



Merrill Lynch Chemicals Conference

March 31, 2004



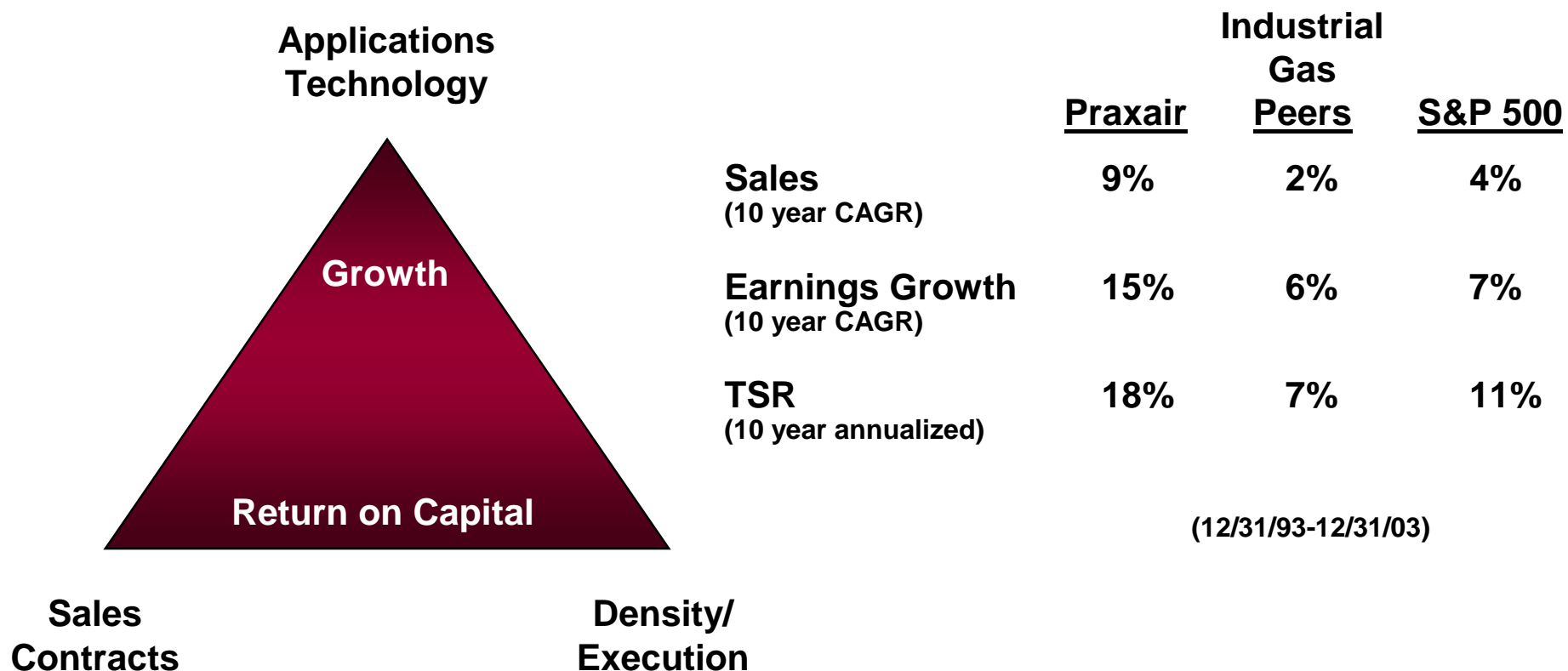
James S. Sawyer
Senior Vice President and Chief Financial Officer

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

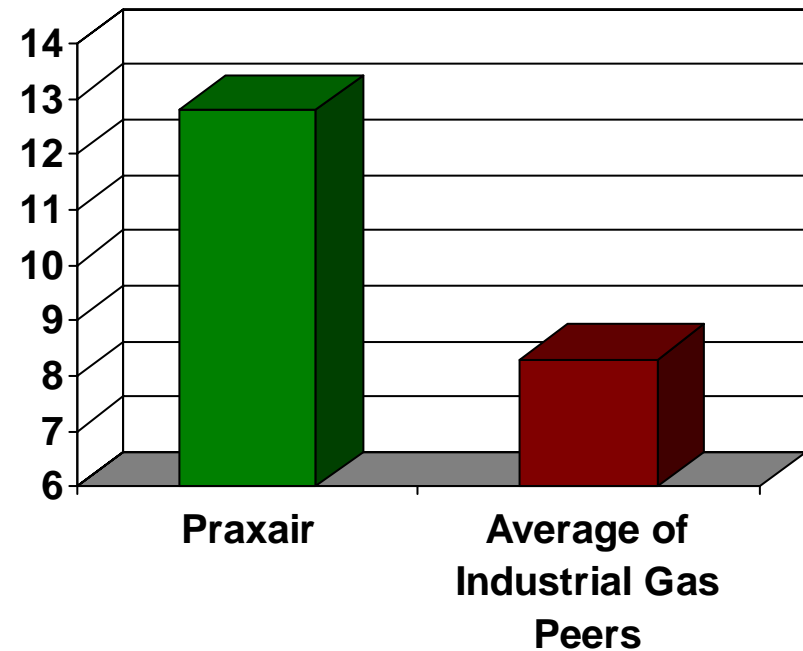


Positioned for profitable and sustainable growth

Return on Capital

- ◆ Focus on 10 core geographies
- ◆ Customer contracting strategy
 - Onsite 24%
 - Bulk 31%
 - Packaged 32%
- ◆ Relentless focus on execution
 - Productivity savings > \$100MM/yr
 - Six Sigma
 - Operational excellence

