



Investor Teleconference Presentation Fourth Quarter 2003

January 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.

Fourth Quarter Earnings

| | <u>Fourth Quarter 2003</u> | <u>Third Quarter 2003</u> | <u>Fourth Quarter 2002</u> |
|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| Sales | \$1,461 | \$1,414 | \$1,297 |
| Operating Profit | \$ 244 | \$ 240 | \$ 227 |
| Operating Margin | 16.7% | 17.0% | 17.5% |
| Net Income | \$ 155 | \$ 150 | \$ 140 |
| Diluted EPS ¹ | \$0.47 | \$ 0.45 | \$0.43 |
| After Tax ROC ² | 12.5% | 12.3% | 13.7% |

| <u>Sales Comparison</u> | <u>YOY</u> | <u>Q4 vs Q3</u> |
|---------------------------|--------------------|-------------------|
| Sales Growth | <u>+13%</u> | <u>+3%</u> |
| Volume | +3% | +2% |
| Price | +2% | 0% |
| Natural Gas | +1% | 0% |
| Acquisitions (net) | +1% | 0% |
| Currency | +6% | +1% |

ROC in the third and fourth quarters of 2003 was reduced 0.8% from the purchase of leased assets, and 0.3% from a higher tax rate

1) Adjusted for December stock split
 2) Non-GAAP measure. See Appendix.

Full Year 2003 Financial Highlights

| | <u>Full Year</u> | | | <u>Sales Comparison</u> | |
|----------------------------|------------------|-------------|-----------|--|------------|
| | <u>2003</u> | <u>2002</u> | <u>Δ%</u> | | <u>YOY</u> |
| Sales | \$5,613 | \$5,128 | 9% | Sales Growth | <u>+9%</u> |
| Operating Profit | \$ 922 | \$ 923 | 0% | Volume | +1% |
| Operating Margin | 16.4% | 18.0% | | Price | +3% |
| Net Income ¹ | \$ 585 | \$ 548 | 7% | Natural Gas | +2% |
| Diluted EPS ¹ | \$1.77 | \$ 1.66 | 7% | Acquisitions (net) | +1% |
| After Tax ROC ² | 12.8% | 13.4% | | Currency | +2% |
| | | | | ◆ Operating profit ex a litigation gain in 2002 and hedges in both periods was up +4% YOY ³ | |
| | | | | ◆ 2003 ROC was reduced 0.4% resulting from the purchase of leased assets and 0.1% from a higher tax rate | |

1) Before 2002 Accounting Change related to SFAS 142, adjusted for December stock split

2) Non-GAAP measure. See Appendix.

3) OP for 2002 includes a net gain of \$7MM related to the settlement of litigation and \$17MM of net income hedge gains. 2003 includes \$9mm of net income hedge losses.

