



SMITH BARNEY CITIGROUP 15th ANNUAL CHEMICAL CONFERENCE

December 8, 2004



James S. Sawyer
Senior Vice President & 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, margins, earnings growth rates, 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, the impact of tax and other legislation, litigation, government regulation and the effectiveness and speed of integrating new acquisitions into the business.

Third Quarter Results

(\$MM)	Third Quarter 2004	YOY
Sales	1,674	+18%
Operating Profit	280	+17%
Operating Margin	16.7%	
Net Income	177	+18%
EPS	\$0.53	+18%
After Tax ROC*	13.2%	

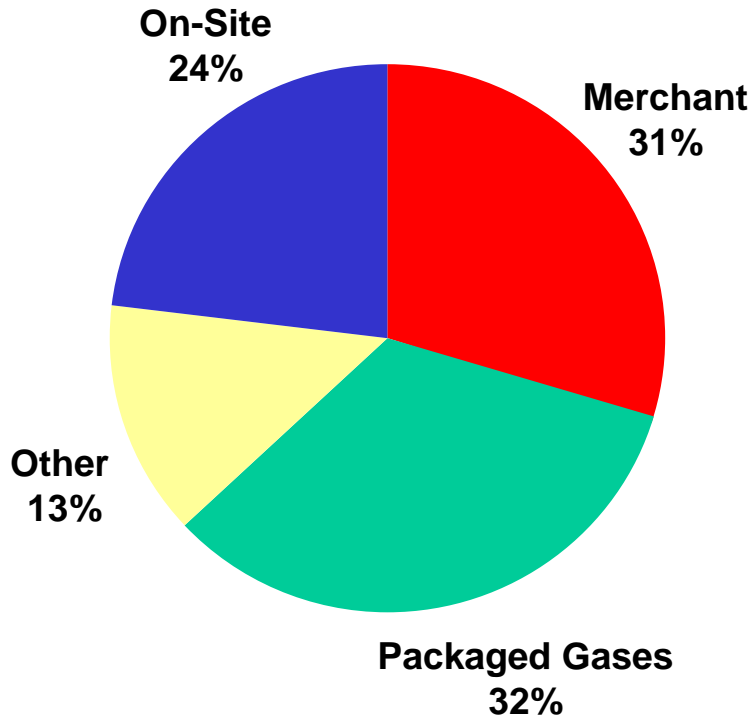
<u>Sales Comparison</u>	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	+18%	+4%
Volume	+11%	+2%
Price	+3%	0%
Natural Gas	+1%	0%
Acquisitions	+3%	+2%

<u>By Region</u>	<u>Operating Profit</u>	<u>YOY Growth</u>
North America	\$157	11%
Europe	\$54	23%
South America	\$40	38%
Asia	\$20	18%

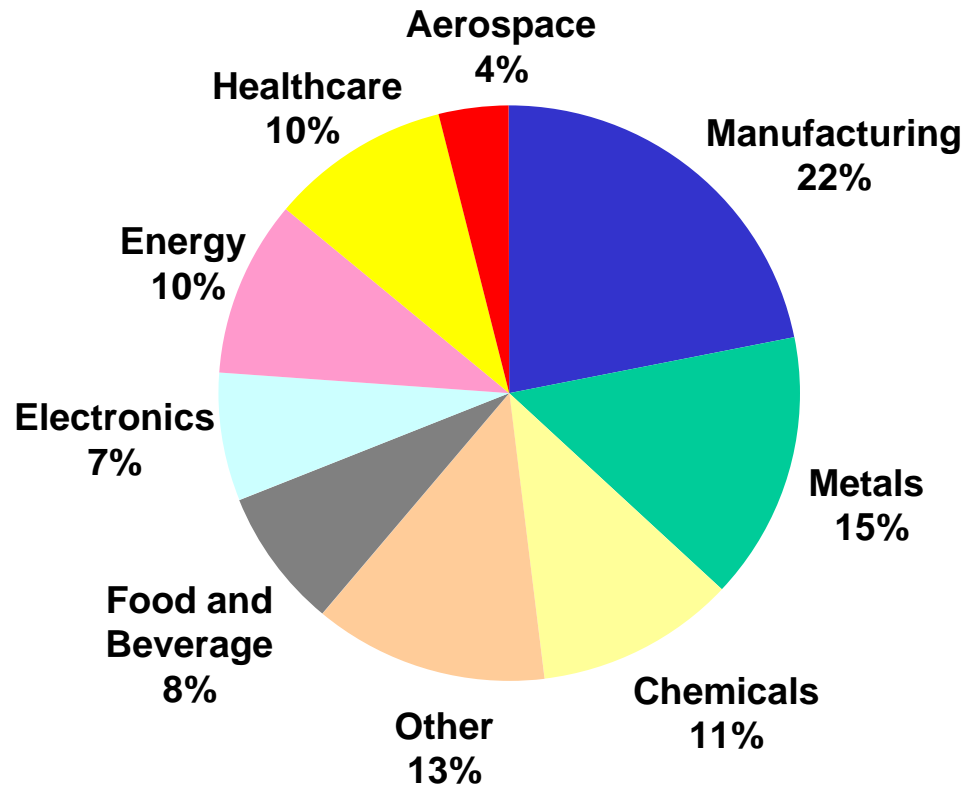
*Non-GAAP measure-Net operating profit after tax/Average capital