2003 ROC %



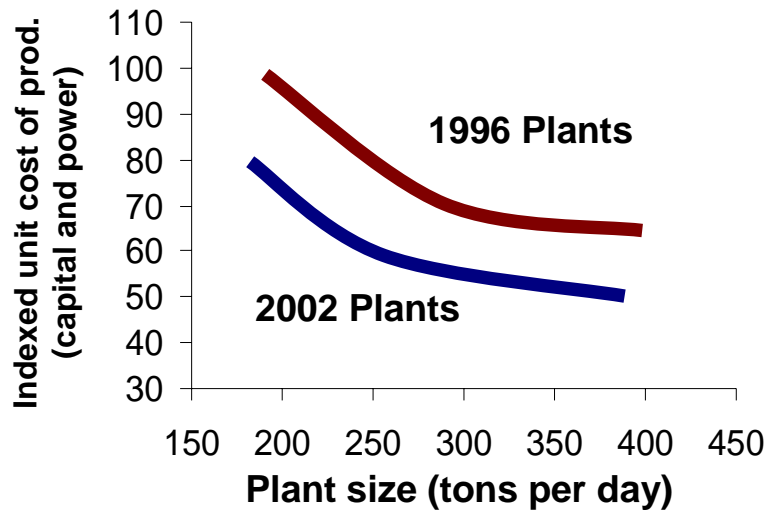
ROC=Net Operating Profit After Tax/Average Capital

