



Smith Barney Citigroup 14th Annual Chemical Conference

December 3, 2003



Dennis H. Reilley
Chairman, President and CEO

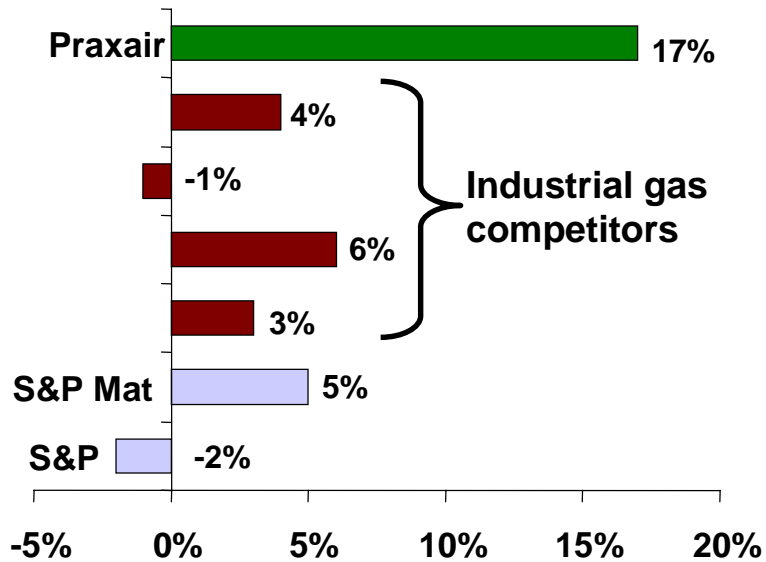
www.praxair.com

Forward Looking Statements

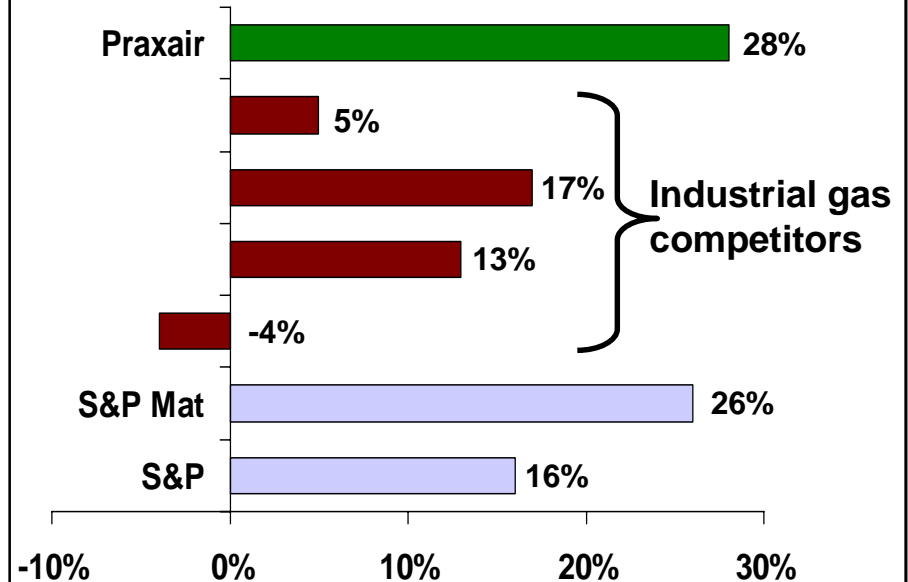
The forward-looking statements in this presentation concerning revenue, earnings, return on capital, volume, growth, economic growth rates, stock price performance, and the value of future product and service offerings involve risks and uncertainties, and are subject to change based on various important factors. These include the impact of changes in worldwide and national economies, availability and cost of power and other energy materials and the ability to recover these costs, pricing fluctuations in foreign currencies, changes in interest rates, the continued timely development and acceptance of new products and processes, the impact of technologies, competitive products and pricing, and the impact of tax and other legislation and regulation in the jurisdictions in which the company operates.

