



# Banc of America Securities Basic Industries Conference

May 5, 2004



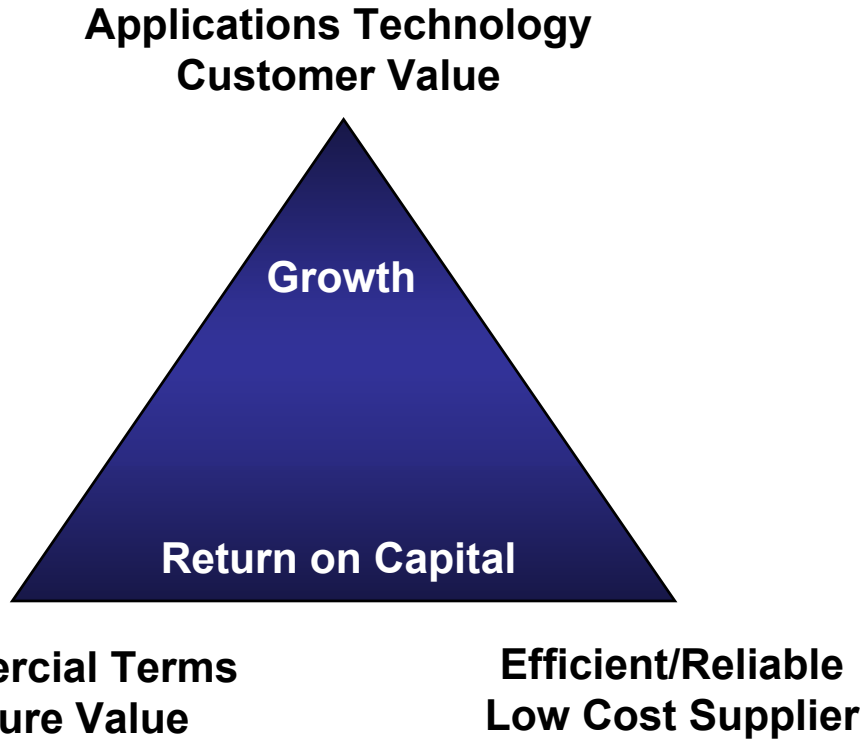
**Ricardo S. Malfitano**  
**Senior Vice President**

[www.praxair.com](http://www.praxair.com)