Return on capital substantially better than peers

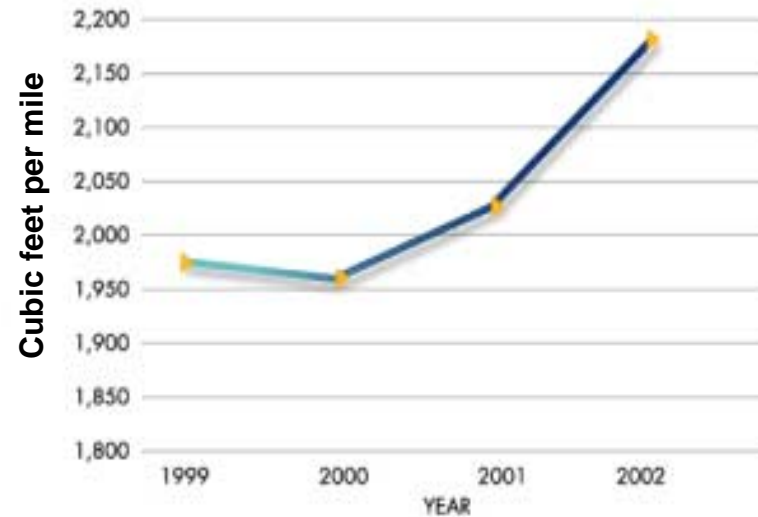
Source: Bloomberg and company reports

Operational Performance Metrics

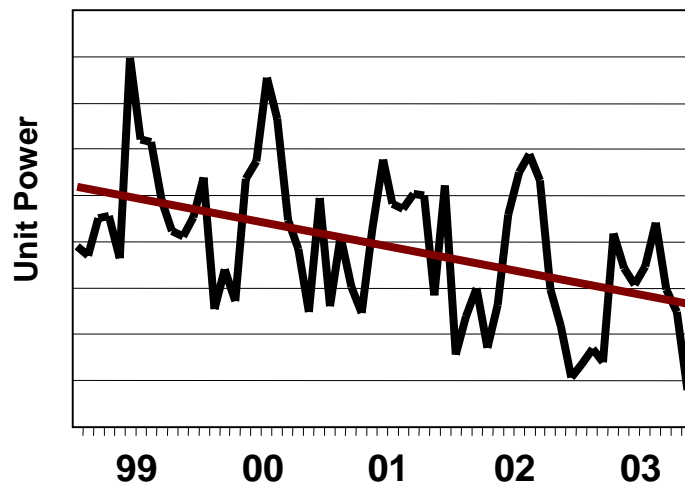
Unit Cost of Production



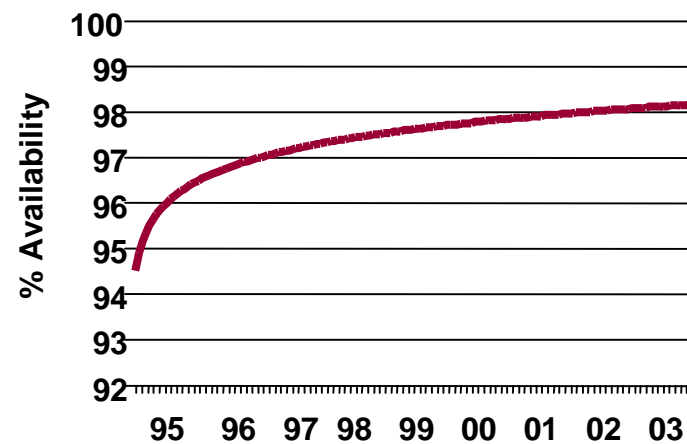
Atmospheric Gases Volume/Trip



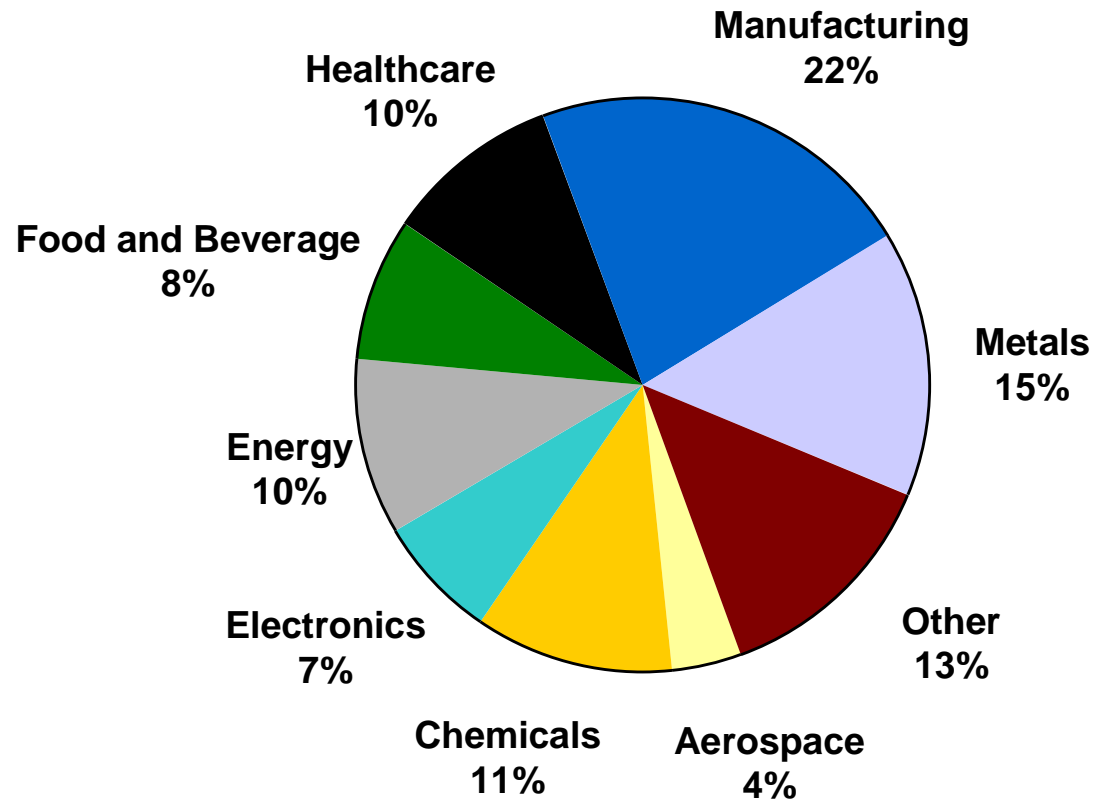
Per Unit Power Consumption



On-stream Reliability



2003 Praxair End Markets



