



MORGAN STANLEY BASIC MATERIALS CONFERENCE

February 25, 2004



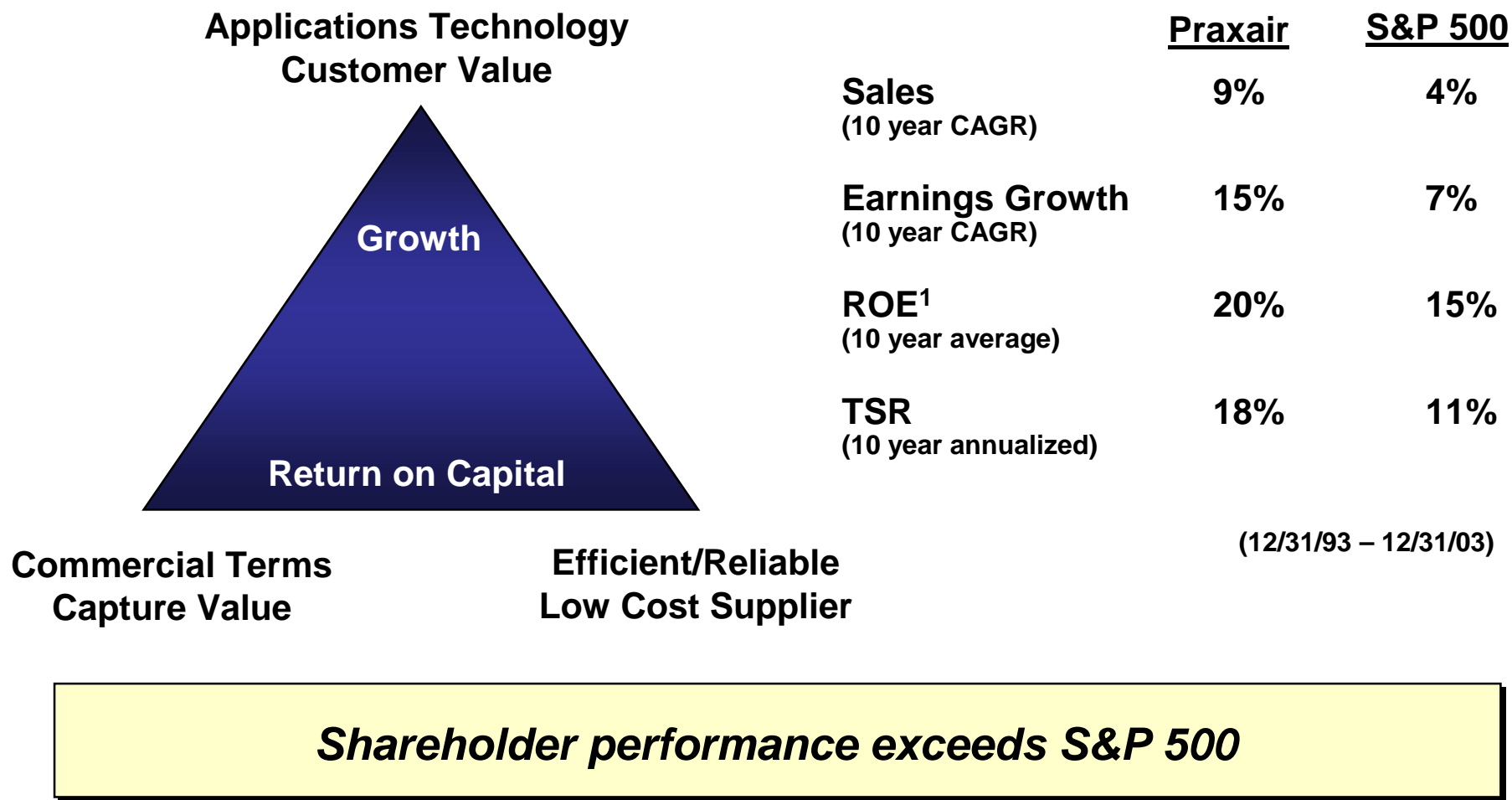
James S. Sawyer
Senior Vice President and Chief Financial Officer

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.

