



# Morgan Stanley Investor Conference

May 4, 2004



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# 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

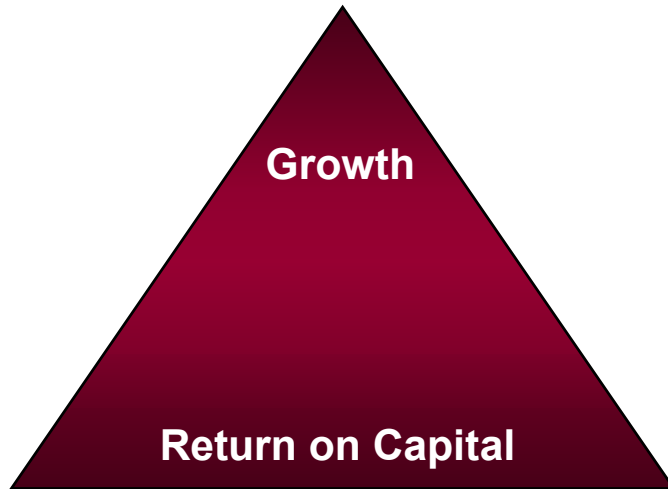
Applications  
Technology

Industrial  
Gas

Praxair

Peers

S&P 500



**Sales**  
(10 year CAGR)

9%

2%

4%

**Earnings Growth**  
(10 year CAGR)

15%

6%

7%

**TSR**  
(10 year annualized)

18%

7%

11%

(12/31/93-12/31/03)

Sales  
Contracts

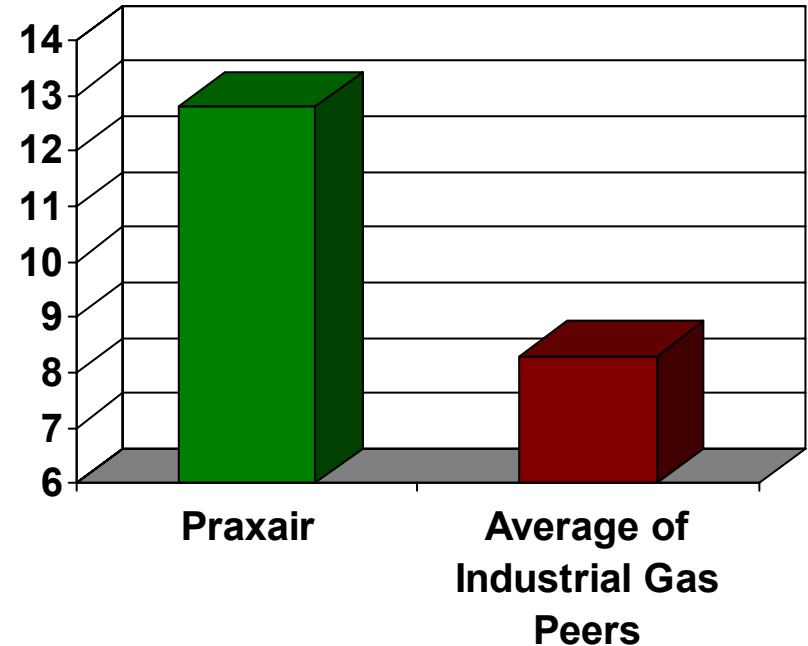
Density/  
Execution

*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 %

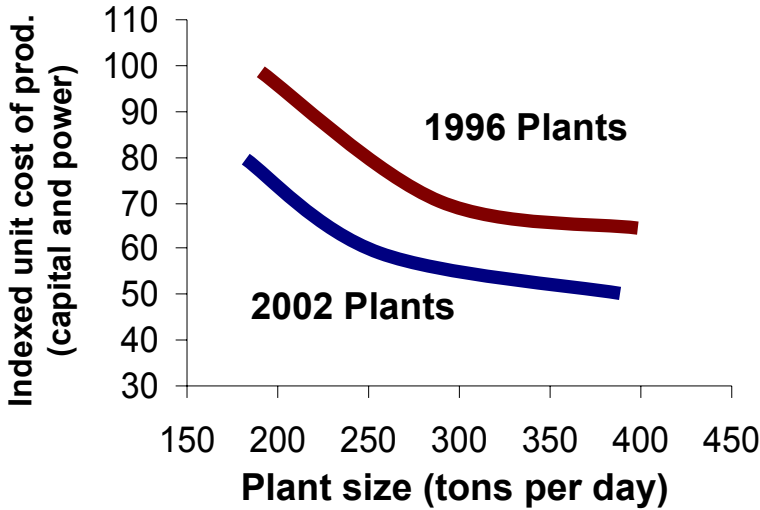


*ROC=Net Operating Profit After Tax/Average Capital*

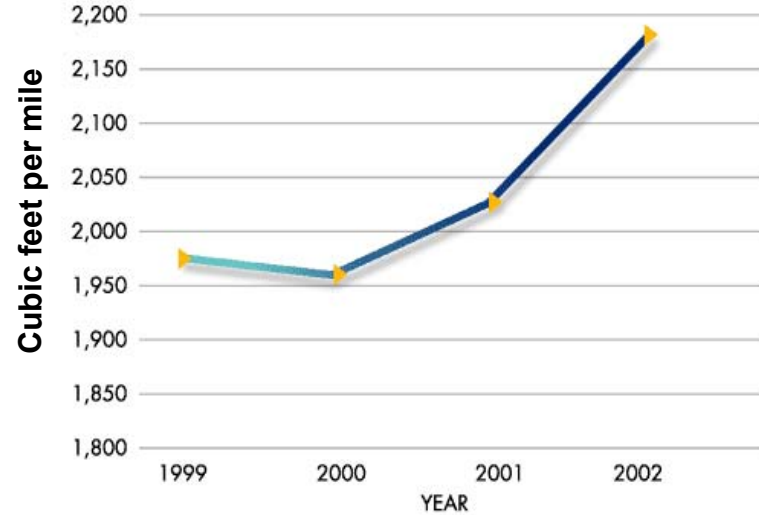
***Return on capital substantially better than peers***