Applications Technology

Productivity
 Cycle Time
 Yield

Energy
 Oxyfuel Combustion
 Hydrogen

Environmental
 Air Quality
 Water Treatment

Gas consumption intensity continues to grow

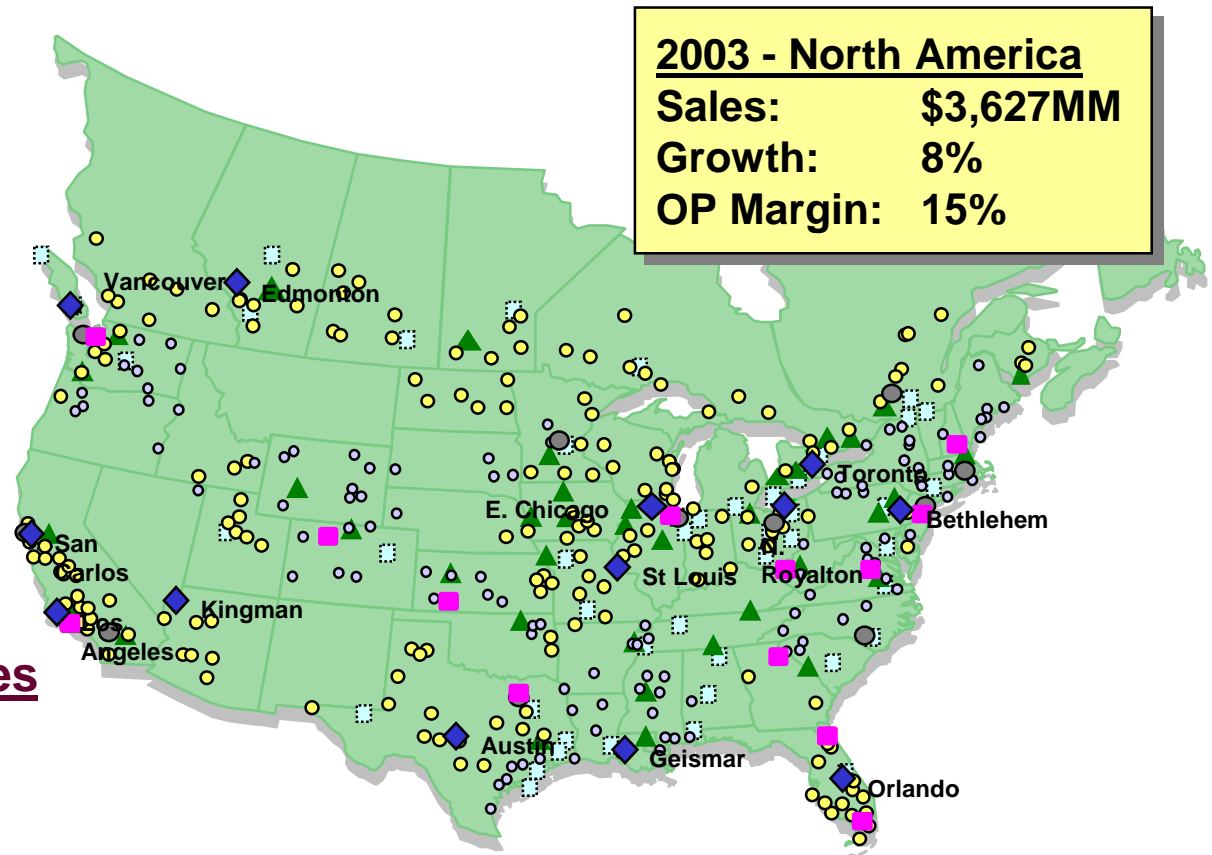
Unrivalled North American Network

Onsite and Bulk Gases

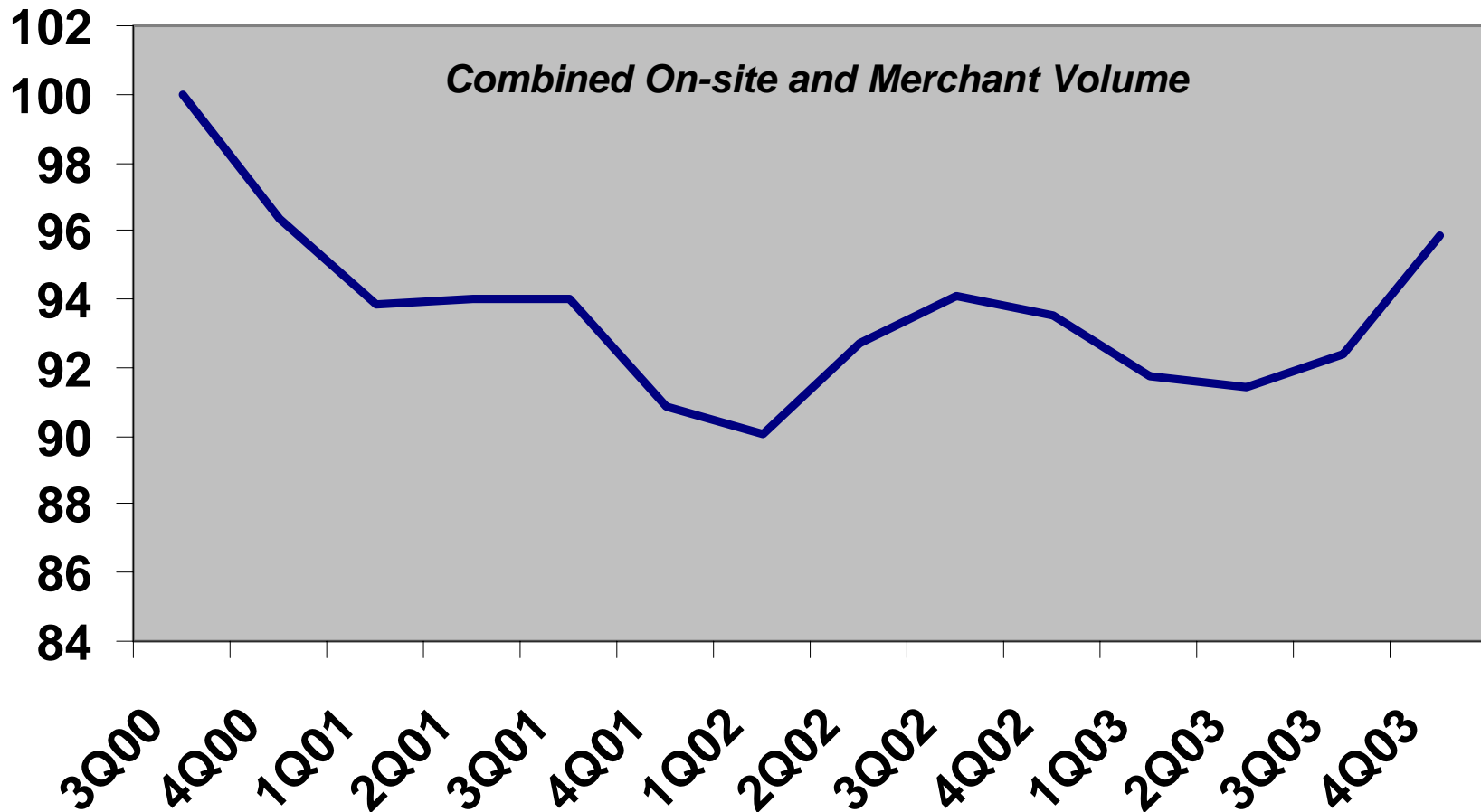
- ◆ 300 production plants
- ◆ 8000 customer locations
- ◆ 1500 distribution vehicles
- ◆ 11 pipeline enclaves