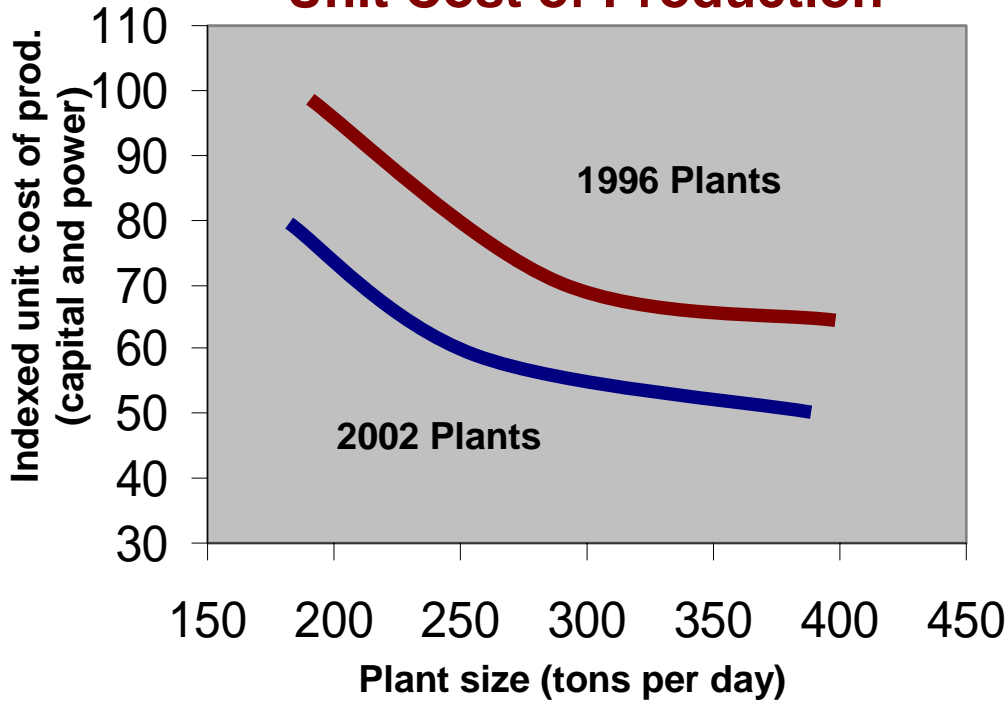
Operating Model Drives Growth and ROC



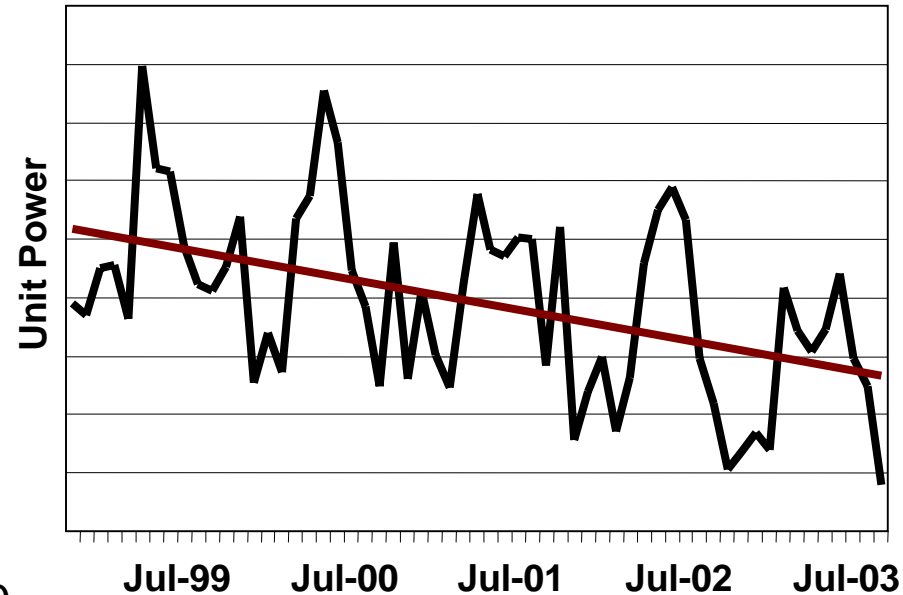
1. ROE = Net income before accounting changes/Shareholders Equity