Unique Channels to Diverse End Markets

2003 Sales by Distribution Method

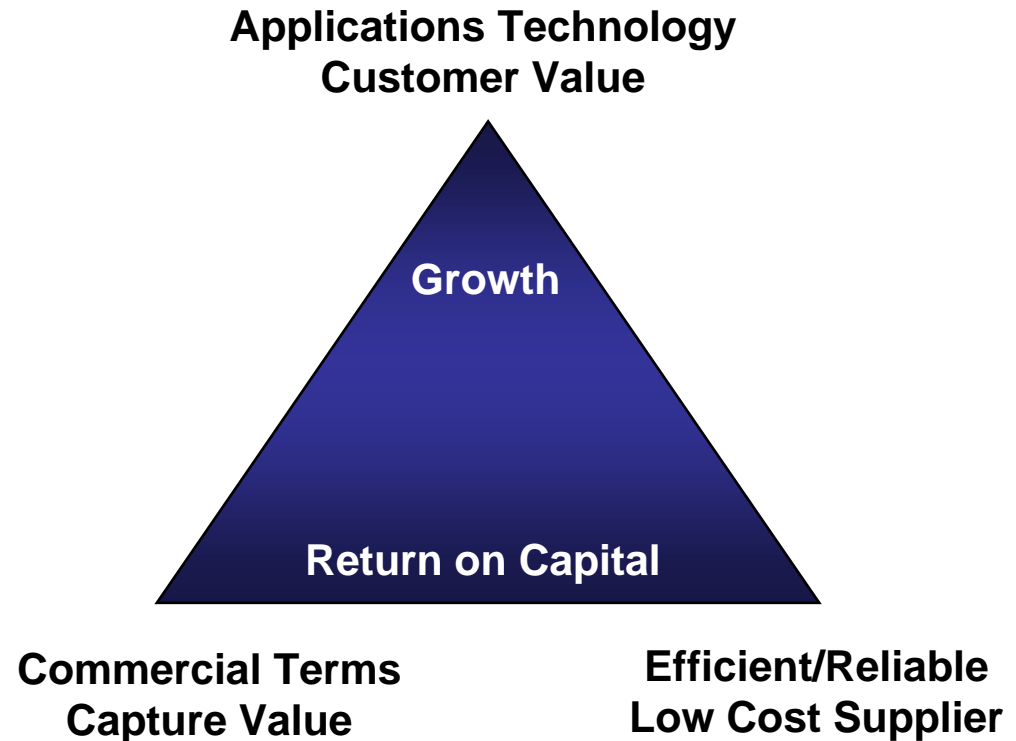


2003 End Markets



Operating Model

- ◆ Focus on 11 core geographies
- ◆ Optimize 5 growing opportunities
 - H₂ / Energy
 - Electronics
 - Healthcare
 - China
 - Application technologies
- ◆ Relentless focus on execution
 - Productivity savings > \$100MM/yr
 - Procurement
 - Global operational excellence
 - Six Sigma
 - Flawless project execution



Business model leads to favorable shareholder returns

Driving Growth and Profitability

Profitability Drivers

- ◆ Long term contracts / pricing
- ◆ Procurement leverage
- ◆ Lowest cost producer
- ◆ Efficient distribution network
- ◆ Barriers to entry

Growth Drivers

- ◆ Supplier of choice quality
- ◆ Sales & marketing
- ◆ Applications technology
- ◆ Industrial production
- ◆ Bolt-on acquisitions