Packaged and Specialty Gases

- ◆ 400 branches
- ◆ >300,000 customers
- ◆ 280 independent distributors

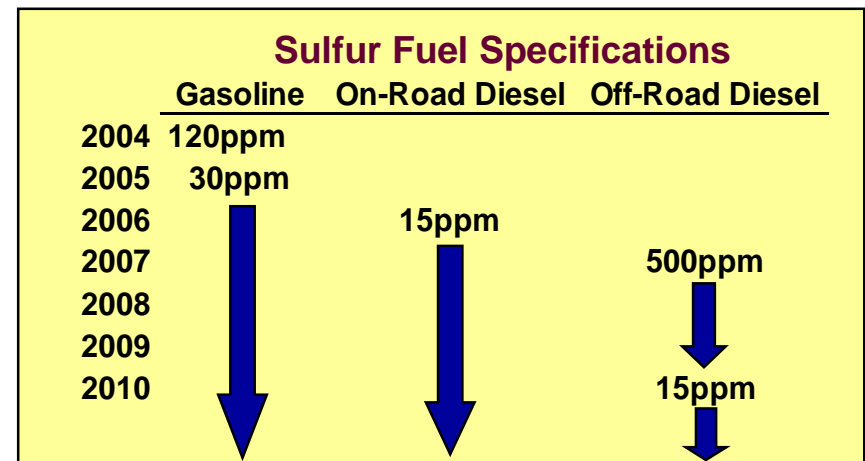
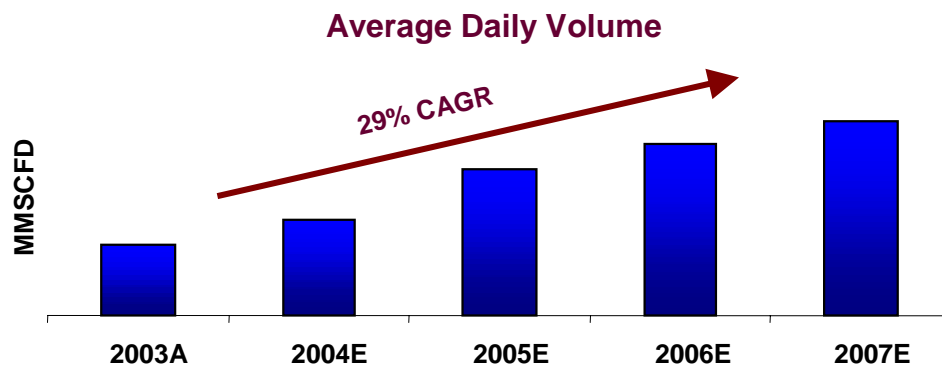
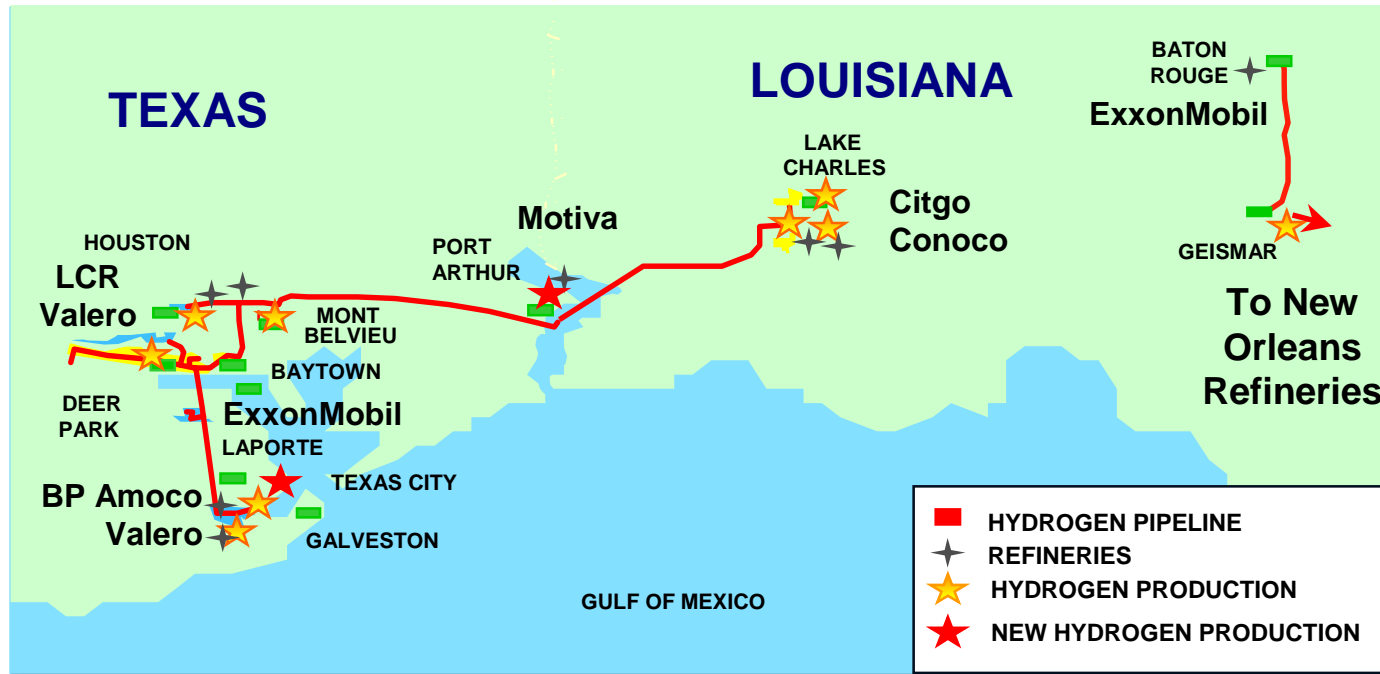


North American Indexed Industrial Gas Volume



Praxair has substantial operating leverage to improving U.S. manufacturing conditions

