



Investor Teleconference Presentation Second Quarter 2004

July 28th, 2004

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, the cost and availability of electric power, natural gas and other materials, development of operational efficiencies, changes in foreign currencies, changes in interest rates, the continued timely development and acceptance of new products and processes, the impact of competitive products and pricing, and the impact of tax and other legislation and regulation in the jurisdictions in which the company operates.

Second Quarter Earnings

	<u>Second Quarter 2004</u>	<u>First Quarter 2004</u>	<u>Second Quarter 2003²</u>	<u>Sales Comparison</u>	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales	\$1,603	\$1,531	\$1,401	Sales Growth	<u>+14%</u>	<u>+5%</u>
Operating Profit	\$274	\$ 260	\$ 223	Volume	+8%	+4%
Operating Margin	17.1%	17.0%	15.9%	Price	+3%	+1%
Net Income ¹	\$175	\$ 164	\$ 150	Natural Gas	+1%	0%
Diluted EPS	\$0.53	\$0.49	\$0.45	Acquisitions	+1%	+1%
After Tax ROC ³	13.5%	12.9%	12.9%	Currency	+1%	-1%

1) Net income includes a benefit of \$3MM in Q2 2004 and \$10MM in Q2 2003 from the resolution of various tax matters from prior years

2) Operating profit in Q2 2003 includes \$9MM of net income hedge losses

3) Non-GAAP measure. See Appendix.

North America

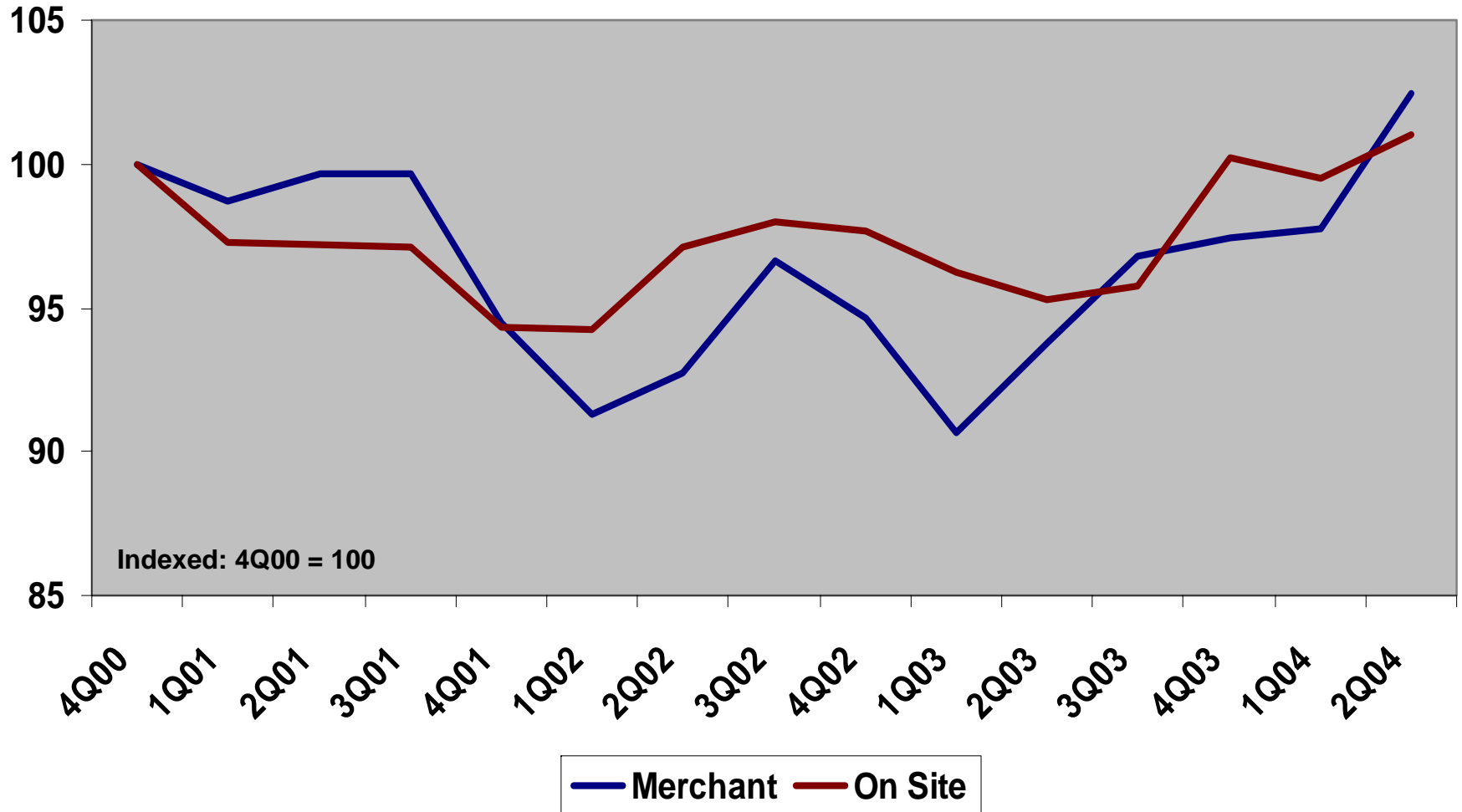
	<u>Second Quarter 2004</u>	<u>First Quarter 2004</u>	<u>Second Quarter 2003</u>
Sales	\$1,016	\$ 960	\$ 893
Segment OP	\$ 156	\$ 149	\$ 135
Operating Margin	15.4%	15.5%	15.1%

