Overview of North American Industrial Gases

2009 IWDC Convention

Charlotte, NC
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What Are We Up To ?

- ***CryoGas International***
  - 740 Distributor Companies Subscribe
  - Supply Chain Efficiencies & Profits
  - Input from Gas Industry Players
  - New "GasLine" BLOG on ***www.cryogas.com***

- **M & A and Consulting**
  - Both Very Active

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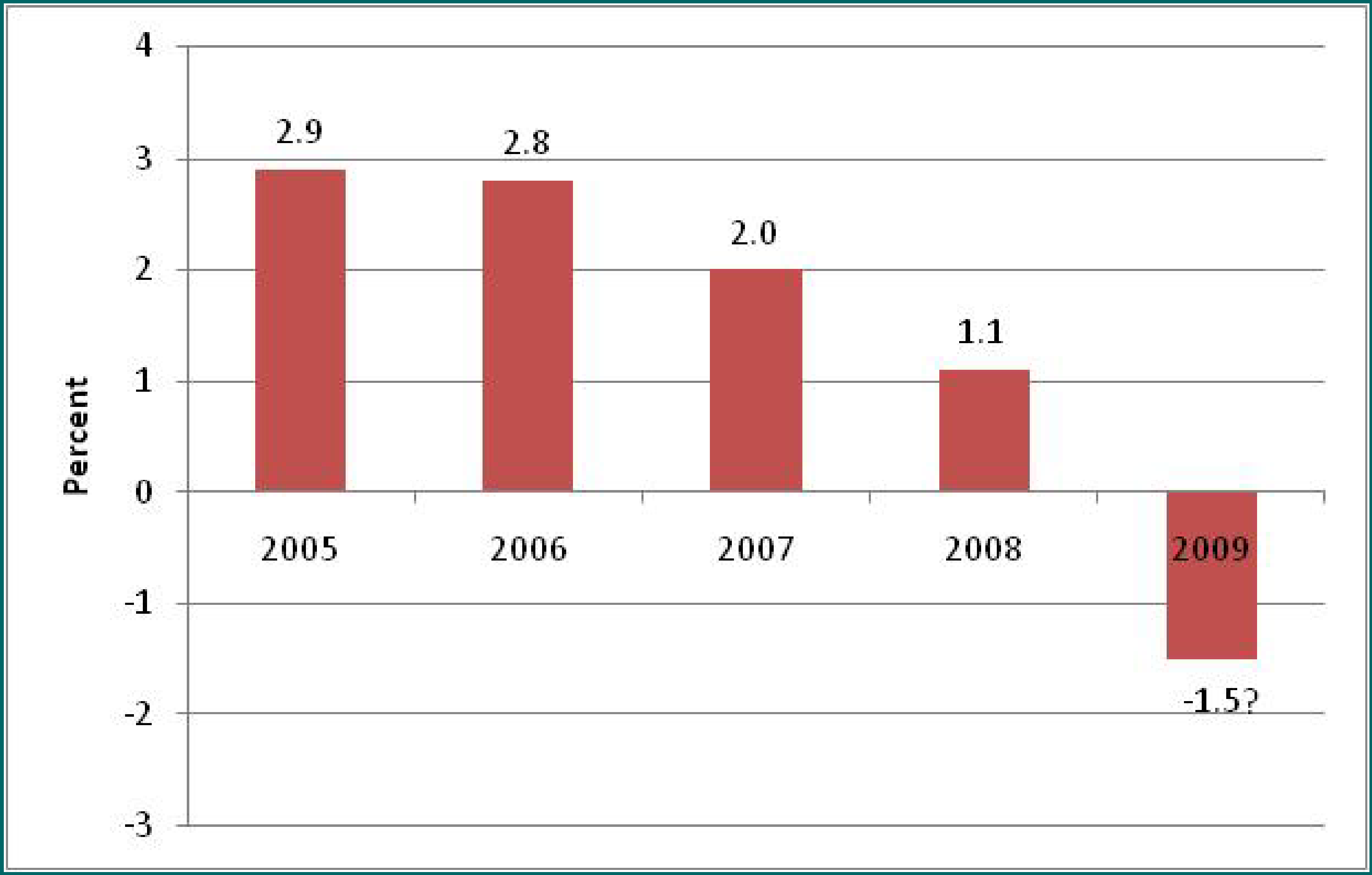
Topics

- The US Business Environment
- Major Players' Agendas
- The Gas & Welding Distributor
- Outlook into 2010 (2012 ??)