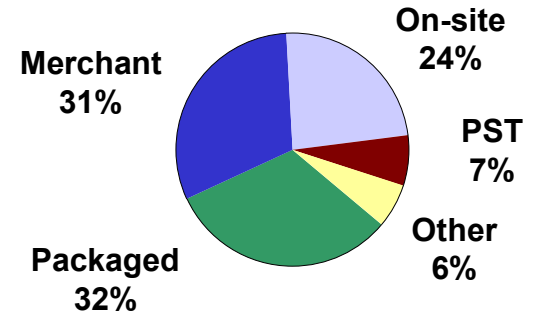
# Forward Looking Statements

**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, 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.**

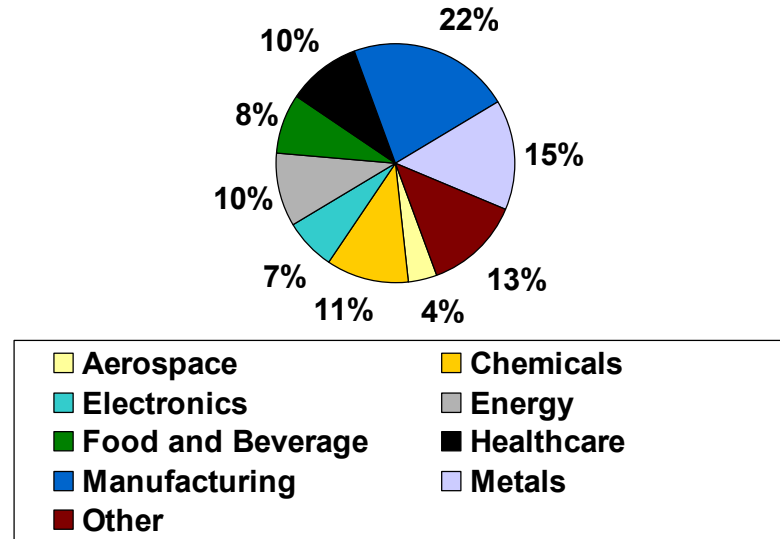
# Operating Model Drives Growth and ROC



**2003 Distribution Method**



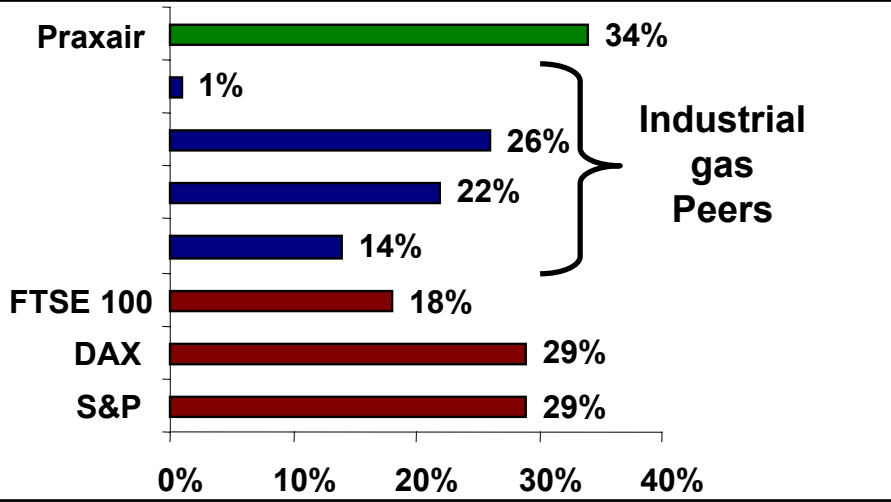
**2003 Markets Served**



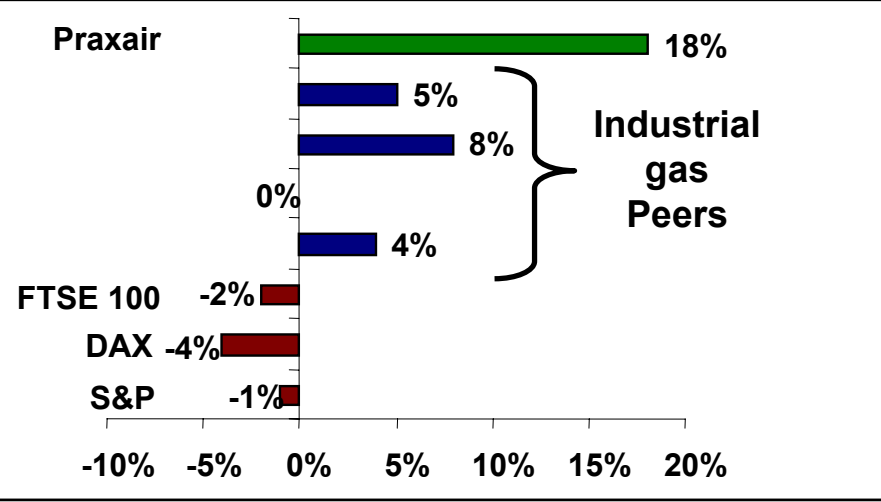
***Growth, productivity, and risk mitigation***

# Praxair Has Outperformed Across All Periods...

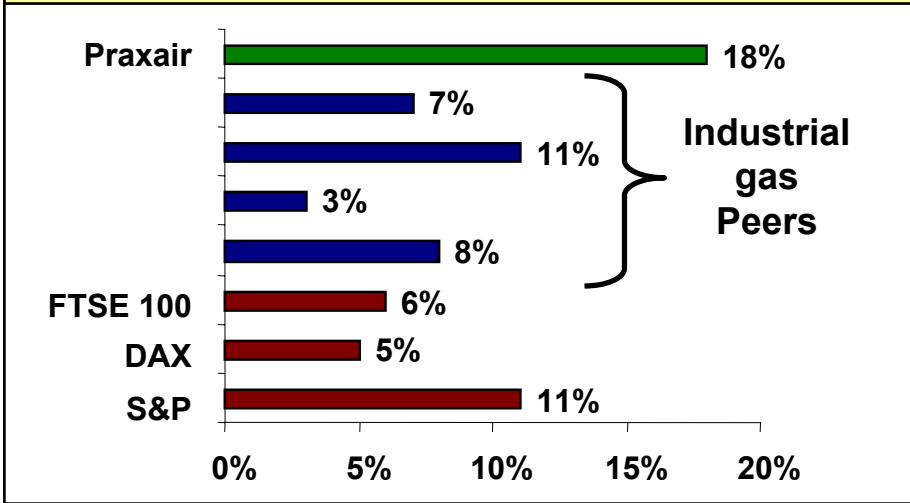
**Annualized TSR\* 1 year**



**Annualized TSR 5 year**



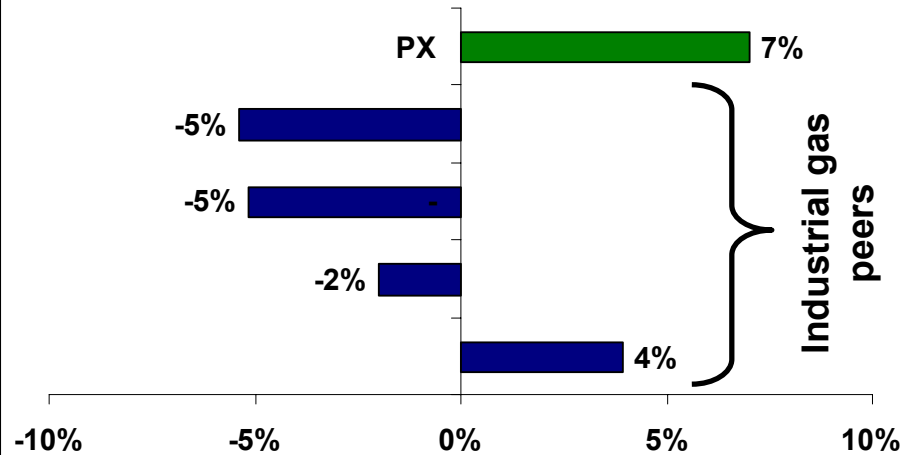
**Annualized TSR 10 year**



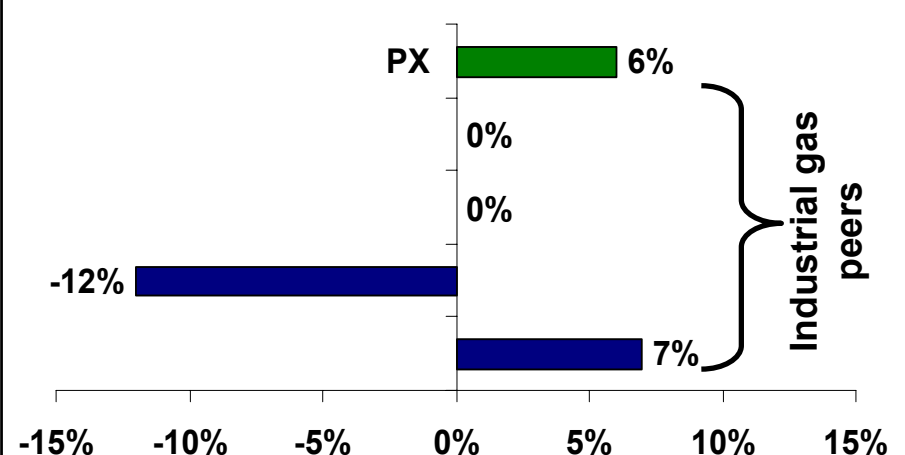
\*TSR (Total Shareholder Return) = Price Appreciation and Dividends  
Source: Bloomberg 12/31/03