Financial Excellence

TSR - 5 years

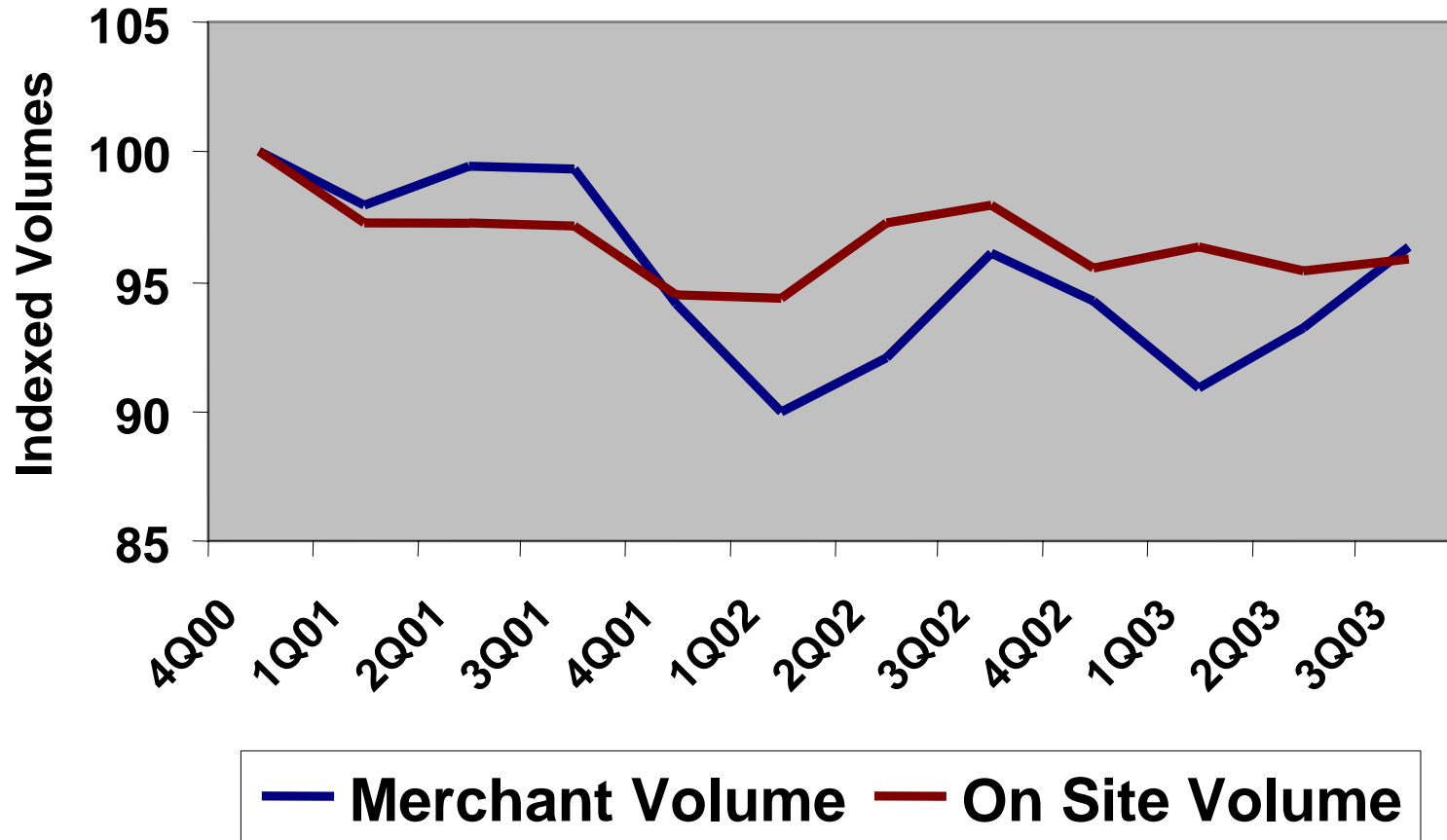


TSR - 1 year



Relative outperformance has continued

Is the North American Economy Improving?



