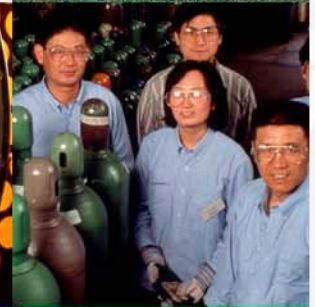
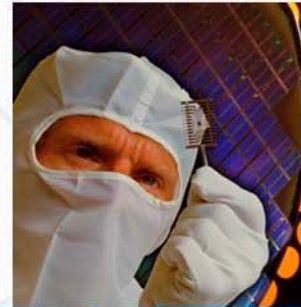




# Lehman Brothers Industrial Select Conference

**James S. Sawyer**  
**SVP and Chief Financial Officer**

**February 2, 2005**



**We deliver.**

# 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



(\$MM)	<u>Full Year</u>			<u>Sales Comparison</u>	
	<u>2004</u>	<u>2003</u>	<u>Δ%</u>		<u>YOY</u>
Sales	\$6,594	\$5,613	17%	Sales Growth	<u>+17%</u>
Operating Profit	\$1,103	\$ 922	20%	Volume	+9%
Operating Margin	16.7%	16.4%		Price	+2%
Net Income	\$ 697	\$ 585	19%	Natural Gas	+1%
Diluted EPS	\$2.10	\$1.77	19%	Acquisitions	+2%
				Currency	+3%
After Tax ROC <sup>1</sup>	12.5%	12.8%			
Cash flows from Operations	\$1,243	\$1,137	9%		
Capex <sup>2</sup>	\$668	\$644	4%		

- ROC reduced by 0.6% due to German acquisition

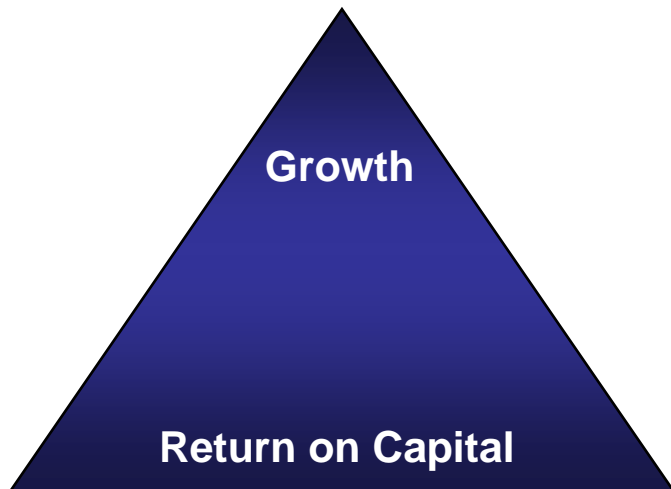
1) Non-GAAP measure. See Appendix.

2) 2003 Capex excludes \$339 million purchase of leased assets

# Operating Model Drives Growth and ROC



**Applications Technology  
Customer Value**



**Commercial Terms  
Capture Value**

**Efficient/Reliable  
Low Cost Supplier**

**Praxair   S&P 500**

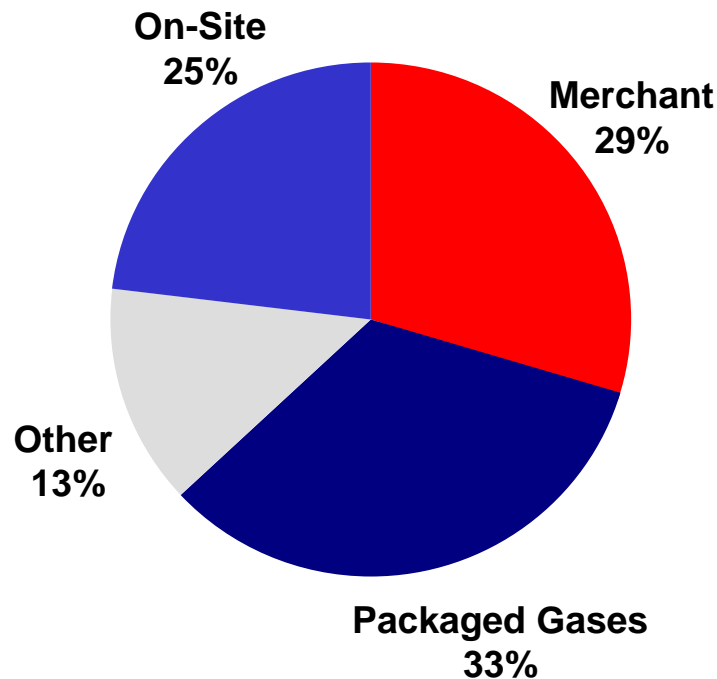
<b>Sales</b> (10 year CAGR)	<b>9%</b>	<b>7%</b>
<b>Earnings Growth</b> (10 year CAGR)	<b>13%</b>	<b>11%</b>
<b>ROE*</b> (10 year average)	<b>21%</b>	<b>14%</b>
<b>TSR</b> (10 year annualized)	<b>17%</b>	<b>12%</b>