# ...Driven By Our Performance In Earnings Growth

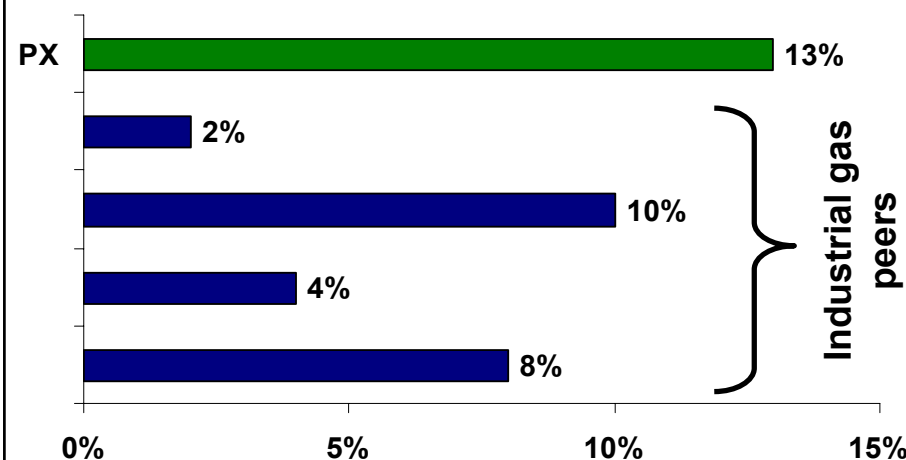
### EPS 1 year



### EPS 5 year CAGR



### EPS 10 year CAGR

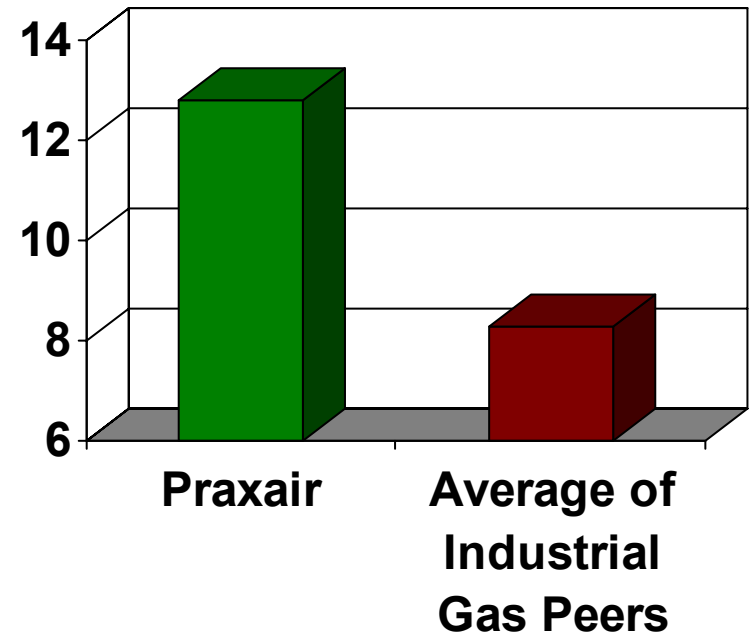


Source: Bloomberg 12/31/03, company reports & consensus estimates - adjusted for identified special items

# Operating Model

- ◆ Focus on 10 core geographies
- ◆ Optimize 5 growing opportunities
  - H<sub>2</sub> / Energy
  - Electronics
  - Healthcare
  - China
  - Application technologies
- ◆ Relentless focus on execution
  - Productivity savings > \$100MM/yr
    - Procurement
    - Global operational excellence
    - Six Sigma
  - Flawless project execution

## 2003 ROC %

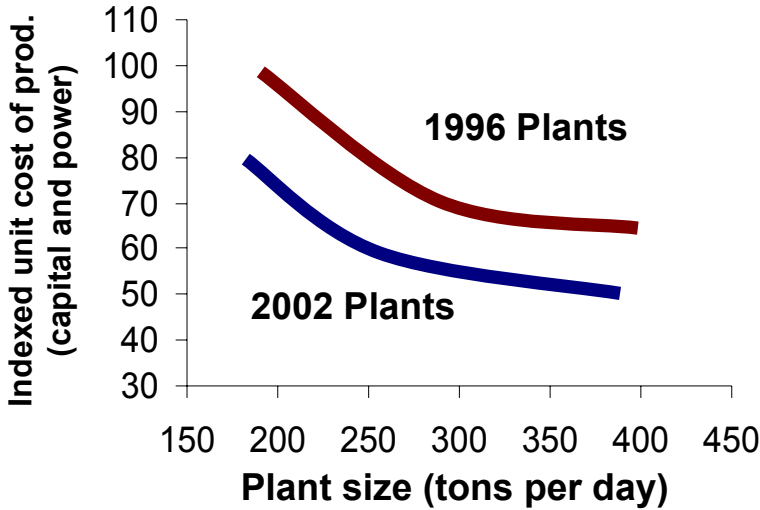


*ROC=Net Operating Profit After Tax/Average Capital*

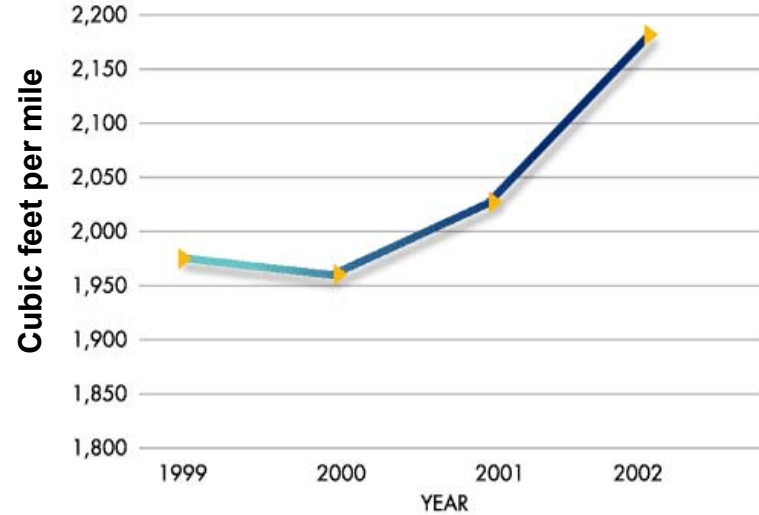
***Return on capital substantially better than peers***