North America

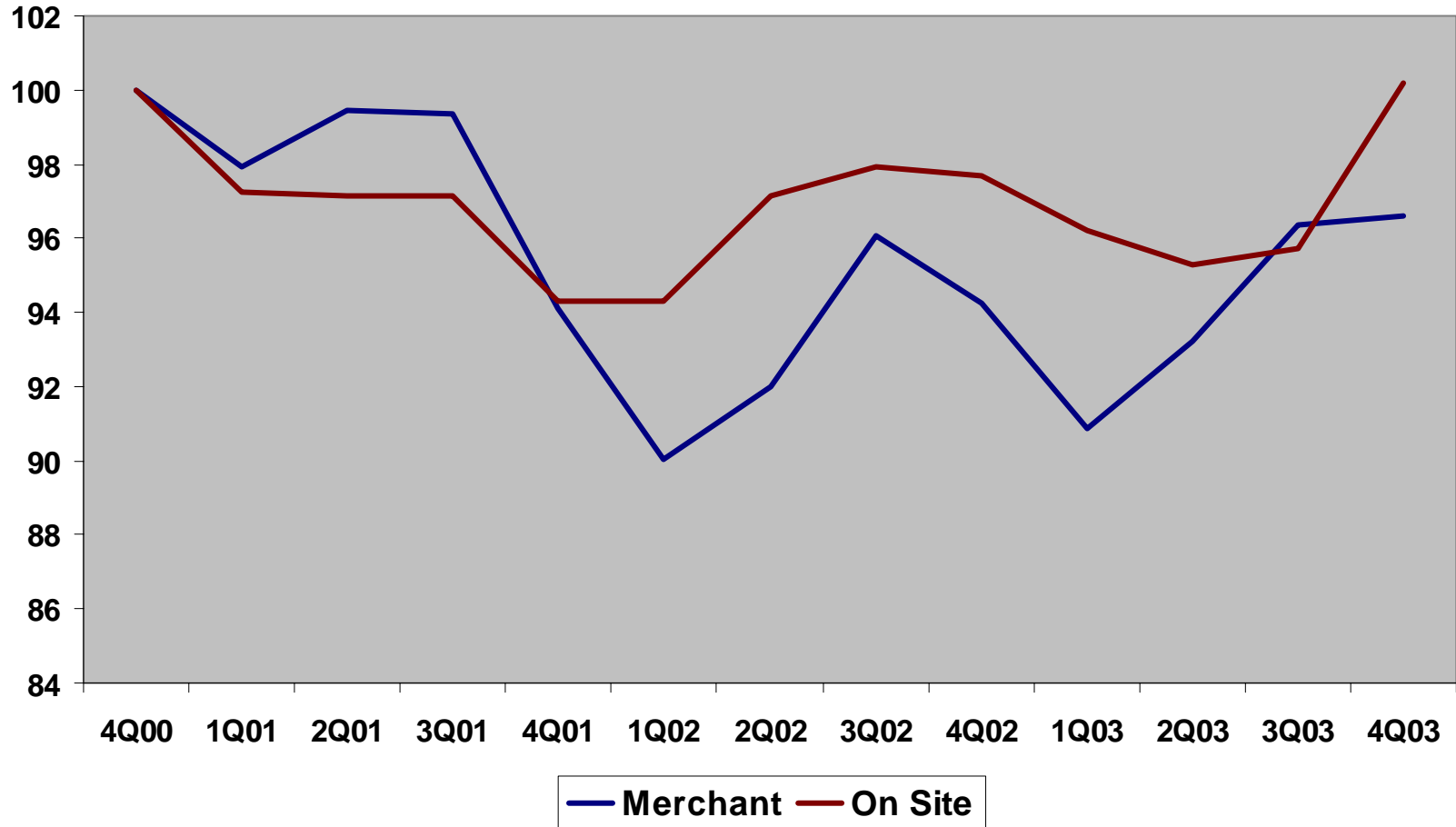
| | <u>Fourth Quarter 2003</u> | <u>Third Quarter 2003</u> | <u>Fourth Quarter 2002</u> |
|------------------|------------------------------------|-----------------------------------|------------------------------------|
| Sales | \$923 | \$918 | \$852 |
| Segment OP | \$141 | \$141 | \$142 |
| Operating Margin | 15.3% | 15.4% | 16.7% |

- ◆ Q4 industrial production +1.7% YOY and 0.4% sequentially
- ◆ Increasing demand in manufacturing, electronics, chemicals and metals
- ◆ Strong volume growth YOY. Sequential volume growth despite lower seasonal CO2 volumes and fewer business days

| <u>Sales Comparison</u> | <u>YOY</u> | <u>Q4 vs Q3</u> |
|-------------------------|------------|-----------------|
| Sales Growth | <u>+8%</u> | <u>+1%</u> |
| Volume | +3% | +3% |
| Price | +1% | 0% |
| Natural Gas | +1% | -1% |
| Acquisitions | +1% | 0% |
| Currency | +2% | -1% |

| <u>Key Indicators</u> | <u>YOY</u> |
|-------------------------------|------------|
| On-Site Volume | +3% |
| Merchant Volume | +3% |
| Lin Lox Price (ex surcharges) | -1% |
| PDI Same Store Sales | +3% |

North American Volumes



Europe

| | <u>Fourth Quarter 2003</u> | <u>Third Quarter 2003</u> | <u>Fourth Quarter 2002</u> |
|------------------|------------------------------------|-----------------------------------|------------------------------------|
| Sales | \$191 | \$168 | \$157 |
| Segment OP | \$ 47 | \$ 44 | \$ 39 |
| Operating Margin | 24.6% | 26.2% | 24.8% |

| <u>Sales Comparison</u> | <u>YOY</u> | <u>Q4 vs Q3</u> |
|-------------------------|-------------|-----------------|
| Sales Growth | <u>+22%</u> | <u>+14%</u> |
| Volume | +4% | +6% |
| Price | +2% | +1% |
| Acq./Div. | -2% | +3% |
| Currency | +18% | +4% |

- ◆ Strong homecare and specialty gas sales in Spain
- ◆ On-site volumes up strongly YOY
- ◆ Strong demand in chemicals, electronics, manufacturing and metals
- ◆ Acq./Div.: Sale of Poland in Q1 and consolidation of Indugas in Q4

