

Investor Trip - Cleveland Growth In Healthcare

Becoming **The** Investment In Industrial Gases,
Surface Technologies and Services

June 12, 2003



**George Ristevski, President,
Praxair Healthcare Services**

Forward Looking Statements

The forward-looking statements contained in this announcement concerning demand for products and services, the expected macroeconomic environment, sales and earnings growth, and other financial goals involve risks and uncertainties, and are subject to change based on various factors. These include the impact of changes in worldwide and national economies, changes in foreign currencies, changes in interest rates, the development of operational efficiencies including collection of accounts receivable, the continued timely development and acceptance of new products and services, the impact of competitive products, services and pricing, the impact of large buying and supplier groups, the effect of healthcare reform on programs and reimbursement levels, changes in the enforcement priorities of government agencies, and the impact of tax and other legislation and regulation in the jurisdictions in which the company operates.

Praxair Healthcare Services (PHS) 2003 Healthcare Investor Conference

Meeting Participants

George Ristevski

President, Praxair Healthcare Services

Valerie King

Director, Marketing and Communications

Frank Zarka

Vice President, East Region,
Homecare

Craig Carden

Ohio Area Manager, Homecare

Bill Bryce

Vice President, Institutional

Mike Kreutzberg

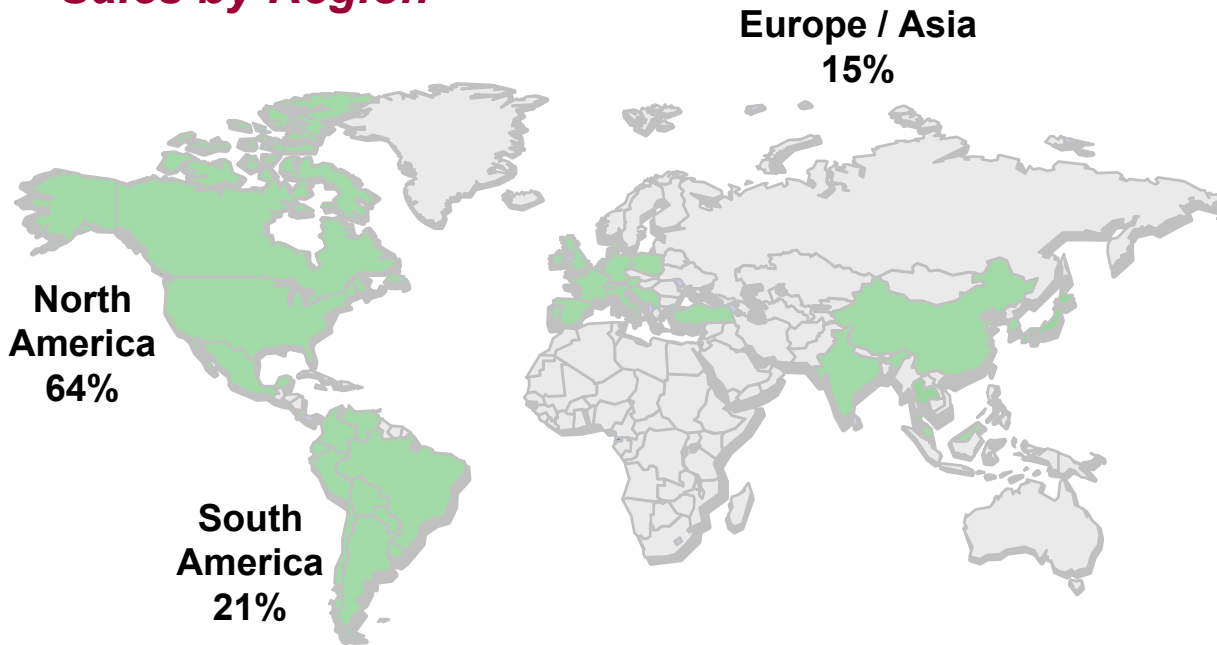
Hospital-to-Home Implementation
Manager

Rick Steinseifer

Vice President, Business Development

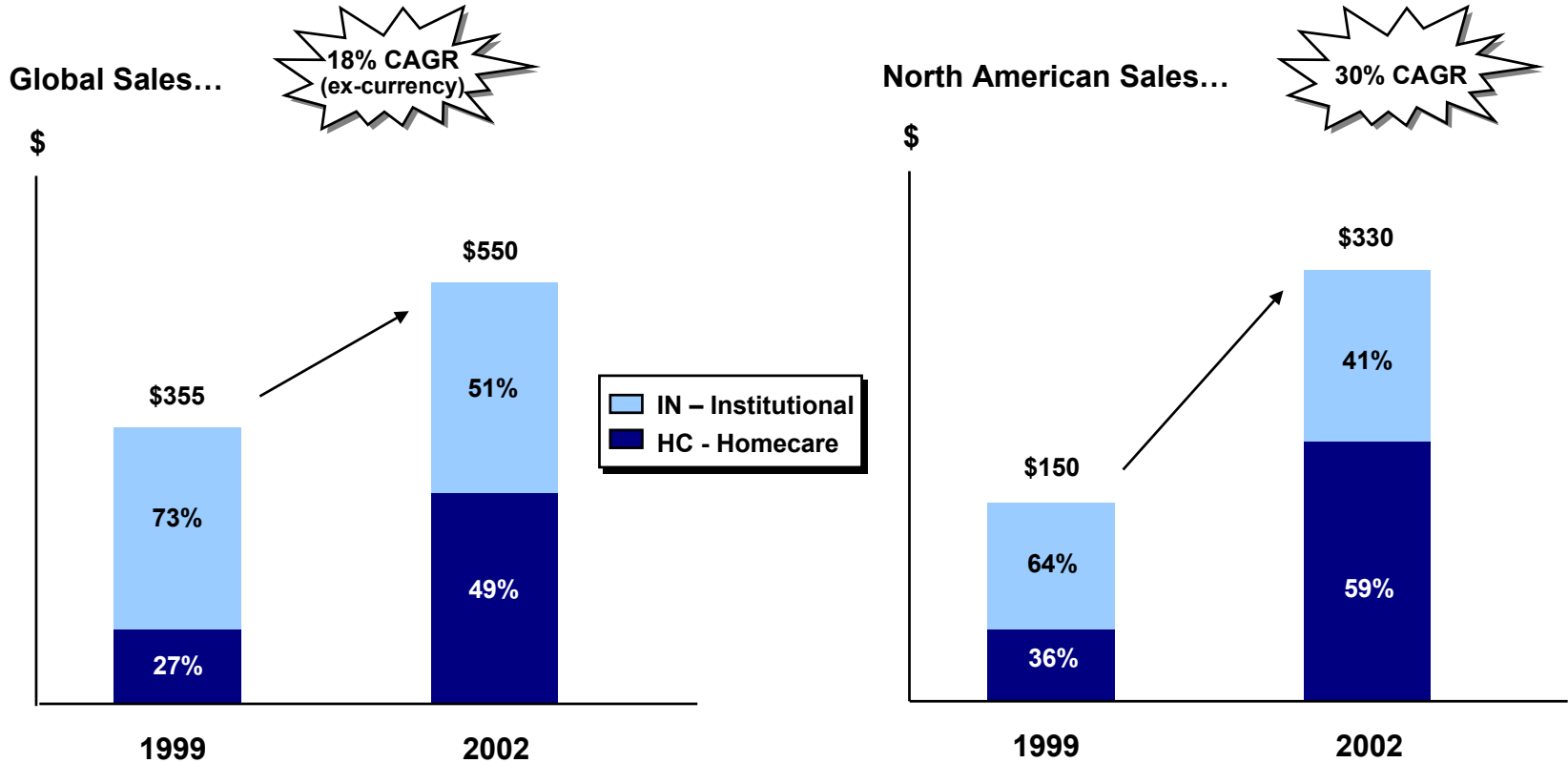
Praxair Global Healthcare Snapshot

Sales by Region



- Sales of \$550 M
- Institutional \$280 M (51%)
24 Countries
- Homecare \$270 M (49%)
17 Countries
205 Locations
- 30 Years in Homecare Business
- Operate as Praxair Healthcare Services in the US