# Operational Performance Metrics

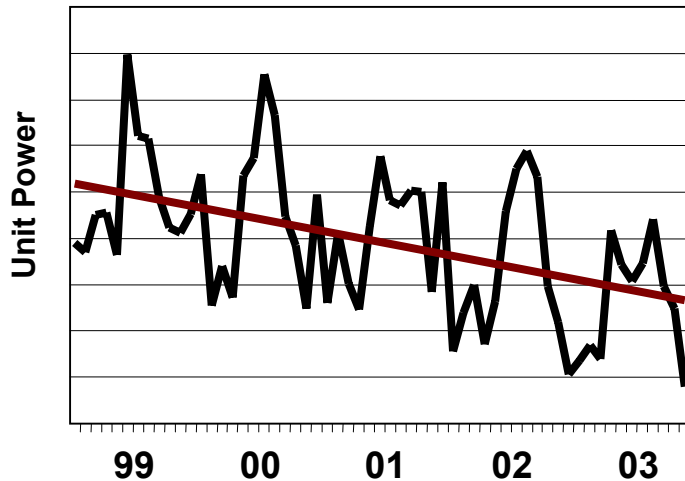
Unit Cost of Production



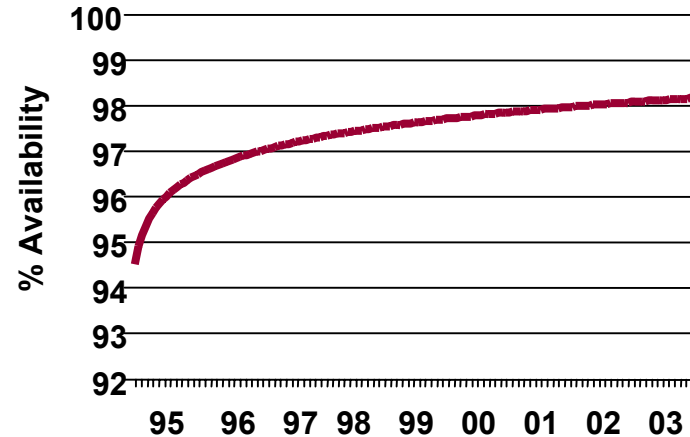
Atmospheric Gases Volume/Trip



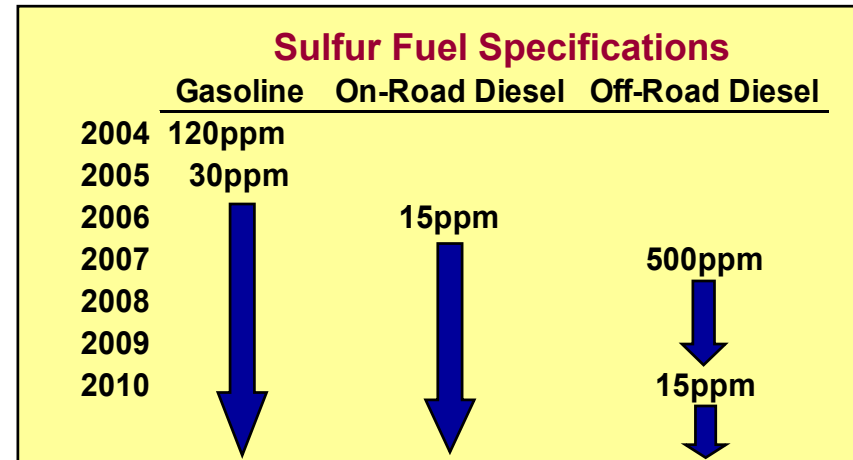
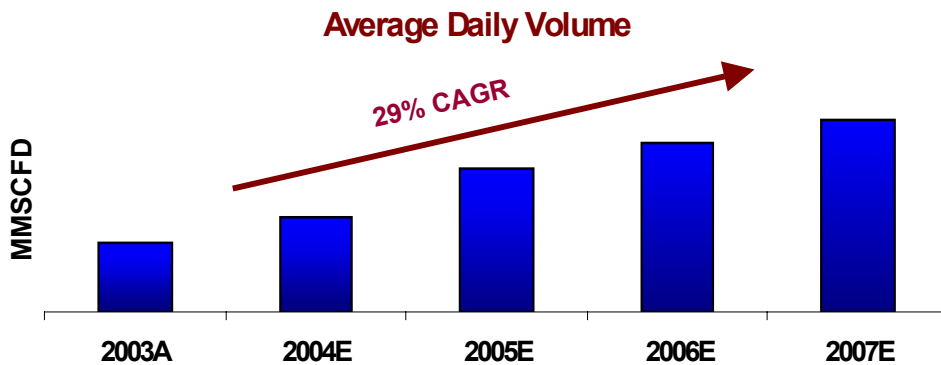
Per Unit Power Consumption



On-stream Reliability



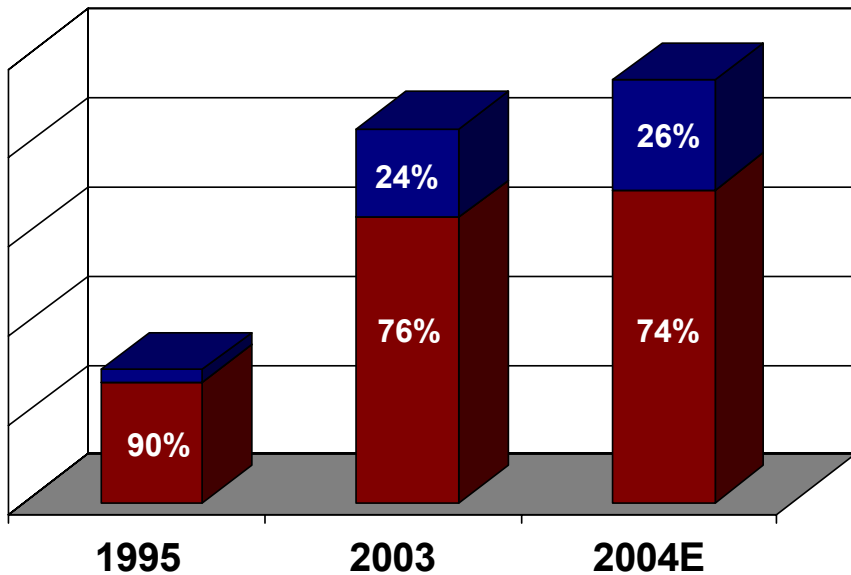
# Best-Positioned For Gulf Coast Refinery Hydrogen