- ◆ Strong YOY and sequential sales growth to energy, healthcare, metals and manufacturing markets
- ◆ Continued strong demand for oil well services
- ◆ Refinery H₂ volume up +15% YOY. Two new Gulf Coast hydrogen plants started up in July
- ◆ Packaged gases same store sales benefit from higher price and volume

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	<u>+14%</u>	<u>+6%</u>
Volume	<u>+10%</u>	<u>+4%</u>
Price	<u>+2%</u>	<u>+1%</u>
Natural Gas	<u>+1%</u>	<u>0%</u>
Acquisitions	<u>+1%</u>	<u>+1%</u>

<u>Key Indicators</u>	<u>YOY</u>
On-Site Volume	+6%
Merchant Volume	+9%
Lin Lox Price Index	0%
PDI Same Store Sales	+10%

North American Volumes



Europe

	<u>Second Quarter 2004</u>	<u>First Quarter 2004</u>	<u>Second Quarter 2003</u>
Sales	\$207	\$208	\$175
Segment OP	\$ 52	\$ 52	\$ 41
Operating Margin	25.1%	25.0%	23.4%

- ◆ 4% sequential volume gains continue to outpace broad economic growth measures
- ◆ Electronics, healthcare, and metals have higher YOY sales
- ◆ Higher onsite, merchant and packaged volumes YOY
- ◆ Italy's economy beginning to pick up

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	<u>+18%</u>	<u>0%</u>
Volume	+5%	+4%
Price	+2%	0%
Consolidation	+4%	0%
Currency	+7%	-4%

South America

	<u>Second Quarter 2004</u>	<u>First Quarter 2004</u>	<u>Second Quarter 2003¹</u>
Sales	\$211	\$200	\$185
Segment OP	\$ 39	\$ 32	\$ 26
Operating Margin	18.5%	16.0%	14.1%

- ◆ Continued improvement in local economy. Brazil Q2 IP +8% YOY
- ◆ Higher onsite, merchant and packaged volumes YOY
- ◆ Operating profit margin reflects ongoing productivity programs
- ◆ Healthcare, manufacturing and metals volumes higher YOY and sequentially

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	<u>+14%</u>	<u>+6%</u>
Volume	+7%	+7%
Price	+9%	+3%
Currency	-2%	-4%

Asia

	<u>Second Quarter 2004</u>	<u>First Quarter 2004</u>	<u>Second Quarter 2003</u>
Sales	\$121	\$109	\$ 92
Segment OP	\$ 19	\$ 17	\$ 15
Operating Margin	15.7%	15.6%	16.3%

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q2 vs Q1</u>
Sales Growth	<u>+32%</u>	<u>+11%</u>
Volume	+9%	+5%
Price	+5%	-1%
Consol./Equip sale	+13%	+6%
Currency	+5%	+1%

- ◆ Strong onsite volumes in China and Korea
- ◆ Robust new business activity across the region in electronics, steel, chemicals, and glass markets
- ◆ Electronics sales in Asia up +48%
- ◆ Strong demand from LED producers

Surface Technologies

	Second Quarter <u>2004</u>	First Quarter <u>2004</u>	Second Quarter <u>2003</u>
Sales	\$111	\$111	\$ 99
Segment OP	\$ 8	\$ 10	\$ 6
Operating Margin	7.2%	9.0%	6.1%