Praxair Healthcare Trends



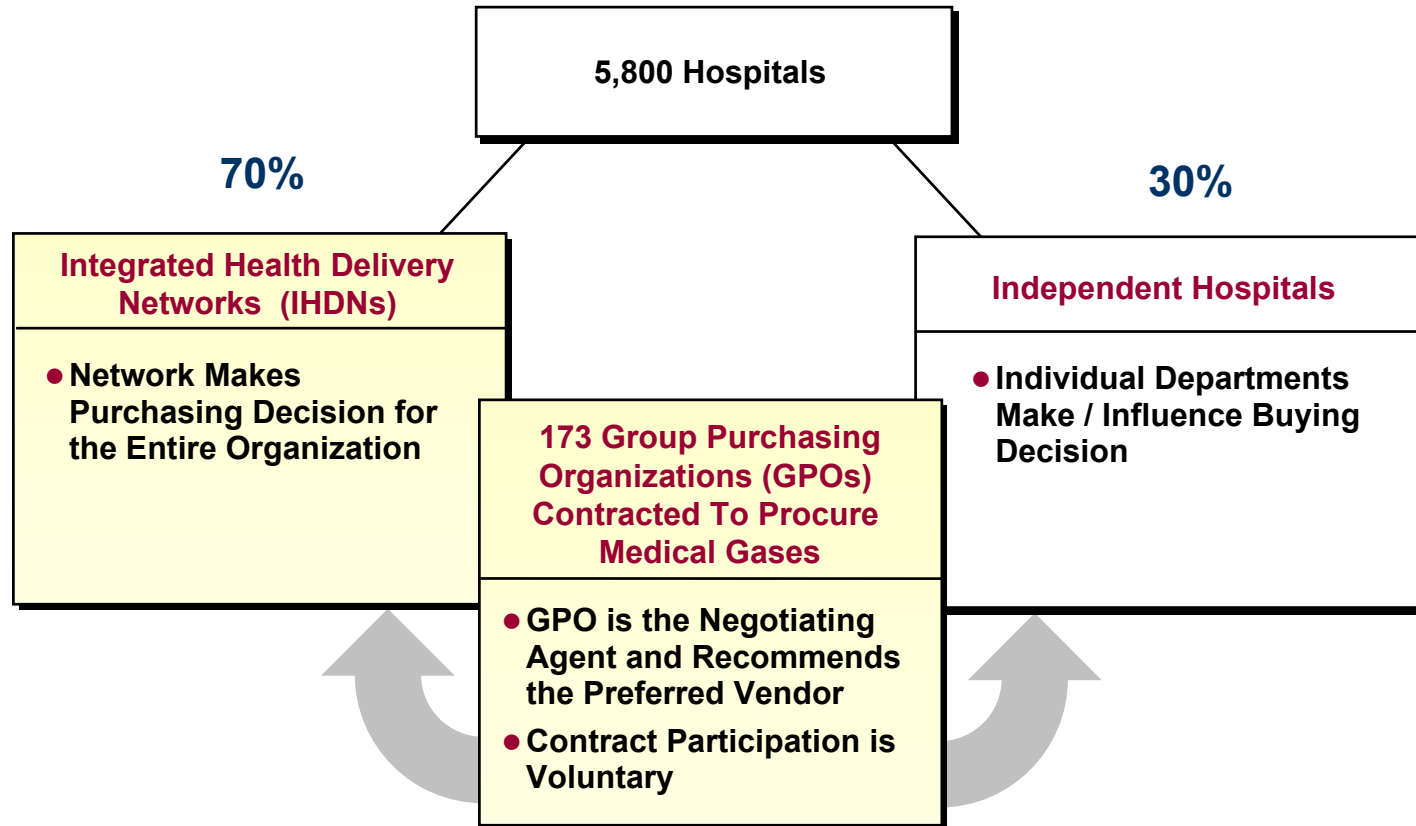
North American Homecare Focus Has Been The Primary Growth Driver Of Healthcare Sales

Praxair Healthcare US Market Definition

Market Size	Institutional / Hospital Services	Home Healthcare \$40B - \$50B			
		Respiratory Therapy	Home Medical Equipment (HME)	Infusion Therapy	Home Nursing Care
	\$0.7 B	\$4-5 B	\$3-4 B	\$4-5 B	\$30-35 B
Offerings	<ul style="list-style-type: none"> • Medical Gases • Equipment • Hospital Services 	<ul style="list-style-type: none"> • Oxygen Systems • CPAP / BiPAP • Home Ventilators • Nebulizers • Apnea Monitors • Respiratory Medications 	<ul style="list-style-type: none"> • Hospital Beds • Wheelchairs • Patient Aids • Mobility Aids 	<ul style="list-style-type: none"> • Chemotherapy • Antibiotics • Enteral Nutrition • Parenteral Nutrition • Pain Management 	
Industry Growth Rates	3-4%	6-8%	3-5%	5-7%	

Praxair Will Focus On The \$8-10 B Institutional, Respiratory Therapy, And Rental HME Markets With Less Emphasis On Infusion and Retail HME