ROC*

Q3 2004 13.2%

Organic Growth

14%

**ROC= Net operating profit after tax/Average capital*

**Price is a fraction of customer value
Terms capture above average ROC**

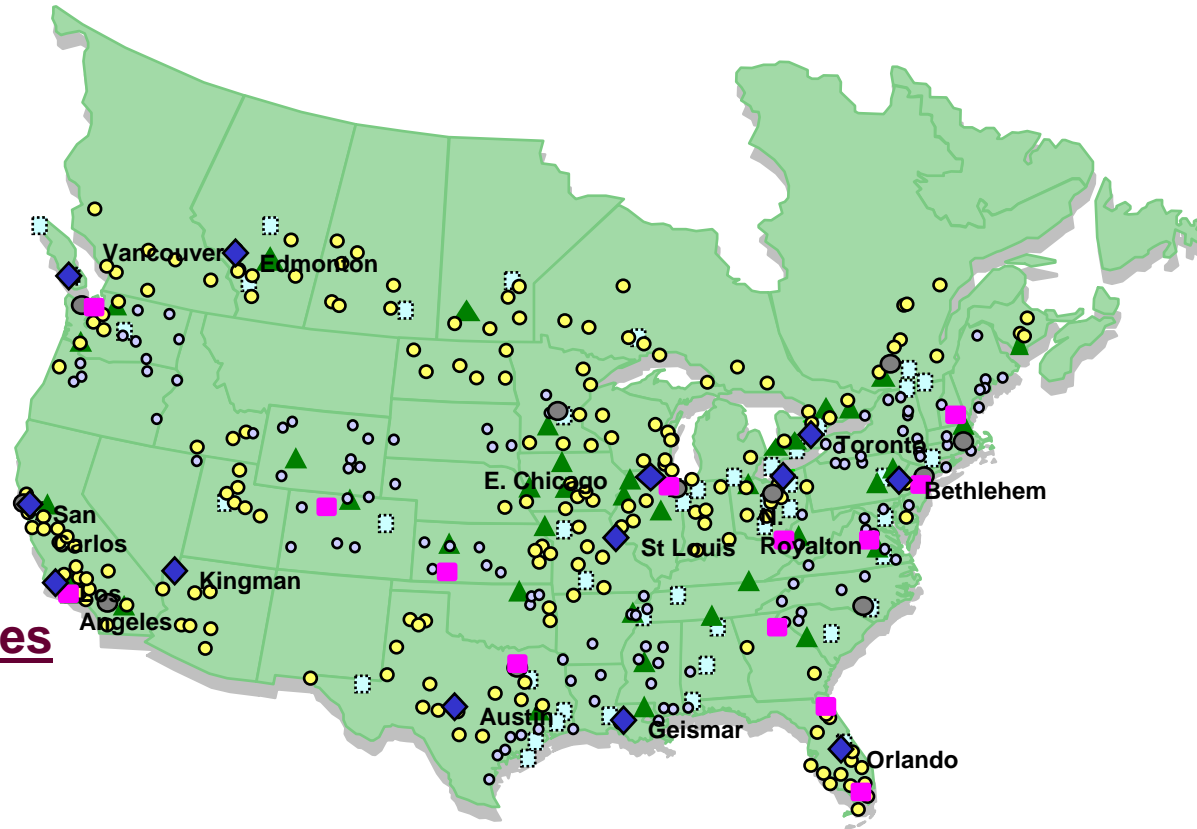
Unrivalled North American Network

Onsite and Bulk Gases

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

Packaged and Specialty Gases

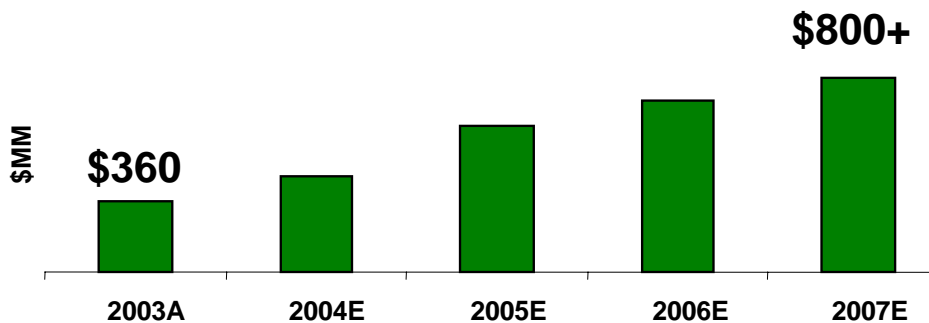
- ◆ 400 branches
- ◆ >300,000 customers
- ◆ 280 independent distributors