Standardizing Plant Design and Driving Energy Efficiency

Unit Cost of Production



Merchant - North America



Unit cost of production has fallen 15-20%

Continuous improvement in energy efficiency

Commercial Terms Drive ROC

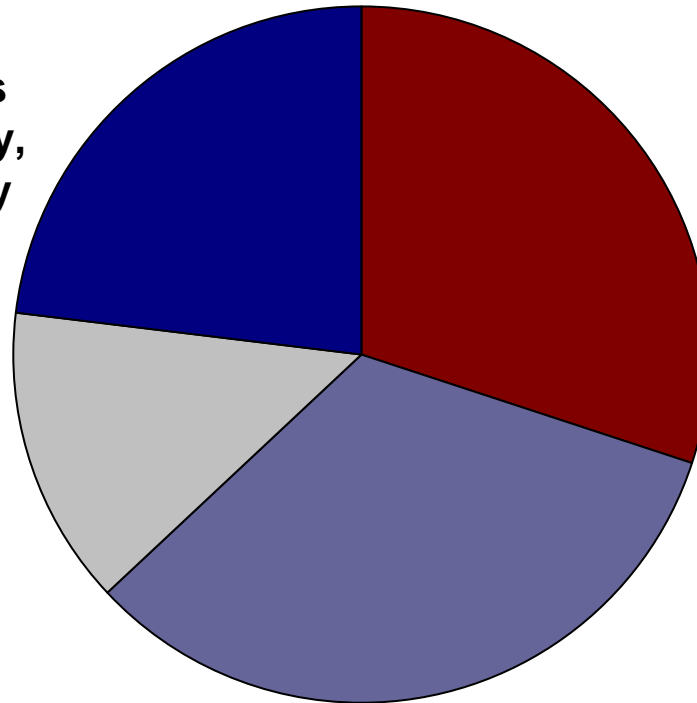
Sales by Distribution Method

On-Site 23%

- ◆ Take or pay contracts
- ◆ Escalation for: energy, inflation and currency

Merchant 30%

- ◆ Requirements contracts
- ◆ Switching costs



Other 14%

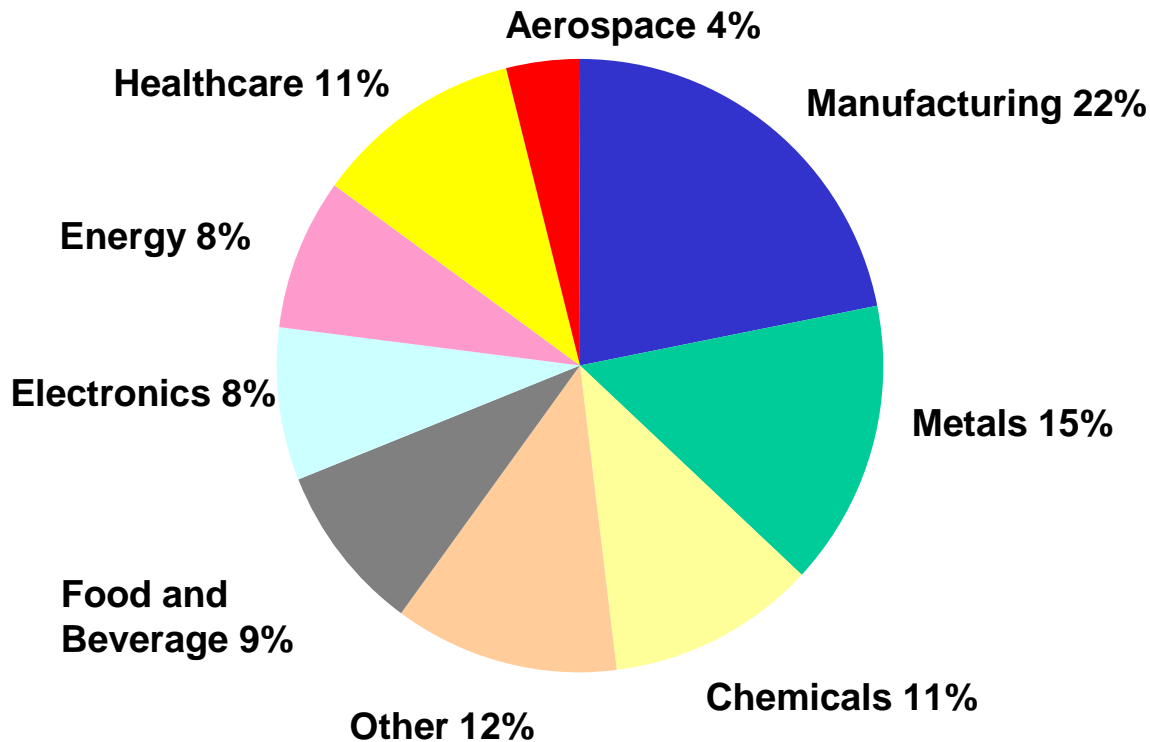
Packaged Gases 33%

- ◆ Annual contracts
- ◆ Cylinder rentals
- ◆ Service level

Price is a fraction of customer value and terms capture above average ROC

Applications Technology Drives Growth

Praxair End Markets

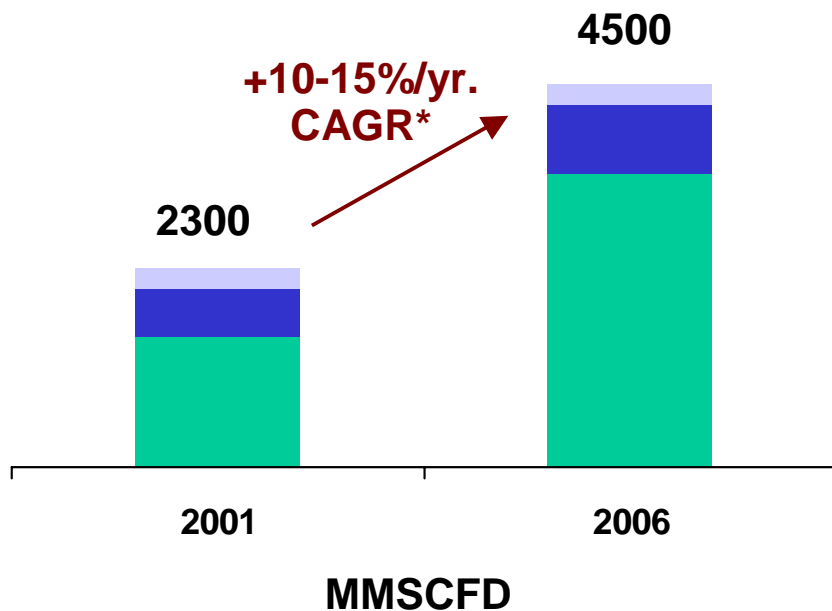


Productivity
 Cycle Time
 Yield

Energy
 Oxyfuel Combustion
 Hydrogen

Environmental
 Air Quality
 Water Treatment

Global Hydrogen Demand is Expected to Grow 10-15%



Refining Growth

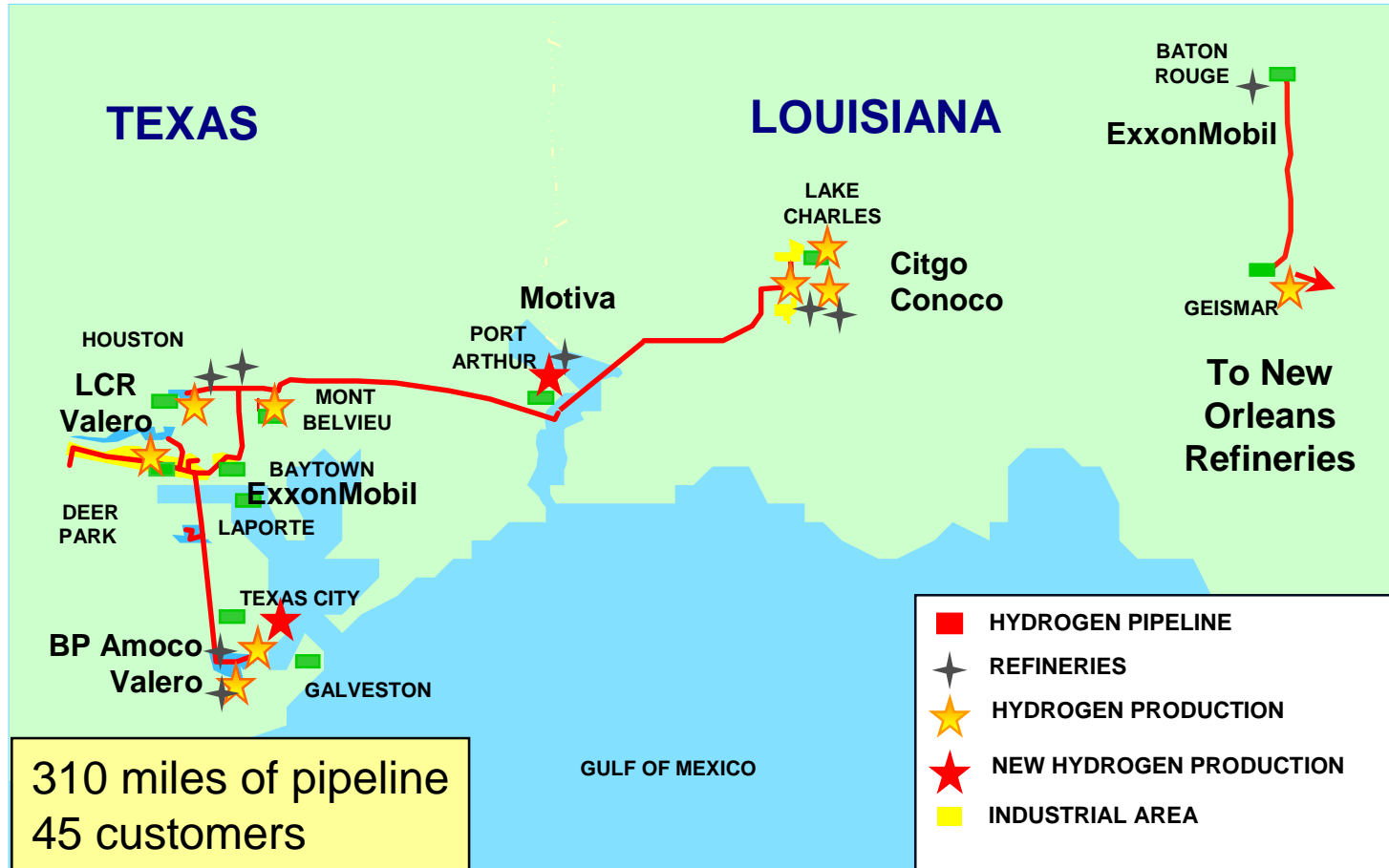
- ◆ Heavy/Sour Crudes
- ◆ Refinery Operations & Conversion Capacity
- ◆ Environmental Regulations for Gasoline & Diesel
- ◆ Outsourcing Production