**Shareholder performance exceeds S&P 500**

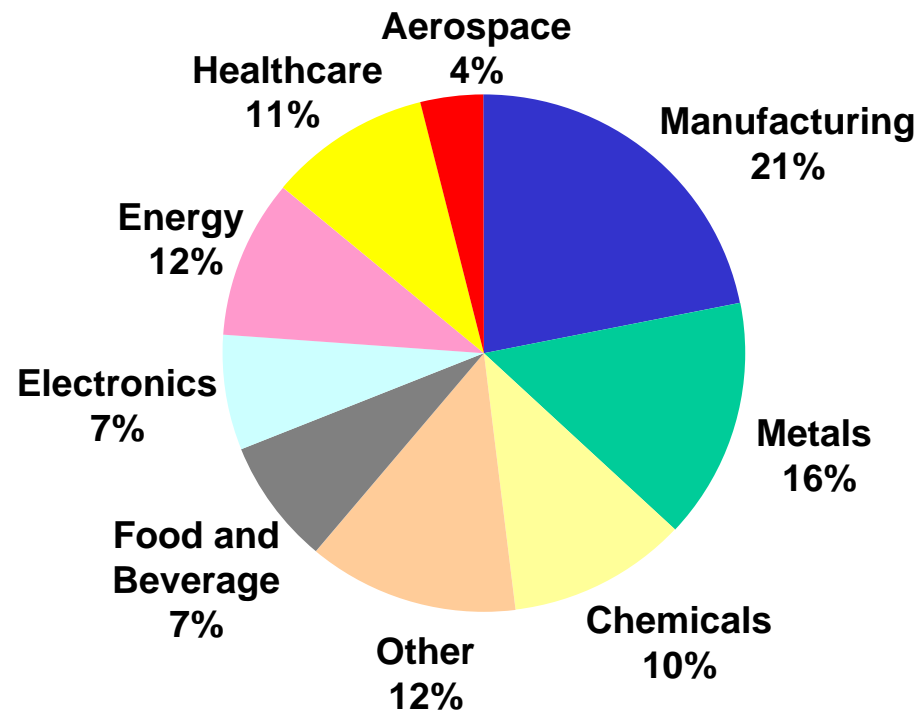
\* ROE = Net income before accounting changes/Shareholders Equity

## 2004 Sales

### Distribution Method



### End Markets



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

## 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<sup>®</sup> gas injection system
- Oxy-fuel combustion
- Helium recycle
- Cryo-mechanical freezing
- Metal bonding

## 2004 Global Sales - \$690 MM

### North America

- Strong refinery demand for sulfur reduction, heavy crude, and debottlenecking
- 310 miles of pipeline on US Gulf Coast, with production capacity of 500 MMSCFD
- Hydrogen to upgrade Canadian synthetic crude

### Europe

- Hydrogen production in Italy and Spain
- Sulfur reductions in fuels scheduled for 2009