Refinery Hydrogen Pipeline System



Gulf Coast HYCO Sales

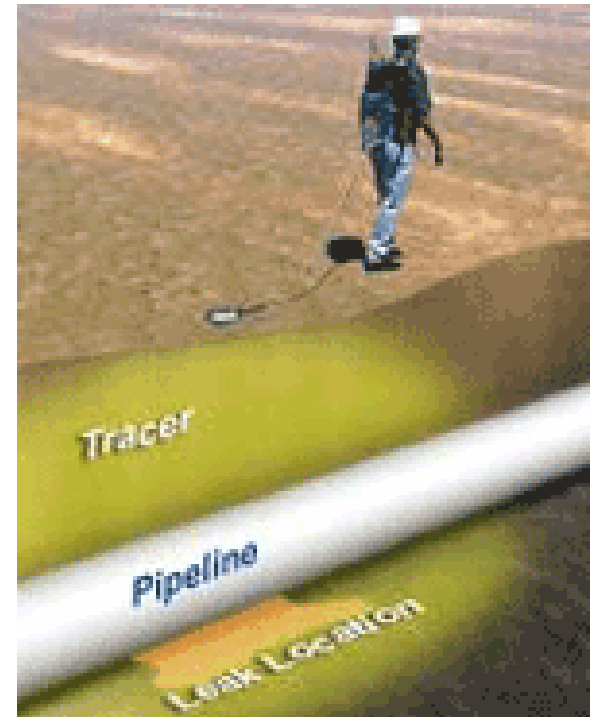


Sulfur Fuel Specifications

	Gasoline	On-Road Diesel	Off-Road Diesel	Locomotive & Marine
2004	120ppm			
2005	30ppm			
2006	↓	15ppm		
2007	↓	↓	500ppm	500ppm
2008	↓	↓	↓	↓
2009	↓	↓	↓	↓
2010	↓	↓	15ppm	↓
2011	↓	↓	↓	↓
2012	↓	↓	↓	15ppm

North America Oil/Gas Well Services

- ◆ High oil and natural gas prices driving strong new business activity in Western US and Canada
- ◆ Nitrogen and CO₂ for down-hole oil well stimulation and for the fracturing of gas/oil geological formations
- ◆ Praxair services for refiners includes:
 - Leak detection
 - Cathodic protection
 - Cleaning/Purging/Drying
- ◆ \$170MM* sales - Expect 15% per annum growth

