PRAXAIR, INC.
Hydrogen: The Growth Story Continues

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Dan Yankowski, Vice President

February 9, 2005
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, accounting and other legislation, litigation, government regulation and the effectiveness and speed of integrating new acquisitions into the business.
# Full Year 2004 Results

<table>
<thead>
<tr>
<th>($MM)</th>
<th>2004</th>
<th>2003</th>
<th>△%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$6,594</td>
<td>$5,613</td>
<td>17%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>$1,103</td>
<td>$  922</td>
<td>20%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>16.7%</td>
<td>16.4%</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$  697</td>
<td>$  585</td>
<td>19%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$2.10</td>
<td>$1.77</td>
<td>19%</td>
</tr>
<tr>
<td>After Tax ROC ¹</td>
<td>12.5%</td>
<td>12.8%</td>
<td></td>
</tr>
<tr>
<td>Cash flows from</td>
<td>$1,243</td>
<td>$1,137</td>
<td>9%</td>
</tr>
<tr>
<td>Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capex ²</td>
<td>$668</td>
<td>$644</td>
<td>4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales Comparison</th>
<th>YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Growth</td>
<td>+17%</td>
</tr>
<tr>
<td>Volume</td>
<td>+9%</td>
</tr>
<tr>
<td>Price</td>
<td>+2%</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>+1%</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>+2%</td>
</tr>
<tr>
<td>Currency</td>
<td>+3%</td>
</tr>
</tbody>
</table>

- ROC reduced by 0.6% due to German acquisition

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1) Non-GAAP measure. See Appendix.
2) 2003 Capex excludes $339 million purchase of leased assets
Operating Model Drives Growth and ROC

Applications Technology
Customer Value

Growth

Return on Capital

Commercial Terms
Capture Value

Efficient/Reliable
Low Cost Supplier

<table>
<thead>
<tr>
<th></th>
<th>Praxair</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (10 year CAGR)</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>EPS Growth (10 year CAGR)</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>ROE* (10 year average)</td>
<td>19%</td>
<td>14%</td>
</tr>
<tr>
<td>TSR (10 year annualized)</td>
<td>17%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Shareholder performance exceeds S&P 500

* ROE = Net income before accounting changes/Shareholders Equity
## Sustainable Growth Business Model

### 2004 Sales

#### Distribution Method
- On-Site: 25%
- Merchant: 29%
- Packaged Gases: 33%
- Other: 13%

#### End Markets
- Aerospace: 4%
- Manufacturing: 21%
- Metals: 16%
- Energy: 12%
- Electronics: 7%
- Food and Beverage: 7%
- Chemicals: 10%
- Healthcare: 11%
- Other: 12%

- Price is a fraction of customer value
- Terms capture above average ROC
Applications Technology Drives Growth

**AIR QUALITY**
- Low Nox Combustion
- Hydrogen for refining
- VOC treatment
- Carbon dioxide recycle
- Hydrogen for fuel cells

**WATER QUALITY**
- Oxygen/Carbon Dioxide wastewater treatment
- Nitrogen extrusion cooling
- Carbon dioxide in grain storage
- Oxygen in paper production

**ENERGY SAVINGS**
- CoJet® gas injection system
- Oxy-fuel combustion
- Helium recycle
- Cryo-mechanical freezing
- Metal bonding

Over 65% of revenue is from applications that increase energy efficiency or improve environmental performance
Key Praxair Hydrogen Facilities

2004 Global Sales - $690 MM*
Production capacity 850MMSCFD

- Canada
- Chicago
- Pittsburgh
- U.S. Gulf Coast
- Spain
- Italy
- China - Caojing (Q2 2005)

SMR - 25
PSA - 31
POX - 2

2005 Sales forecast to approach $900MM

*2 100MMSCFD SMR’s started up in Q3 04
## North American Refinery Hydrogen Demand

### Hydrogen Used Per Barrel of Oil (Cubic Feet)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf Coast</td>
<td>434</td>
<td>582</td>
</tr>
<tr>
<td>Outside Gulf Coast</td>
<td>359</td>
<td>553</td>
</tr>
</tbody>
</table>