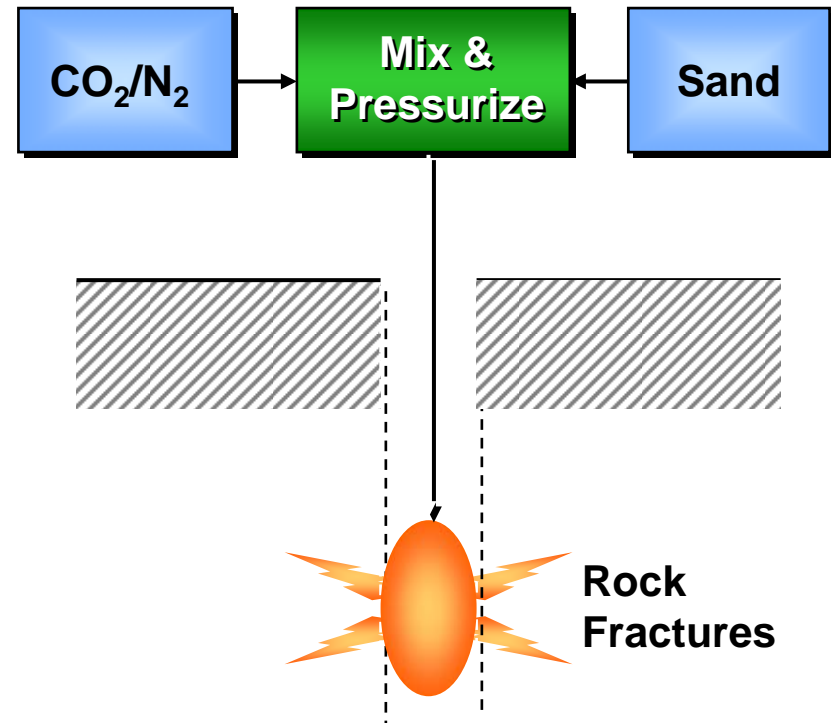
### China

- Caojing hydrogen plant start-up in 2005

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

**2005 Sales forecast to approach \$900 MM and expected to grow 20% p.a. through 2010**

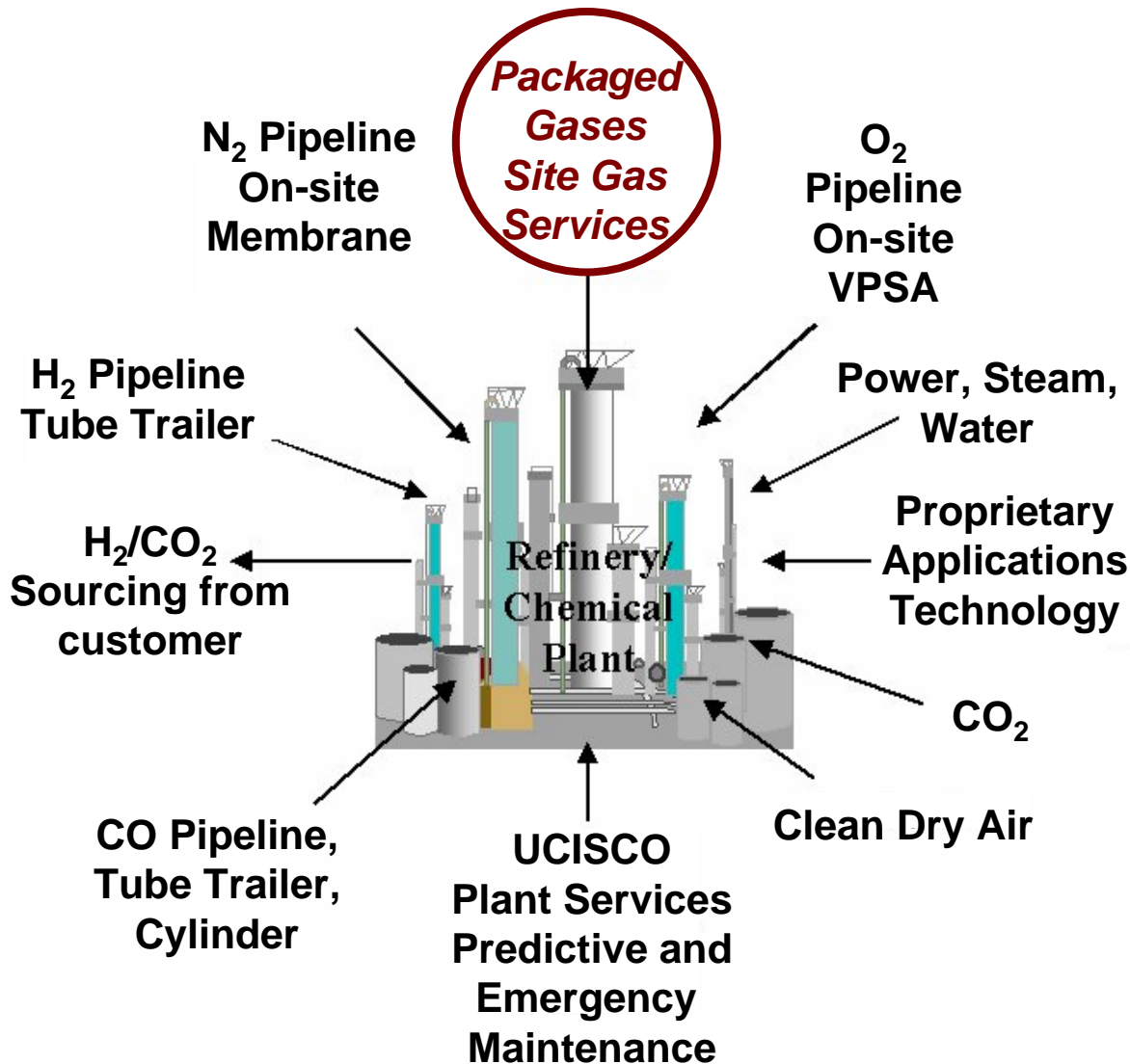
- Enhanced oil recovery (EOR), using nitrogen injection increases yield
- CO<sub>2</sub> fracturing to develop new wells
- Other Praxair services:
  - Leak detection
  - Cathodic protection
  - Cleaning/Purging/Drying