US Economy Is Still in Decline

% Change in Annualized Real GDP



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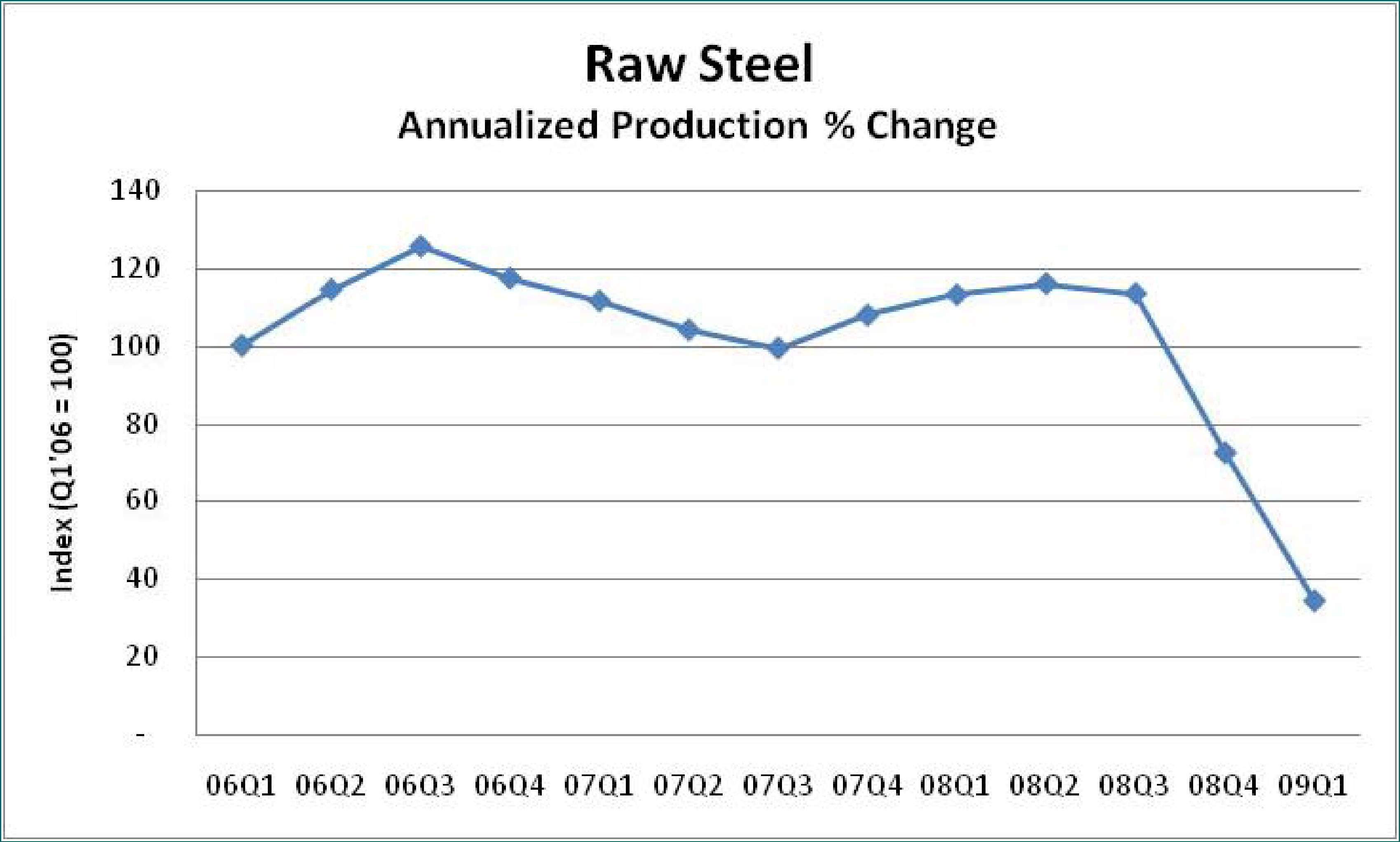
% Change in US Raw Steel Production