Fuel Grade Specifications

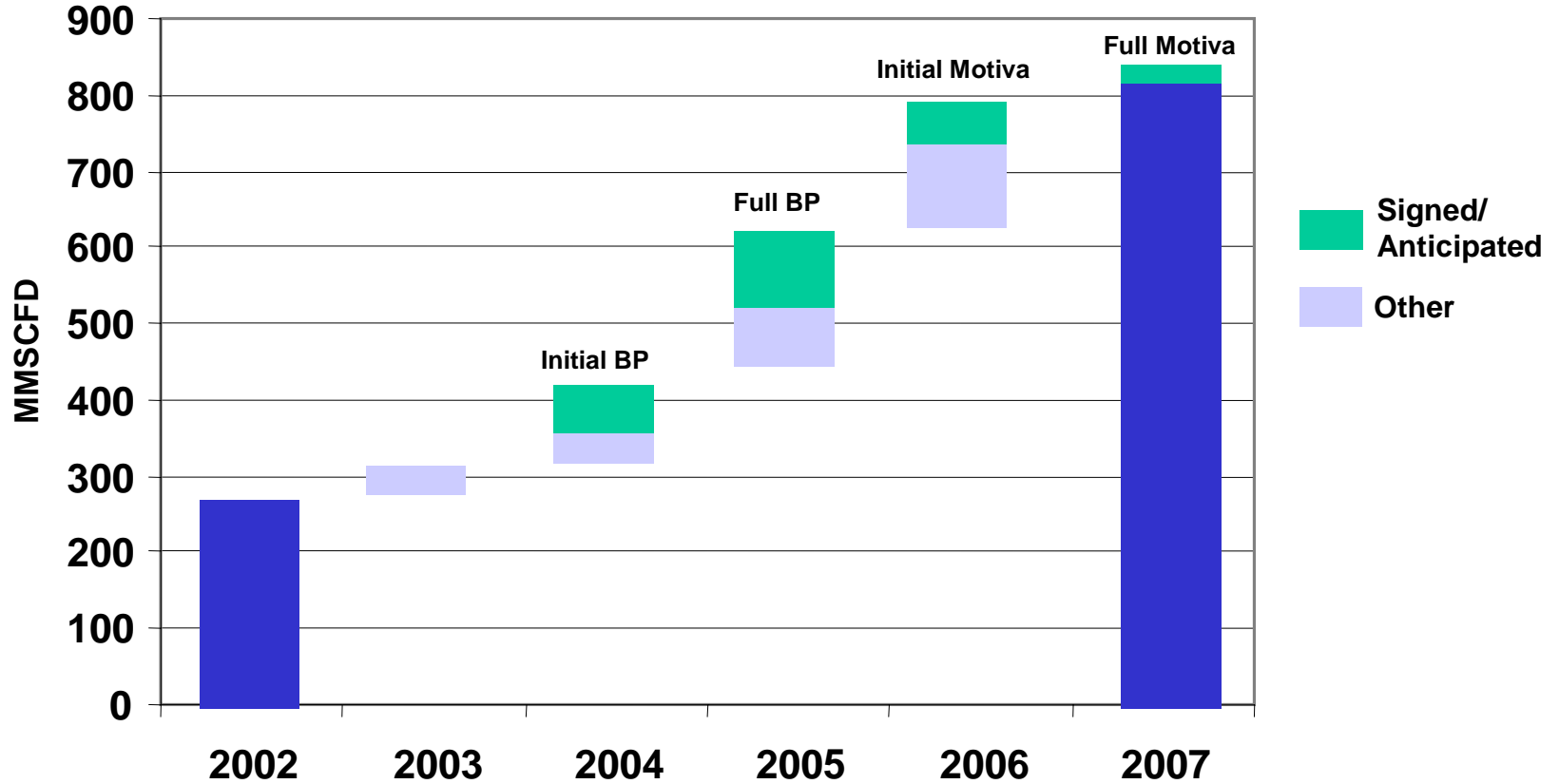
- ◆ 2004 - 30 ppm Sulfur in Gas
- ◆ 2006 - 15 ppm Sulfur in Diesel
- ◆ 2010 - 15 ppm Sulfur in off-road Diesel