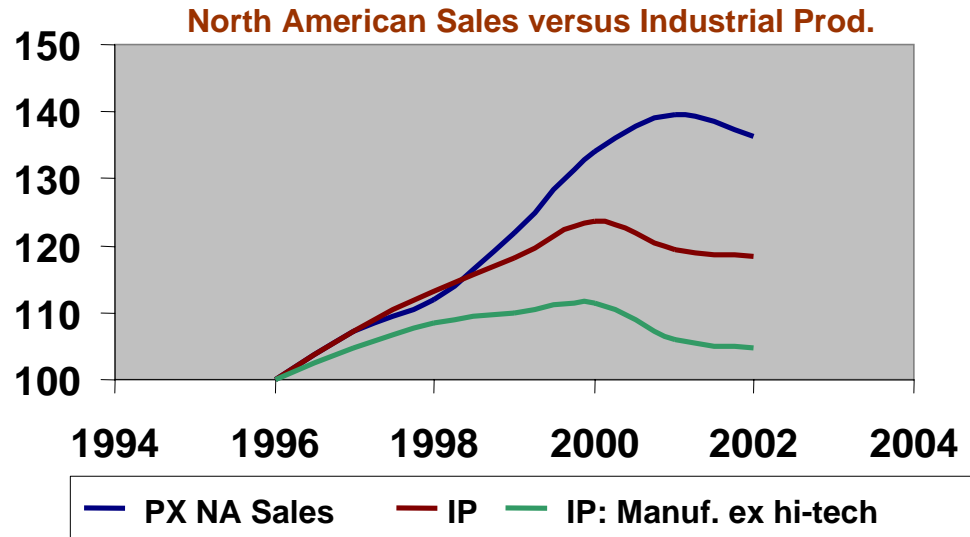
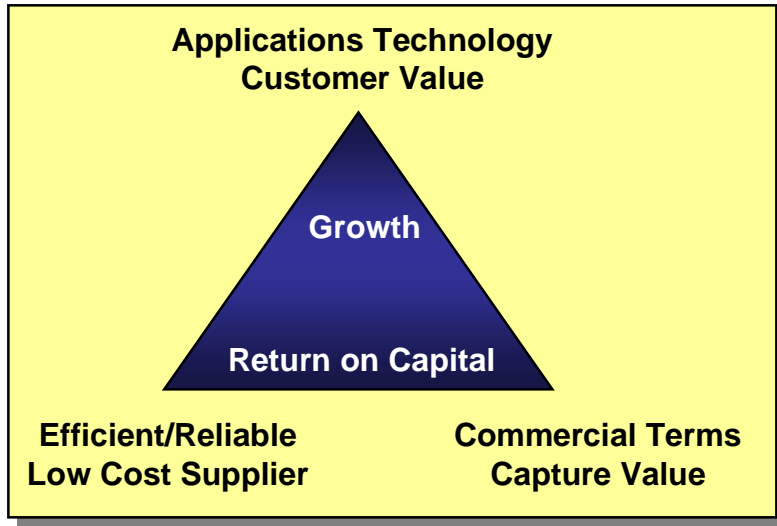
Yes... but how long will it last?

Leverage To Improving U.S. Economy

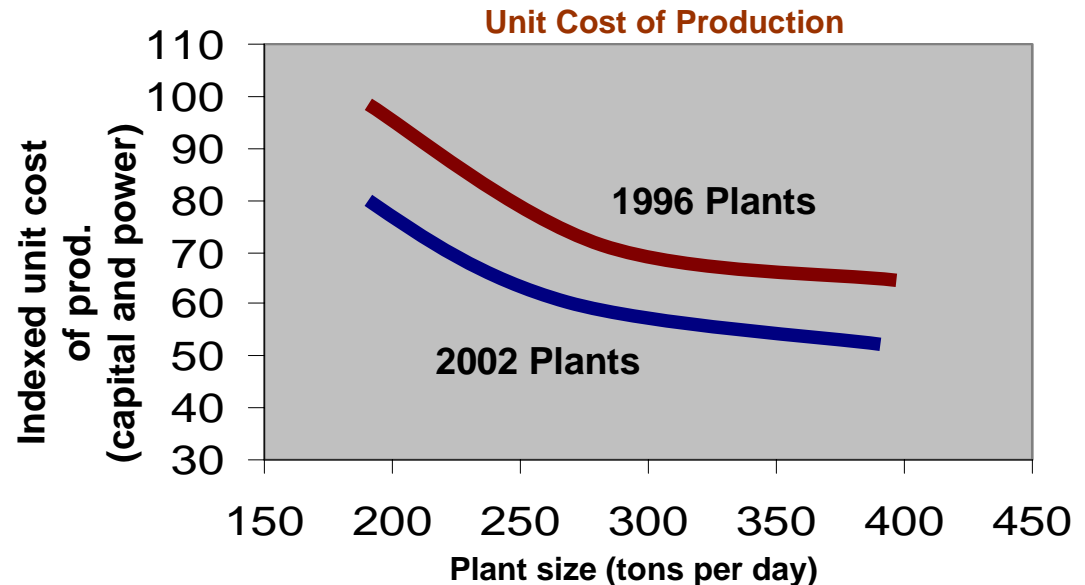
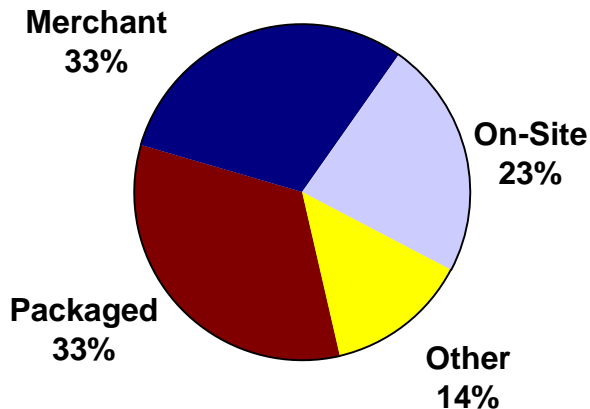
<u>2000 to 2002</u> (\$MM)		<u>North American Industrial Gases</u>	<u>Surface Technologies</u>	<u>Total</u>
Lost Sales Volume	≈	(285)	(42)	(327)
Lost Operating Profit	≈	(100)	(20)	(120)
Lost EPS	≈	(\$0.50)	(\$0.10)	(\$0.60)
Lost NOPAT ROC	≈			(1.5%)

Praxair's U.S. merchant capacity utilization declined from 85% to 75% from 2000 to 2002. When this recovers, Praxair has substantial upside earnings potential.