# Operational Performance Metrics

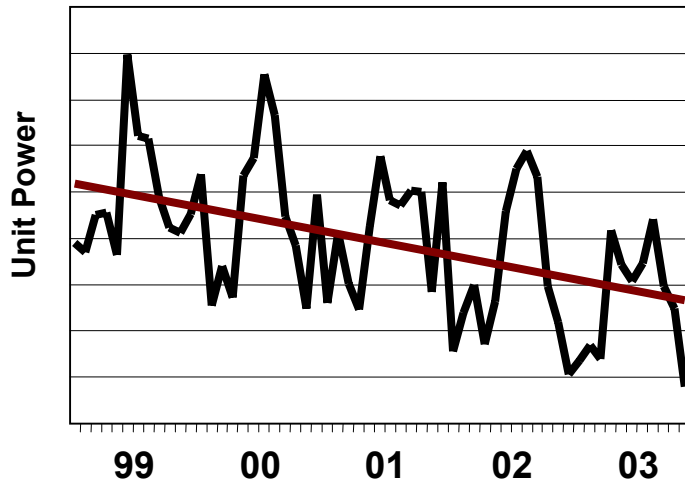
Unit Cost of Production



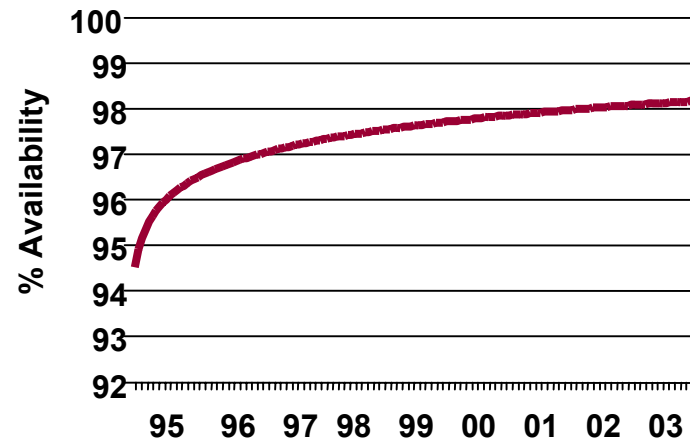
Atmospheric Gases Volume/Trip



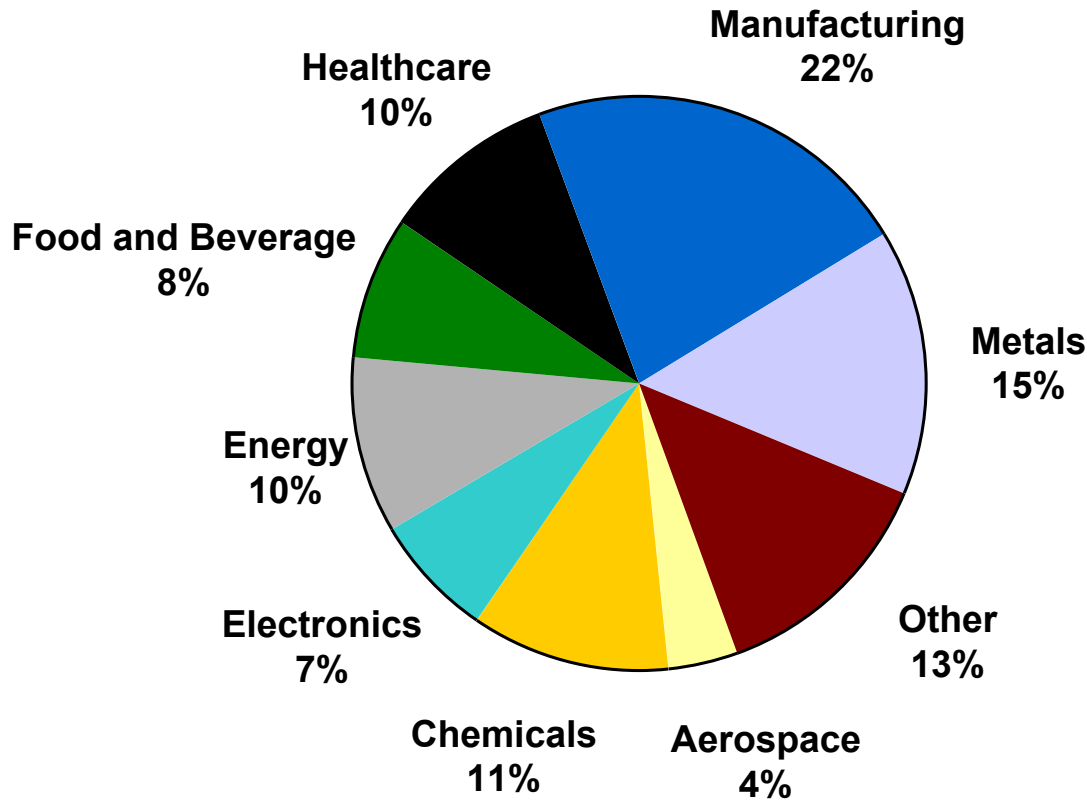
Per Unit Power Consumption



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***