**\$200MM\* sales - Expect 25% per annum growth**

\*Includes JV sales

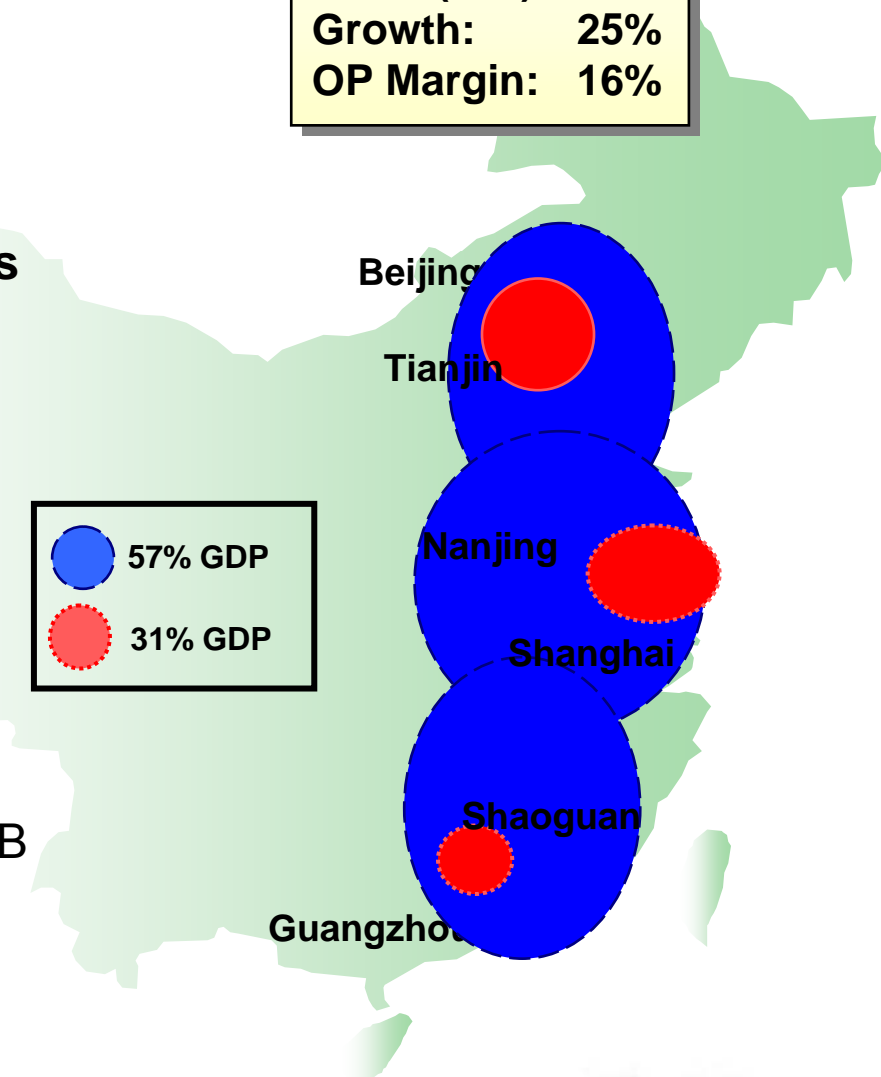
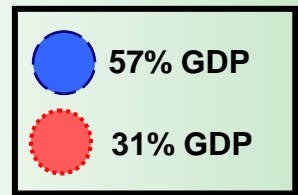




- Cross selling: larger wallet share
- Incumbent advantage for emerging bulk customers
- Specialty gases

- **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
  - O<sub>2</sub>, N<sub>2</sub> & Ar supply
  