Operating Model Drives Growth and ROC

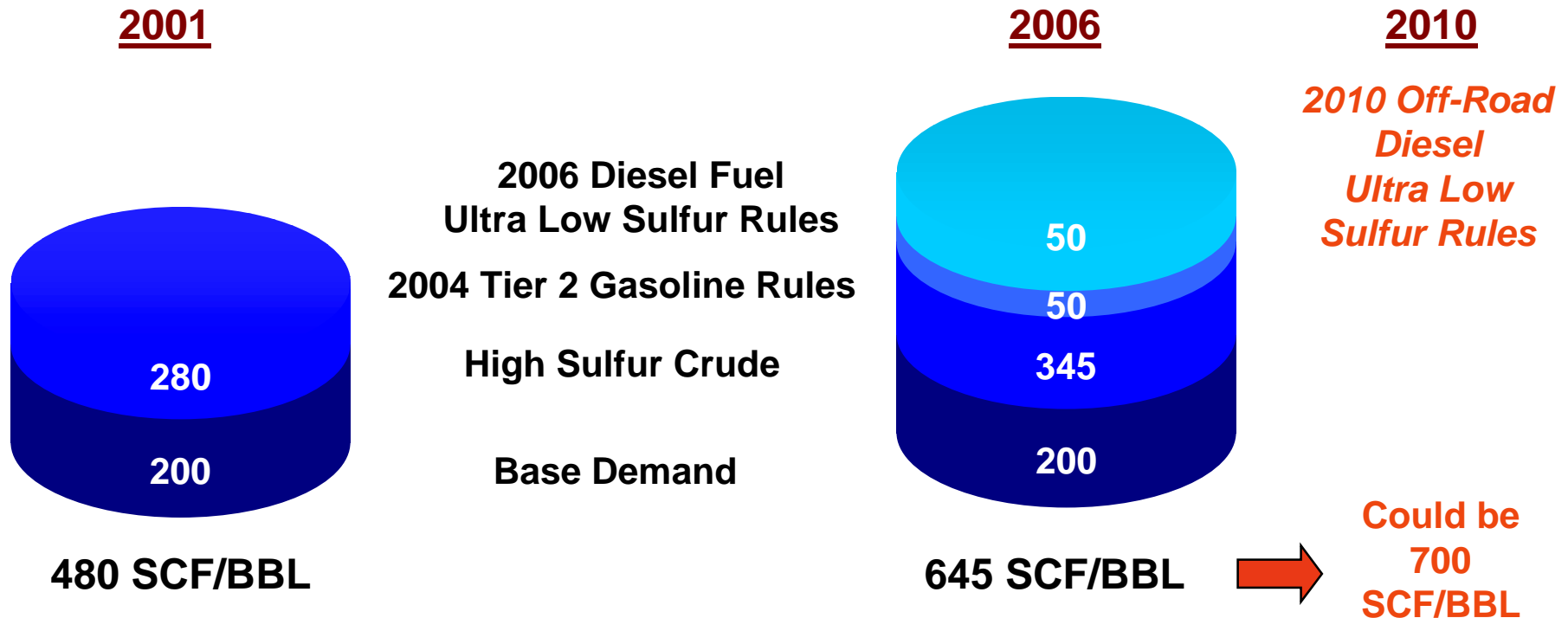


2002 Sales by Distribution Method

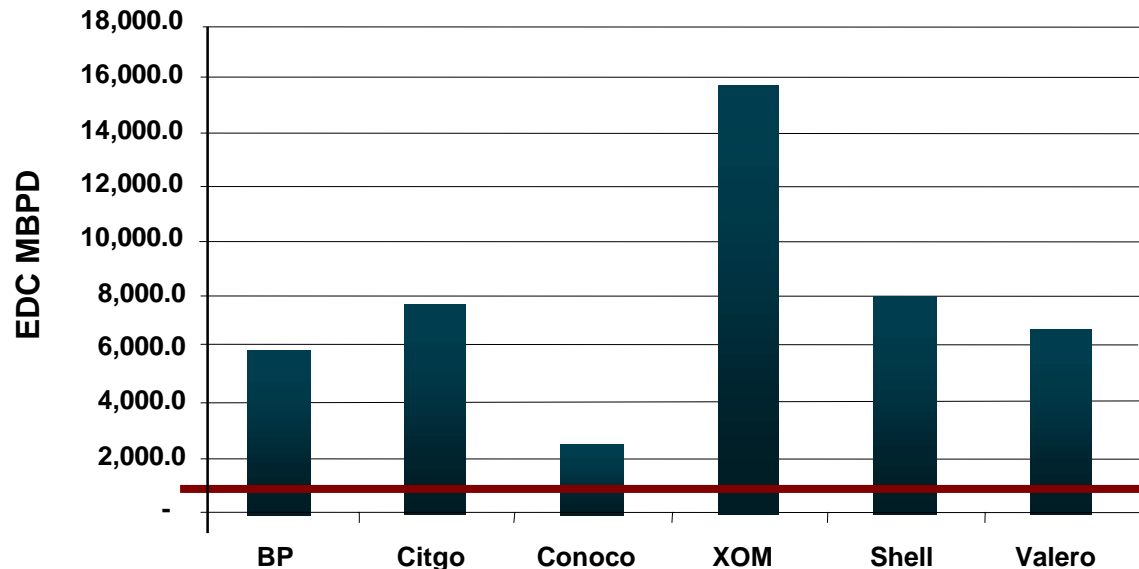


Growing Hydrogen Use in Gasoline and Diesel Production

Hydrogen Used Per Barrel of Oil (Standard Cubic Feet)