- ◆ **Sales up +6% YOY and +2% sequentially ex-currency**
- ◆ **Airline industry continues to suffer from poor margins exacerbated by high fuel costs**
- ◆ **Continued strong demand for physical vapor deposition coatings for aircraft engine parts**
- ◆ **Operating profit lower sequentially due to higher restructuring costs in Europe.**

Home Care Supply Acquisition

- ◆ Closed the acquisition of Home Care Supply on 6/14/2004 for \$245MM
- ◆ Largest US privately held respiratory and medical equipment provider
- ◆ Combined businesses provide strong platform for fulfilling regional and national managed care contracts
- ◆ Expands service capabilities to major markets of Texas and Florida
- ◆ Acquisition expected to be slightly earnings accretive in 2004 and 2005 after absorbing \$10mm of intangibles amortization and expected medicare reimbursement cuts of 15% for oxygen.

	<u>Praxair Healthcare</u>	<u>HCS</u>	<u>Combined post acq.</u>
<u>2003 Sales (\$mm)</u>			
Global	590	169	759
% Homecare	50%	100%	61%
US Homecare	140	169	309
<u>US Geographic Presence</u>			
States	19	13	27
Locations	53	59	112

Financial Outlook

Third Quarter 2004

- ◆ Sales and operating profit growth of 12% to 15%
- ◆ Diluted EPS in the range of \$0.51 to \$0.53
- ◆ Effective tax rate of 25%

Full Year 2004

- ◆ Sales growth of 13% to 15%
- ◆ Operating profit growth of 15% to 18%
- ◆ Diluted EPS in the range of \$2.03 to \$2.09
- ◆ Effective tax rate of 25%
- ◆ CAPEX in the area of \$700MM

APPENDIX

Non-GAAP Measures

The definition of the following non-GAAP measure may not be comparable to similar definitions used by other companies. For more information on Praxair's After-Tax Return on Capital ratio, please see the Appendix on page 65 of Praxair's 2003 Annual Report.

	2004		2003			
	Q2(a)	Q1(a)	Q4(a)	Q3(a)	Q2(b)	Q1
<u>TOTAL CAPITAL</u>						
Total debt	\$ 3,021	\$ 2,843	\$ 2,816	\$ 2,958	\$ 2,952	\$ 2,742
Minority interests	203	198	195	181	168	160
Preferred stock	-	-	-	-	-	-
Shareholders' equity	3,181	3,136	3,088	2,874	2,880	2,477
Total Capital	<u>\$ 6,405</u>	<u>\$ 6,177</u>	<u>\$ 6,099</u>	<u>\$ 6,013</u>	<u>\$ 6,000</u>	<u>\$ 5,379</u>
<u>AFTER-TAX RETURN ON CAPITAL (ROC)</u>						
Operating profit	\$ 274	\$ 260	\$ 244	\$ 240	\$ 223	\$ 215
Less: reported taxes	(55)	(56)	(49)	(49)	(35)	(41)
Less: tax benefit on interest expense	(10)	(9)	(9)	(9)	(8)	(10)
Add: income from equity investments	4	3	3	3	3	3
Net operating profit after-tax (NOPAT)	<u>\$ 213</u>	<u>\$ 198</u>	<u>\$ 189</u>	<u>\$ 185</u>	<u>\$ 183</u>	<u>\$ 167</u>
Beginning capital	\$ 6,177	\$ 6,099	\$ 6,013	\$ 6,000	\$ 5,379	\$ 5,252
Ending capital	\$ 6,405	\$ 6,177	\$ 6,099	\$ 6,013	\$ 6,000	\$ 5,379
Average capital	\$ 6,291	\$ 6,138	\$ 6,056	\$ 6,007	\$ 5,690	\$ 5,316
ROC %	3.4%	3.2%	3.1%	3.1%	3.2%	3.1%
ROC % (annualized)	<u>13.5%</u>	<u>12.9%</u>	<u>12.5%</u>	<u>12.3%</u>	<u>12.9%</u>	<u>12.6%</u>

a) ROC after the second quarter 2003 was reduced by 0.8% on an annualized basis due to the additional debt from the purchase of leased assets in the 2nd quarter of 2003.

b) NOPAT for the second quarter of 2003 included a tax benefit of \$10 million (0.7% ROC annualized) resulting from the resolution of tax matters from previous years, and a charge of \$5 million pre-tax and \$4 million-after tax (0.3% ROC annualized) from the recognition of currency hedge losses related to anticipated second half net income. ROC for the second quarter was reduced by 0.4% on an annualized basis due to the additional debt from the purchase of leased assets.