Institutional Market - US Hospital Segmentation by Buying Behavior

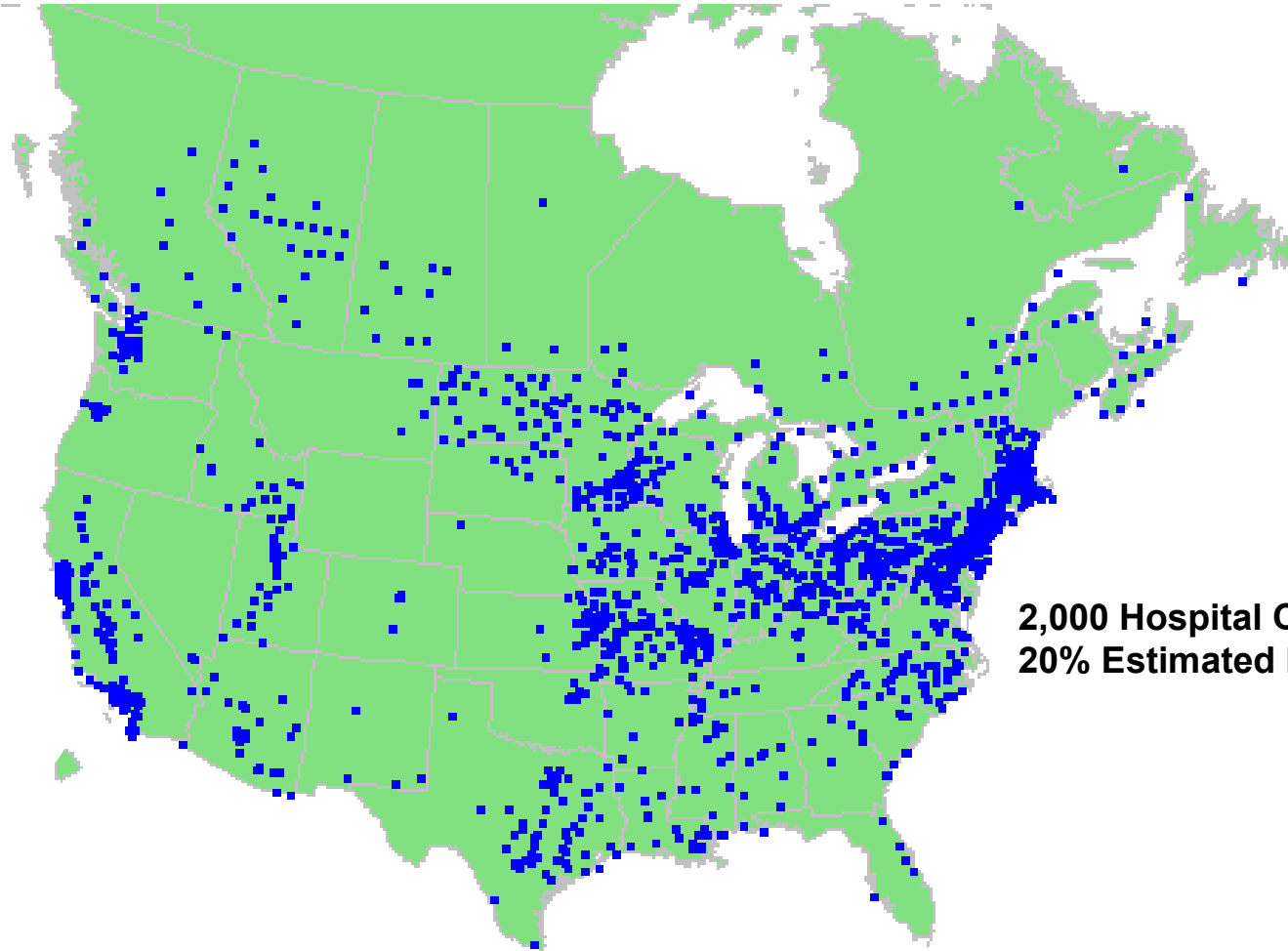


We Are Targeting IHDNs And GPOs Who Value Single Point Of Purchase And Provide Broad Geographic Coverage