### Hydrogen Used Per Day (Billion Cubic Feet)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf Coast</td>
<td>3.3</td>
<td>4.8</td>
</tr>
<tr>
<td>Outside Gulf Coast</td>
<td>3.9</td>
<td>6.1</td>
</tr>
</tbody>
</table>

**Total Demand Growth (BCF)**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf</td>
<td>1.5</td>
</tr>
<tr>
<td>Non Gulf</td>
<td>2.2</td>
</tr>
<tr>
<td>Total</td>
<td>3.7</td>
</tr>
</tbody>
</table>

60% to 70% of Total Demand Growth will be outsourced

Source: Praxair Estimate, includes Canada
Hydrogen Growth by Source

North American Demand 2004 - 2008

2006 diesel regulations driving significant demand through 2008
North America – Hydrogen Growth Drivers

- Low sulfur fuel regulations
- Strong demand for gasoline and diesel
- Heavy crude upgrading
- Outsourcing hydrogen supply
- Upgrading hydrogen production technology
- Canadian synthetic crude
  - Upgrading bitumen
  - Refining

Strong demand growth will continue
Outsourcing Hydrogen Supply

Advantages

- Hydrogen Value
  - Can often build plant more cost effectively
  - Can revamp existing hydrogen plants to meet world class performance standards

- Plant Operation and Reliability
  - Operate the facility with well trained, experienced staff

- Pipeline Connections
  - Synergies of connected facility for supply and demand

Outsourcing advantages drive increased hydrogen growth
Major Growth Areas in North America

Significant growth areas outside of the Gulf Coast
Providing Service and Value to Refiners

- Improved hydrogen efficiency and recovery
  - Recover hydrogen that is downgraded to fuel
  - Improve process gas efficiency
  - Optimize on-site hydrogen generation

- Build hydrogen plants with world class technology
  - Integrate new facilities to match refinery needs
  - Focus on reliability and efficiency

Praxair global hydrogen sales forecast to grow 20% p.a. through 2010

Praxair Refinery Team Experience

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years</td>
<td>15 yrs</td>
<td>300+ yrs</td>
</tr>
</tbody>
</table>
Gulf Coast Hydrogen System

- 340 miles of pipeline
- 50 customers – refining and chemicals
- Connected to 3.3 MM bpd of refining capacity
- 600 MMSCFD production capacity – TX and LA

Well positioned for customer growth
Gulf Coast Pipeline Facilities

- **Pipeline control system**
  - 24 hour manned center
  - Monitoring of customer flows
  - Monitoring plants and pipeline equipment

- **Production optimization**
  - Real Time optimizer
  - Natural gas management
  - Match customer demand with production capability

State of the art technology
Praxair Gulf Coast Hydrogen Growth

Expect several additional SMR’s to be sited in 2005

Average Daily Volume

23% CAGR

MMSCFD

New Port Arthur, TX Steam Methane Reformer
Robust Cash Flow Generation

- Operating cash flow
  9% CAGR
- Capital spending discipline - increased hurdle rates
- Uses of free cash flow
  - Dividends
  - Selective acquisitions
  - Share repurchases
  - Debt reduction

Free Cash Flow 1996-2004 ($MM)

1) Non-GAAP measure. Free cash flow equals operating cash flow minus capital expenditures.
2) Excludes Leased Asset Purchase in 2003
Dividend and Earnings Growth

  - Dividend 16%
  - EPS 11%

Dividend increased 20% in Q1 2005

*Proforma – assumes Q1 dividend rate for full year 2005*
## Financial Outlook

### First Quarter 2005
- Diluted EPS in the range of $0.56-$0.58

### Full Year 2005
- Sales and operating profit growth in the range of 11-15%
- Diluted EPS in the range of $2.33 to $2.45
- Effective tax rate of 26%
- CAPEX of $700 – 750MM

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2005 EPS expected to grow by 11-17% inclusive of integration charges, higher interest and higher tax rate

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1) This excludes the effect of expensing stock options, expected to begin in Q305. Praxair estimates that this will reduce diluted EPS by about $0.02 per quarter.
Why Praxair?

- Strong, sustainable, organic growth
- Diverse end markets and applications technology
- High return on capital
- Long term customer retention
- Substantial free cash flow generation
- Capital and operating discipline
- Strong corporate governance
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\(^1\) 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.

\(^1\)Intensity is per-unit-of-production measure