



Investor Teleconference Presentation Third Quarter 2003

October 29, 2003

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.

Third Quarter Earnings

	<u>Third Quarter 2003</u>	<u>Second Quarter 2003</u> ¹	<u>Third Quarter 2002</u> ²
Sales	\$1,414	\$1,401	\$1,292
Operating Profit	\$ 240	\$ 223	\$ 235
Operating Margin	17.0%	15.9%	18.2%
Net Income	\$ 150	\$ 150	\$ 131
Diluted EPS	\$ 0.91	\$ 0.91	\$ 0.80
Diluted EPS ex special items³		\$ 0.87	\$ 0.85

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	<u>+9%</u>	<u>+1%</u>
Volume	0%	0%
Price	+4%	0%
Natural Gas	+1%	0%
Acquisitions (net)	+1%	0%
Currency	+3%	+1%

1) Operating Profit for 2Q03 includes \$5MM currency hedge losses related to the second half of 2003. Net income for 2Q03 includes \$4MM (\$0.02 EPS) currency hedge losses related to the second half of 2003 and a \$10MM (\$0.06) income tax benefit.

2) Operating Profit for 3Q02 includes \$5MM currency hedge gains related to future periods. Net income for 3Q02 includes \$4MM (\$0.02 EPS) currency hedge gains related to future periods and \$15MM (\$0.07) expense for the early debt retirement.

3) Non-GAAP measure excludes special items described in notes 1 and 2.

North America

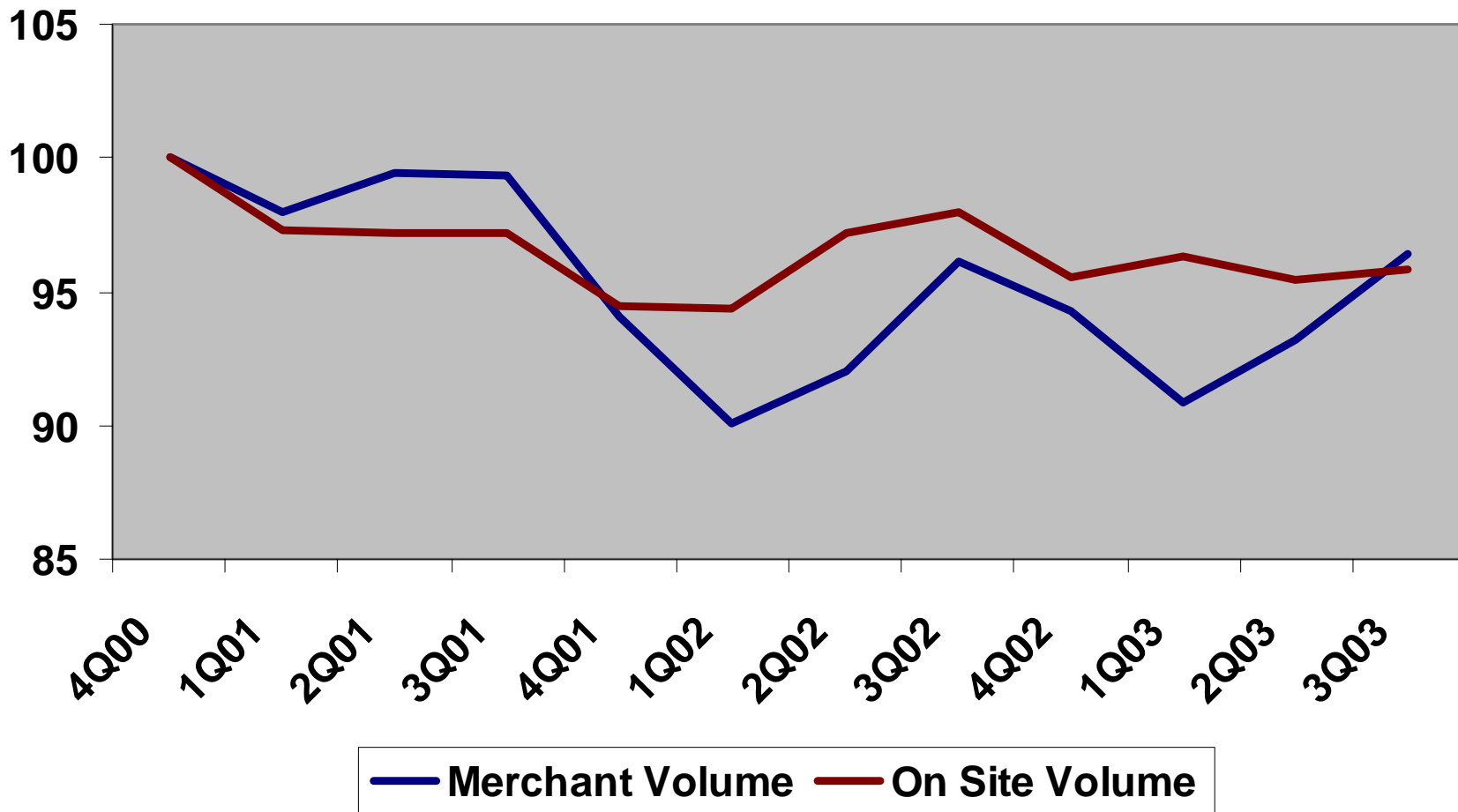
	Third Quarter <u>2003</u>	Second Quarter <u>2003</u>	Third Quarter <u>2002</u>
Sales	\$918	\$893	\$845
Segment OP	\$141	\$135	\$139
Operating Margin	15.4%	15.1%	16.4%