- **Caojing petrochemical park**
  - 50/50 JV with Air Liquide
  - BP, BAYER, BASF & SINOPEC \$8B
  - O<sub>2</sub>, N<sub>2</sub> & H<sub>2</sub> supply

Asia	2004
Sales (MM):	\$487
Growth:	25%
OP Margin:	16%



## 2004 Global Sales - \$480 MM

- **Materials Science for 300mm**

- Thin film metal deposition:  
PVD, CVD, & ALD
- CMP consumables:  
pads, slurries
- Advanced components

- **Supply Chain Services**

- Generic components
- Parts management

- **Electronic Gases**

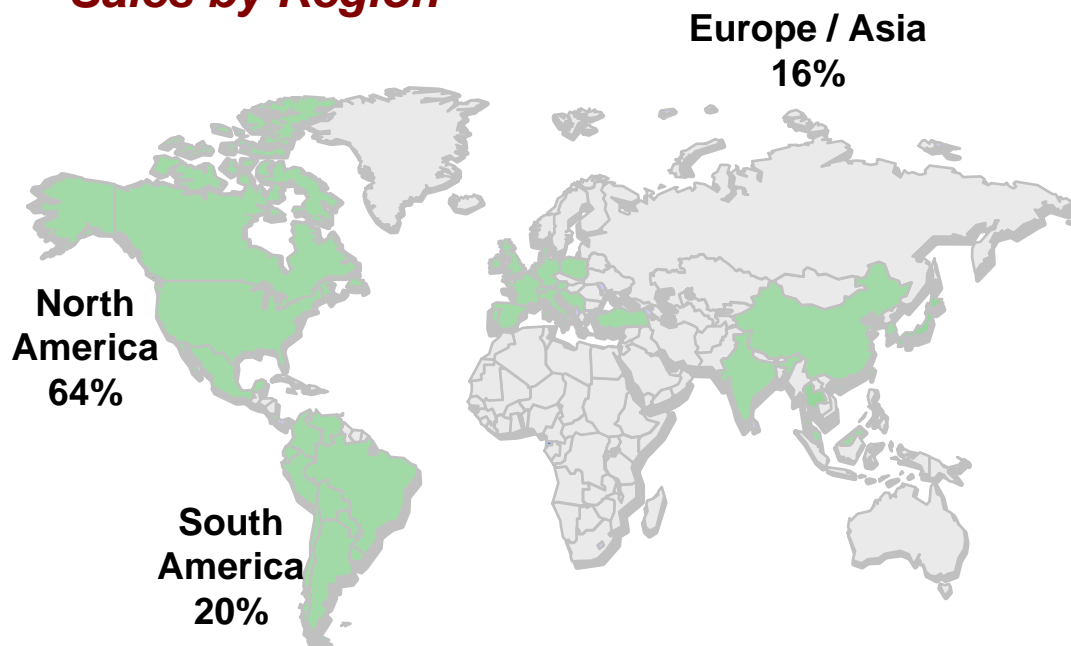
- On-site high purity gases
- Select specialty gases
- Expansion in Asia



**Investment focus on high growth, high return segments**

**2004 Global Sales - \$740 MM\***

## Sales by Region



- **Homecare 60%**
  - Home oxygen
  - Sleep therapy
  - Home medical equipment
- **Hospital Services 40%**
  - Oxygen supply systems
  - Portable *Grab 'n Go*<sup>®</sup> cylinders
  - Analytical gases
  - MRI helium and servicing
  - Cryo preservation
- **Transition patients from hospital to home**

**Expect sales of \$900 MM in 2005**

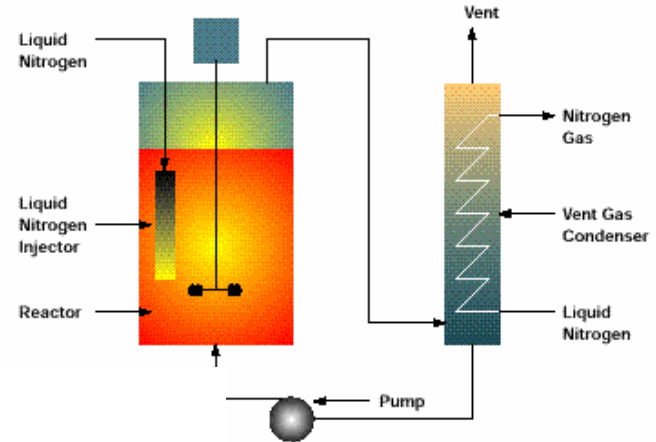
\*includes 6 mos. HCS acquisition

- **Biotech and Pharmaceutical**

- Low temperature refrigeration
- Reactor cooling
- Nitrogen injection - direct cooling