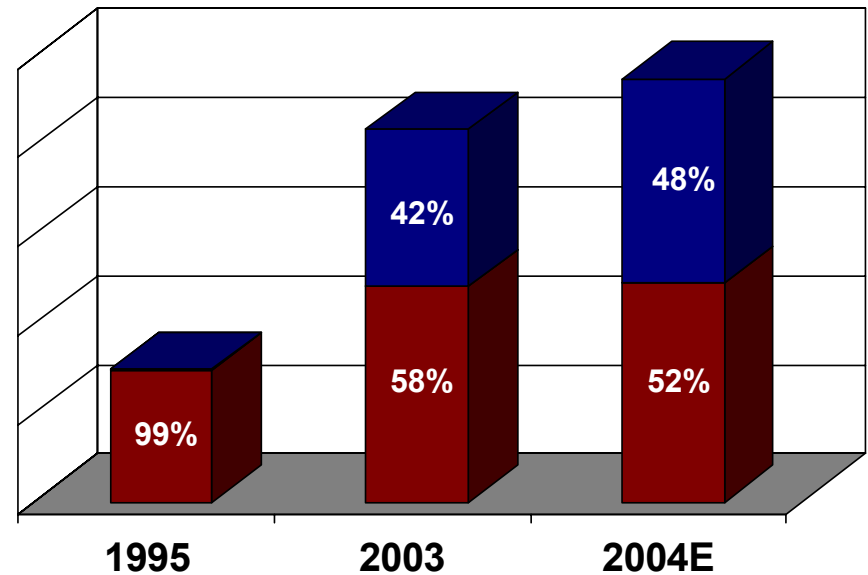
# Global Electronics Sales

By Geography



■ North America/Europe ■ Asia

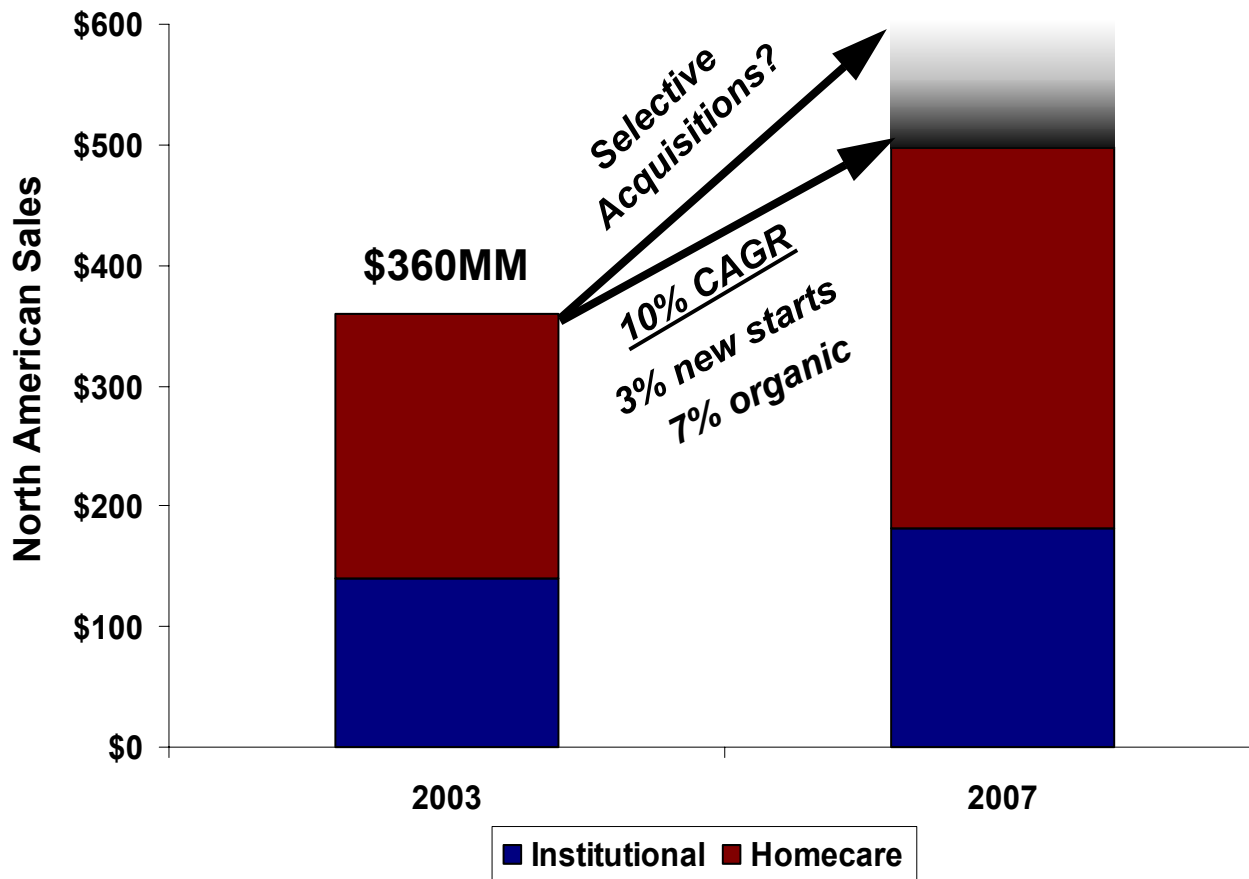
By Product Mix



■ Industrial Gases ■ Materials Science & Services

***Electronics growth from Asia and Material Science & Services***

# Healthcare: Multiple Growth Opportunities



## Expected Growth Rates:

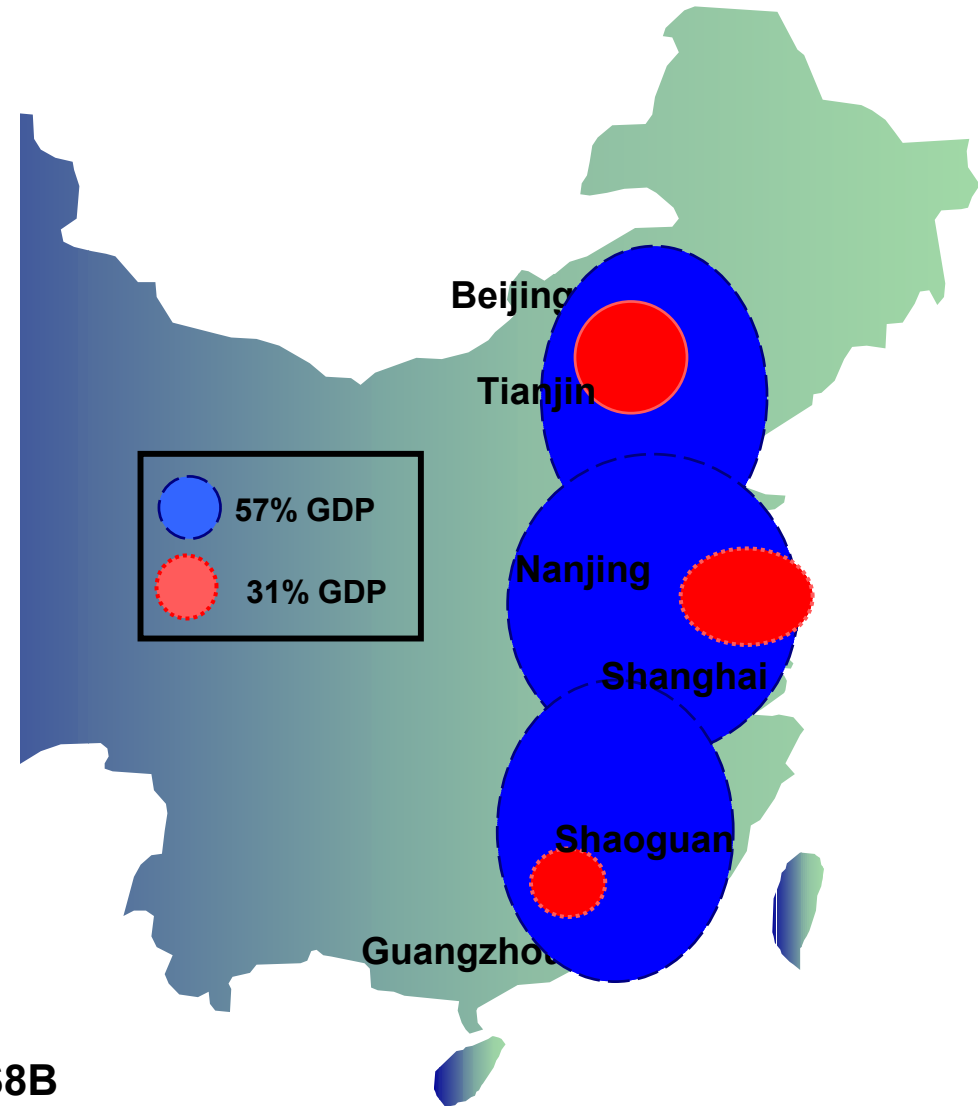
<b>Organic Growth</b>	<b>7%</b>
• Institutional	
• Homecare	
<b>New Starts</b>	<b>3%</b>
<b>Acquisitions</b>	<b>0-20%</b>
<b>Total</b>	<b>10% +</b>

## Acquisition Discipline

- ◆ High % respiratory