- ◆ Overall volumes growing sequentially
- ◆ Strong growth in pipeline services business
- ◆ CO2 higher sequentially due to seasonal demand
- ◆ Blackout in the Northeast negatively affected sales and operating profit

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	<u>+9%</u>	<u>+3%</u>
Volume	+1%	+3%
Price	+3%	0%
Natural Gas	+3%	0%
Acquisitions	+1%	0%
Currency	+1%	0%

<u>Key Indicators</u>	<u>YOY</u>
On-Site Volume	-2%
Merchant Volume	0%
Lin Lox Price (ex surcharges)	+1%
PDI Same Store Sales	+3%

North American Volumes



South America

	Third Quarter <u>2003</u>	Second Quarter <u>2003</u>	Third Quarter <u>2002</u>
Sales	\$187	\$185	\$154
Segment OP ¹	\$ 29	\$ 26	\$ 37
Operating Margin	15.5%	14.1%	24.0%

- ◆ Economic conditions are still uncertain
- ◆ Higher on-site volumes from export market
- ◆ Merchant and packaged volumes up on sales to metals and healthcare

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	<u>+21%</u>	<u>+1%</u>
Volume	<u>+7%</u>	<u>-2%</u>
Price	<u>+10%</u>	<u>+2%</u>
Currency	<u>+4%</u>	<u>+1%</u>

1) Segment OP for 3Q03 includes \$1MM of currency hedge losses related to Q4 and a \$5MM charge related to the settlement of legal matters. Segment OP for 2Q03 includes \$2MM of currency hedge losses related to the second half of 2003. Segment OP for 3Q02 includes \$5MM in hedge gains related to the 4Q02.

Europe

	<u>Third Quarter 2003</u>	<u>Second Quarter 2003</u>	<u>Third Quarter 2002</u>
Sales	\$168	\$175	\$151
Segment OP	\$ 44	\$ 41	\$ 36
Operating Margin	26.2%	23.4%	23.8%

- ◆ Strong Euro currency is delaying economic recovery - Spain GDP growing slightly
- ◆ Strong merchant and packaged volumes to metals and food
- ◆ Sequential volumes reflect typical seasonal slowdown

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	<u>+11%</u>	<u>-4%</u>
Volume	+1%	-5%
Price	+2%	0%
Divestiture	-5%	0%
Currency	+13%	+1%

Asia

	<u>Third Quarter 2003</u>	<u>Second Quarter 2003</u>	<u>Third Quarter 2002</u>
Sales	\$103	\$ 92	\$ 84
Segment OP	\$ 17	\$ 15	\$ 14
Operating Margin	16.5%	16.3%	16.7%

<u>Sales Comparison</u>	<u>YOY</u>	<u>Q3 vs Q2</u>
Sales Growth	<u>+23%</u>	<u>+12%</u>
Volume	+13%	+4%
Price	+1%	+1%
Currency	+3%	+2%
Consolidation	+6%	+5%

- ◆ Strong volume growth to electronics, metals and food
- ◆ Merchant volumes up 11%
- ◆ Record CO2 volumes - up 24%
- ◆ Consolidated Praxair Shaogang Co.