- **Food Technologies**

- Chilling and freezing
- Food safety - fruit and vegetable disinfection



Reactor Cooling - DCOOL™



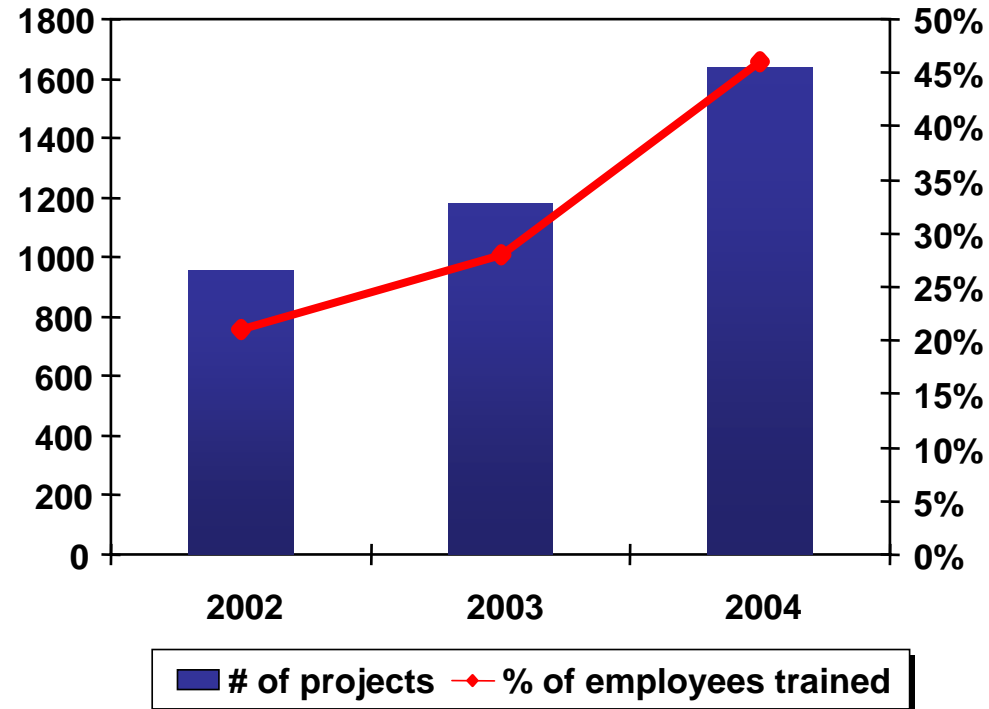
Rotary Chiller

**Pharmaceutical and food technologies all offer significant growth opportunities**

## Sources of Cost Savings

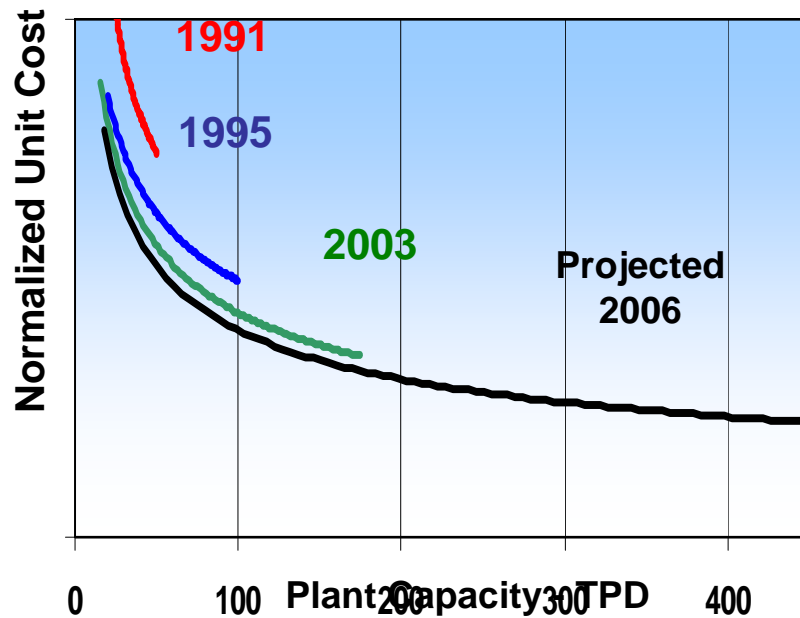
(\$MM)	<u>2003</u>	<u>2004</u>	<u>2005F</u>
Procurement	25	26	26
Plant Operations	58	65	78
Business Process	<u>27</u>	<u>54</u>	<u>46</u>
<b>Total</b>	<b>110</b>	<b>145</b>	<b>150</b>