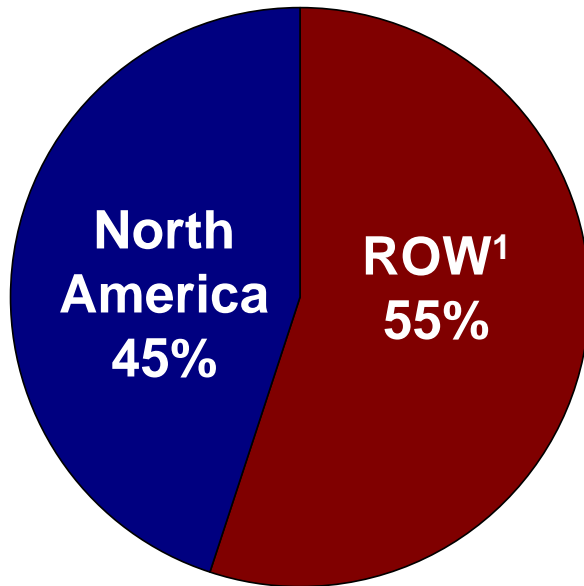


High growth opportunity

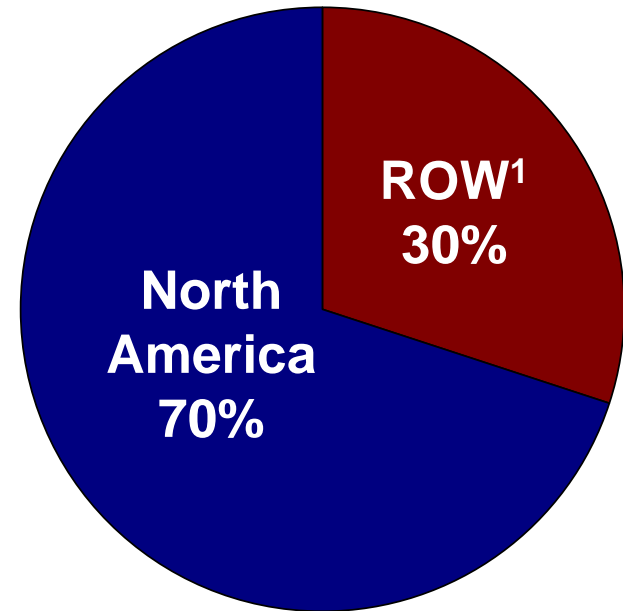
*Includes JV sales

Healthcare Growth – Global Praxair Sales

1999 Sales: \$355 MM



2004F Sales: \$750 MM²

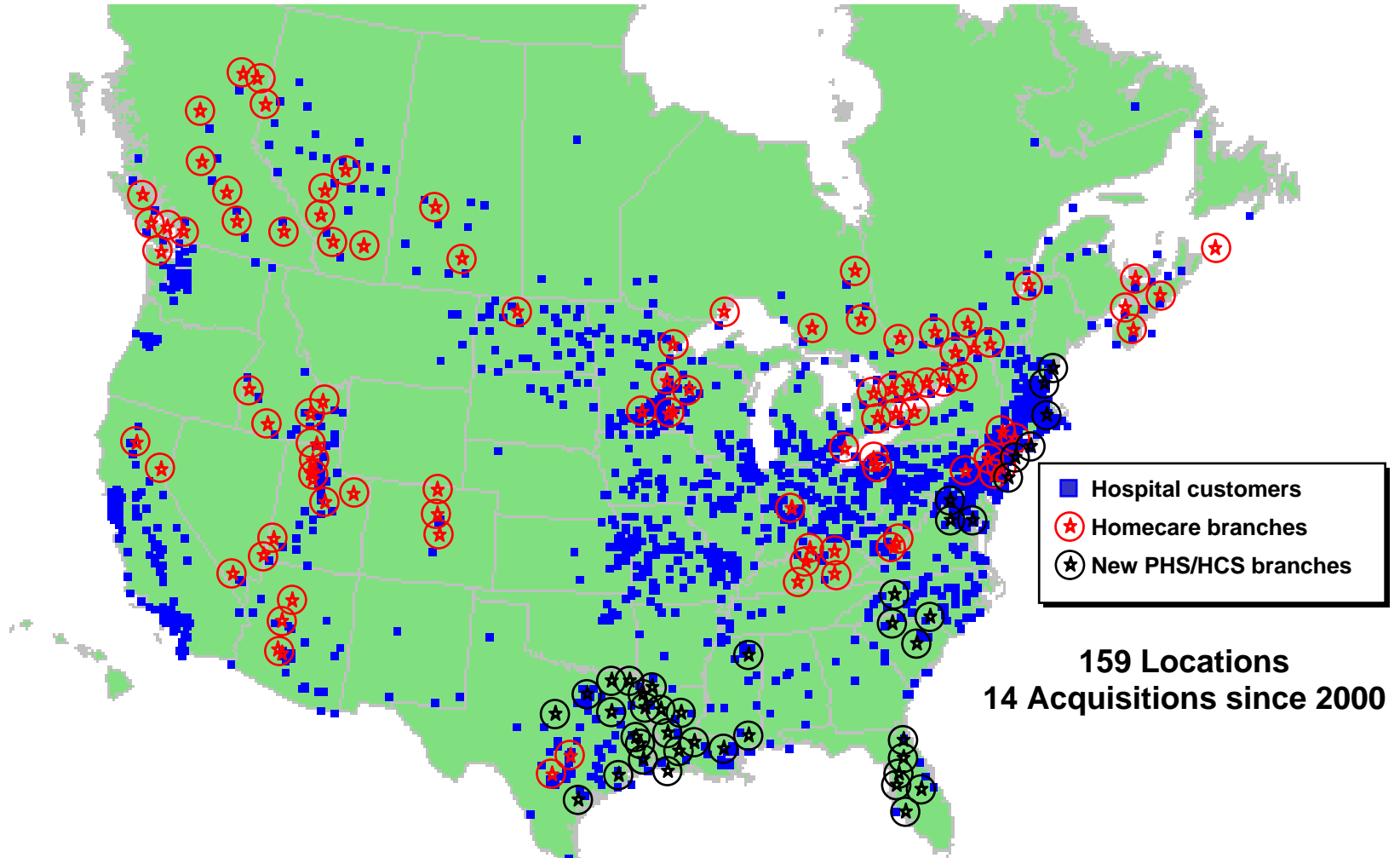


1) ROW = Rest of World

2) Includes 6 months of HCS acquisition

Significant healthcare platform has been established

PHS Homecare Branches- US and Canada



Acquisitions are providing geographic density to grow the hospital to home strategy

Growing Semiconductor Product Offerings

- ◆ **Electronic Gases**
 - ◆ On-site high purity gases
 - ◆ Select specialty gases
 - ◆ Expansion in Asia
- ◆ **Materials Science for 300mm**
 - Thin film metal deposition:
PVD, CVD, & ALD
 - CMP consumables:
belts, pads, slurries
 - Advanced components
- ◆ **Supply Chain Services**
 - Generic components
 - Parts management
 - Applied Materials alliance