South America

| | <u>Fourth Quarter 2003</u> | <u>Third Quarter 2003</u> | <u>Fourth Quarter 2002</u> |
|-------------------------|------------------------------------|-----------------------------------|------------------------------------|
| Sales | \$188 | \$187 | \$136 |
| Segment OP ¹ | \$ 30 | \$ 29 | \$ 26 |
| Operating Margin | 16.0% | 15.5% | 19.1% |

- ◆ Economy stabilized in mid 2003
- ◆ Lower interest rates in Brazil beginning to boost economy
- ◆ Higher liquid volumes to chemicals and metals markets
- ◆ Higher packaged volumes to healthcare market
- ◆ New BOF Cojet installations at Usiminas and Cosipa to start up in Q104.

| <u>Sales Comparison</u> | <u>YOY</u> | <u>Q4 vs Q3</u> |
|-------------------------|-------------|-----------------|
| Sales Growth | <u>+38%</u> | <u>+1%</u> |
| Volume | +8% | 0% |
| Price | +10% | 0% |
| Currency | +20% | +1% |

1) Segment OP for 3Q03 includes \$1MM of currency hedge losses related to Q4 and a \$5MM charge related to the settlement of legal matters.

Asia

| | <u>Fourth Quarter 2003</u> | <u>Third Quarter 2003</u> | <u>Fourth Quarter 2002</u> |
|------------------|------------------------------------|-----------------------------------|------------------------------------|
| Sales | \$110 | \$103 | \$ 88 |
| Segment OP | \$ 19 | \$ 17 | \$ 14 |
| Operating Margin | 17.3% | 16.5% | 15.9% |

| <u>Sales Comparison</u> | <u>YOY</u> | <u>Q4 vs Q3</u> |
|-------------------------|-------------|-----------------|
| Sales Growth | <u>+25%</u> | <u>+7%</u> |
| Volume | +19% | +6% |
| Price | -3% | 0% |
| Currency | +3% | +1% |
| Consolidation | +6% | 0% |

- ◆ Asian electronics sales +15% YOY from higher volume
- ◆ On-site volumes +3%
- ◆ Merchant volumes +10%
- ◆ Price variance reflects higher volumes of lower cost CO2 for food freezing in Thailand
- ◆ ASU and HYCO plants in Caojing Petrochemical Complex to start up in 2004

Surface Technologies

| | <u>Fourth Quarter 2003</u> | <u>Third Quarter 2003</u> | <u>Fourth Quarter 2002</u> |
|------------------|------------------------------------|-----------------------------------|------------------------------------|
| Sales | \$104 | \$ 99 | \$ 97 |
| Segment OP | \$ 7 | \$ 9 | \$ 6 |
| Operating Margin | 6.7% | 9.1% | 6.2% |

| <u>Fourth Quarter Segment Sales</u> | <u>YOY</u> | <u>Q4 vs Q3</u> |
|-------------------------------------|------------|-----------------|
| Coatings Services | +13% | +5% |
| Aviation Repair | -16% | -4% |

- ◆ Coatings volumes flat. Sales up due to stronger Euro
- ◆ EBPVD business picking up
- ◆ Aviation volumes lower
- ◆ Operating profit down sequentially due to restructuring actions
- ◆ Lower volumes from loss of United business

Financial Outlook

First Quarter 2004

- ◆ Sales growth of 8% to 12%
- ◆ Operating profit growth of 10% to 14%
- ◆ Diluted EPS in the range of \$0.43 to \$0.47 (growth of 10% - 20% YOY)
- ◆ Effective tax rate of 25%

Full Year 2004

- ◆ Sales growth of 6% to 10%
- ◆ Operating profit growth of 8% to 14%
- ◆ Diluted EPS in the range of \$1.90 to \$2.05 (growth of 8% - 15%)
- ◆ Effective tax rate of 25%
- ◆ CAPEX of about \$700MM