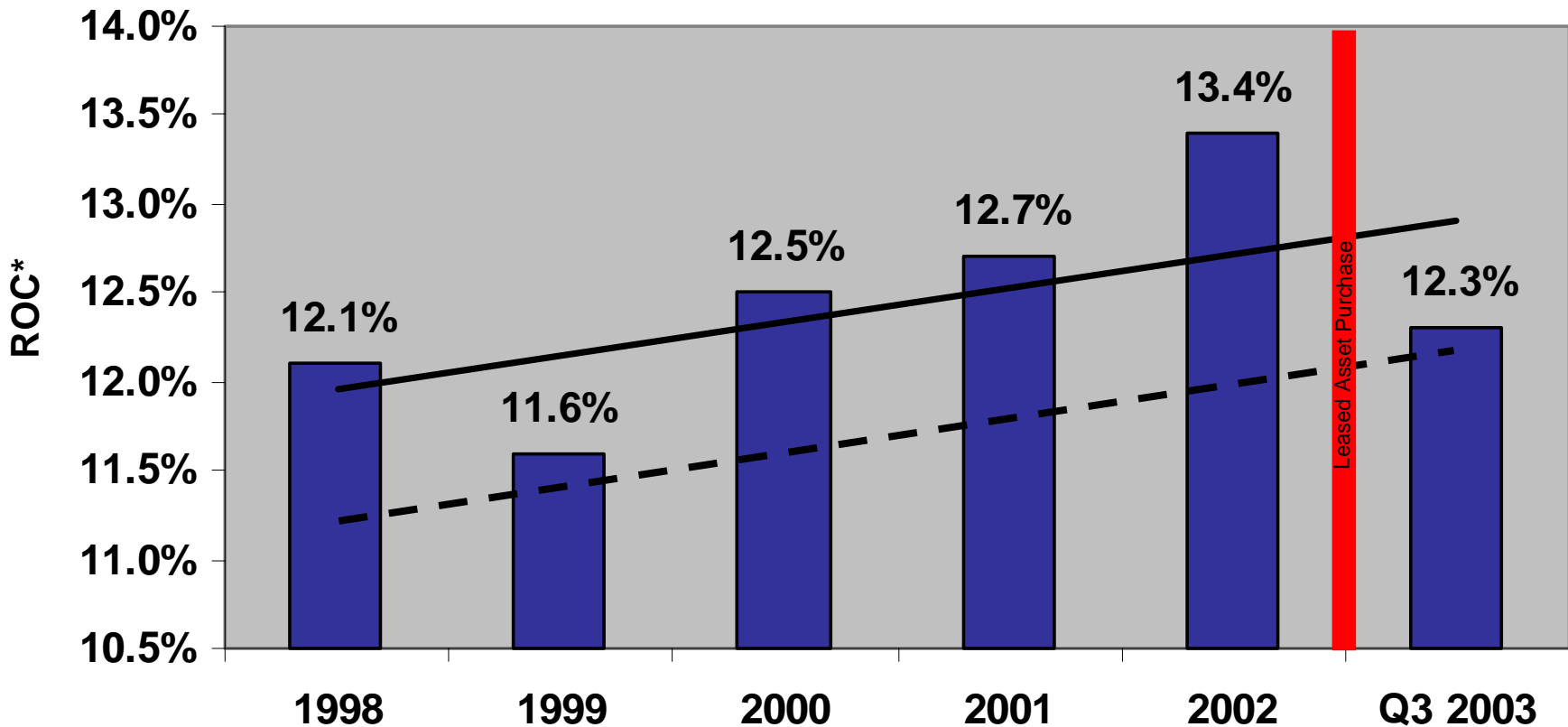
Surface Technologies

	<u>Third Quarter 2003</u>	<u>Second Quarter 2003</u>	<u>Third Quarter 2002</u>
Sales	\$ 99	\$ 99	\$ 99
Segment OP	\$ 9	\$ 6	\$ 9
Operating Margin	9.1%	6.1%	9.1%