Niche strategy focused on sustained profitability

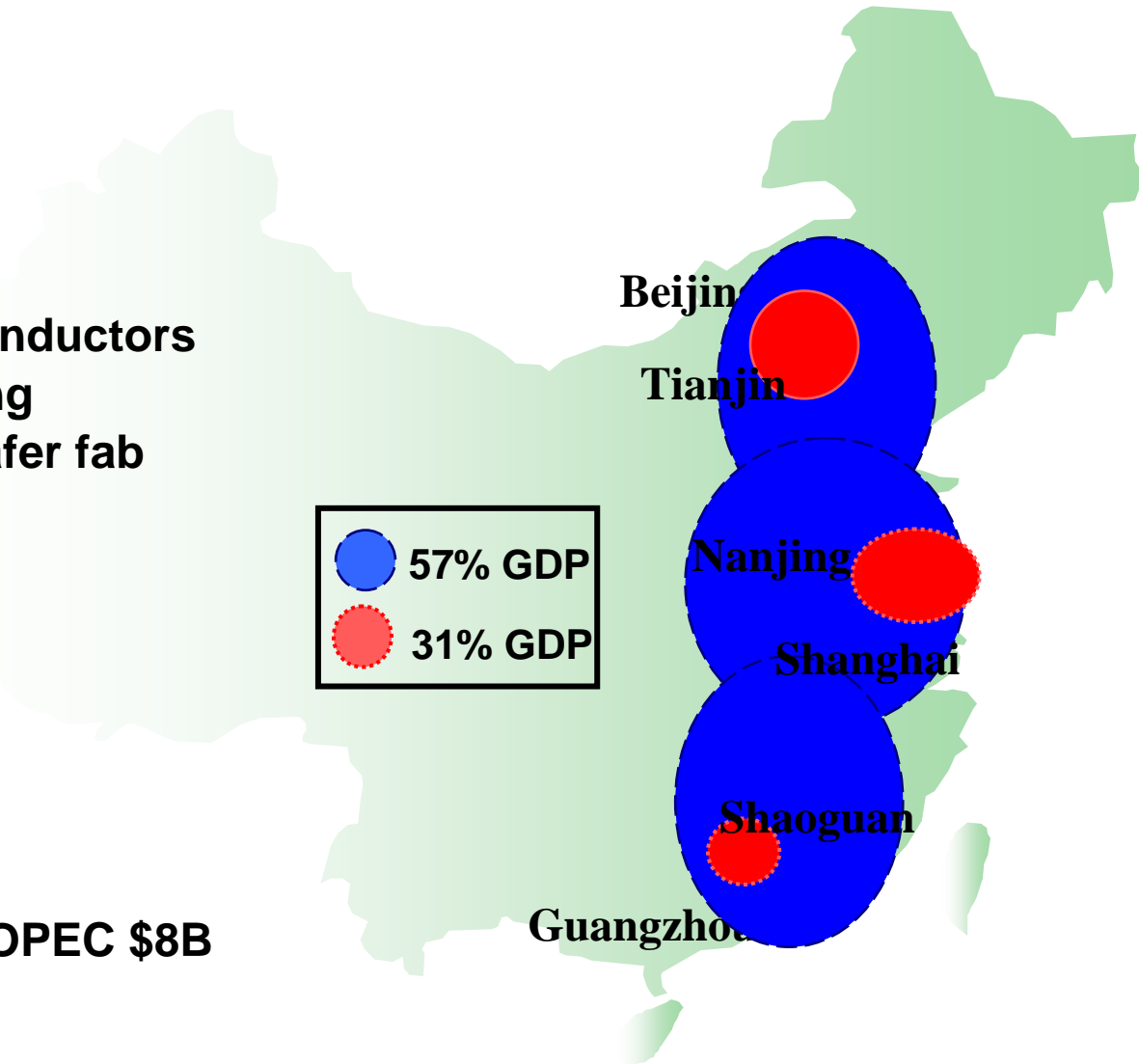
Praxair China Strategy

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

- ◆ **Leading position in semi-conductors**
 - Shanghai - SMIC & Tailong
 - Beijing - SMIC 300mm wafer fab

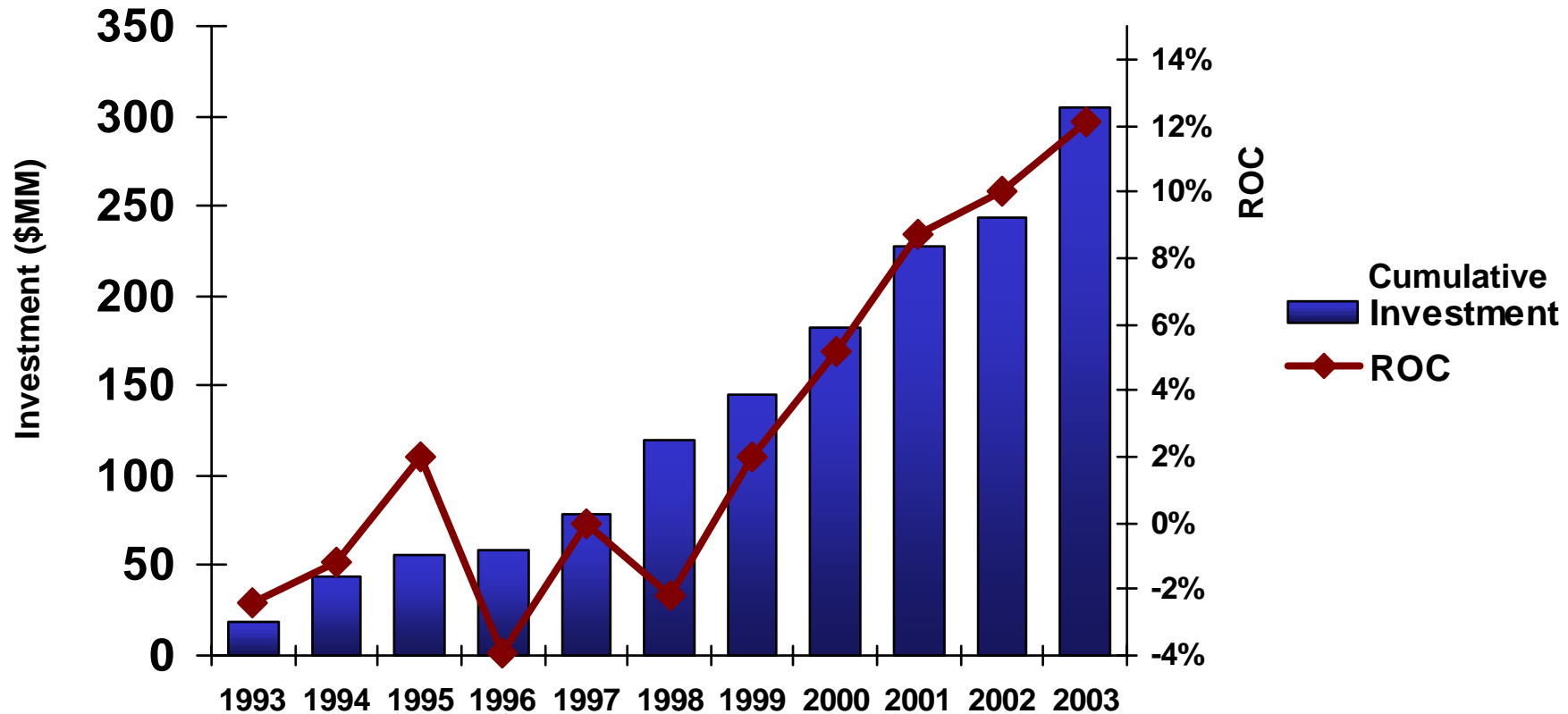
- ◆ **Shell Nanhai Complex**
 - Shell & CNOOC \$4.3B
 - O₂, N₂ & Ar supply