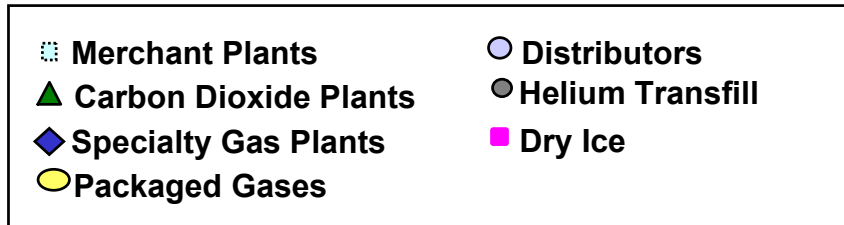
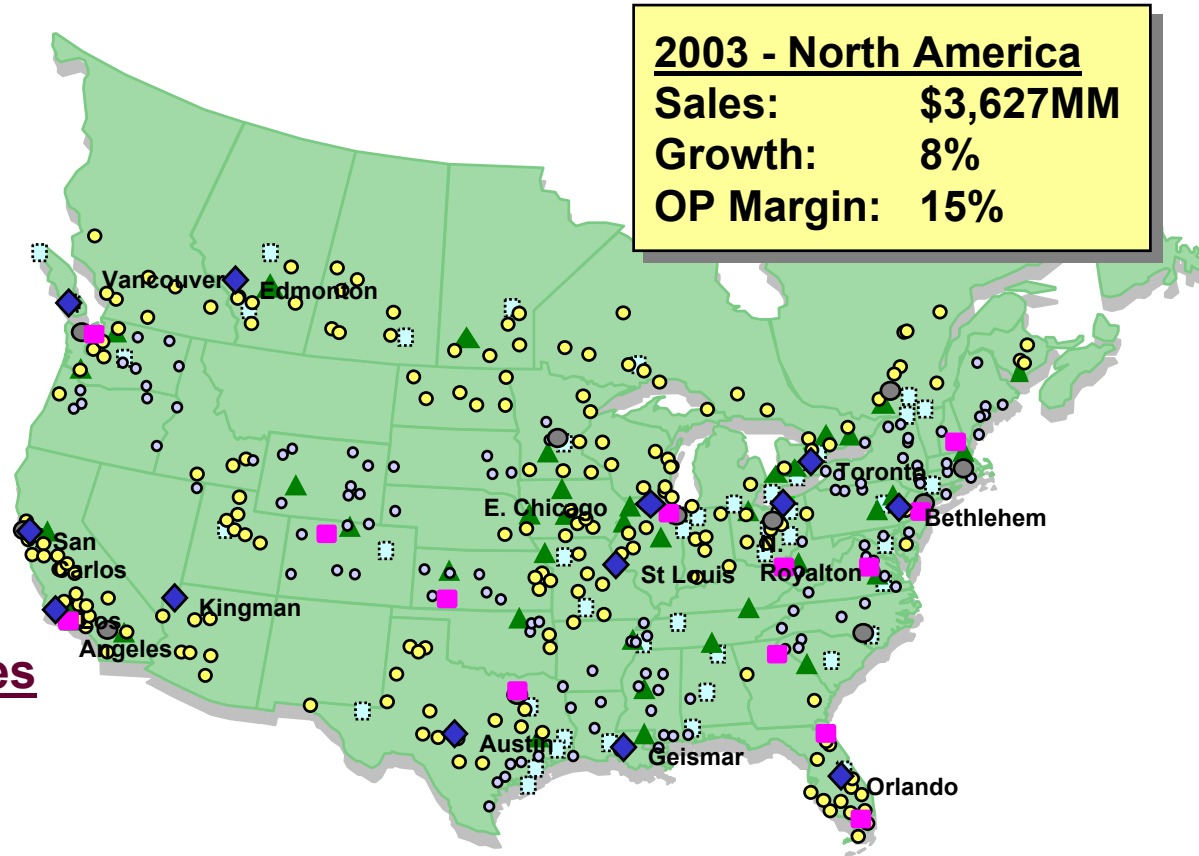
# Unrivalled North American Network

## Onsite and Bulk Gases

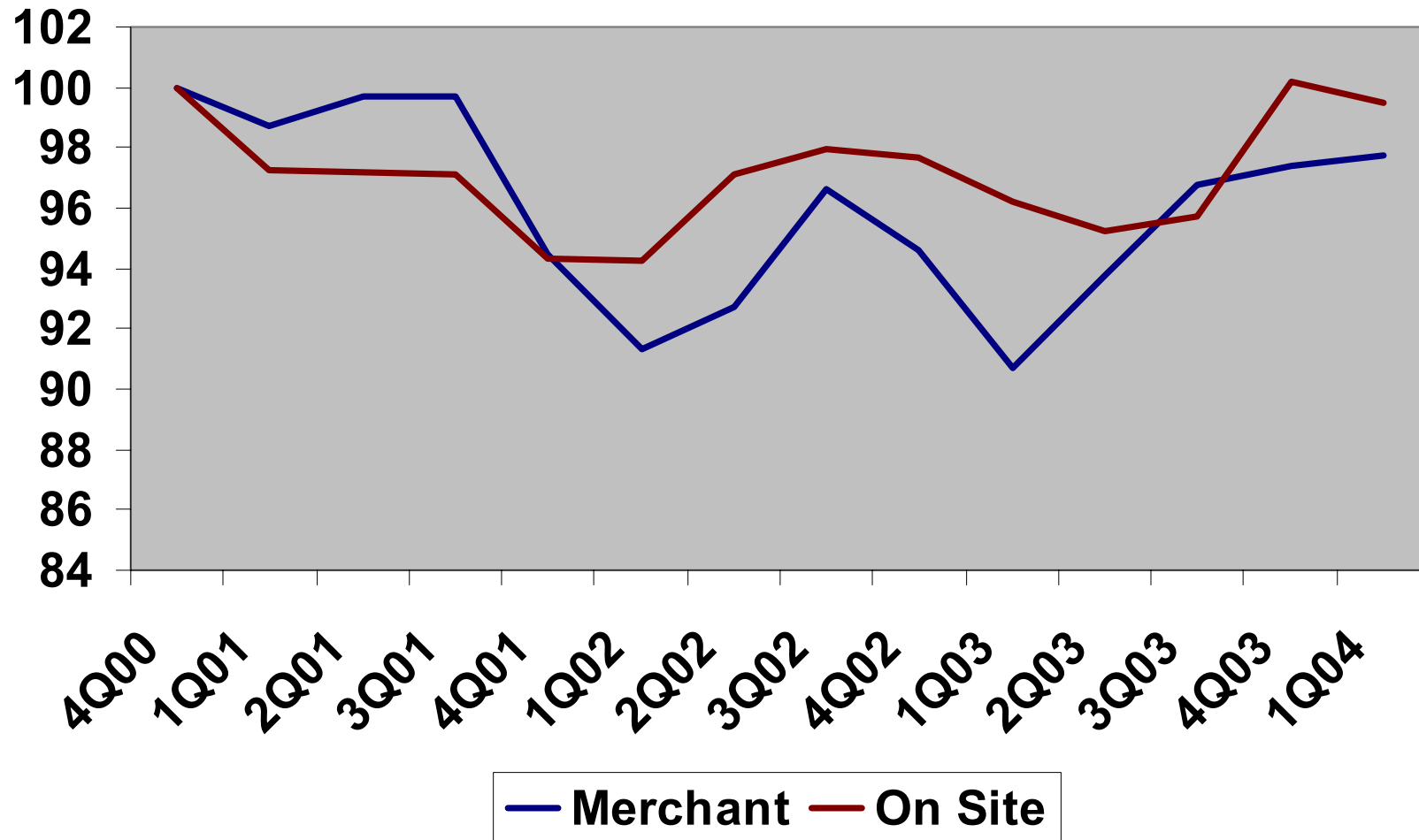
- ◆ 300 production plants
- ◆ 8000 customer locations
- ◆ 1500 distribution vehicles
- ◆ 11 pipeline enclaves