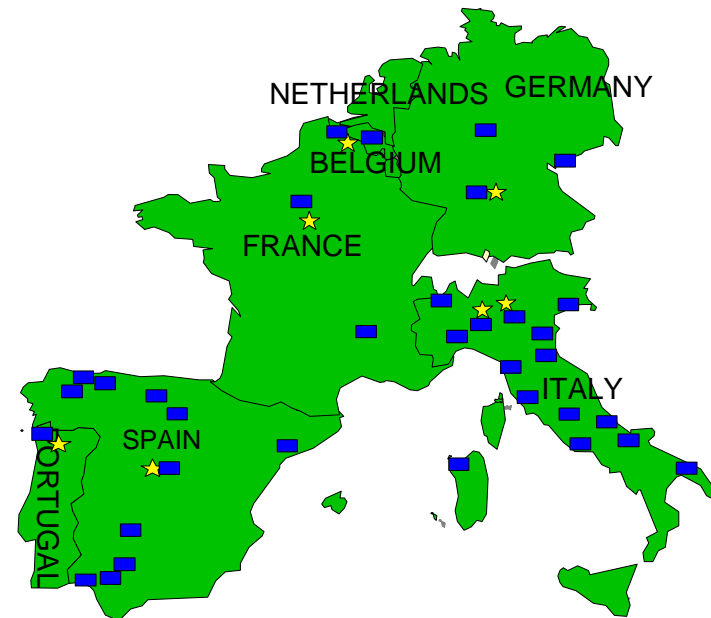
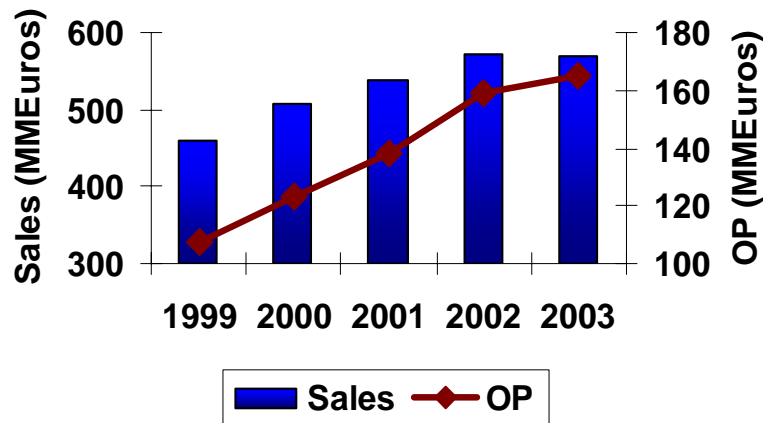
Refinery Hydrogen Pipeline System



Praxair Europe

- ◆ 28 air separation plants
- ◆ 4 specialty gas plants
- ◆ 3 key pipeline enclaves
- ◆ More than 100,000 customers

2003 - Europe	
Sales:	\$699MM
Growth:	19%
OP Margin:	24%



Strong market position in the fast growing Southern Europe region

South America

2003 - South America	
Sales:	\$708MM
Growth:	12%
OP Margin:	16%

South America

- ◆ #1 position
- ◆ Export industries very competitive
- ◆ Domestic recovery beginning
- ◆ New contracts indexed to US\$

LNG Distribution

- ◆ Brazil has insufficient oil and excess natural gas
- ◆ Natural gas consumption constrained by lack of distribution infrastructure
- ◆ Joint venture with Petrobras to liquefy and distribute LNG
 - 60% Industrial
 - 40% Auto

Praxair China Strategy

- ◆ **Leading position in steel**
 - Baosteel
 - Shaoguan
 - Meishan

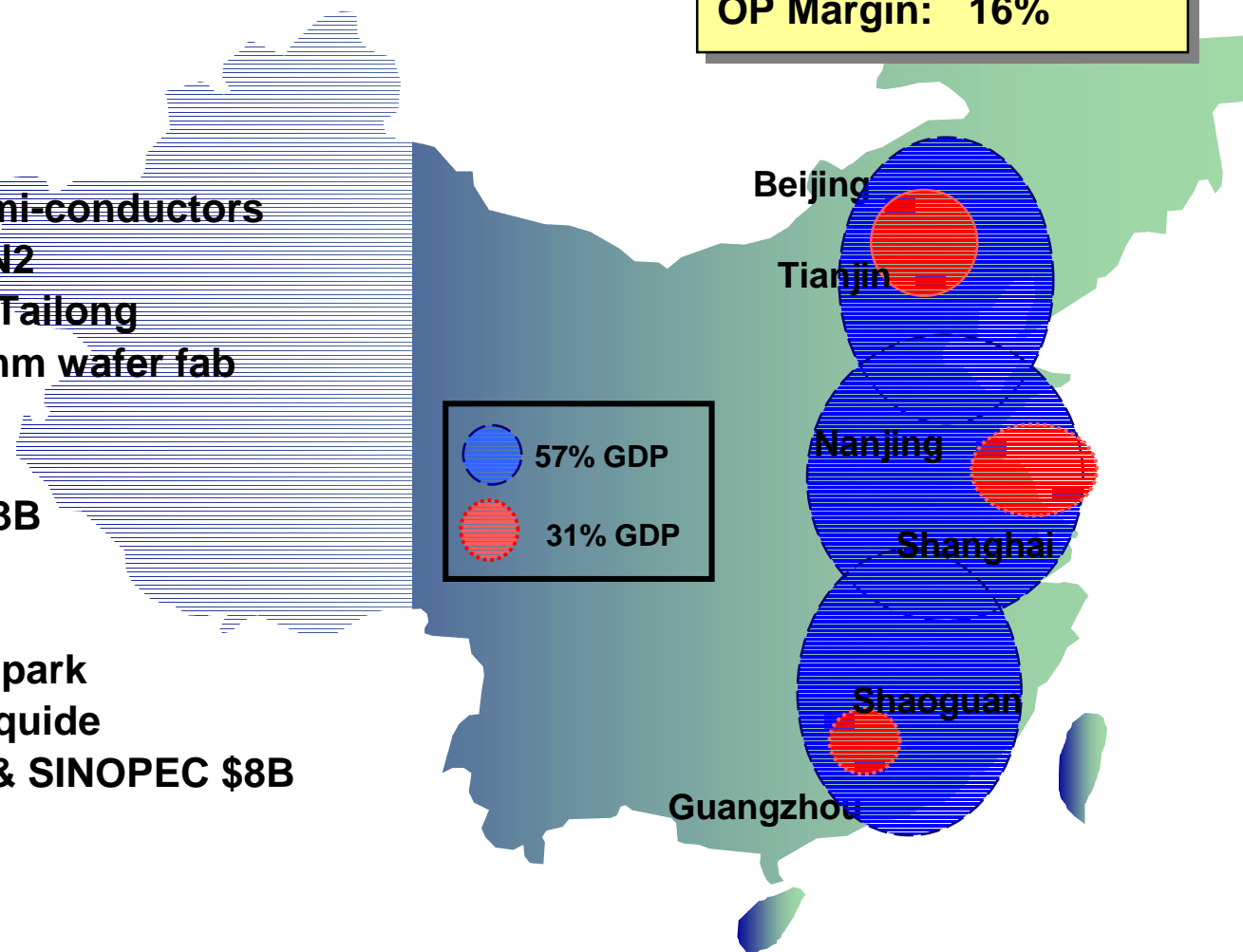
- ◆ **Leading position in semi-conductors**
 - 46% of contracted N₂
 - Shanghai - SMIC & Tailong
 - Beijing - SMIC 300mm wafer fab