US Hospital Products and Services Provided by Praxair

Facility Management	General Functions	Care Taking	Diagnostic	Surgery	Medical Treatment
<ul style="list-style-type: none"> ● Food Services <ul style="list-style-type: none"> – Freezing – Dry Ice – CO₂ ● Facility Maintenance <ul style="list-style-type: none"> – Welding Gases – Piping – Gas Certification – Gas Monitoring ● Gift Shop <ul style="list-style-type: none"> – Helium for Balloons 	<ul style="list-style-type: none"> ● Sterilization <ul style="list-style-type: none"> – Gas Sterilants ● In-House Logistics <ul style="list-style-type: none"> – Site Gas Mgmt. ● Blood Supply <ul style="list-style-type: none"> – Freezers <ul style="list-style-type: none"> – LIN – Refrigerators – Dry Ice <ul style="list-style-type: none"> – CO₂ ● Fire Control <ul style="list-style-type: none"> – Fire Extinguishers <ul style="list-style-type: none"> – CO₂ – Monitoring Services 	<ul style="list-style-type: none"> ● Oximetry ● Respiratory Care <ul style="list-style-type: none"> – Transport Oxygen – Respirator – Oxygen Masks – Humidifier – Strollers – Ventilators 	<ul style="list-style-type: none"> ● MRI Scanners <ul style="list-style-type: none"> – Liquid Helium – LIN – Magnet Services ● CT Scanners <ul style="list-style-type: none"> – Specialty Gases ● Chromatograph <ul style="list-style-type: none"> – Specialty Gases – Carrier Gases ● Lung Diffusion <ul style="list-style-type: none"> – Specialty Gases ● Microbiology <ul style="list-style-type: none"> – LIN – Incubation Gas Mixtures ● Cryobiology <ul style="list-style-type: none"> – LIN – CO₂ – Equipment – Freezers/Refrigerators – Dry Ice 	<ul style="list-style-type: none"> ● Anesthesia <ul style="list-style-type: none"> – Nitrous Oxide ● Lasers <ul style="list-style-type: none"> – Argon – CO₂ ● Plasma Electrosurgery <ul style="list-style-type: none"> – Argon ● Cryosurgery <ul style="list-style-type: none"> – LIN – CO₂ – Argon ● Cryoablation <ul style="list-style-type: none"> – Argon High Pure – Helium High Pure 	<ul style="list-style-type: none"> ● Medication (Distribution & Application) <ul style="list-style-type: none"> – O₂ – Heliox ● Hyperbaric <ul style="list-style-type: none"> – O₂ ● Medical Gases

PHS Hospital Customers – US and Canada



**2,000 Hospital Customers
20% Estimated Market Share**

Leverage #1 Hospital Position To Increase Share Of Homecare Patient Referrals

Homecare Expansion

Why Homecare ?

- **High Growth**
 - Aging Population
 - Chronic Obstructive Pulmonary Disease (COPD) Prevalence
 - Increased Diagnosis of Obstructive Sleep Apnea (OSA)
- **Opportunity to Grow Share**
 - Fragmented Competition (2,000 + Independent Providers)
- **Lower Capital**
 - Service Orientation

Resources We Can Leverage

- **Proven Operating Model From Canada And Europe**
- **Relationships With Healthcare Delivery Networks And GPOs**
- **Global Purchasing Leverage With Equipment Manufacturers**
- **Reputation For Reliability & Safety**
- **Strong Regional Distribution Capabilities**
 - Cylinder Filling and Distribution

Homecare Strategic Direction

Build National Capabilities Through Selective Acquisitions

- **Respiratory Mix > 60%**
- **State By State Density**
- **Leverage Hospital / Physician Relationships**
- **Maintain High Operating Standards Through Immediate Integration**