## Packaged and Specialty Gases

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

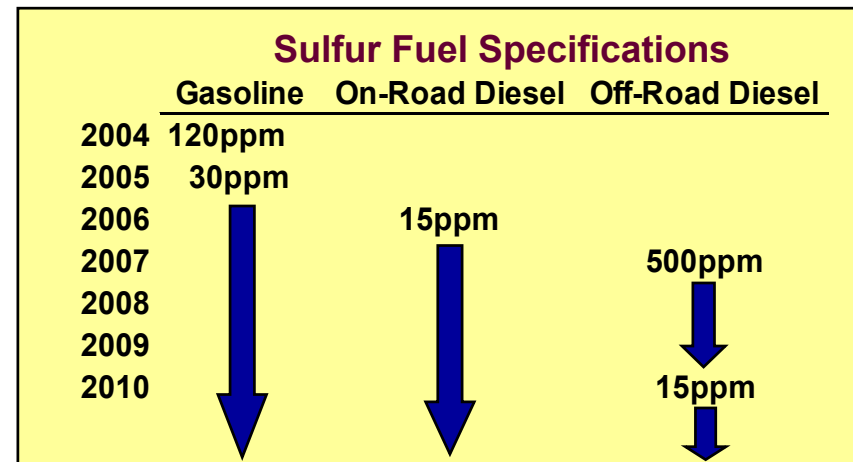
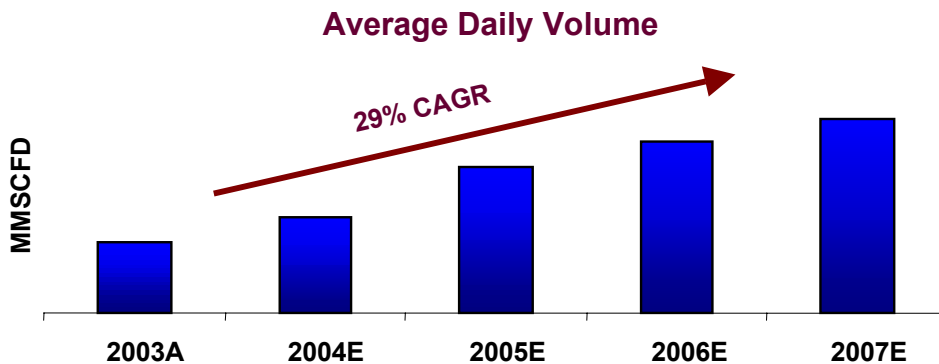