- ◆ Increased US coatings activity
- ◆ Aviation volumes picked up in September
- ◆ OP reflects cost cutting actions

<u>Third Quarter Segment Sales</u>	<u>YOY</u>	<u>Q3 vs Q2</u>
Aviation Repair	-16%	+8%
Coatings Services	+4%	0%

Improving Return on Capital



--- ROC trend-line adjusted 0.8% to reflect Q203 leased asset purchase

*ROC is a Non-GAAP measure. See appendix.

Financial Outlook

Fourth Quarter 2003

- ◆ Sales growth of about 8%
- ◆ Diluted EPS \$0.90-\$0.94

Full Year 2003

- ◆ Sales growth of about 8%
- ◆ Diluted EPS \$3.51 - \$3.55, on a reported basis
- ◆ Capital expenditures (excluding purchase of leased assets) of about \$625M

Dividend Increase and Stock Split

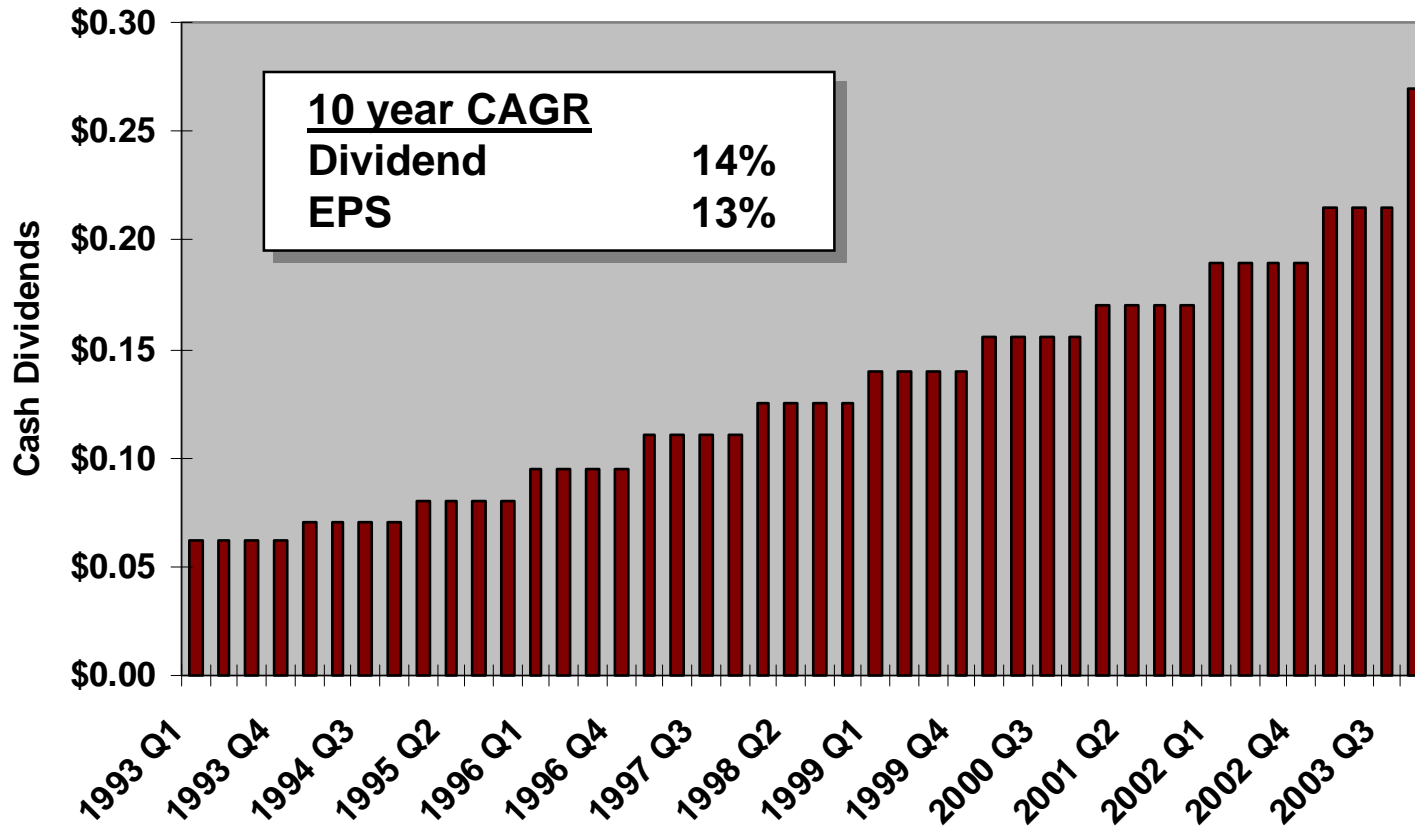
Dividend

- ◆ Increase in quarterly cash dividend to 27 cents (pre-split basis) from 21.5 cents - a 25.6% increase
- ◆ Record date 12/5/03; Payable 12/15/03

Stock Split

- ◆ 2 for 1 split of common stock
- ◆ Record date 12/5/03; Distribution date 12/15/03

Dividend Growth



APPENDIX

After-Tax Return on Capital

Definition of the following non-GAAP measure may not be comparable to similar definitions used by other companies. The Company believes that its after-tax return on invested capital ratio is an appropriate measure for judging performance as it reflects the approximate after-tax profit earned as a percentage of investments by all parties in the business (debt, minority interest, preferred stock, and shareholders' equity).

Dollar amounts in millions

ENDING CAPITAL

	December 31, (a)					2003