- ◆ Geographic overlap
- ◆ Valuation inclusive of rate cuts

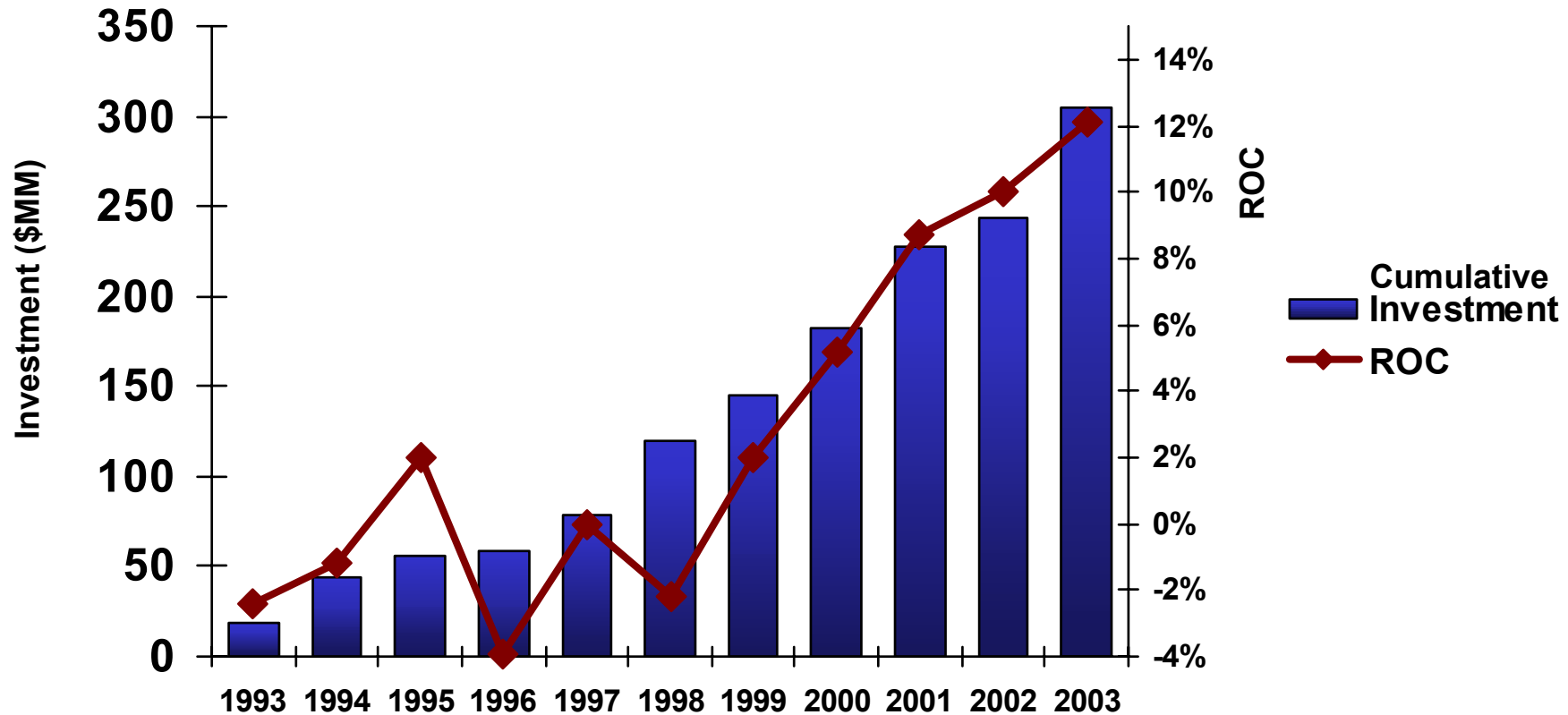
# Praxair China Strategy

- ◆ Focus on 3 key corridors
- ◆ Leading position in steel
  - ◆ Baosteel
  - ◆ Shaoguan
  - ◆ Meishan
- ◆ Leading position in semi-conductors
  - ◆ 46% of contracted N2
  - ◆ Shanghai - SMIC & Tailong
  - ◆ Beijing - SMIC 300mm wafer fab
- ◆ Developing petrochemical enclaves
  - ◆ Shell Nanhai Complex
    - Shell & CNOOC \$4.3B
    - O2, N2 & Ar supply
  - ◆ Caojing petrochemical park
    - 50/50 JV with Air Liquide
    - BP, BAYER, BASF & SINOPEC \$8B
    - O2, N2 & H2 supply