Praxair Gulf Coast Customers are the Most Hydrogen Intensive



300

Approximately ~~200~~ MMSCFD of additional hydrogen volume to be awarded.

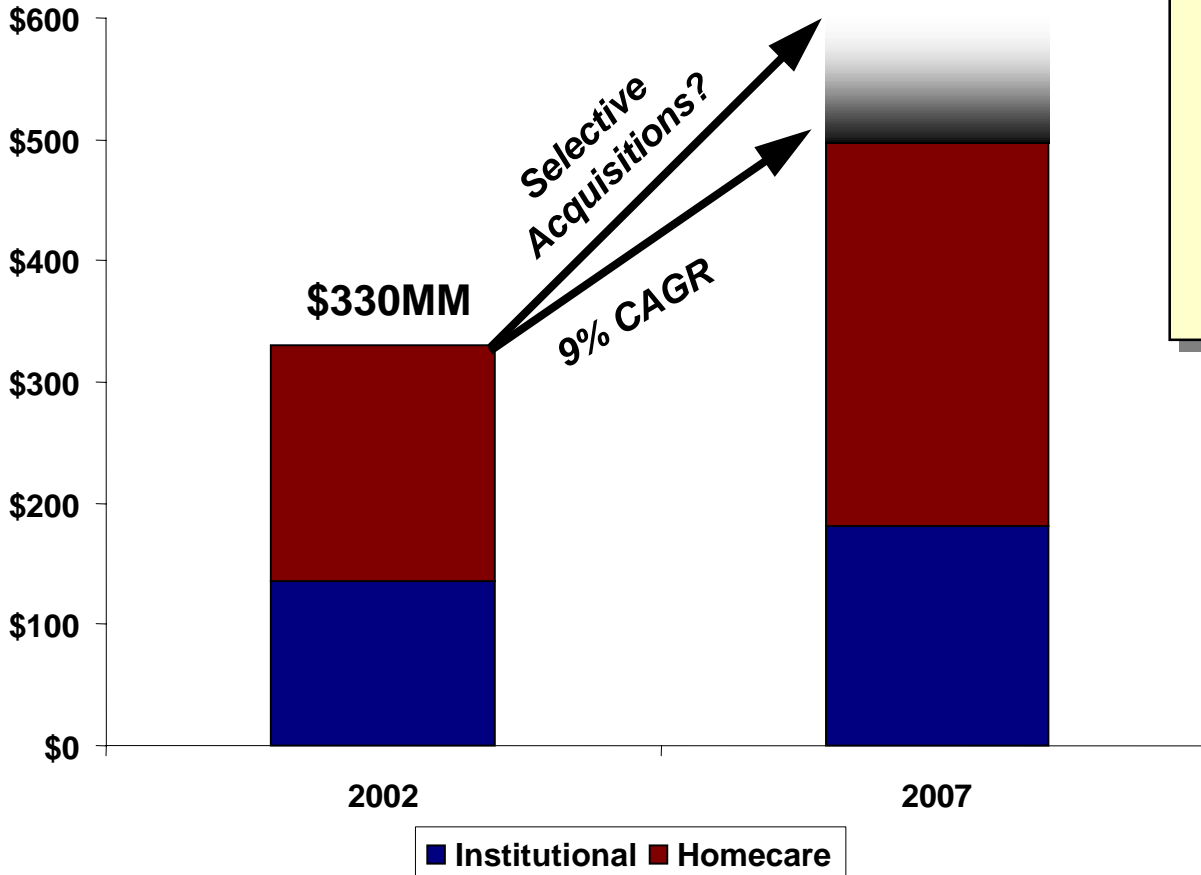
We expect to win the majority.

