fuels
- ◆ JV with Petrobras for LNG distribution - start-up Q2 06
- ◆ Energy is becoming a \$150MM business



**New capital investment indexed to US Dollars**

# PDI Business Trends



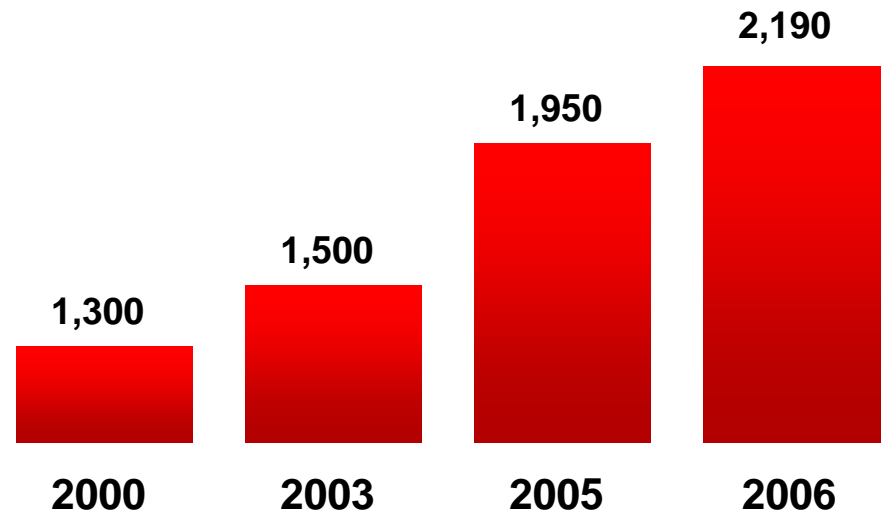
“The secret is being big while acting small”

**Packaged gases has become a very good business**

# Strong Drivers for Fracturing

- ◆ **More low permeability wells being drilled**
  - Tight sands
  - Coal bed methane
  - Gas shale
- ◆ **Natural gas prices above \$4/MMBtu will sustain active drilling**
- ◆ **Praxair best positioned**
  - Location
  - Expertise
  - Relationships
  - Supply contracts