*Source: SRI International

Best-Positioned For Gulf Coast Refinery Hydrogen

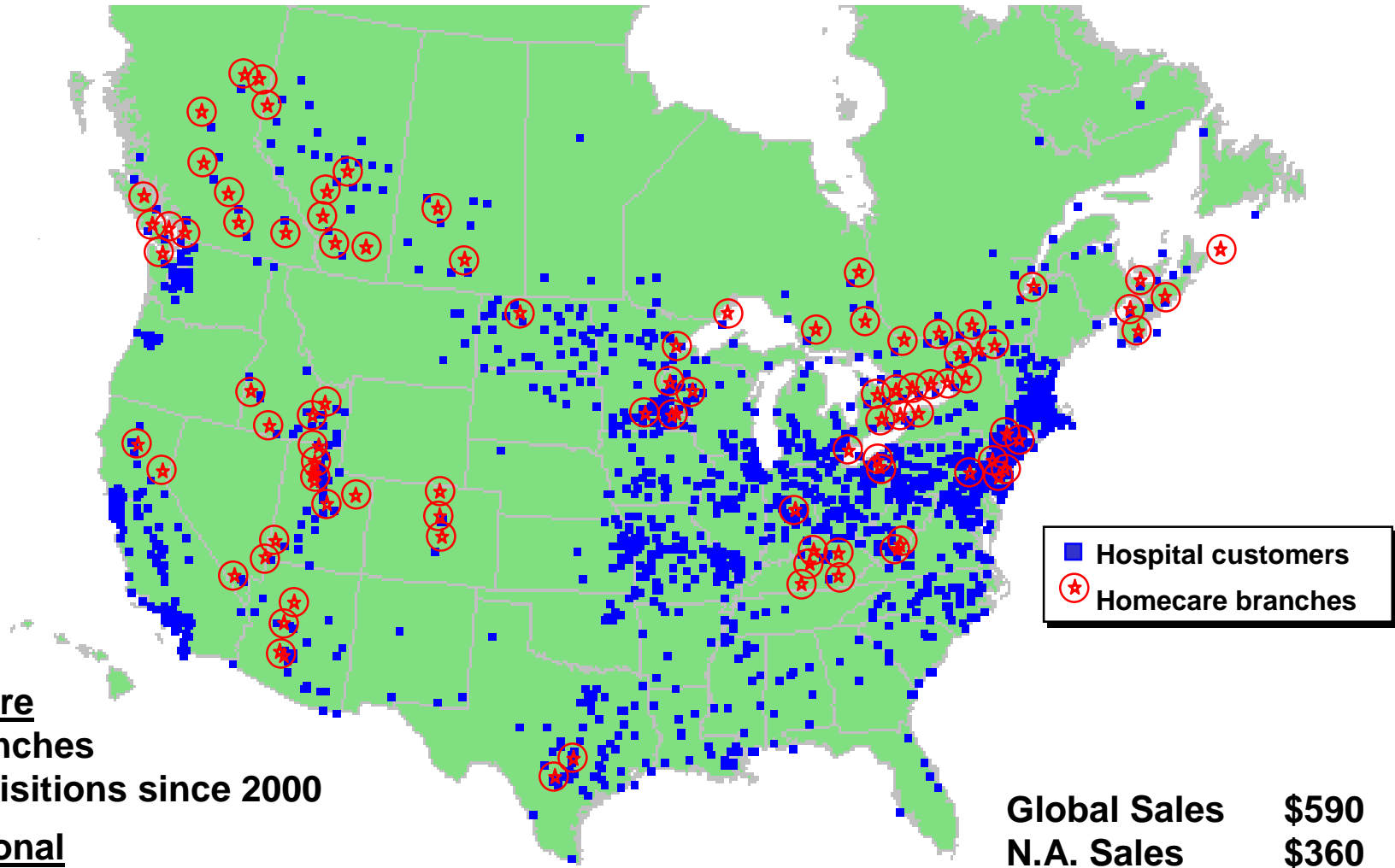


Praxair Gulf Coast Hydrogen Growth



300 MMSCFD Signed - 200 MMSCFD Anticipated

PHS Homecare Branches- US and Canada



Homecare

106 Branches

16 Acquisitions since 2000

Institutional

2,000 Hospital Customers

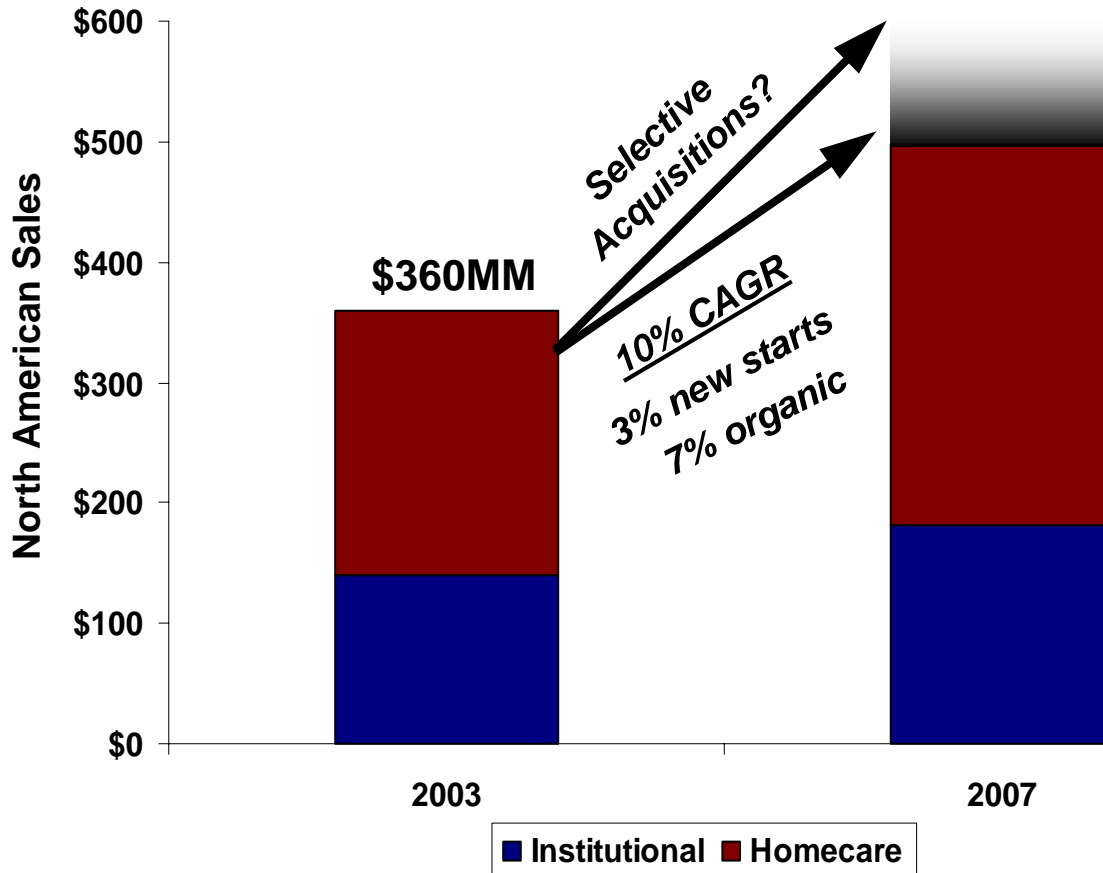
20% Estimated Market Share

Global Sales \$590

N.A. Sales \$360

Medicare Sales \$48

Healthcare: Multiple Growth Opportunities



Expected Growth Rates:

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

Acquisition Discipline

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

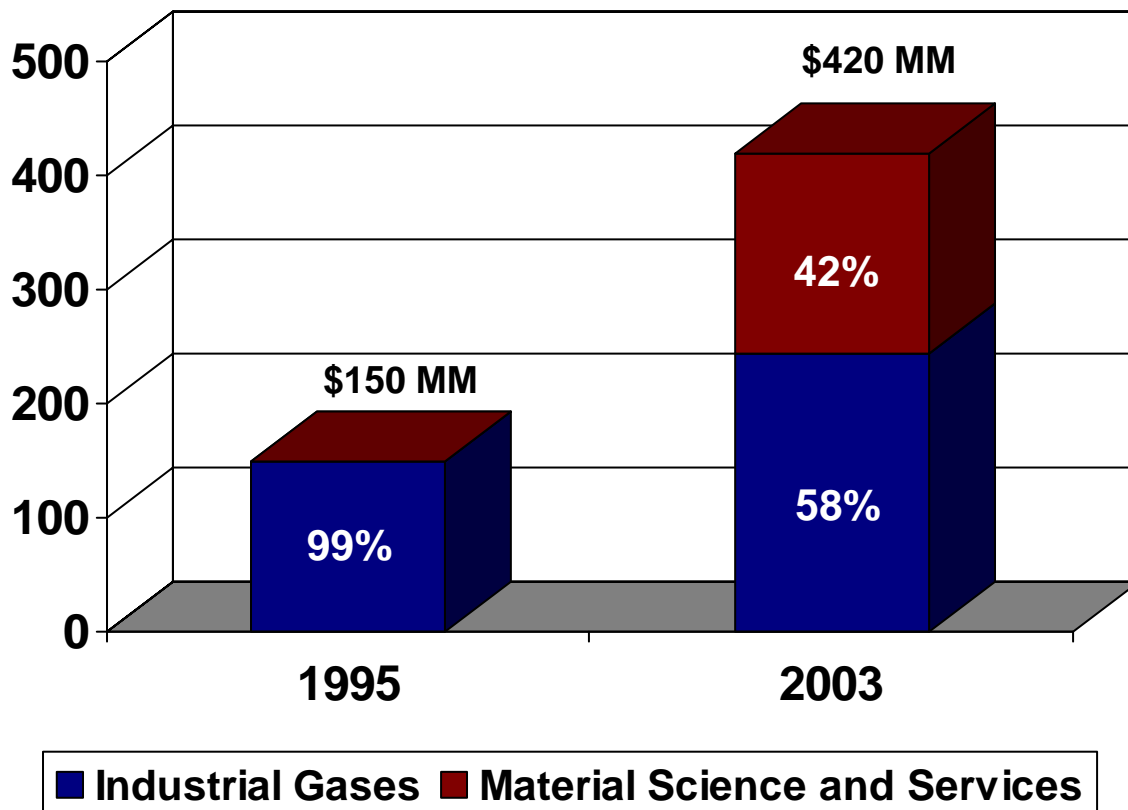
Electronics - Gases and Materials Science

- ◆ Industrial Gases
 - On-site high purity gases
 - Specialty gases supplier

- ◆ Materials Science for 300 mm
 - Ceramic chucks
 - CMP polishing materials
 - Thin film metal deposition

- ◆ Supply Chain Services
 - Components
 - Parts management

Worldwide Electronics Sales



Profitable business model with substantial growth

Electronics - Asian Position

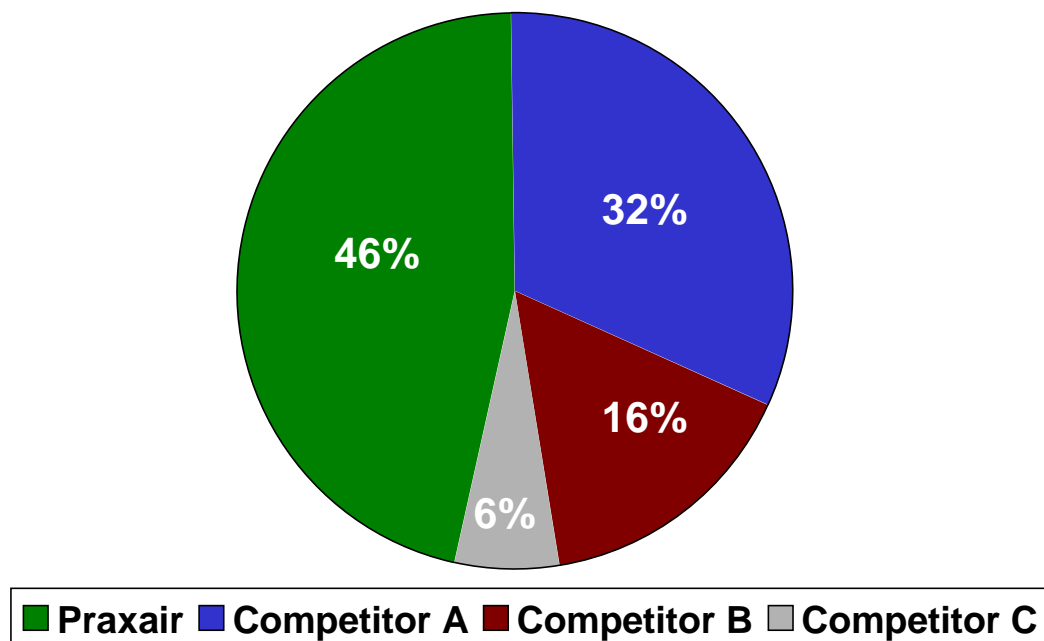
◆ China

- N₂ supply to new 300mm fabs
- 46% of contracted N₂ Capacity

◆ Korea

- N₂ supply at Samsung's 300mm fab in Geihung
- N₂, H₂ & He supply at Samsung's new flat panel display complex

Contracted Chinese N₂ Market Share*
(200mm and 300mm fabs)



China – Significant Chemicals & Refining Growth

Caojing Petrochemical Complex

- ◆ Praxair/ Air Liquide 50/50 JV
- ◆ BP/ BAYER/ BASF/ Sinopec : \$8B+
- ◆ Air separation plant on-stream 10/2004
- ◆ HYCO plant on-stream 1/2005