# North American Volumes

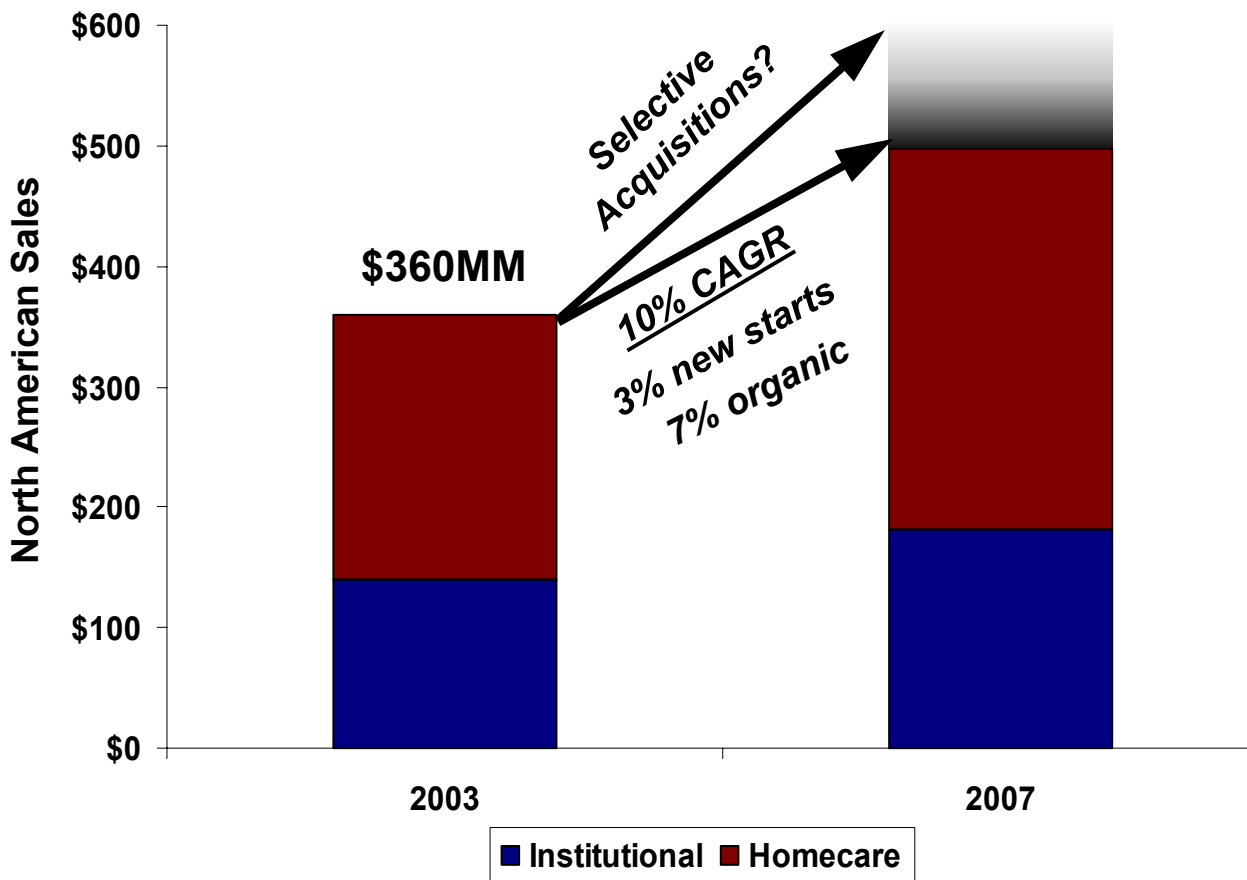




# Refinery Hydrogen Pipeline System



# 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> |

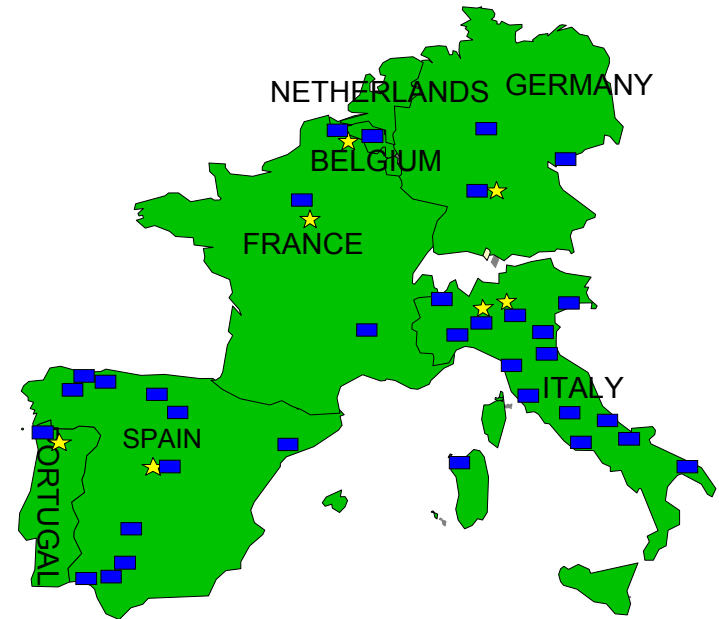
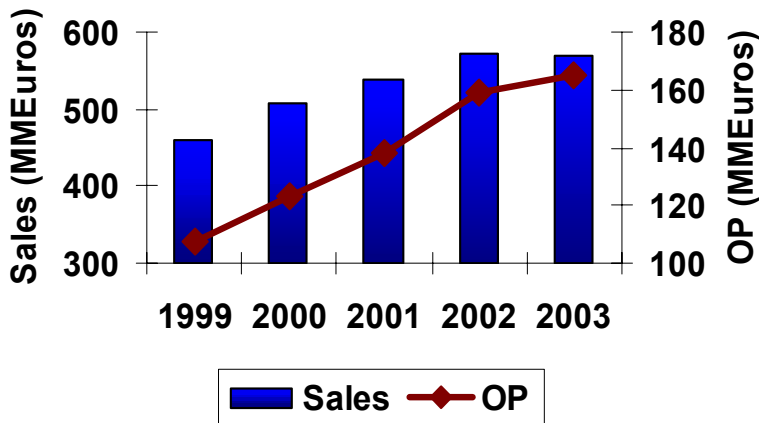
### Acquisition Discipline

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

# Praxair Europe

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

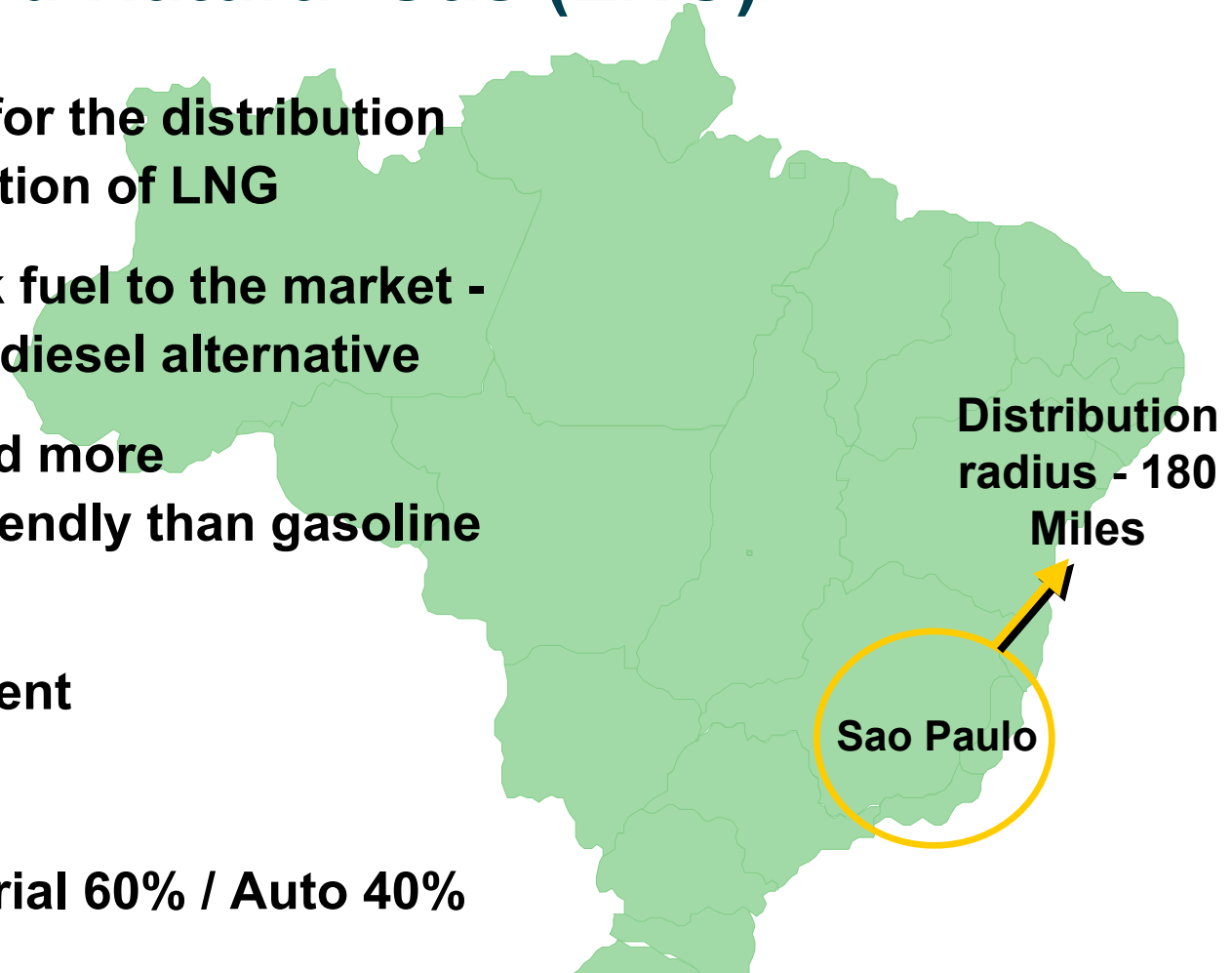
| 2003 - Europe |         |
|---------------|---------|
| Sales:        | \$699MM |
| Growth:       | 19%     |
| OP Margin:    | 24%     |