## North American Rig Count

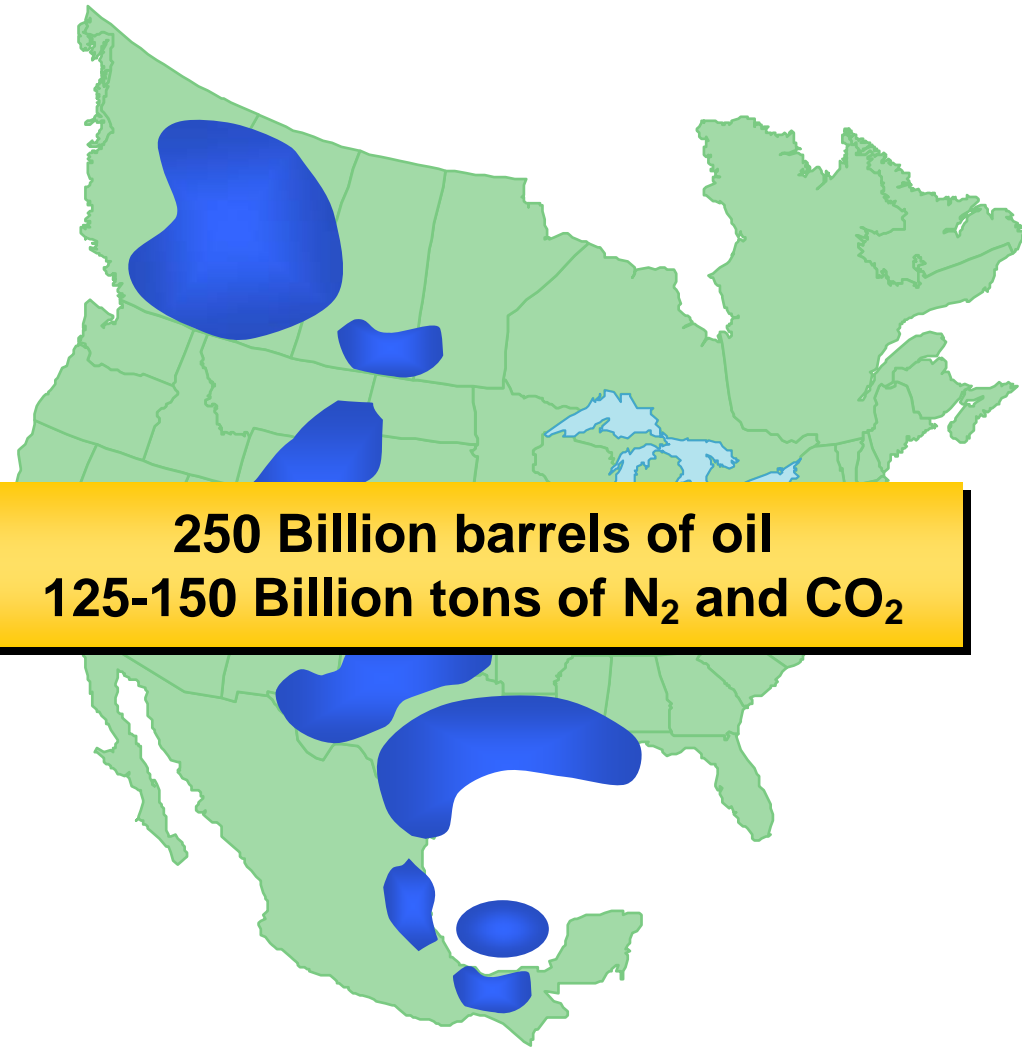


Source: Baker Hughes, Spears and Associates

**Well completions increasing through 2007 and remaining strong**

# Enhanced Oil Recovery (EOR)

- ◆ 3rd stage of oil production
- ◆ Proven techniques
  - N<sub>2</sub>
  - CO<sub>2</sub>
- ◆ Oil prices above \$35 support EOR
- ◆ Growing target base as fields mature
- ◆ 19 EOR projects
  - PEMEX Samaria



**250 Billion barrels of oil  
125-150 Billion tons of N<sub>2</sub> and CO<sub>2</sub>**

Source: DOE Basin Studies, UT BEG, AE & UB, Pemex

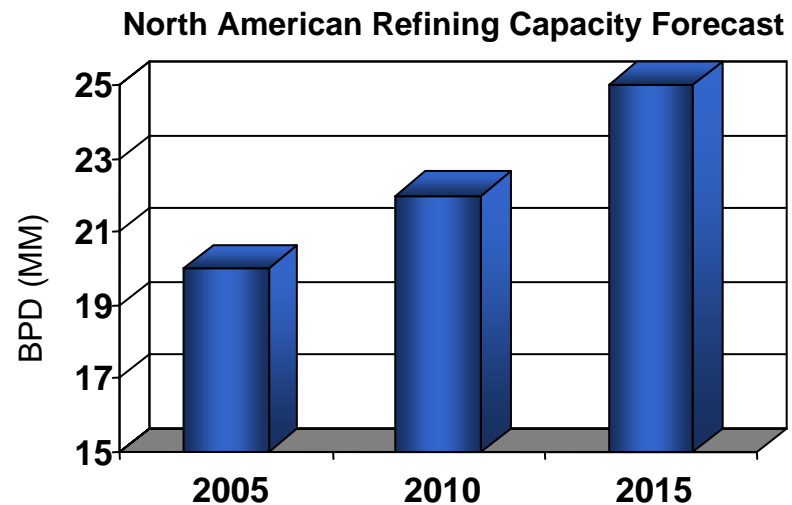
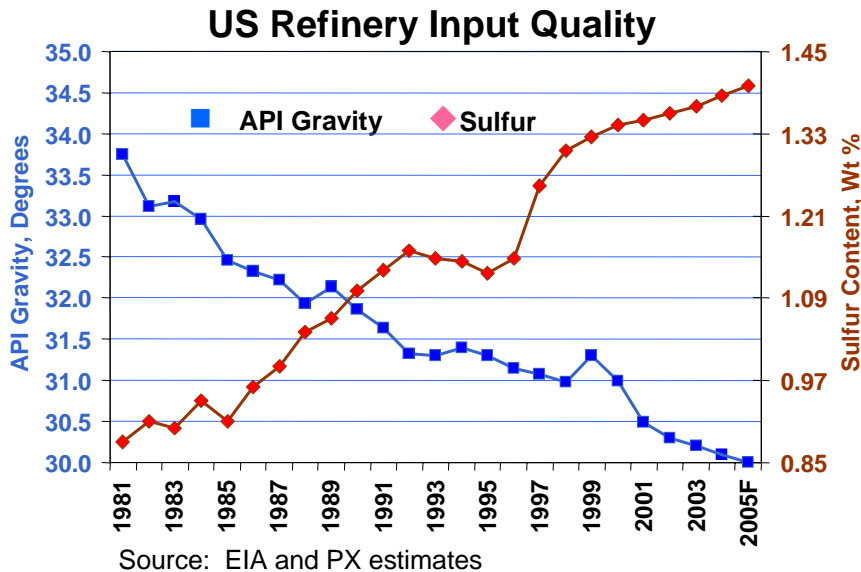
**Oil well services revenues growing 20 - 25% per year**