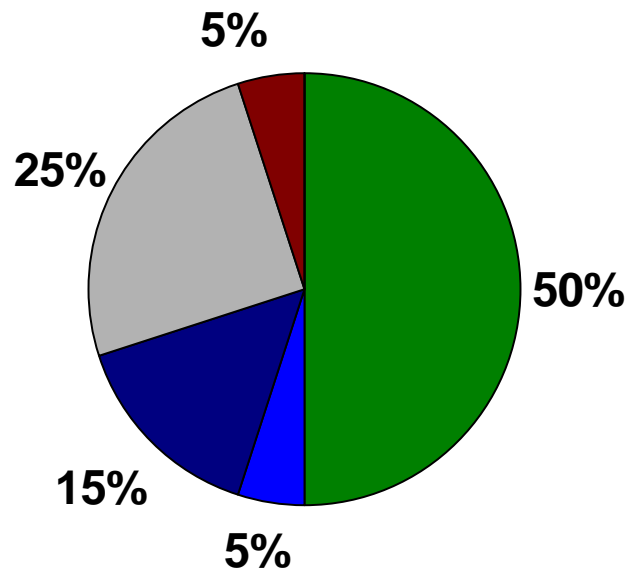
Assumes Euro and Real stable at current levels

Capital Investment

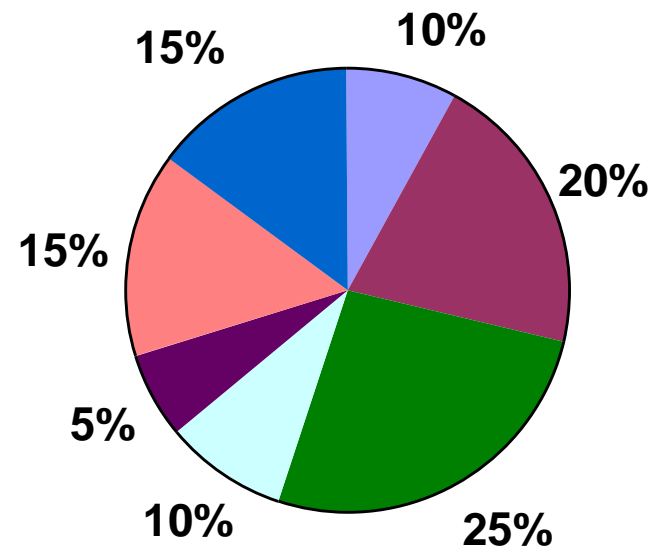
2004F: About \$700 MM

Growth 60% - Maint. 30% - Cost Reduction 10%

Growth CAPEX By Segment



Growth CAPEX By Market



Electronics - 2003 Highlights

- ◆ **China: 46% market share of N2 Market.** Won SMIC bulk gases supply contract for new 300MM wafer fab (Beijing)
- ◆ **Korea: 41% market share of N2 market.** Won Samsung N2 supply at 300MM fab in Hwasung. Won N2, Ar, He, and H2 supply to Samsung's new flat panel display factories in Tangjeong.
- ◆ Completed \$19MM investment project to expand global PVD manufacturing capabilities by 25% for 300mm copper and tantalum targets.
- ◆ Significant progress in development, qualification and commercialization of CMP slurries and polishing materials for 300mm wafer fabs.

Healthcare

(\$MM)

2003 Sales

Global Healthcare \$590

North American Healthcare \$360

U.S. Homecare \$140

 % Respiratory 72%

 % HME 18%

Potential Reimbursement Cuts

Affected Sales (38% government payor) \$48

Potential Reduction 10 - 20%

Potential 2005 Operating Profit Impact \$5 - \$9

Gulf Coast Hydrogen Complex

Fourth Quarter Run Rate (\$MM)

- ◆ 310 miles of pipeline
- ◆ 45 customers
- ◆ Two new 100MMCF steam methane reformers expected to be on-stream mid-2004 to serve BP, Motiva and others.
- ◆ Total volumes to continue to grow through 2007

| | <u>2003 Q4A</u> | <u>Indicative 2004 Q4E</u> |
|--|-----------------|--------------------------------|
| Volume (MMSCF/day) | 250 | 500 |
| Sales | \$ 84 | \$153 |
| NG Pass Thru ¹ | \$ 62 | \$117 |
| Value Added Sales | \$ 22 | \$ 36 |
| Operating Profit | \$8 | \$16 |
| OPM | 10% | 10% |
| EBITDA ² | \$13 | \$24 |
| Invested Capital ³ | \$265 | \$405 |
| <u>EBITDA</u> | 20% | 24% |
| Invested Capital <i>(annualized pretax)</i> | | |

1) Assumes a natural gas price of \$5.00/MMBTU

2) Operating profit plus depreciation

3) Invested Capital equals net PP&E, goodwill and accounts receivable

APPENDIX

After-Tax Return on Capital

Definition of the following non-GAAP measure may not be comparable to similar definitions used by other companies. The Company believes that its after-tax return on invested capital ratio is an appropriate measure for judging performance as it reflects the approximate after-tax profit earned as a percentage of investments by all parties in the business (debt, minority interest, preferred stock, and shareholders' equity).