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

# 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%



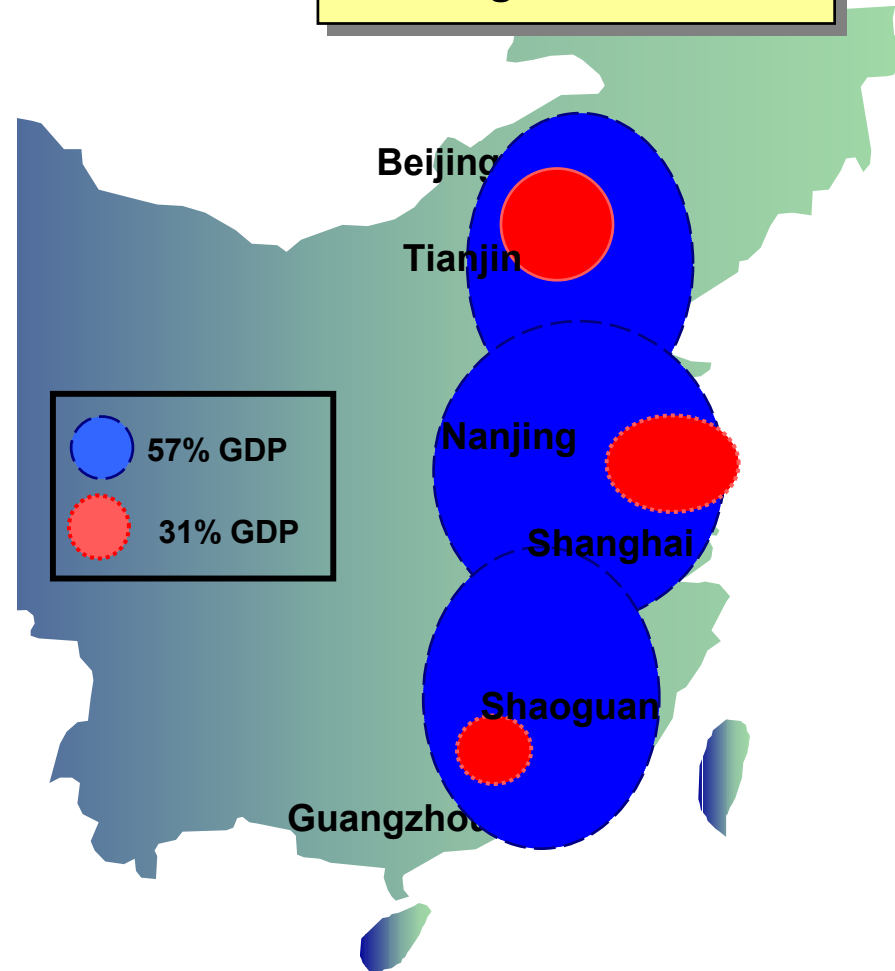
***New capital investment protected from currency devaluation - six contracts indexed to U.S. dollars***

# Praxair 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

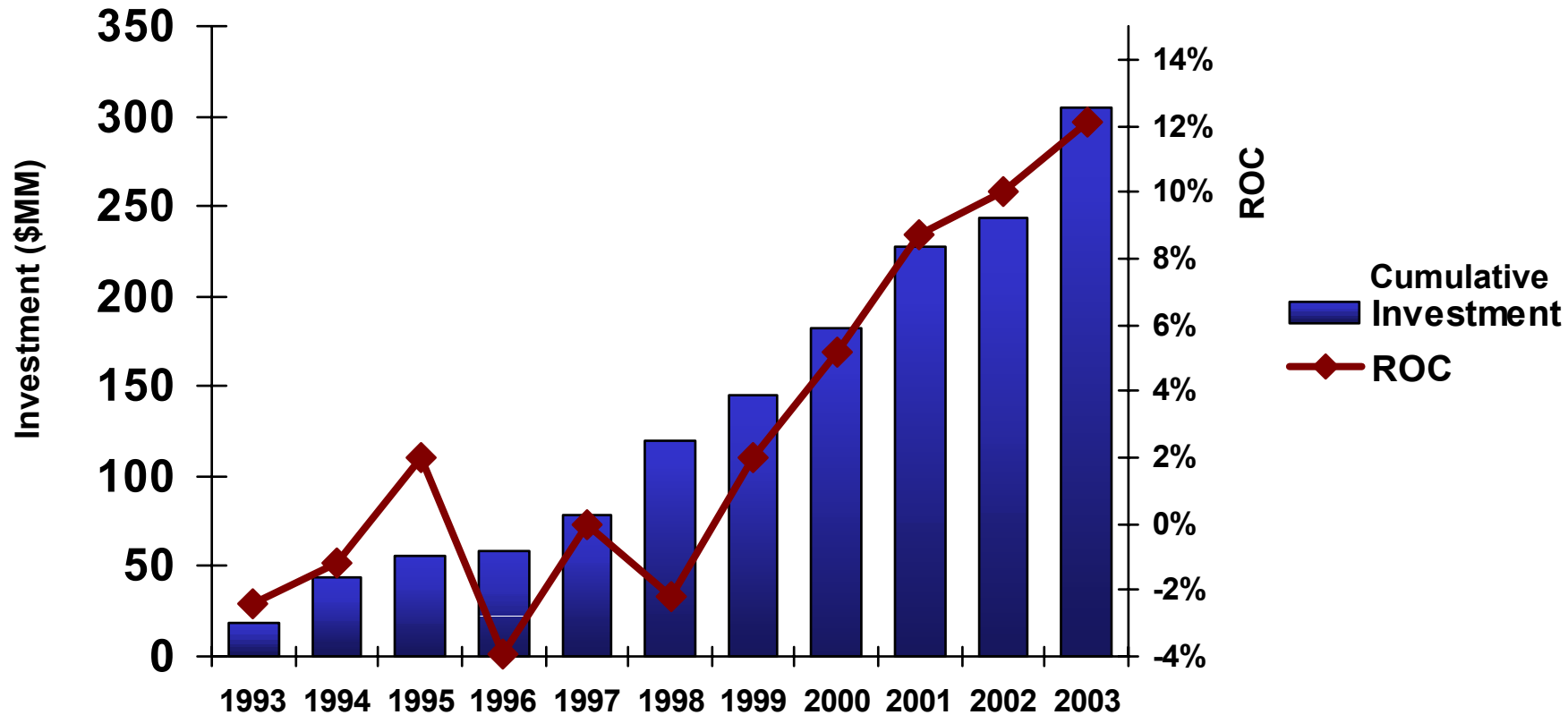
## 2003 - Asia

|                   |                |
|-------------------|----------------|
| <b>Sales:</b>     | <b>\$389MM</b> |
| <b>Growth:</b>    | <b>20%</b>     |
| <b>OP Margin:</b> | <b>16%</b>     |