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% Change in Key US Components

Real Annualized Percent Change	Q3'08>Q4'08	Q4'08>Q1'09
GDP (100%)	-6.3	-6.1
Consumer Durable Goods (10% of GDP)	-26.2	-31.0
Motor Vehicle Output (3.3%)*	-62.8	-56.4
Fixed Investment (Non-Residential) (12%)	-21.7	-37.9
Export of Goods (9%)	-32.0	-38.7
Medical Services (12%)	+3.0	+2.0
SUBTOTAL (43%)	-7.3	-6.9

* Based on production with increased sales from inventories

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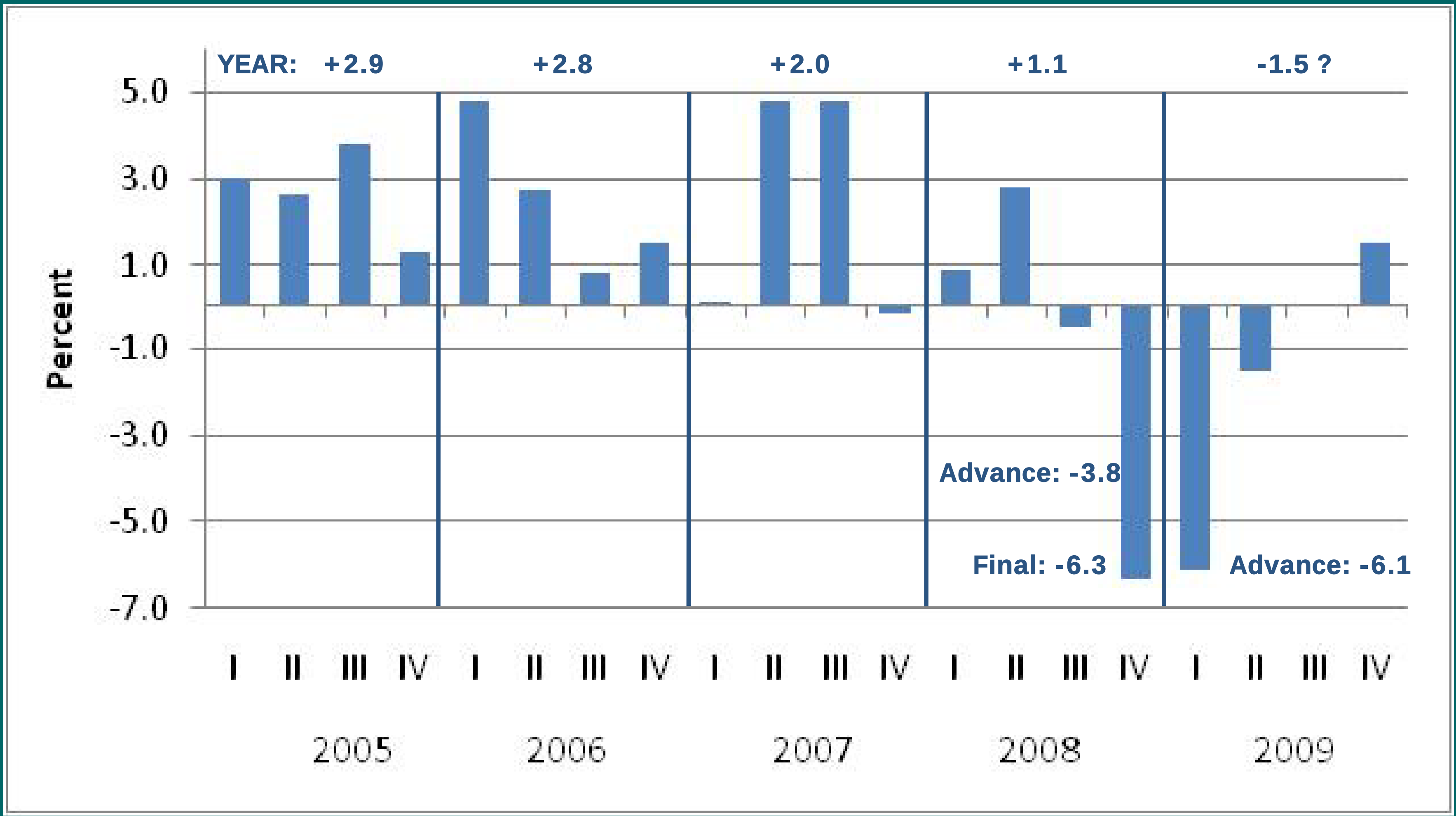
Recovery in Late 2009 ??