	1998	1999	2000	2001	2002	Q3
Total debt	\$ 3,274	\$ 2,995	\$ 3,141	\$ 2,989	\$ 2,748	\$ 2,958
Minority interests	487	359	138	141	164	181
Preferred stock	75	75	20	20	-	-
Shareholders' equity	2,332	2,290	2,357	2,477	2,340	2,874
Total Capital	\$ 6,168	\$ 5,719	\$ 5,656	\$ 5,627	\$ 5,252	\$ 6,013

AFTER-TAX RETURN ON CAPITAL (ROC)

Reported operating profit	\$ 856	\$ 831	\$ 707	\$ 800	\$ 923	\$ 240
Add: goodwill amortization	37	32	33	38	-	-
Add: special items	29	-	159	70	-	-
Less: reported taxes	(127)	(152)	(103)	(135)	(158)	(49)
Less: tax benefit on interest expense	(68)	(49)	(50)	(50)	(46)	(9)
Less: tax benefit on goodwill amortization	(5)	(4)	(4)	(5)	-	-
Less: tax benefit on special items	(11)	-	(44)	(13)	-	-
Add: special tax credits	18	-	-	-	-	-
Add: equity income	11	11	10	9	9	3
Add: special items equity income	-	-	2	-	-	-
Net operating profit after-tax (NOPAT)	\$ 740	\$ 669	\$ 710	\$ 714	\$ 728	\$ 185
Beginning capital, AS ADJUSTED (b)	\$ 6,023	\$ 5,850	\$ 5,719	\$ 5,656	\$ 5,627	\$ 6,000
Ending capital	\$ 6,168	\$ 5,719	\$ 5,656	\$ 5,627	\$ 5,252	\$ 6,013
Average capital	\$ 6,096	\$ 5,785	\$ 5,688	\$ 5,642	\$ 5,440	\$ 6,007
After-tax ROC %	12.1%	11.6%	12.5%	12.7%	13.4%	3.1%
After-tax ROC % (annualized) (a)	12.1%	11.6%	12.5%	12.7%	13.4%	12.3%

(a) Special items and adjustments are defined in the 2002 Annual Report footnote (a) on page 62, and in the Appendix on page 63.

(b) 1999 beginning capital has been adjusted for the January devaluation of the Brazilian Real, by \$318 million currency movement.