Praxair Customers in PADD3		
EDC	% of PADD 3	% of US
47,233 MBPD	61.10%	30.90%

*Equivalent Distillation Capacity "EDC"

— Average PADD III EDC (MBPD)

North American Healthcare Growth



<u>Expected Growth Rates:</u>	
Organic Growth	
• Institutional	6%
• Homecare	7%
New Starts	<u>3%</u>
Total	9%

Acquisition Discipline

- ◆ *High % respiratory oxygen business*
- ◆ *Geographic overlap*
- ◆ *Strong compliance orientation*
- ◆ *Government reimbursement cuts of 15%*
- ◆ *Bad debt expense of 5%*

Hospital to Home and selective acquisitions will drive overall sales growth

U.S. Homecare Reimbursement

Proposed Legislation

- ◆ *3-22% reimbursement rate cuts on selected services*
- ◆ *Rate freeze till 2007*
- ◆ *Competitive bidding in 2007*

Potential Praxair Impact

US Homecare Sales	\$140MM
Payor: Government	38%

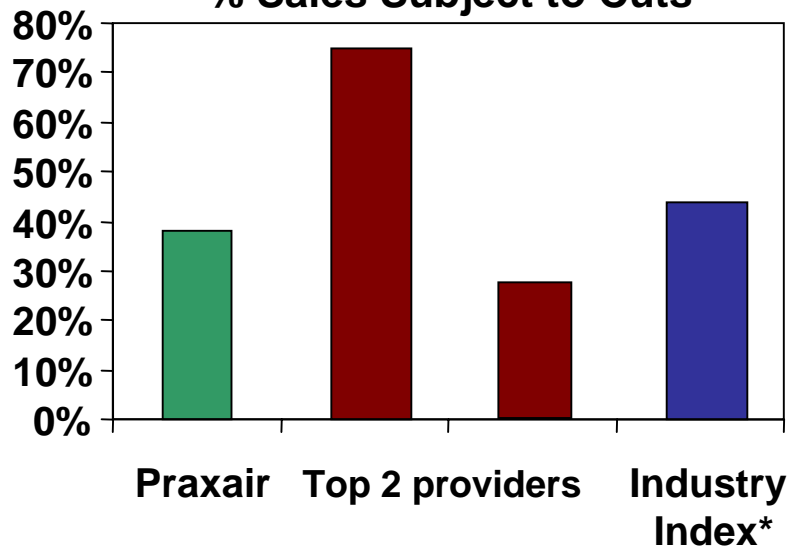
Business Mix:	
Respiratory Oxygen	66%
HME	22%

Affected Sales	\$46MM
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Potential Price Reduction	20%
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Potential OP Impact	\$9MM
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% Sales Subject to Cuts



*American Association for Homecare 2003 Survey

Electronics - Focus on Materials Science and Services

◆ Broad portfolio of industrial gases and services

- atmospheric gases
- semiconductor process gases
- site gas and chemical management
- gas delivery systems

◆ Capabilities that differentiate Praxair

- extended life sputtering targets
- electrostatic chucks
- in-fab component logistics

◆ Products under development

- CMP - H.C. Starck/Bayer alliance enhances customer solutions
- Supercritical CO₂ - 5 systems in operation



Increasing customer productivity by lowering cost of ownership

Capturing Value from Technology Licensing

◆ Productivity Applications

◆ Industry credibility licensing metals technologies

- Success with penetrating AOD Stainless Steel and EAF *CoJet*[®] markets
- BOF *CoJet*[®] market opportunity 500 MM tons
 - 2 installations US, 2 licenses SA



◆ Environmental Solutions

◆ Reduced NOx emissions from coal fired utilities

- Controlled oxygen injection is low cost solution
- EPA mandate in 19 states
- Full compliance by 2005; additional reductions by 2008
- Target market is boilers below 500 MW
 - first commercial installation



China Key Business Ventures

Semiconductors

- ◆ Shanghai's Zhangjiang High-Tech (Z-J Park)
 - 15 year contract to SMIC
 - 15 year contract to ACE Semiconductor Co.
- ◆ *Gas supply for SMICs new 300mm wafer fab in Beijing technology park*