PHS US Homecare Business Overview

Payor Source

Referral Source

Patient

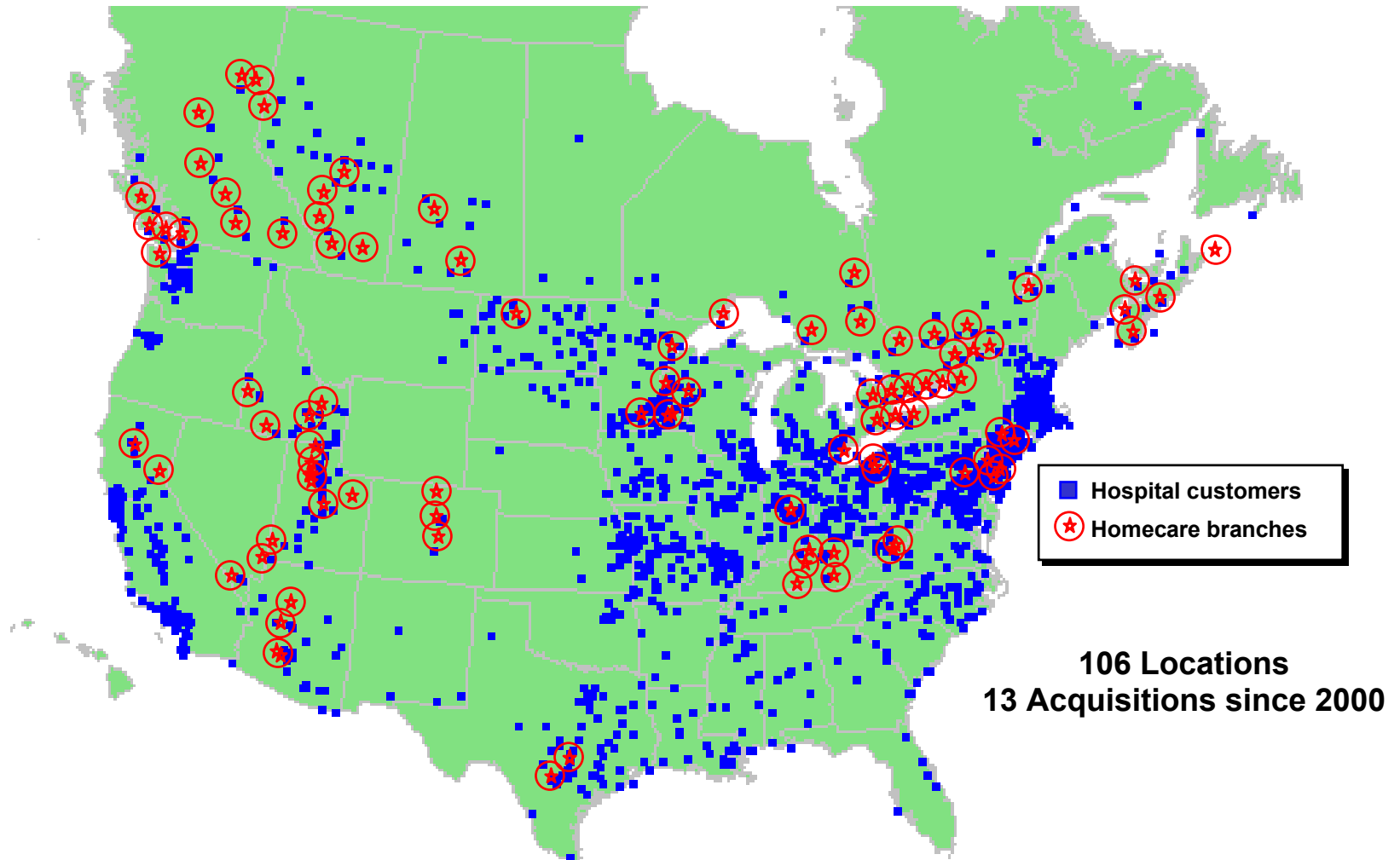
Managed Care	43%
Government	38%
Private / Other	19%
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	100%

Hospital	64%
Physician	34%
Other	2%
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Respiratory	66%
HME	22%
Infusion / Other	12%
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	100%

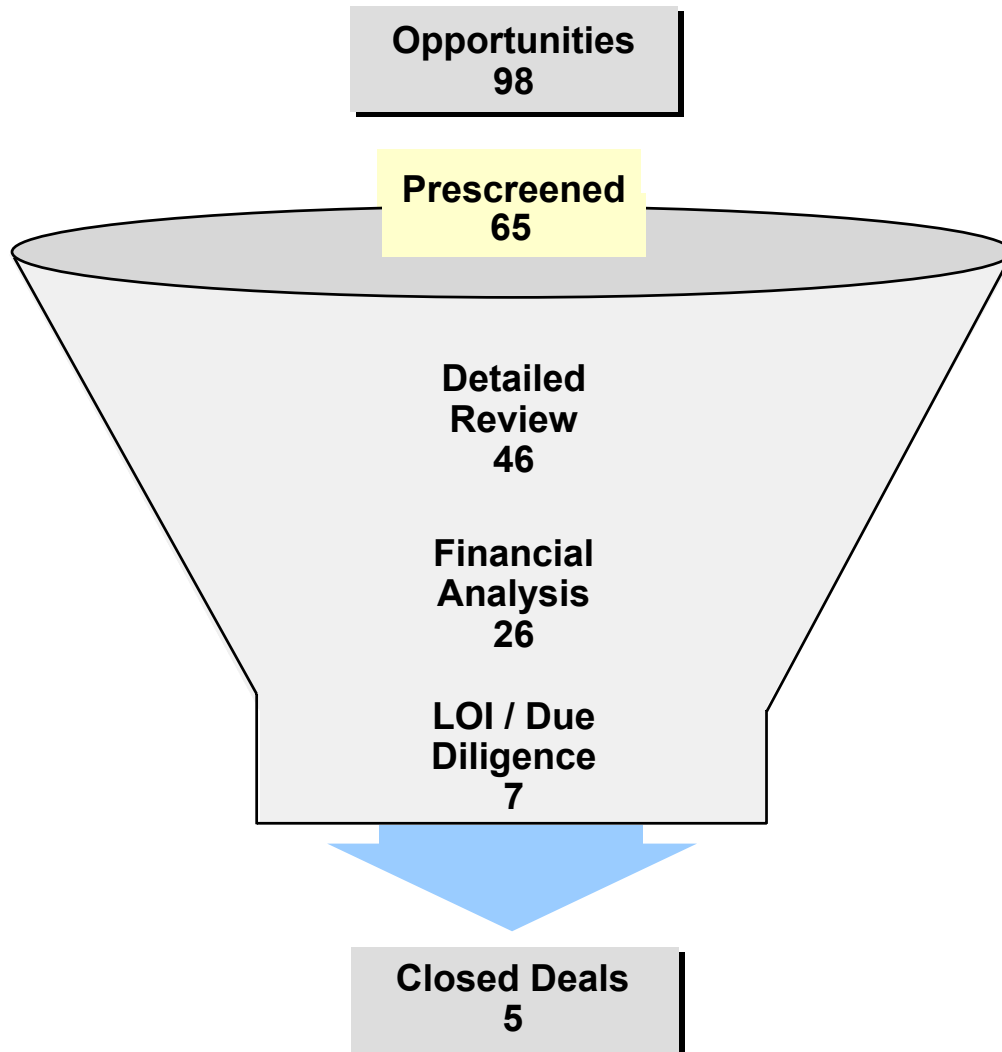
Strong Payor Management Must Complement Our Emphasis On Hospital Based Referrals