# Refining Demand for Hydrogen

- ◆ Low sulfur fuel regulations
- ◆ Heavy crude upgrading
- ◆ Planned refinery expansions to process heavy crude
- ◆ Replacing refineries old reformers

**Sulfur Fuel Specifications**

	Gasoline	On-Road Diesel	Off-Road Diesel	Locomotive & Marine
2004	120ppm			
2005	30ppm			
2006	↓	15ppm		
2007	↓	↓	500ppm	500ppm
2008	↓	↓	↓	↓
2009	↓	↓	15ppm	↓
2010	↓	↓	↓	↓
2011	↓	↓	↓	↓
2012	↓	↓	↓	15ppm



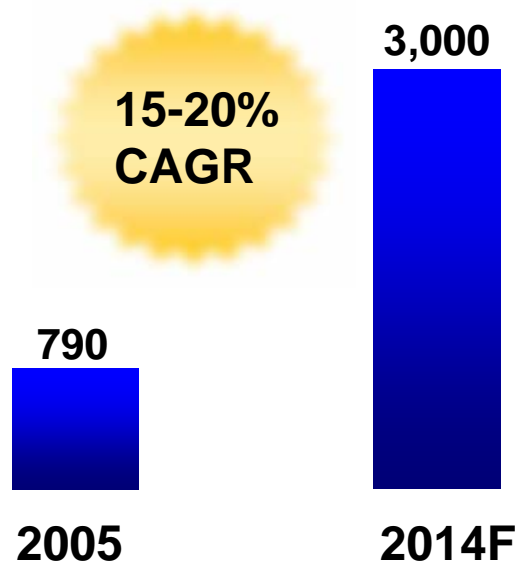
**Environmental, economic and capacity additions driving H<sub>2</sub> demand**

# Hydrogen – Key Growth Areas



## PX Global Hydrogen Sales

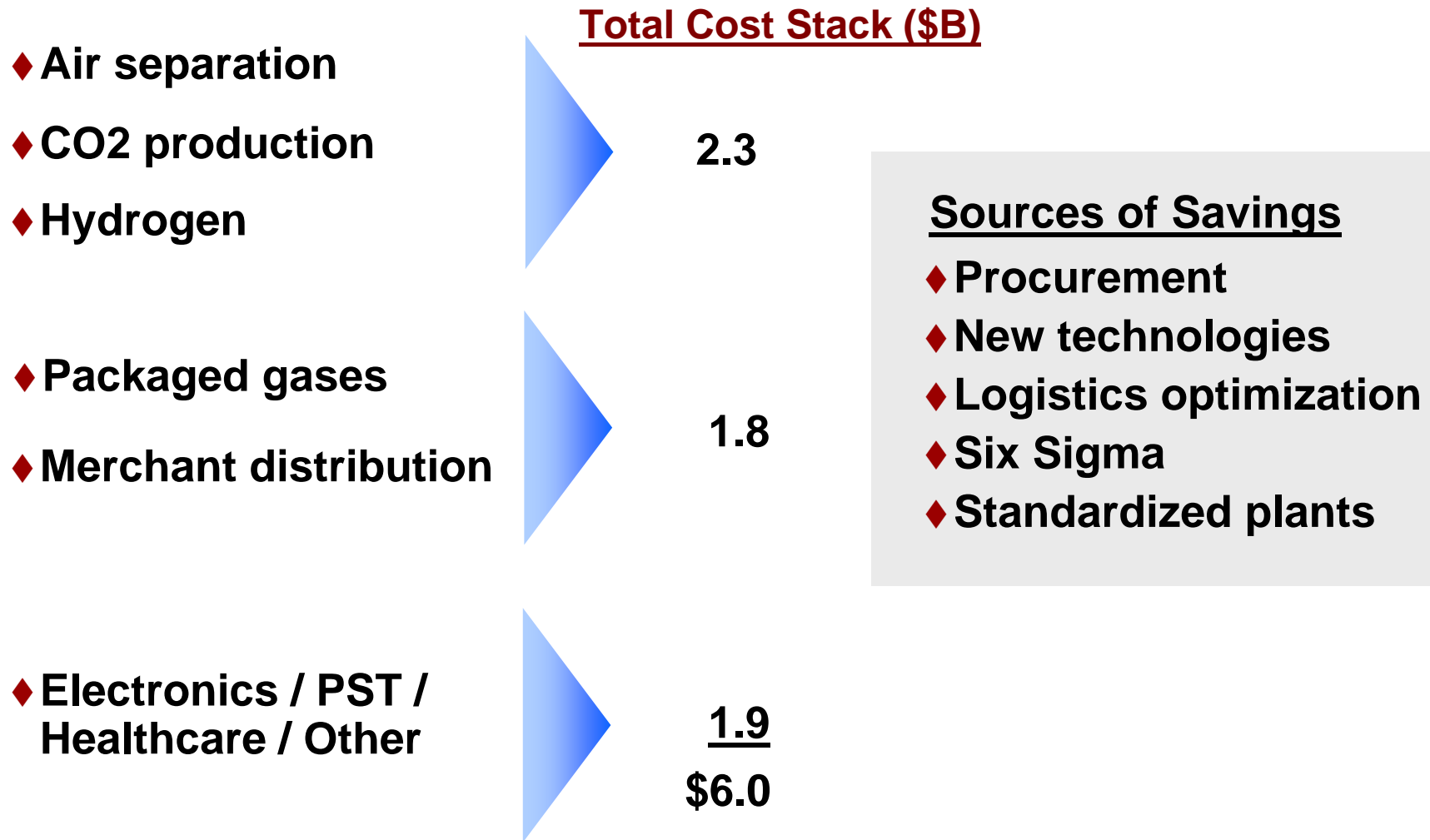
(\$MM)