- ◆ **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

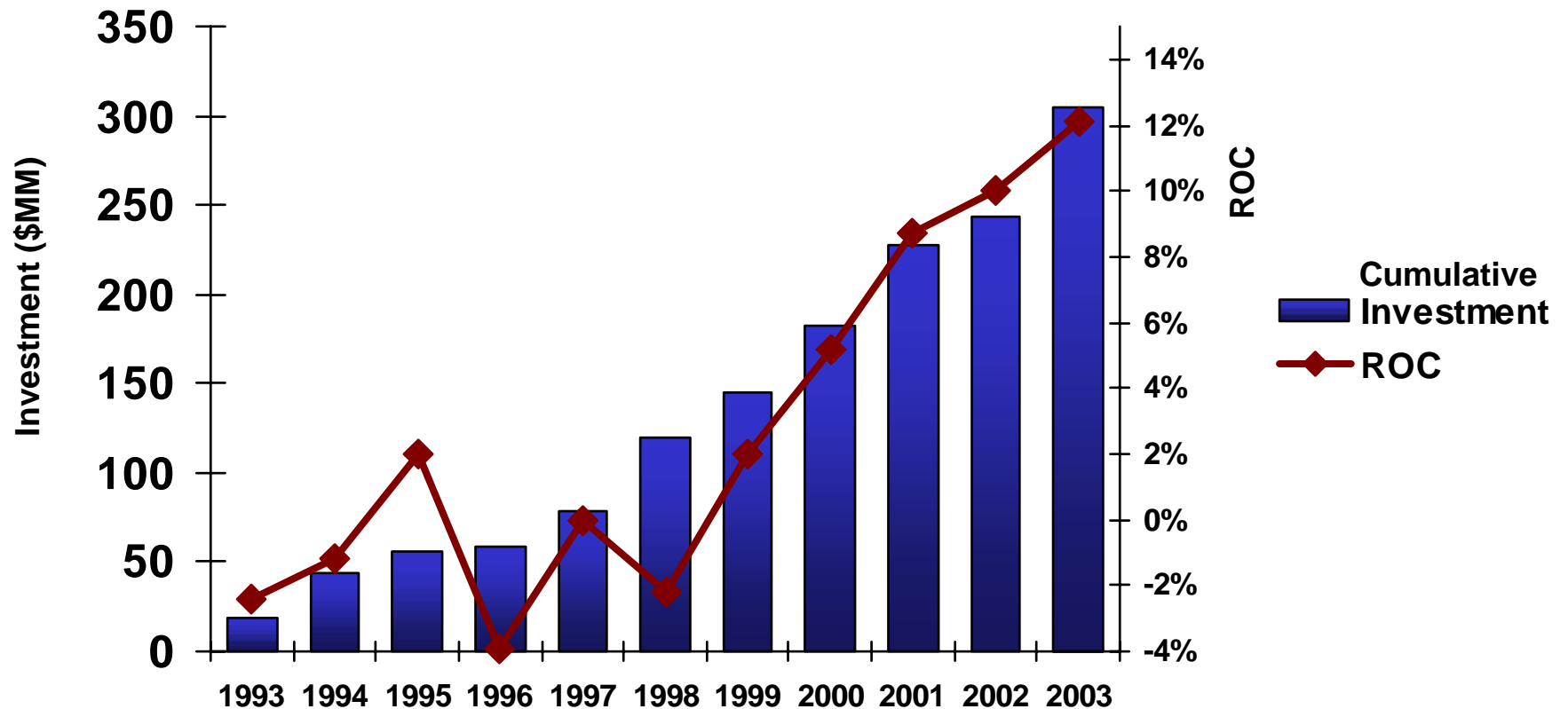
2003 - Asia

Sales:	\$389MM
Growth:	20%
OP Margin:	16%



China - Profitable Growth

Investment and Return on Major Projects



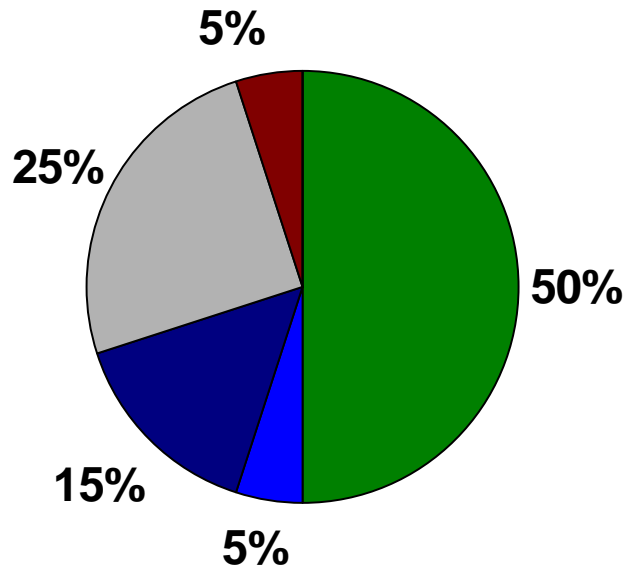
Improving return on capital

Capital Investment

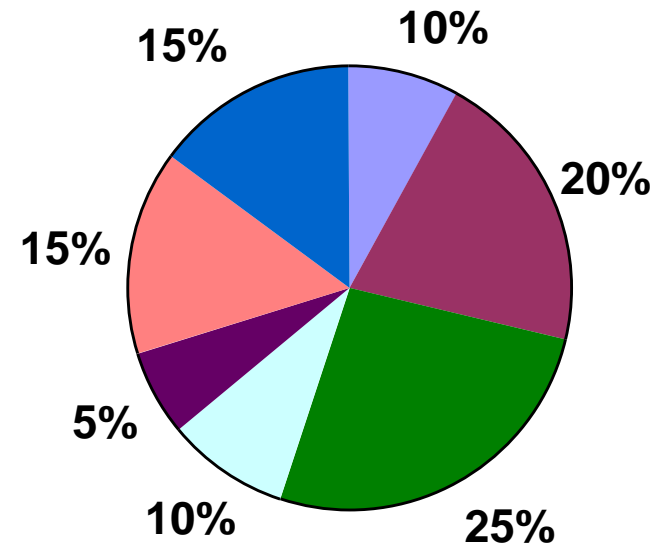
2004F: About \$700 MM

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

Growth CAPEX by Segment



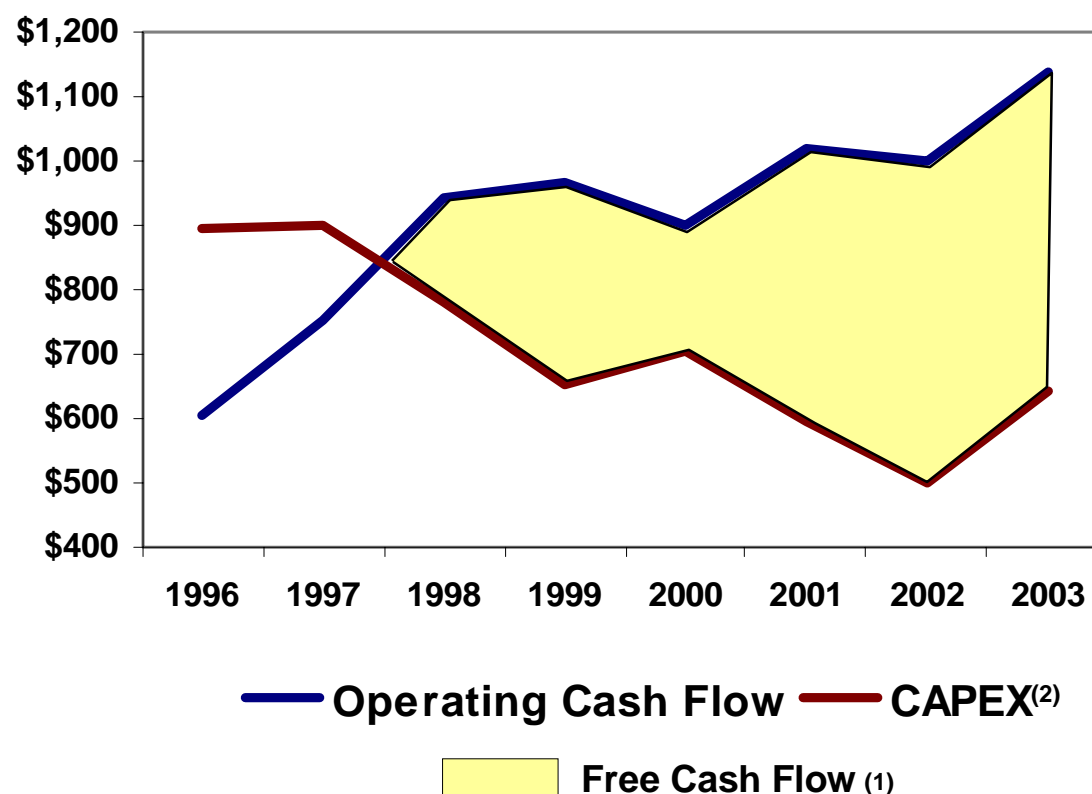
Growth CAPEX by Market



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

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

Leader in Corporate Governance

- ◆ *2/9/04 - For the second time, Praxair has received the highest rating from GovernanceMetrics International. Only 22 companies out of 2,100 received this rating*
- ◆ **9/4/03 - Praxair was selected as an index component of the Dow Jones Sustainability World Index**
- ◆ **Praxair ranked in the 94th percentile of S&P 500 by Institutional Shareholder Services**
- ◆ **9 of 10 independent directors. All members of audit, compensation, governance and nominating committees are independent**
- ◆ **Quarterly meetings of non-management directors**
- ◆ **Rotation of board committee members and chairpersons every 3 - 5 years**

Exceeding the requirements of Sarbanes-Oxley and NYSE