| | 2003 | | | | | 2002 | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Full Year (b) | Q4(a) | Q3(a) | Q2(b) | Q1 | Full Year | Q4 | Q3(c) | Q2(d) | Q1 |
| TOTAL CAPITAL | | | | | | | | | | |
| Total debt | \$ 2,816 | \$ 2,816 | \$ 2,958 | \$ 2,952 | \$ 2,742 | \$ 2,748 | \$ 2,748 | \$ 2,875 | \$ 3,022 | \$ 3,009 |
| Minority interests | 195 | 195 | 181 | 168 | 160 | 164 | 164 | 152 | 155 | 148 |
| Preferred stock | - | - | - | - | - | - | - | - | 20 | 20 |
| Shareholders' equity | 3,088 | 3,088 | 2,874 | 2,880 | 2,477 | 2,340 | 2,340 | 2,204 | 2,329 | 2,428 |
| Total Capital | <u>\$ 6,099</u> | <u>\$ 6,099</u> | <u>\$ 6,013</u> | <u>\$ 6,000</u> | <u>\$ 5,379</u> | <u>\$ 5,252</u> | <u>\$ 5,252</u> | <u>\$ 5,231</u> | <u>\$ 5,526</u> | <u>\$ 5,605</u> |
| DEBT-TO-CAPITAL RATIO | <u>46.2%</u> | <u>46.2%</u> | <u>49.2%</u> | <u>49.2%</u> | <u>51.0%</u> | <u>52.3%</u> | <u>52.3%</u> | <u>55.0%</u> | <u>54.7%</u> | <u>53.7%</u> |
| AFTER-TAX RETURN ON CAPITAL (ROC) | | | | | | | | | | |
| Operating profit | \$ 922 | \$ 244 | \$ 240 | \$ 223 | \$ 215 | \$ 923 | \$ 227 | \$ 235 | \$ 244 | \$ 217 |
| Less: reported taxes | (174) | (49) | (49) | (35) | (41) | (158) | (40) | (38) | (43) | (37) |
| Less: tax benefit on interest expense | (36) | (9) | (9) | (8) | (10) | (46) | (10) | (14) | (11) | (11) |
| Add: income from equity investments | 12 | 3 | 3 | 3 | 3 | 9 | 3 | 2 | 2 | 2 |
| Net operating profit after-tax (NOPAT) | <u>\$ 724</u> | <u>\$ 189</u> | <u>\$ 185</u> | <u>\$ 183</u> | <u>\$ 167</u> | <u>\$ 728</u> | <u>\$ 180</u> | <u>\$ 185</u> | <u>\$ 192</u> | <u>\$ 171</u> |
| Beginning capital | \$ 5,252 | \$ 6,013 | \$ 6,000 | \$ 5,379 | \$ 5,252 | \$ 5,627 | \$ 5,231 | \$ 5,526 | \$ 5,605 | \$ 5,627 |
| Ending capital | \$ 6,099 | \$ 6,099 | \$ 6,013 | \$ 6,000 | \$ 5,379 | \$ 5,252 | \$ 5,252 | \$ 5,231 | \$ 5,526 | \$ 5,605 |
| Average capital | \$ 5,676 | \$ 6,056 | \$ 6,007 | \$ 5,690 | \$ 5,316 | \$ 5,440 | \$ 5,242 | \$ 5,379 | \$ 5,566 | \$ 5,616 |
| ROC % | 12.8% | 3.1% | 3.1% | 3.2% | 3.1% | 13.4% | 3.4% | 3.4% | 3.4% | 3.0% |
| ROC % (annualized) | <u>12.8%</u> | <u>12.5%</u> | <u>12.3%</u> | <u>12.9%</u> | <u>12.6%</u> | <u>13.4%</u> | <u>13.7%</u> | <u>13.8%</u> | <u>13.8%</u> | <u>12.2%</u> |

(a) ROC for the 2003 third and fourth quarter 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 and FY2003 were reduced by 0.4% on an annualized basis due to the additional debt from the purchase of leased assets.

(c) NOPAT for the third quarter of 2002 included a benefit of \$4 million (0.3% ROC annualized) from the recognition of currency hedge gains related to fourth quarter 2002 earnings.

(d) NOPAT for the second quarter of 2002 included a benefit of \$11 million (0.8% ROC annualized) resulting from a litigation settlement (\$7 million pre-tax) and recognition of currency hedge gains (\$8 million pre-tax) related to anticipated net income in future quarters for Brazil.