PHS Homecare Branches- US and Canada



Acquisitions Are Providing Geographic Density To Grow The Hospital to Home Strategy

U.S. Homecare 2002 Acquisition Funnel



First Screen

- ◆ *Respiratory 60%*
- ◆ *Government 40%*
- ◆ *Hospital to Home Opportunities*

Critical Assumptions

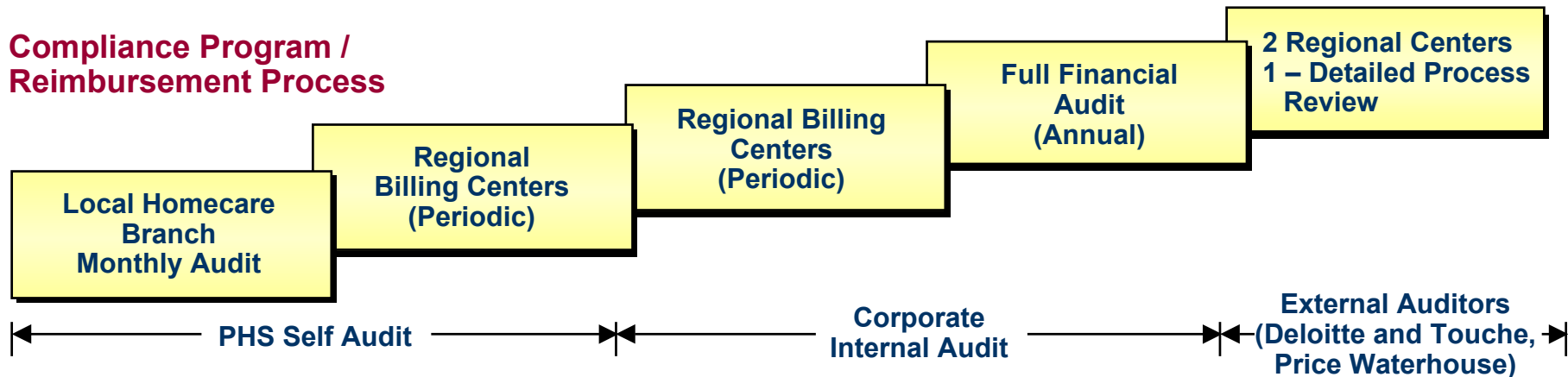
- ◆ *Government reimbursement cuts of 15%*
- ◆ *Bad debt expense of at least 5%*

Homecare Key Success Factors

Acquisition Integration

- Immediate...(Starts During Due Diligence)
- Staged Transition to Praxair Healthcare Services Brand
- Operating Standards...(Safety, Compliance, Procurement)
- Human Resources...(Value System, Employee Benefits)
- Information Technology...Conversion to 1 of 2 Reimbursement Platforms

Compliance Program / Reimbursement Process



Extensive Process, Varied Scope And Frequency, Touches Every Branch Location Every Month