Forecast assumes \$7.00 natural gas  
HYCO

**Significant growth in short and long term**

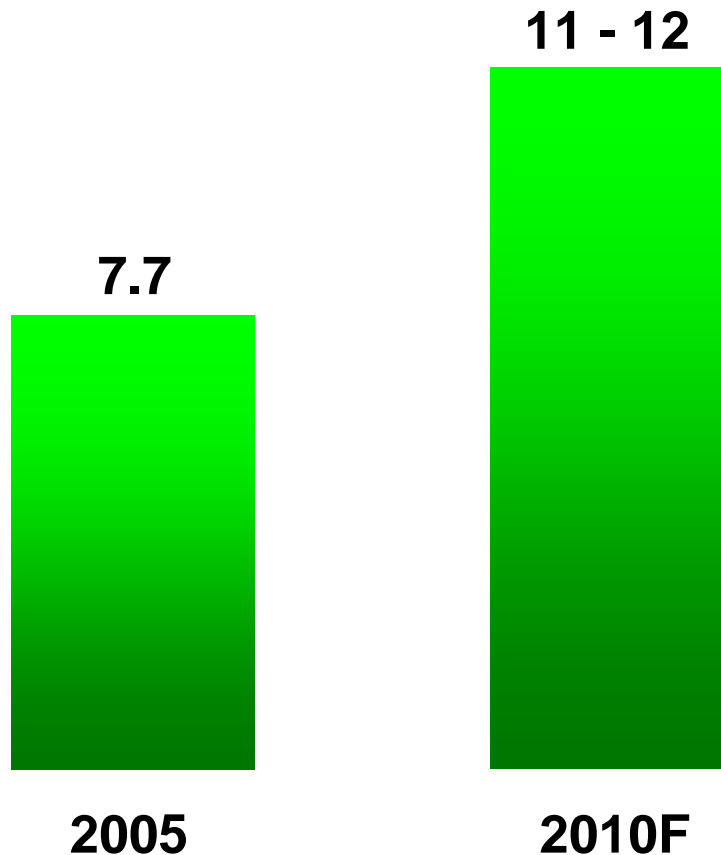
# Productivity - How Much Opportunity Exists?



**Target – reduce 4% of the cost stack each year**

# Growth Outlook

## PX Organic Sales (\$B)



### Drivers

- ◆ Application technologies
- ◆ Energy production
- ◆ Emerging economies
- ◆ Record backlog
- ◆ Industry consolidation

**High growth environment for at least 3 to 5 years**



# 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