Q-to-Q Change in % Annualized GDP (Q2-Q4 ’09 est.)



Impact on US Gas Business

- **WW Economies**
  - **Europe & Asia also in Tough Shape,**
  - **The $ US Will Likely Remain Relatively Strong**
  - **Therefore, Exports Will Remain Weak**

- **US Ind Gas Markets: Change from Apr'08 to Apr'09**
  - **Primary Metals, -44%**
  - **Oil & Gas, -44%**
  - **Manufacturing, -14%**
  - **Computers, -29%**
  - **Construction Supplies, -22%**
  - **Healthcare, +3%**
  - **Technology Development, Flat/Down**
  - **Chemicals, -10%**
  - **Refining, -4%**
  - **Fabrication, -20%**
  - **HiTech, -22%**

- **US Gov & States' Stimulus Spending**

US Gas Demand vs Capacity & Supply

- **Products:**
  - **O_2 & N_2**
  - **Argon**
  - **Helium**
  - **Specialties**
  - **Hardgoods**
- **Supply Modes:**
  - **OSP**
  - **Bulk**
  - **Packaged & MicroBulk**
- **Regions**

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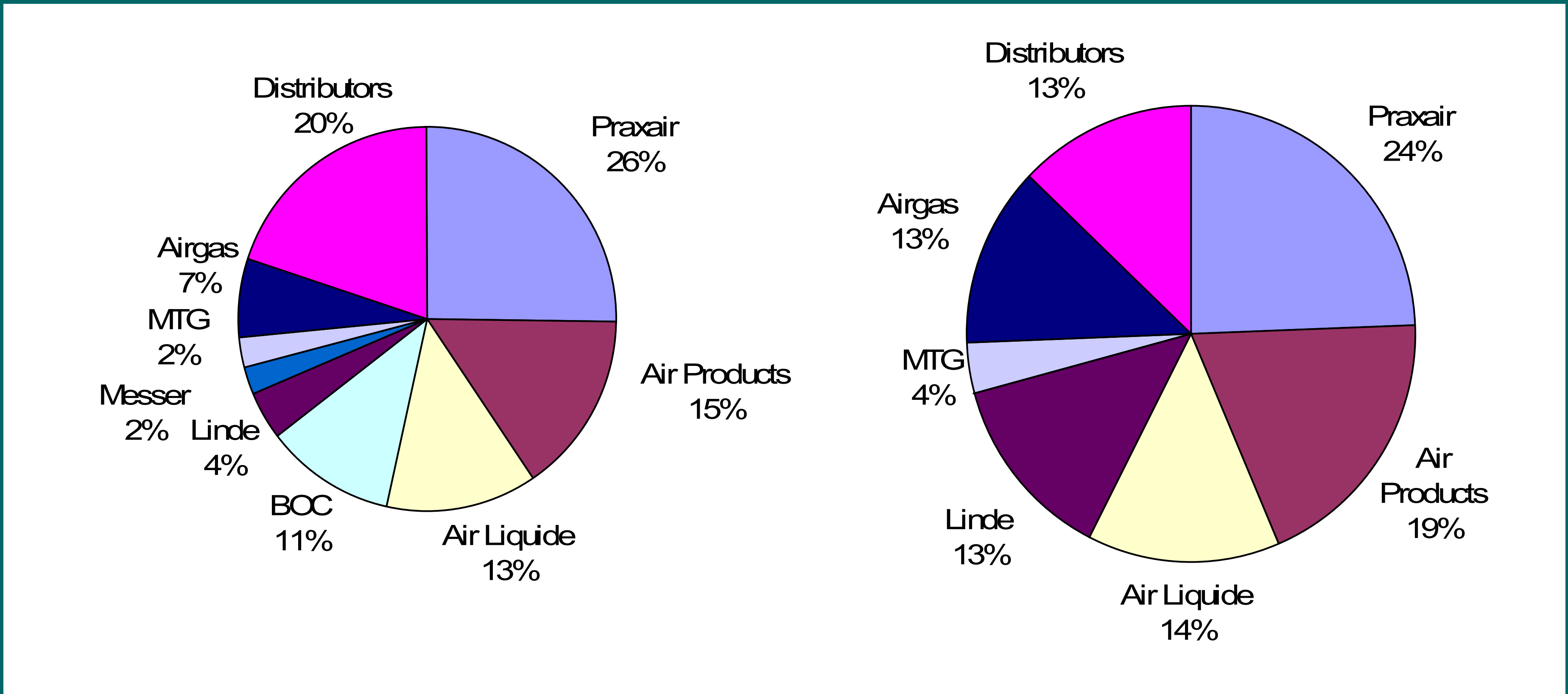
US Gas Revenues - '98 vs '08 – By Player