## Six Sigma # of projects and % of workforce trained

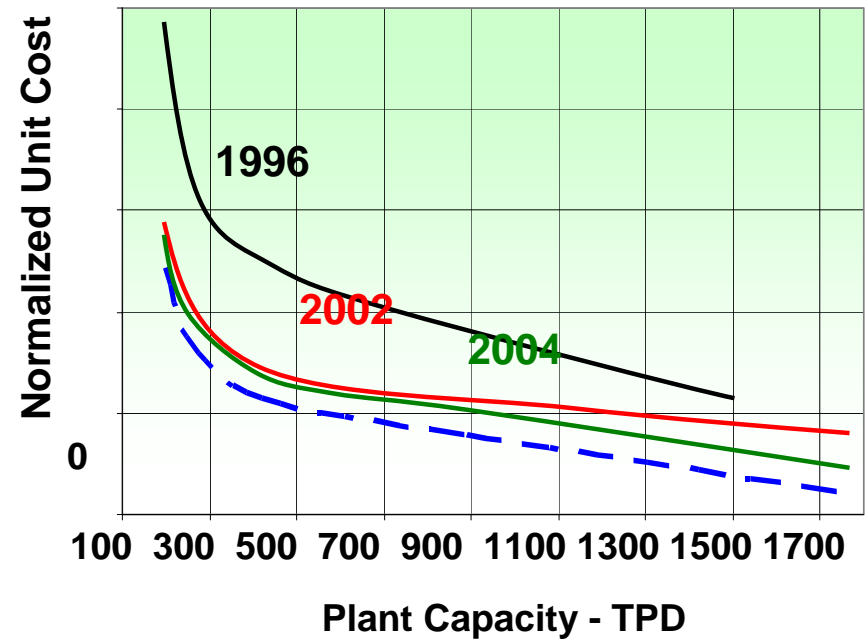


**Accelerating productivity initiatives using Six Sigma**

## Non-Cryogenic Oxygen



## Cryogenic High Purity Oxygen



**New plant designs are more energy efficient and less costly to build**

## Purchasing Strategy

- High continuous load factor
- Time of day flexibility
- Production/distribution optimization
- Result: Lowest Cost Energy

## Price Pass Through to Customer

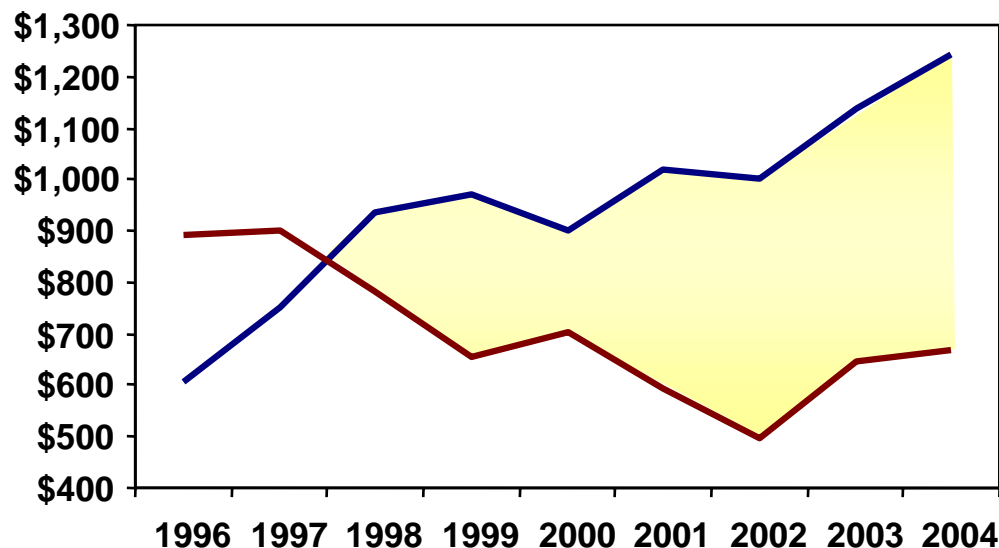
- Hydrogen:
  - 100% Nat Gas pass through
- Atmospheric Gases
  - Onsite - pass through - 60 day lag
  - Liquid
    - Formula escalation
    - Open - price increases
    - Fixed - price increases at renewal
    - Surcharges

