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

www.praxair.com
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

Frank Zarka
Vice President, East Region, Homecare

Bill Bryce
Vice President, Institutional

Rick Steinseifer
Vice President, Business Development

Valerie King
Director, Marketing and Communications

Craig Carden
Ohio Area Manager, Homecare

Mike Kreutzberg
Hospital-to-Home Implementation Manager
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

North America 64%
South America 21%
Europe / Asia 15%
Praxair Healthcare Trends

Global Sales...

1999

$355

73%

27%

2002

$550

51%

49%

18% CAGR (ex-currency)

North American Sales...

1999

$150

64%

36%

2002

$330

41%

59%

30% CAGR

IN – Institutional

HC - Homecare

North American Homecare Focus Has Been The Primary Growth Driver Of Healthcare Sales
# Praxair Healthcare US Market Definition

<table>
<thead>
<tr>
<th>Market Size</th>
<th>Institutional / Hospital Services</th>
<th>Home Healthcare $40B - $50B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0.7 B</td>
<td>Respiratory Therapy</td>
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<tr>
<td></td>
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<td>$4-5 B</td>
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<td></td>
<td></td>
<td>Home Medical Equipment (HME)</td>
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<tr>
<td>Industry Growth Rates</td>
<td>3-4%</td>
<td>Infusion Therapy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$4-5 B</td>
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<td></td>
<td></td>
<td>Home Nursing Care</td>
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<td></td>
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<td>$30-35 B</td>
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**Offerings**
- Medical Gases
- Equipment
- Hospital Services
- Oxygen Systems
- CPAP / BiPAP
- Home Ventilators
- Nebulizers
- Apnea Monitors
- Respiratory Medications
- Hospital Beds
- Wheelchairs
- Patient Aids
- Mobility Aids
- Chemotherapy
- Antibiotics
- Enteral Nutrition
- Parenteral Nutrition
- Pain Management

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

5,800 Hospitals

- 70%
  - Integrated Health Delivery Networks (IHDNs)
    - Network Makes Purchasing Decision for the Entire Organization
    - 173 Group Purchasing Organizations (GPOs) Contracted To Procure Medical Gases
    - GPO is the Negotiating Agent and Recommends the Preferred Vendor
    - Contract Participation is Voluntary

- 30%
  - Independent Hospitals
    - Individual Departments Make / Influence Buying Decision

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

Source: Verispan/SMG
# US Hospital Products and Services Provided by Praxair

<table>
<thead>
<tr>
<th>Facility Management</th>
<th>General Functions</th>
<th>Care Taking</th>
<th>Diagnostic</th>
<th>Surgery</th>
<th>Medical Treatment</th>
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</thead>
<tbody>
<tr>
<td><strong>Food Services</strong></td>
<td><strong>Sterilization</strong></td>
<td><strong>Oximetry</strong></td>
<td><strong>MRI Scanners</strong></td>
<td><strong>Anesthesia</strong></td>
<td><strong>Medication</strong></td>
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<tr>
<td>- Freezing</td>
<td>- Gas Sterilants</td>
<td>- Transport Oxygen</td>
<td>- Liquid Helium</td>
<td>- Nitrous Oxide</td>
<td>(Distribution &amp; Application)</td>
</tr>
<tr>
<td>- Dry Ice</td>
<td>- In-House Logistics</td>
<td>- Respirator</td>
<td>- LIN</td>
<td>- Argon</td>
<td>- O₂</td>
</tr>
<tr>
<td>- CO₂</td>
<td>- Site Gas Mgmt.</td>
<td>- Oxygen</td>
<td>- Magnet Services</td>
<td>- CO₂</td>
<td>- Heliox</td>
</tr>
<tr>
<td><strong>Facility Maintenance</strong></td>
<td><strong>Blood Supply</strong></td>
<td><strong>Respiratory Care</strong></td>
<td><strong>CT Scanners</strong></td>
<td><strong>Lasers</strong></td>
<td><strong>Hyperbaric</strong></td>
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<tr>
<td>- Welding Gases</td>
<td>- Freezers</td>
<td>- Transport Oxygen</td>
<td>- Specialty Gases</td>
<td>- Argon</td>
<td>- O₂</td>
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<tr>
<td>- Piping</td>
<td>- LIN</td>
<td>- Respirator</td>
<td>- Carrier Gases</td>
<td>- CO₂</td>
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<tr>
<td>- Gas Certification</td>
<td>- Refrigerators</td>
<td>- Oxygen Masks</td>
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<tr>
<td>- Gas Monitoring</td>
<td>- Dry Ice</td>
<td>- Humidifier</td>
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<tr>
<td><strong>Gift Shop</strong></td>
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<td>- Strollers</td>
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<tr>
<td>- Helium for Balloons</td>
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<td>- Ventilators</td>
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<td></td>
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<td><strong>Lung Diffusion</strong></td>
<td><strong>Cryosurgery</strong></td>
<td><strong>Medical Gases</strong></td>
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<tr>
<td><strong>Microbiology</strong></td>
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<td><strong>Cryobiology</strong></td>
<td><strong>Cryoabulation</strong></td>
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<td>- LIN</td>
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<td>- LIN</td>
<td>- Argon High Pure</td>
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<tr>
<td>- Incubation Gas Mixtures</td>
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<td></td>
<td>- CO₂</td>
<td>- Helium High Pure</td>
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<tr>
<td><strong>Cryobiology</strong></td>
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- **MRI Scanners**
- Liquid Helium
- LIN
- Magnet Services
- Specialty Gases
- Carrier Gases

- **CT Scanners**
- Specialty Gases
- Carrier Gases

- **Lung Diffusion**
- Specialty Gases

- **Microbiology**
- LIN
- Incubation Gas Mixtures

- **Cryobiology**
- LIN
- CO₂
- Equipment
- Freezers/ Refrigerators
- Dry Ice

- **Cryoabulation**
- Argon High Pure
- Helium High Pure

- **Anesthesia**
- Nitrous Oxide
- Argon
- CO₂

- **Lasers**
- Argon
- CO₂

- **Plasma Electrosurgery**
- Argon

- **Cryosurgery**
- Argon
PHS Hospital Customers – US and Canada

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

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

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

106 Locations
13 Acquisitions since 2000

Hospital customers
Homecare branches
U.S. Homecare 2002 Acquisition Funnel

- Opportunities 98
- Prescreened 65
- Detailed Review 46
- Financial Analysis 26
- LOI / Due Diligence 7
- Closed Deals 5

First Screen
- Respiratory 60%
- Government 40%
- Hospital to Home Opportunities

Critical Assumptions
- Government reimbursement cuts of 15%
- Bad debt expense of at least 5%

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**
- Local Homecare Branch Monthly Audit
- Regional Billing Centers (Periodic)
- Corporate Internal Audit
- Full Financial Audit (Annual)
- External Auditors (Deloitte and Touche, Price Waterhouse)
- PHS Self Audit
- 2 Regional Centers 1 – Detailed Process Review

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

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**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

- Continuum of Care
- Homecare Services
- Total Supply (Site Gas Management)
- Bulk & Cylinders
- Respiratory Offering
- Bulk Oxygen
- Service Offerings
- Infection Control
- Patient Compliance
- Continuum of Care
- Onsite Homecare (Hospital to Home)

Service Level

High

Moderate

Hospital

Home
VIDEO PRESENTATION