- ◆ **Caojing petrochemical park**
 - 50/50 JV with Air Liquide
 - BP, BAYER, BASF & SINOPEC \$8B
 - O₂, N₂ & H₂ supply



China - Profitable Growth

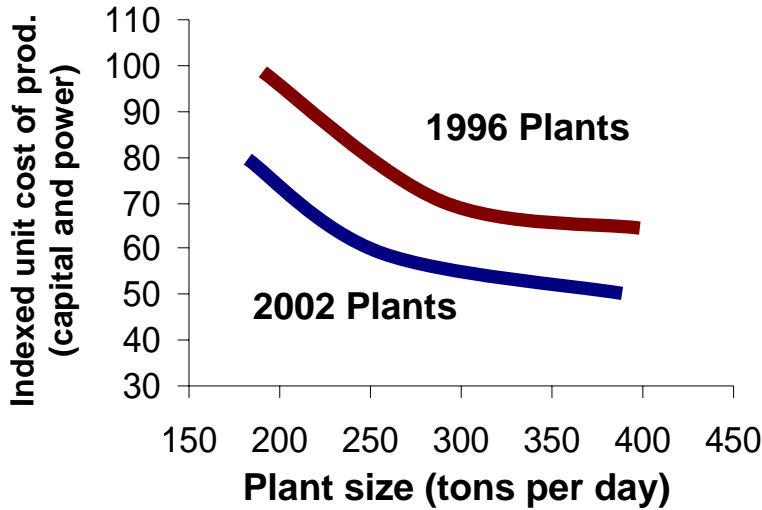
Investment and Return on Major Projects



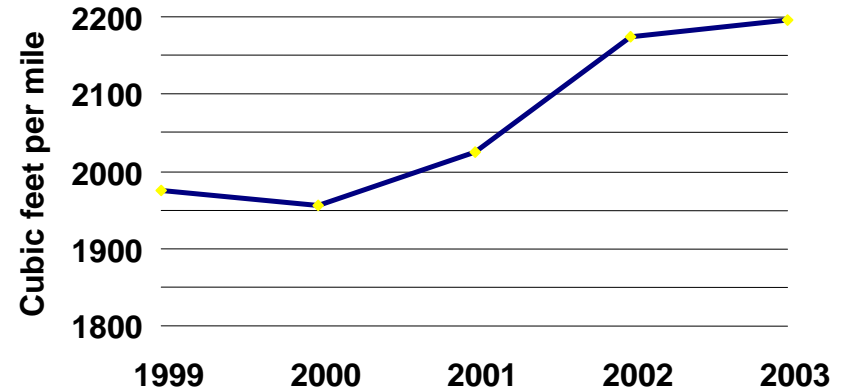
Improving return on capital

Operational Performance Metrics

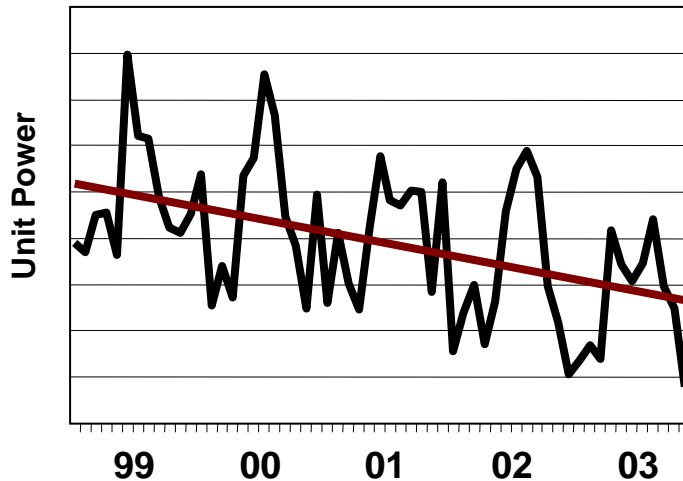
Unit Cost of Production



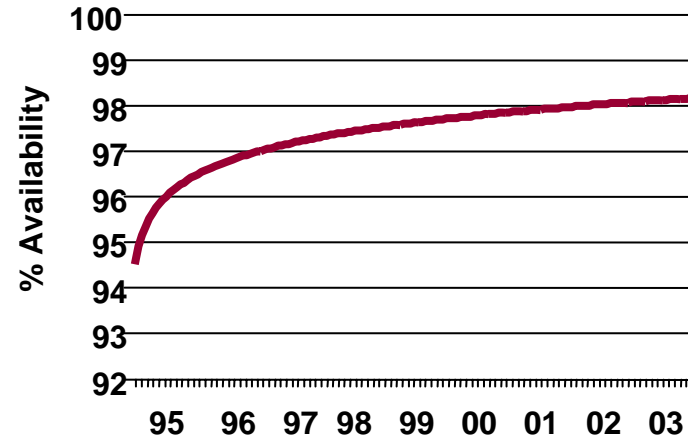
Atmospheric Gases Volume/Trip



Per Unit Power Consumption