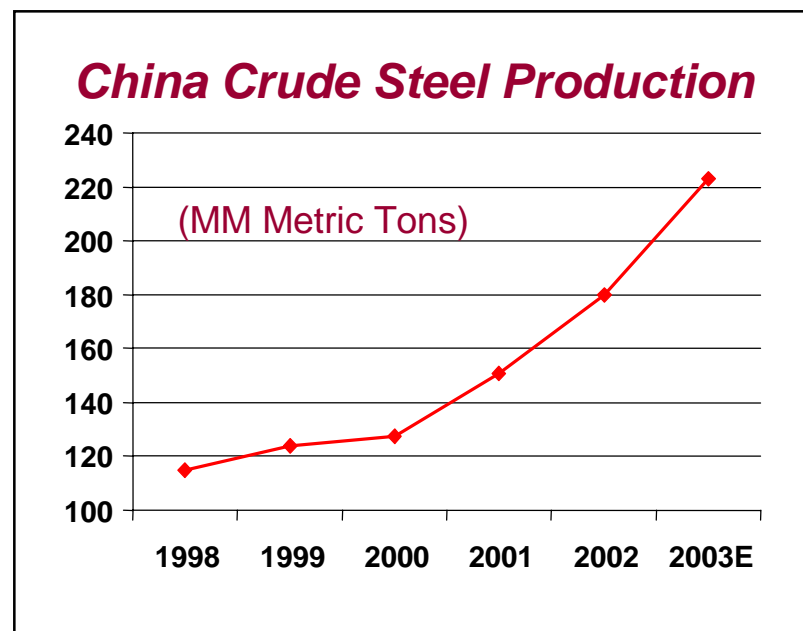
Chemicals

SCIPIG - Praxair/Air Liquide 50/50 Joint Venture

- ◆ Signed contracts with BASF and BP/Shanghai Petrochemical for H₂ and N₂
- ◆ *HYCO contracts to supply SLIC and SBPC chemical plants*