Shanghai
Caojing

Shell/CNOOC
Nanhai

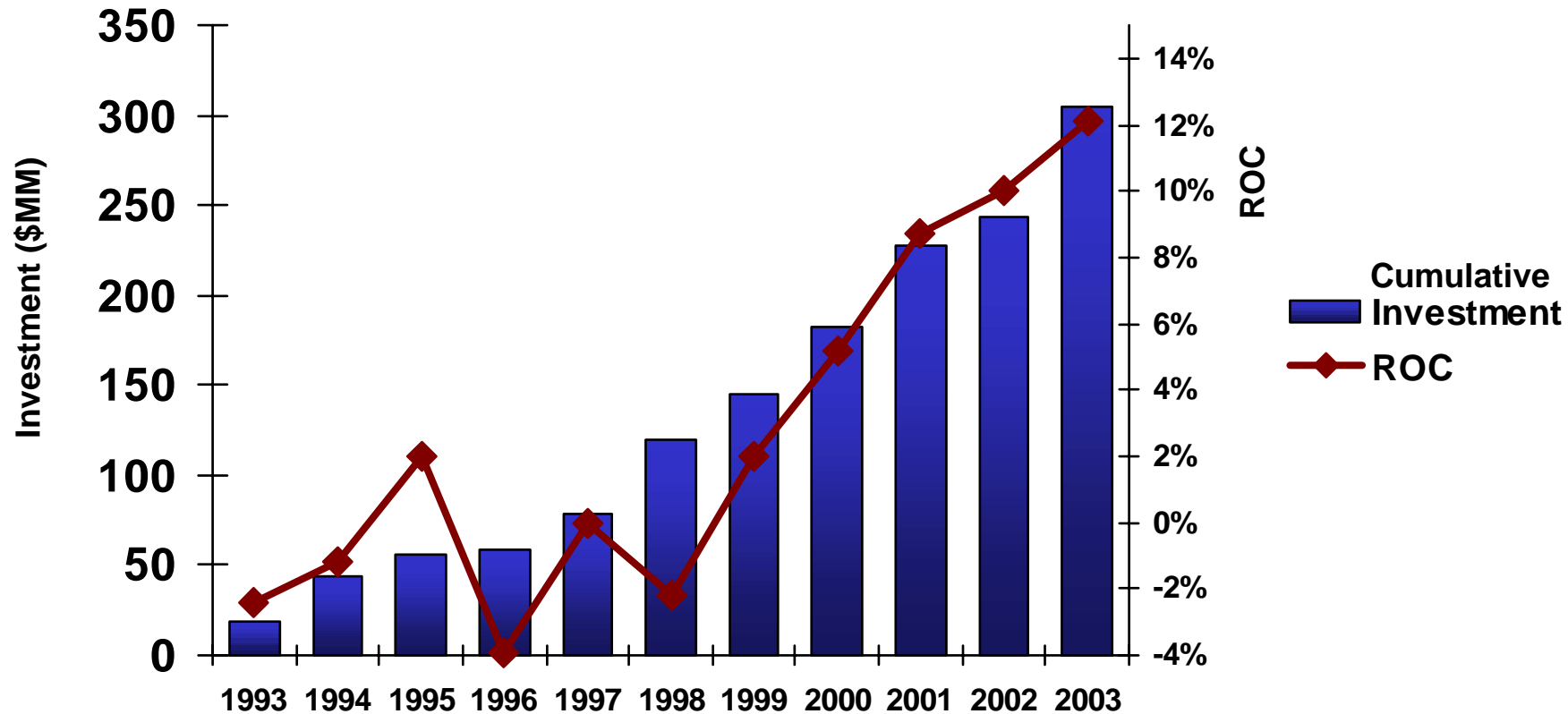
Shell Nanhai Complex

- ◆ Shell/ CNOOC : \$4.3B+
- ◆ Air separation plant on-stream 5/2005
- ◆ Supplying merchant liquid to Guangdong province

Developing strategic pipeline enclaves

China - Profitable Growth

Investment and Return on Major Projects



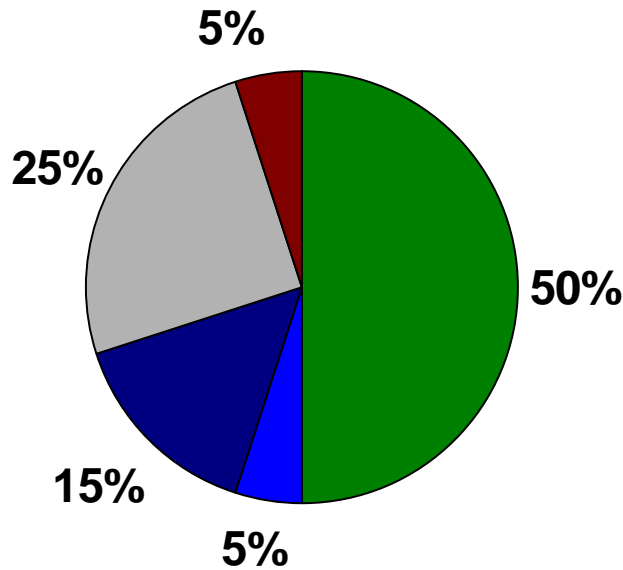
Improving return on capital

Capital Investment

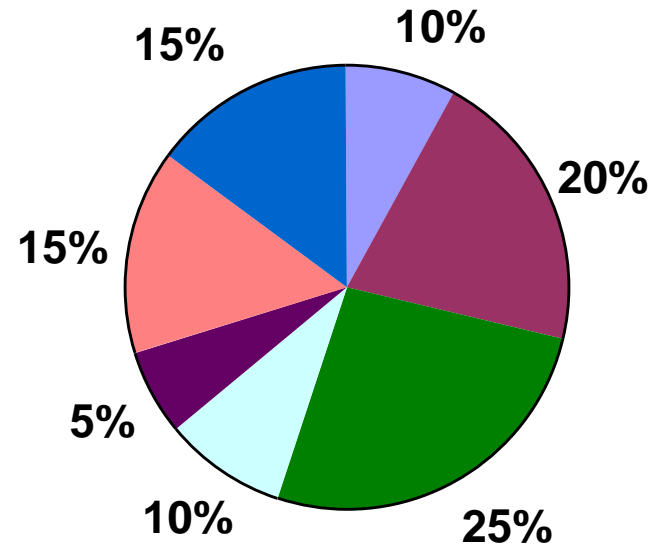
2004F: About \$700 MM

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

Growth CAPEX By Segment



Growth CAPEX By Market



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
4 operating, 6 by the end of Q104