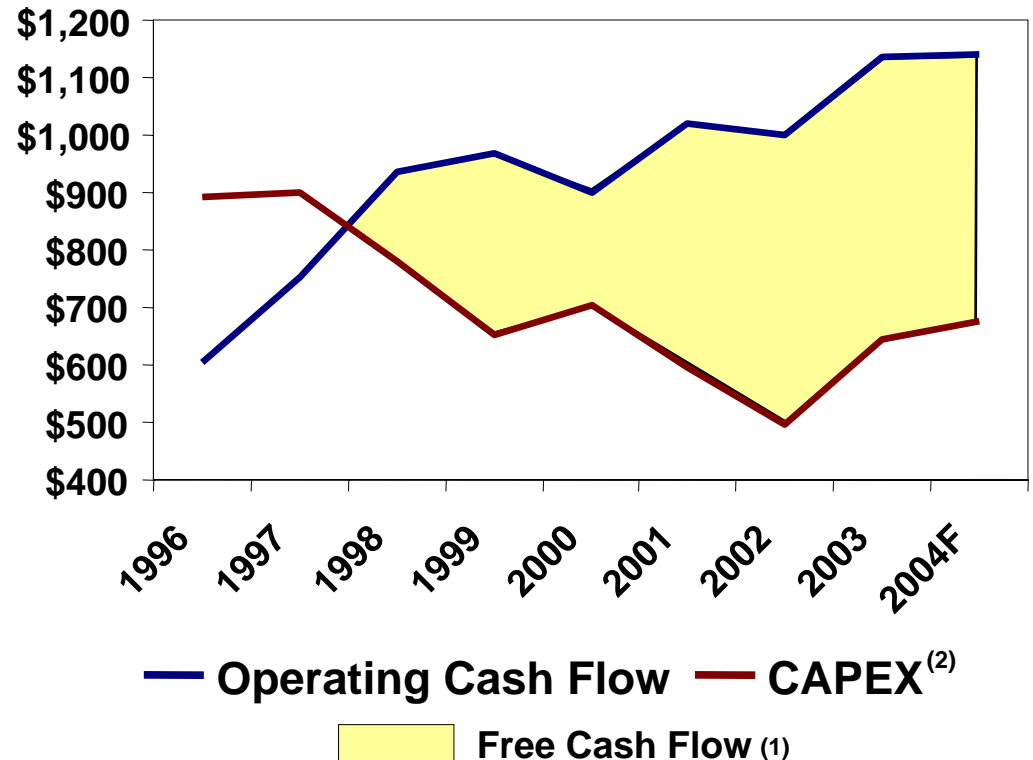
On-stream Reliability



Robust Cash Flow Generation

- ◆ **Operating cash flow**
8% CAGR
- ◆ **Capital spending discipline - increased hurdle rates**
- ◆ **Uses of free cash flow**
 - Dividends
 - Selective acquisitions
 - Share repurchases
 - Debt reduction

Free Cash Flow 1996-2004F (\$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 intensity¹ 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.

¹Intensity is per-unit-of-production measure