End Users - Packaged, Bulk, On-Site – Excluding Hardgoods



1998 – $9.0 Billion

2008 – $18.5 Billion

% AGR @ 7.5% Nominal

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Major Gas Players - Focus & Strategies

- **They Are:**
  - **Praxair, AP, Linde, AL, Airgas, MTG**
- **Strategies:**
  - **Increase Shareholder Values**
  - **Profitability**
    - **Pricing - vs - Volume & Capacity Utilization**
    - **Efficiency Improvements & Cost Reduction**
    - **Management Focus & Efficiency**
  - **Market Development**
    - **Profitability: Regions & Segments**
    - **Geographic: International & US**
    - **Focus: The Customer, Energy/Environment, Technology**
    - **Supply Chain: OSP, Bulk, Packaged**
    - **Channel: Direct & Distributor**
  - **Investment:**
    - **Slower Pace, Conserve Cash, Lower Cost Debt**
    - **Focused on Above Factors, Weighted for Max ROI**

On Gas & Welding Distributors

- **Number of Gas Distributors**
  - **Total - about 850 Independents**
  - **Distributors Getting CryoGas - 740**
  - **Start Ups - about 5-10/yr**

- **Revenues, Mix**
  - **Independents - $6.5 bil/yr Total, inc $2.4 bil of "Gas"**
  - **Largest 50 - $2.0 bil/yr, Total**
  - **Avg of Other 800 - $5 mm/yr**
  - **Avg% Mix - Gas: Hardgoods > 37:63**

Stats from Distributor-Type Players

As a Reference on Recent Activity – All Publicly in % Change

- **Airgas** – SSS; Q4'08 > Q1'10
  - Mix: Gas:Hardgoods, 64:36
  - Corp Tot: Vol -17, Price +4, Total -13
  - Distribution: GasRent -8, HrdGds -20
  - Business: Strat -6, Bulk -2, Med +2, SpcGs -1, CO2 -6, Safety -14
- **Praxair** – Q1, YtoY
  - NoAm PDI: Gas -3, HrdGds -28
- **Lincoln** – Q1, YtoY
  - NoAm Sales: $Vol -33.5, Price +4.3; Exports -39.9
- **Grainger** – Sales
  - April '09 -14
  - Jan/Feb -9; Dec'08 -12

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Where Are We ???

- **End ’07, Growth Was Still the “Game” !!**
  - **Expanded Territories, Markets, Products, Supply Modes**
  - **Invested in Equipment, Systems, Companies**

- **Mid ’08, We Wondered About the Future**

- **Today, Many Thinking “Survival” – Or Should Be !!**
  - **Maintain EBIT or at Least Minimize EBIT Reduction**
  - **Conserve Cash**
  - **Exercise Tough Management – Broad & Deep**

- **Outlook**
  - **Gas Business Lags Economy; Recovery Likely to Be Slow**
  - **It Could Start in Late ‘09, Certainly by Mid ‘10**
  - **Stimulus Spending Should Help Gases & Hardgoods**
  - **Gas Supply Should Loosen with Low Capacity Utilization**

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A Wrap-UP

- Prepare for Further Downturn (?) & Slow Recovery
- Lean Out All Costs
- Use More Activity Based Control
- Toughen Performance Benchmarks & Goals
- Determine What Markets to Expand Into When Business Improves
- Assume Higher Tax Rates in Cash Flow Mgt
- Remember - A Downturn is an Excellent Time to Improve Your Business

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THANKS