# China - Profitable Growth

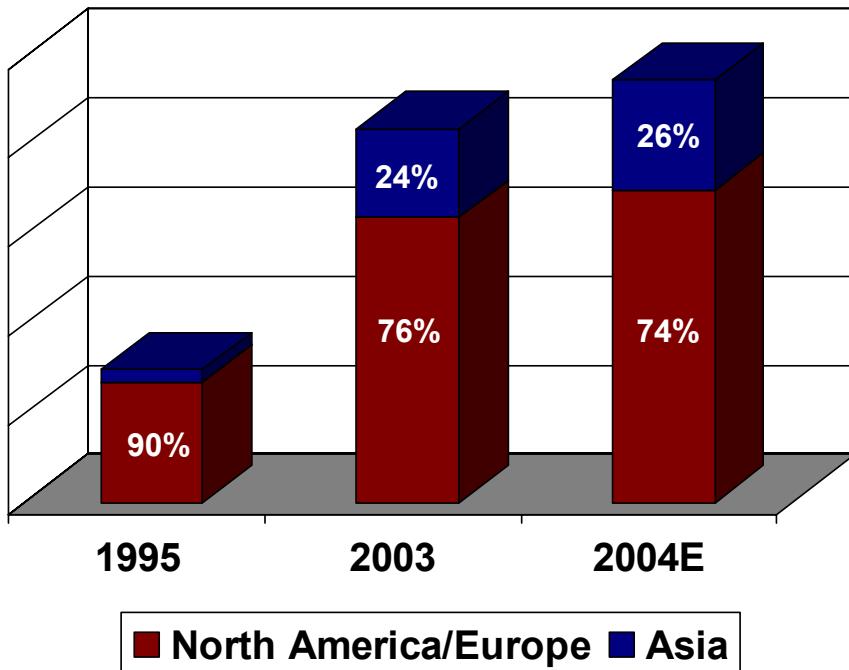
Investment and Return on Major Projects



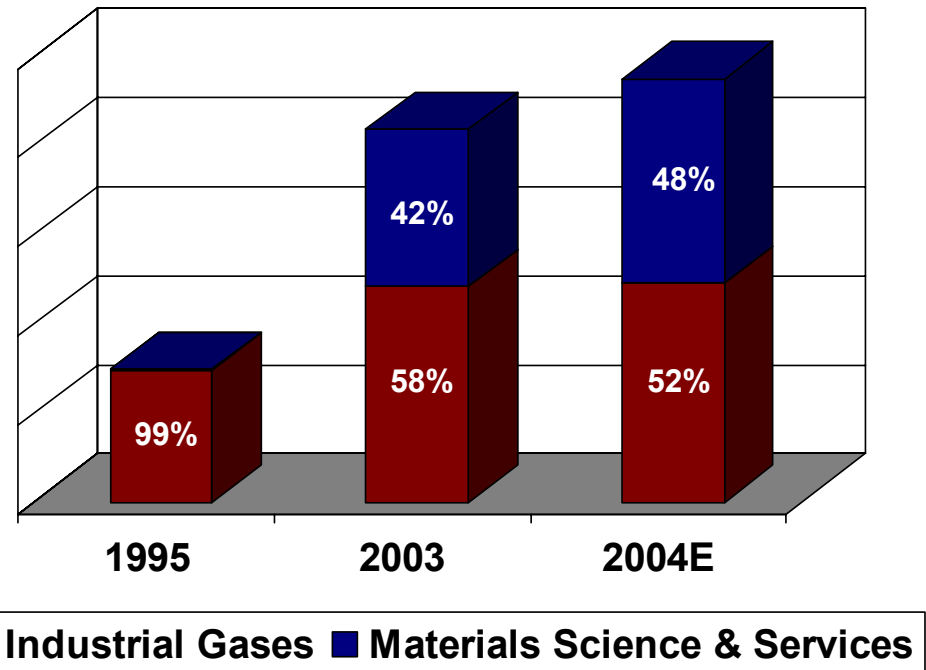
*Improving return on capital*

# Global Electronics Sales

By Geography



By Product Mix

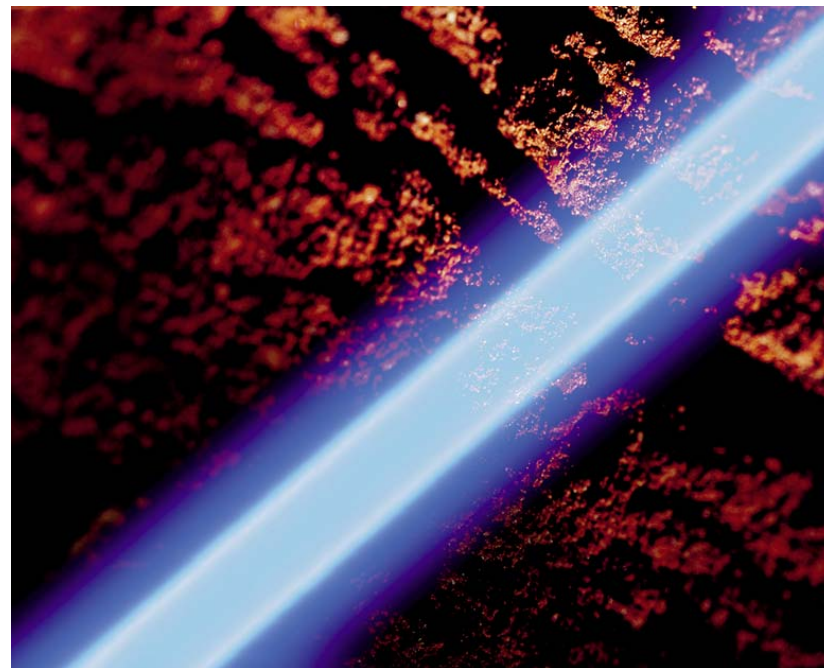


***Electronics growth from Asia and Material Science & Services***

# Technology Licensing - CoJet

**Coherent Jet oxygen injection for steel makers improves yield and productivity**

- ◆ **Basic Oxygen Furnaces (BOF)**
  - ◆ 3 customers US and South America
  - ◆ License agreements signed for 8 furnaces
  - ◆ Technology installed and operating on 5 furnaces
  