# China - Profitable Growth

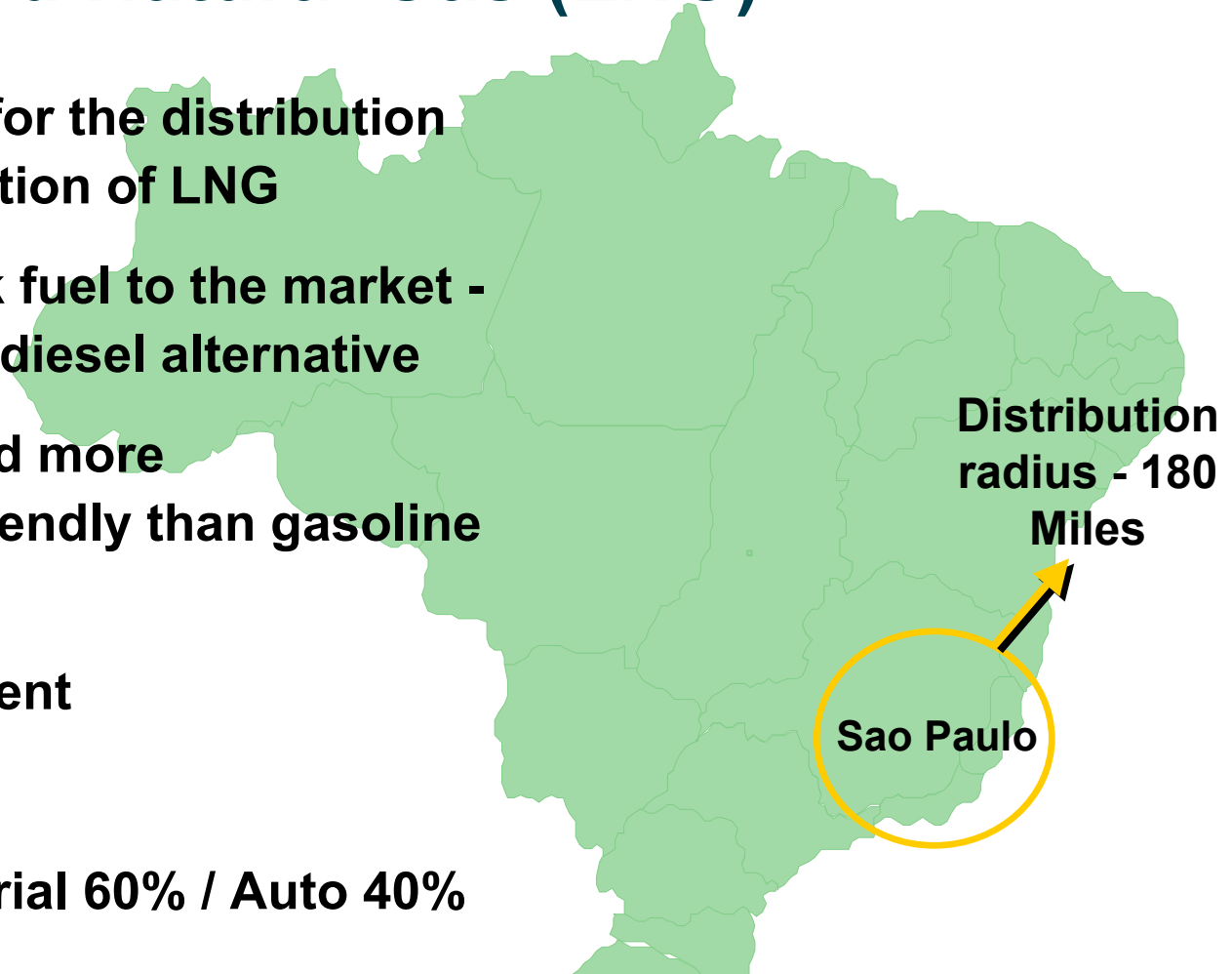
## Investment and Return on Major Projects



***Improving return on capital***

# Brazil - Liquefied Natural Gas (LNG)

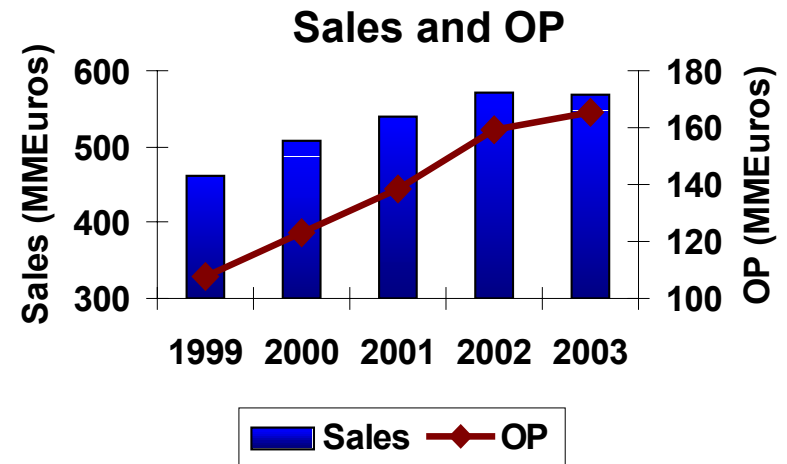
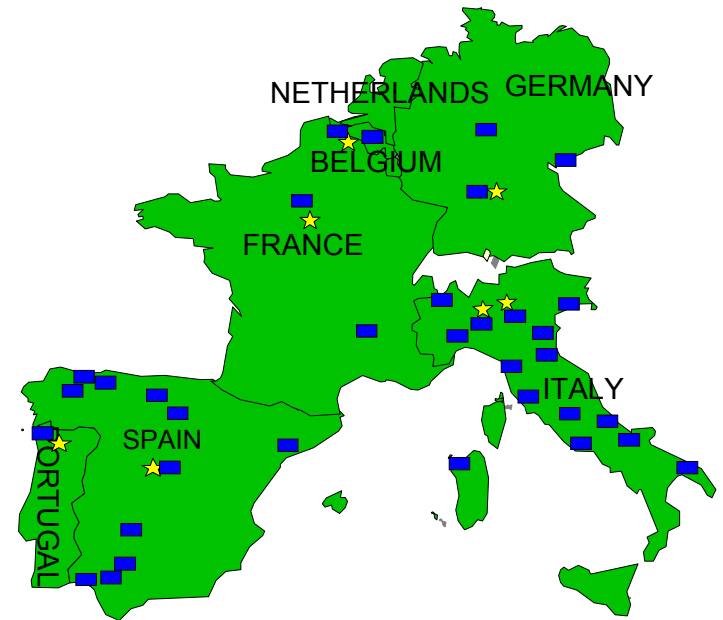
- ◆ JV with Petrobras for the distribution and commercialization of LNG
- ◆ Introduce new bulk fuel to the market - gasoline, LPG and diesel alternative
- ◆ Less expensive and more environmentally friendly than gasoline or diesel
- ◆ \$38MM JV investment
- ◆ Q4 2005 start-up
- ◆ Customers: Industrial 60% / Auto 40%