**Business model protects profits from energy price volatility**



- 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)

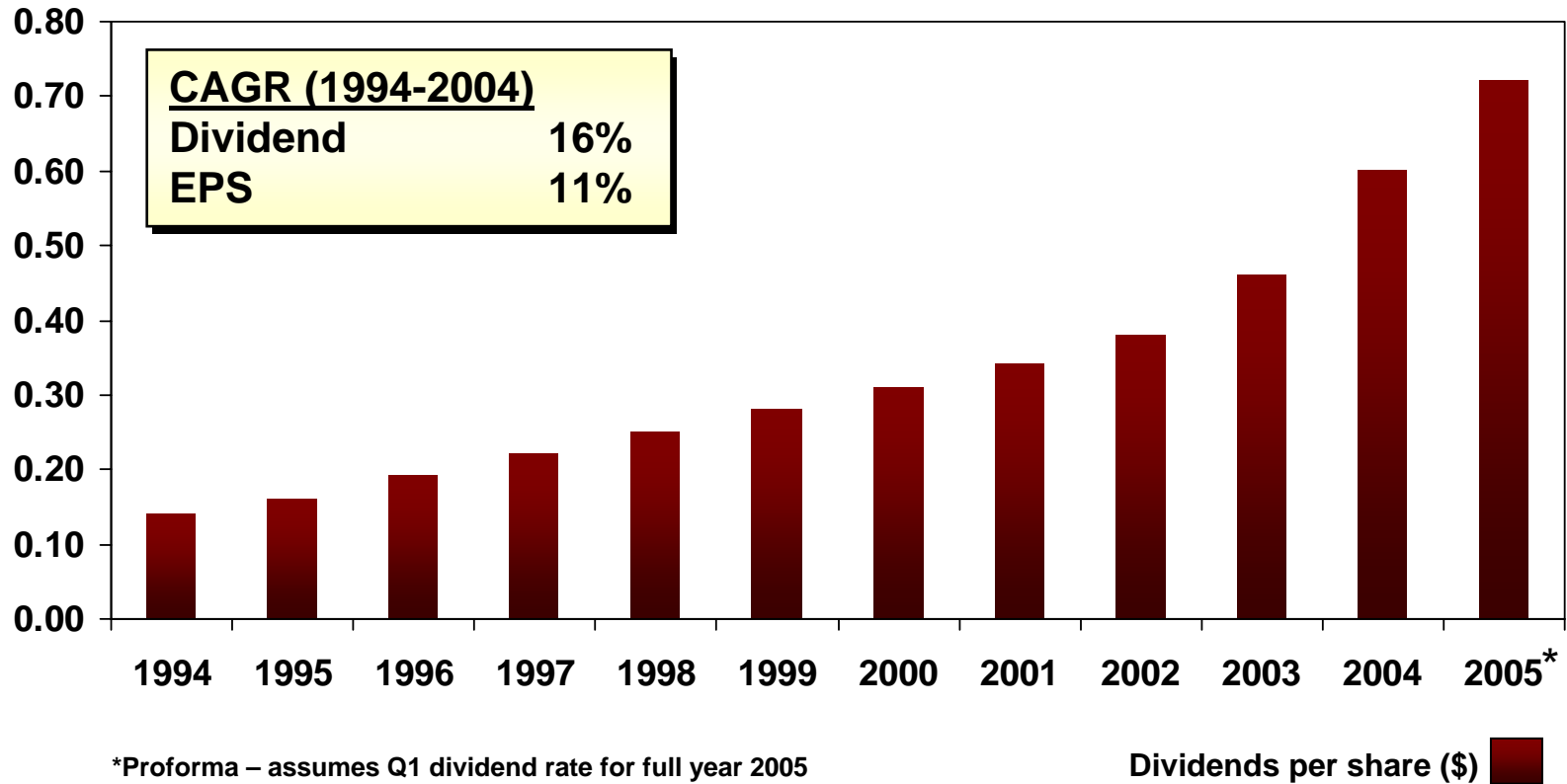


— Operating Cash Flow — CAPEX<sup>(2)</sup>  
Free Cash Flow<sup>(1)</sup>

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 increased 20% in Q1 2005**

# 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**

**We deliver.**

# 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