- ◆ **Electric Arc Furnaces (EAF)**
  - ◆ Installed on more than 70 locations globally



CoJet™

***Capturing value from technology licensing***

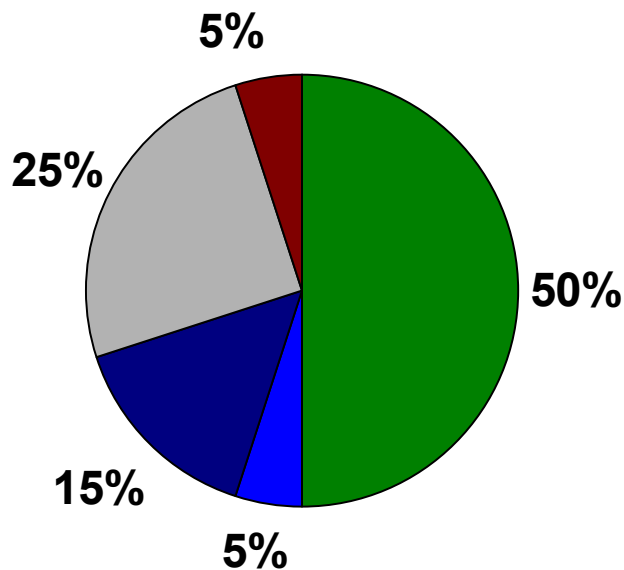


# Capital Investment

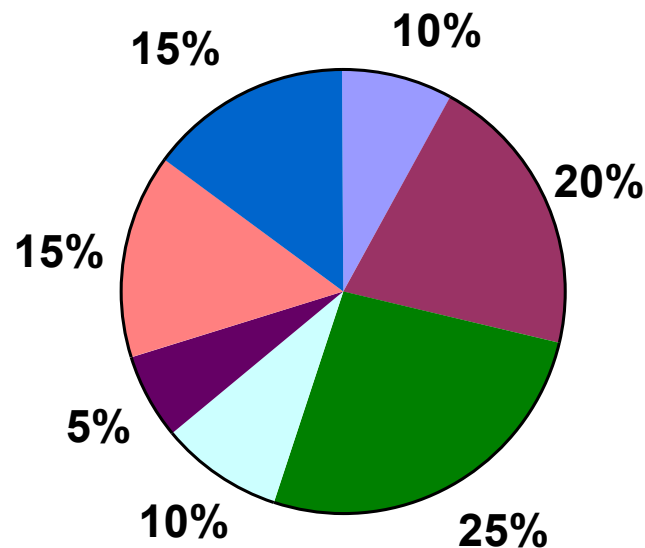
**2004F: About \$700 MM**

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

**Growth CAPEX by Segment**



**Growth CAPEX by Market**



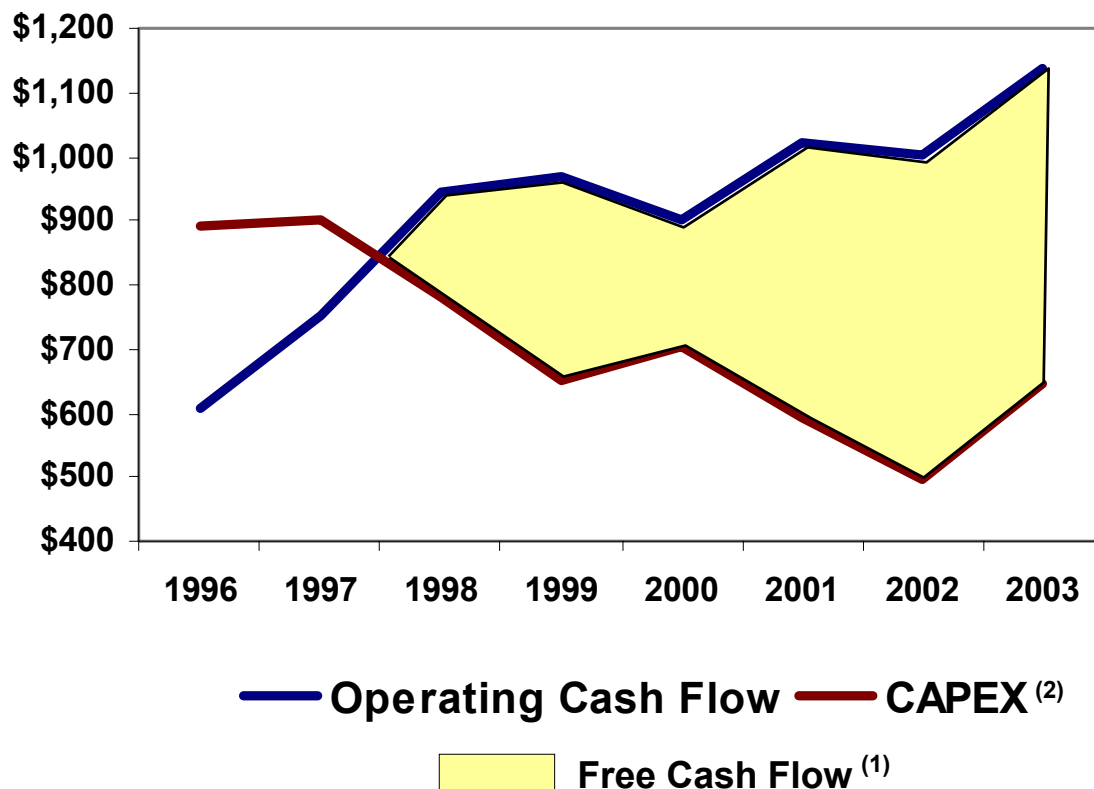
- |                 |                 |
|-----------------|-----------------|
| ■ North America | ■ South America |
| ■ Europe        | ■ Asia          |
| ■ PST/Other     |                 |

- |                 |                              |
|-----------------|------------------------------|
| ■ Chemicals     | ■ Electronics                |
| ■ Energy        | ■ Food & Beverage/Healthcare |
| ■ Manufacturing | ■ Metals                     |
| ■ Other         |                              |

# 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*

# 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