◆ Environmental Solutions

Reduced NOx emissions from coal fired utilities

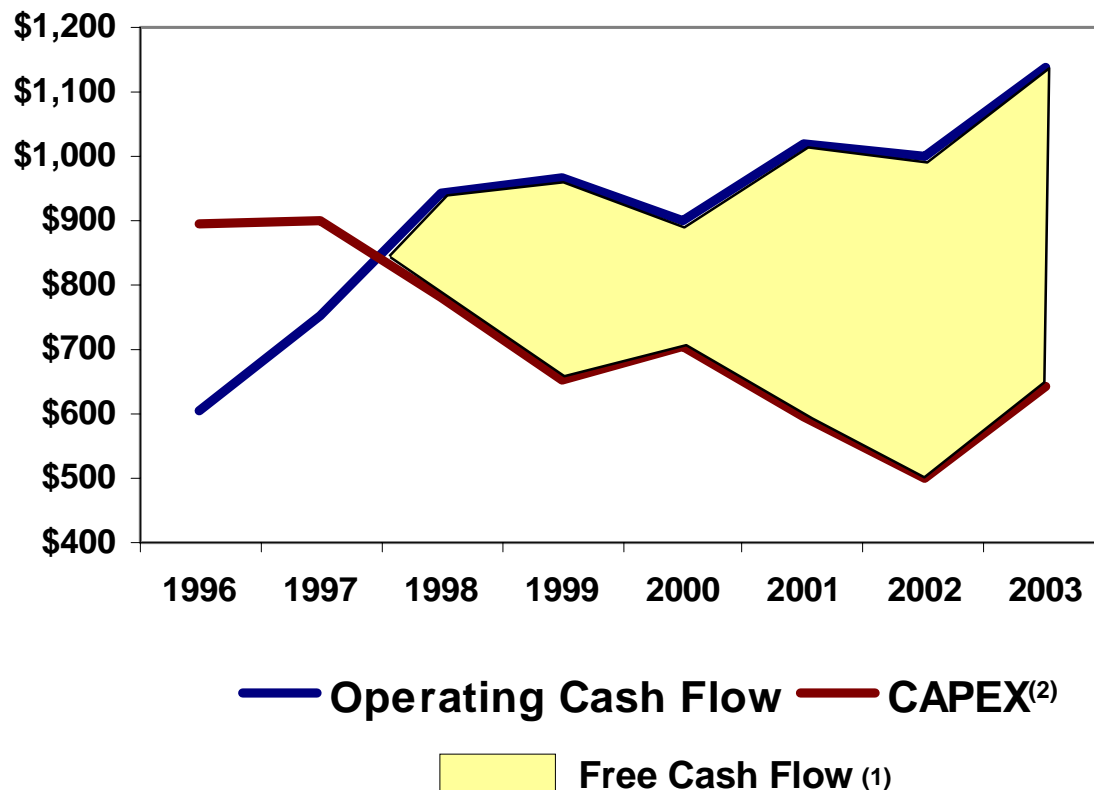
- EPA mandate in 19 states
- Controlled oxygen injection is low cost solution
- Commercialized at Northeast Utilities, Holyoke, Ma



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

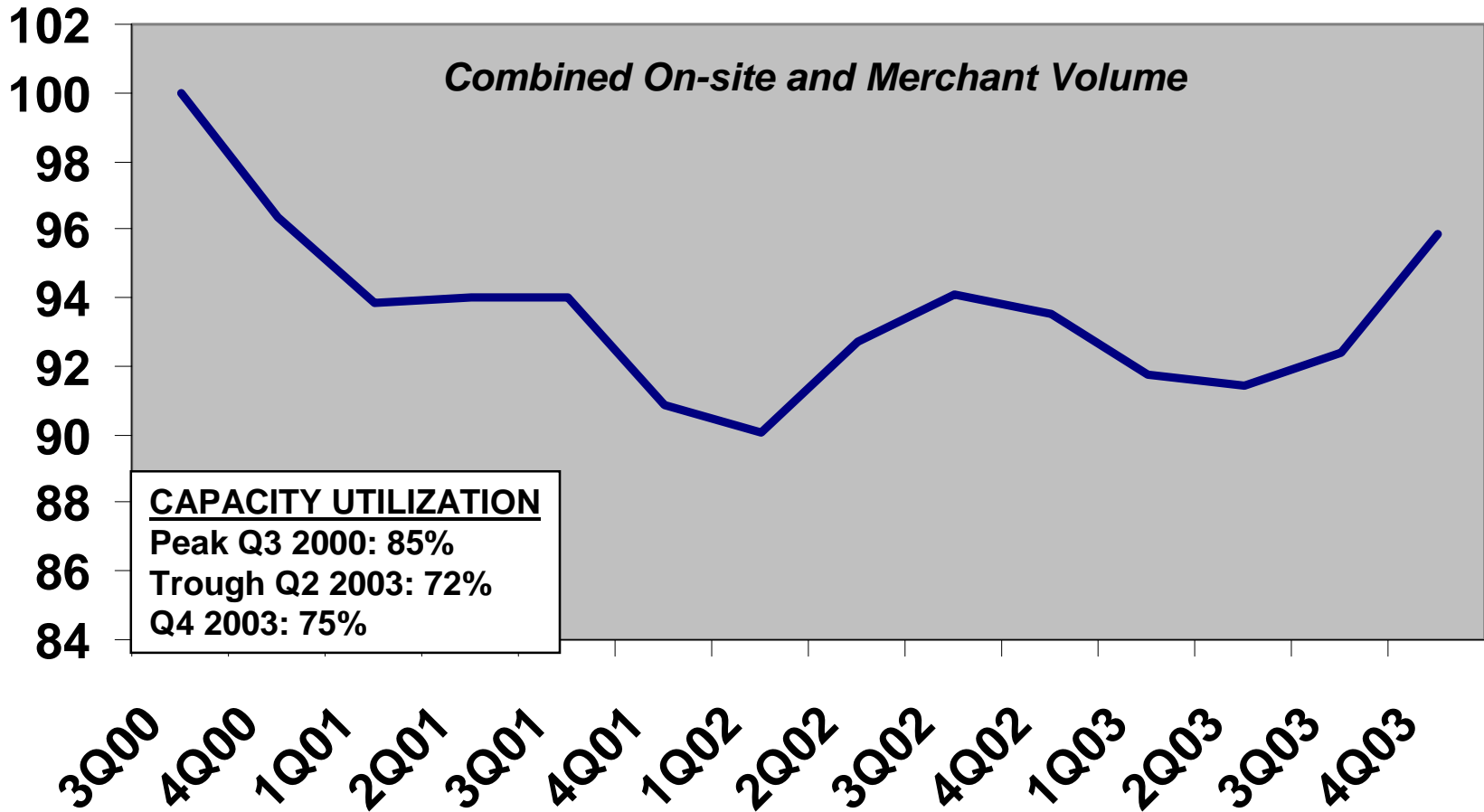
Free Cash Flow 1996-2003 (\$MM)



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

(2) Excludes Leased Asset Purchase in 2003

North American Indexed Industrial Gas Volume



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

2004 Earnings Guidance

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



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