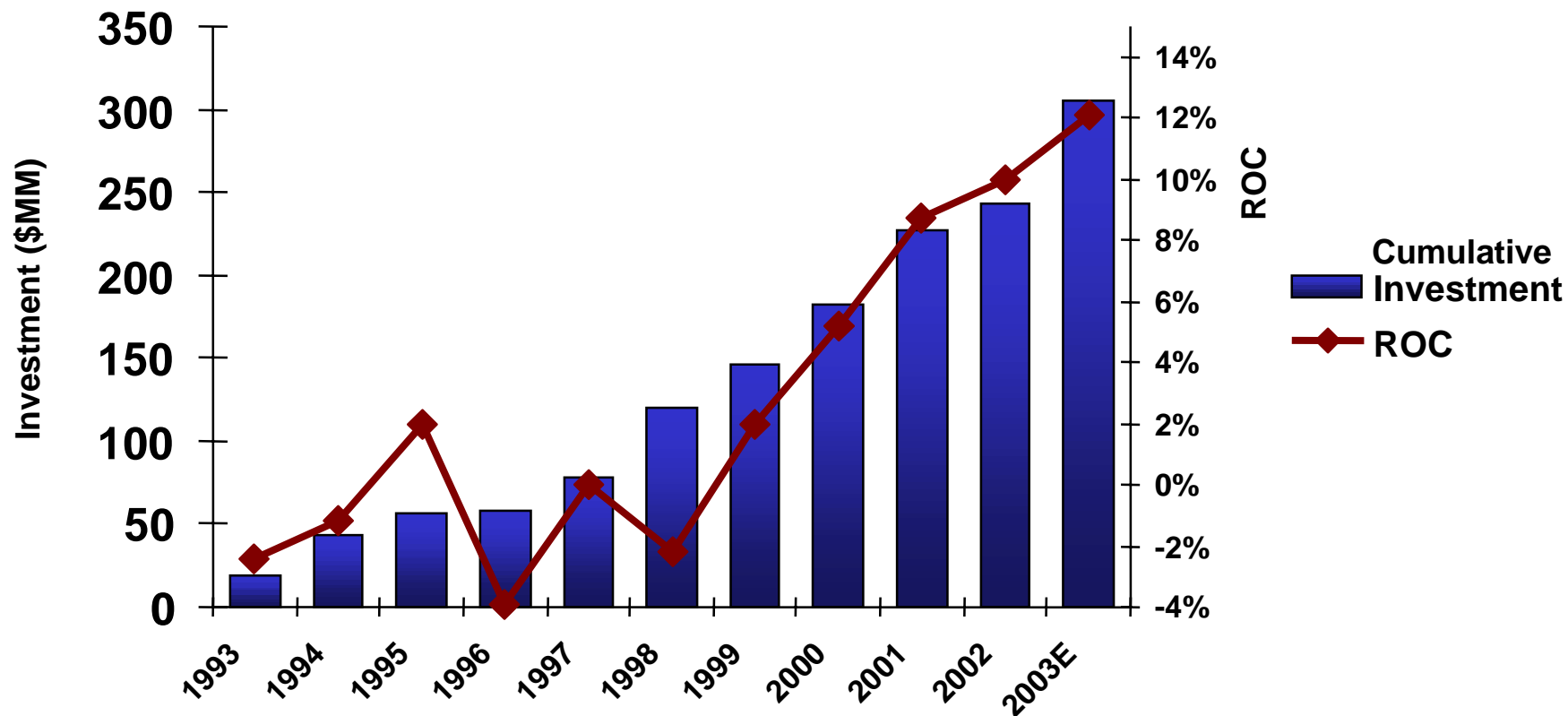
Steel

- ◆ Shaoguan Iron and Steel
- ◆ Meishan Iron and Steel
- ◆ Baoshan Iron and Steel



China - Profitable Growth

Investment and Return on Capital

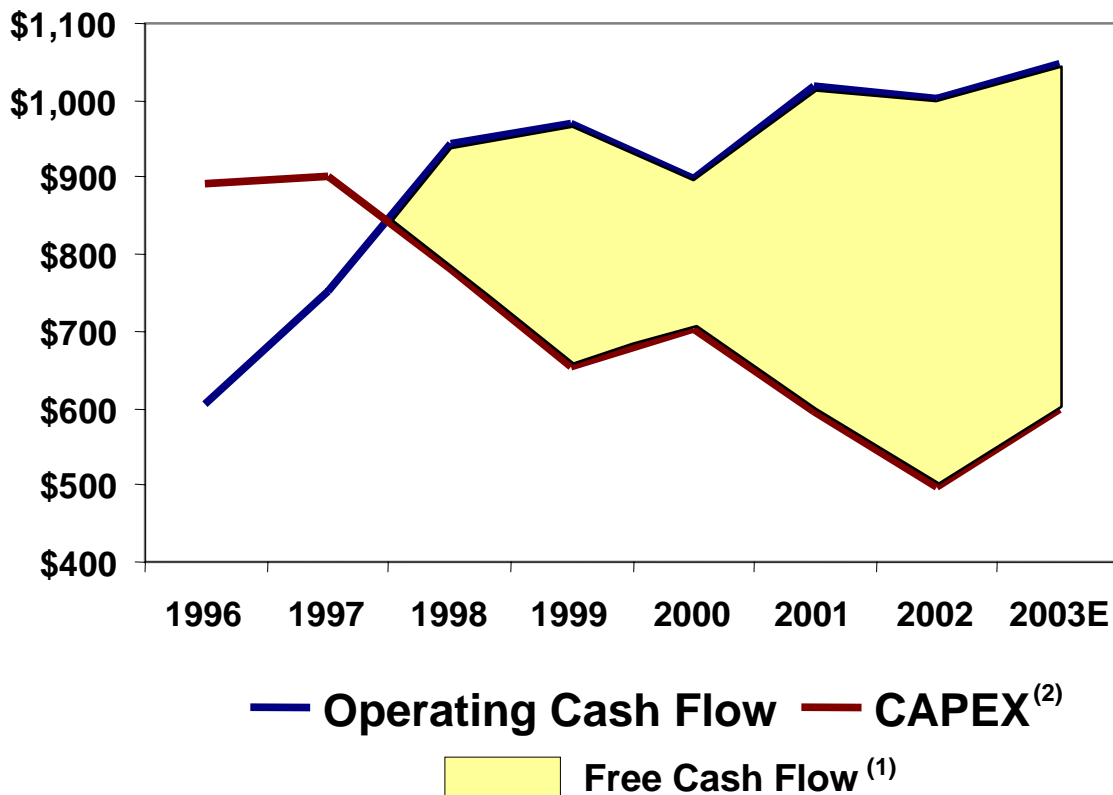


Improving return on capital

Robust Cash Flow Generation

- ◆ Significant reduction in capital spending
- ◆ Commitment to less capital intensive growth platform
- ◆ Uses of free cash flow
 - Dividends
 - Debt reduction
 - Selective acquisitions
 - Share repurchases

Free Cash Flow 1996-2003E (\$MM)



(1) Non-GAAP measure. Free cash flow equals operating cash flow minus capital expenditures.

(2) Excludes Leased Asset Purchase



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