***New capital investment protected from currency devaluation - six contracts indexed to U.S. dollars***

# Praxair Europe

- ◆ 2003 sales \$700MM
- ◆ More than 100,000 customers
- ◆ 3 key pipeline enclaves
  - ◆ Asturias
  - ◆ Ravenna
  - ◆ Antwerp
- ◆ 4 specialty gas plants
- ◆ 28 air separation plants
- ◆ Over 1.2 million gas cylinders
- ◆ 1900 employees



***Strong market position in the fast growing Southern Europe region***

## What we are **NOT** doing

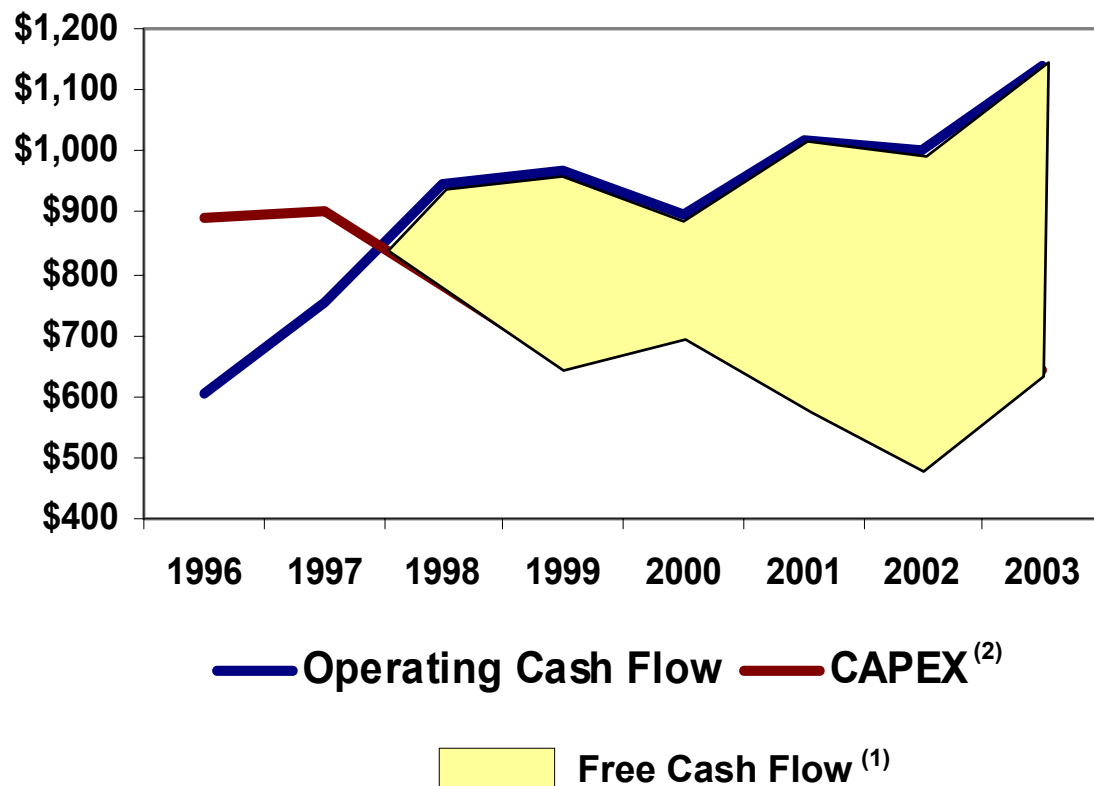
- ◆ Dilutive acquisitions
- ◆ Projects at or near our cost of capital
- ◆ Spending CAPEX ahead of demand
- ◆ Project financing
- ◆ “One-off” plant sales

*A highly disciplined approach that mitigates risk*

# Robust Free Cash Flow Generation

- ◆ **Operating cash flow**  
**11% CAGR**
- ◆ **Capital spending discipline - increased hurdle rates**
- ◆ **Uses of free cash flow**
  - Dividends
  - Debt reduction
  - Selective acquisitions
  - Share repurchases

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



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

(2) Excludes Leased Asset Purchase in 2003



# Principles of Sustainability

## ***Governance and Integrity***

Foster a culture of integrity and accountability throughout the company through rigorous compliance with all laws, and by establishing and following effective corporate governance practices.

## ***Customer Commitment***

Continuously develop new products and applications that help our customers improve their productivity, energy efficiency and environmental performance. Provide the highest levels of service, reliability and quality to our customers.

## ***Environmental Responsibility***

Continue to improve the efficiency of energy consumption. Reduce the intensity<sup>1</sup> of air emissions, including greenhouse gases.

## ***Employee Safety and Development***

Maintain a safe work environment with a goal of zero accidents. Provide training and career opportunities that allow employees to develop to their fullest potential. Increase the diversity of our workforce so that it is more representative of the communities in which we operate.

## ***Community Support***

Help to improve the welfare and future of the communities in which we operate by sharing our knowledge, expertise and resources related to environmental protection, and community health, safety and security.

## ***Financial Performance***

Continuously improve our financial performance and provide attractive returns to our shareholders. Generate operating cash flow to reinvest in business growth and pay dividends.

<sup>1</sup>Intensity is per-unit-of-production measure