US Homecare Reimbursement Outlook

Government

- **Inherent Reasonableness (Enacted Legislation)**
 - Fee reductions up to 15% possible on select items
- **Rural Adder 5-10% for Home Health Agencies (Nursing)**
 - May be funded by competitive bidding
- **National Competitive Bidding (Pending Legislation)**
 - Fee reduction expected in 60% of the market
- **No Change...Fee Schedule Rate Freeze? Term?**

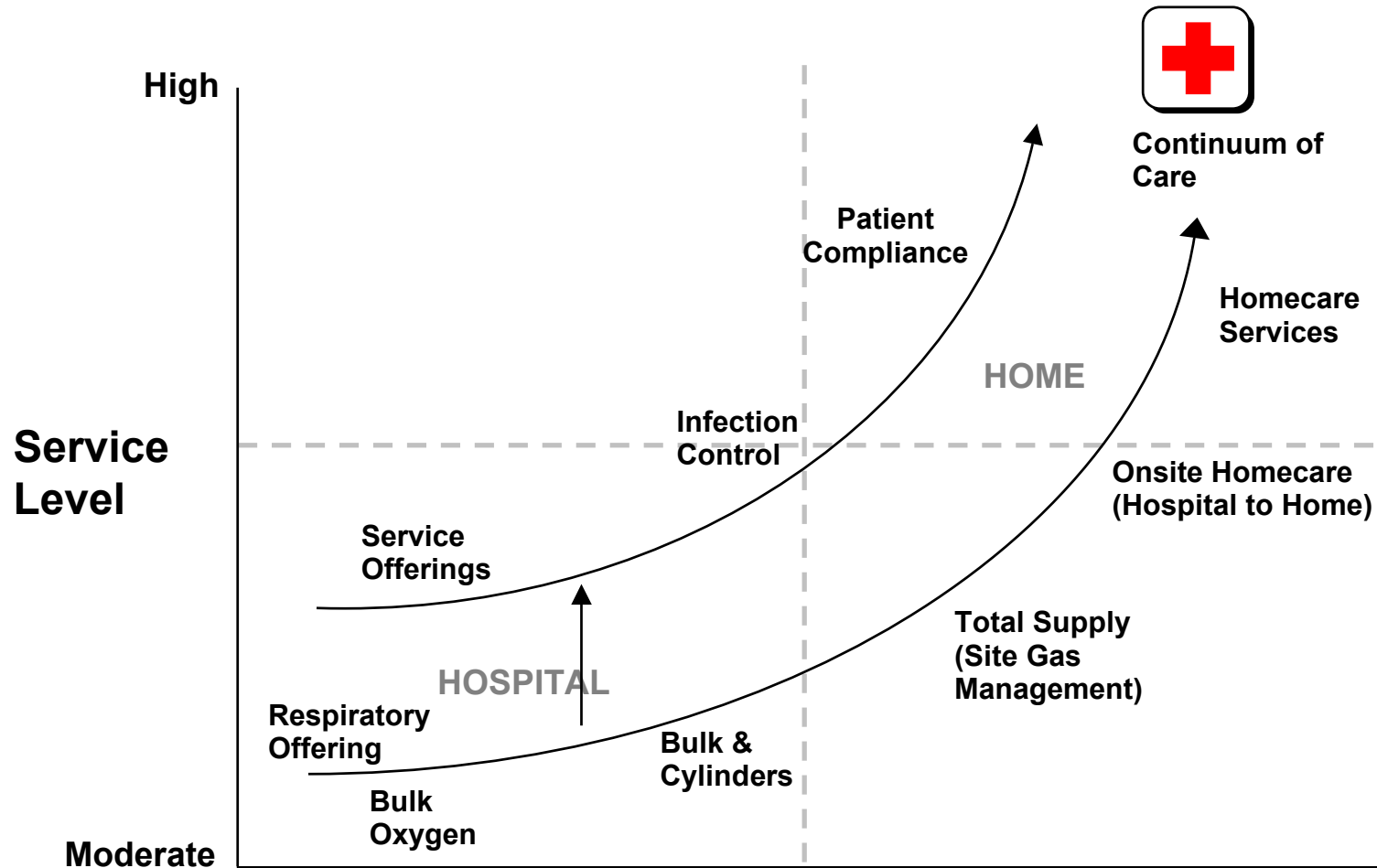
Private

- **Managed Care**
 - Many contracts indexed to government rates
 - Initiatives underway to rebid contracts

Near Term Impact

- **Price Pressure...Seek Volume Gains To Offset**
- **Supplier Agreements...Consolidate Global Procurement**
- **Density Required...Tuck In Acquisition Focus**
- **Cautious Acquisition Program...Pre / Post Impact Valuation**

Continuity of Care...From Hospital to Home



VIDEO PRESENTATION