

PRAXAIR INC  
Form 425  
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Subject Companies:

Praxair, Inc.

(Commission File No.: 001-11037)

Linde AG

January 26, 2017

**PRAXAIR REPORTS FULL-YEAR AND FOURTH-QUARTER 2016 RESULTS**

**Full-year sales of \$10.5 billion; EPS of \$5.21; adjusted EPS of \$5.48**

**Strong full-year operating cash flow of \$2.8 billion, 26% of sales**

**Record free cash flow of \$1.3 billion, returned to shareholders approximately \$1 billion**

**Announced 5% dividend increase for 2017; 24<sup>th</sup> consecutive annual increase**

**Successfully executing strategy:**

**Won seven new onsite projects for customers under long-term contracts, including four in the U.S. Gulf Coast; Backlog \$1.5 billion**

**Grew resilient end-markets to 27% of sales**

**Expanded carbon dioxide network through synergistic acquisitions and strengthened position in aerospace coatings with GE aviation JV**

**Fourth-quarter sales of \$2.6 billion; EPS of \$1.41**

**Full-year 2017 EPS guidance of \$5.45 to \$5.80, +2% to +9%, ex-FX**

DANBURY, Conn., January 26, 2017 Praxair, Inc. (NYSE: PX) reported fourth-quarter net income and diluted earnings per share of \$406 million and \$1.41, respectively.

Sales in the fourth quarter were \$2,644 million, 2% above the prior-year quarter. Excluding negative currency translation effects and higher cost pass through, sales were 2% higher than the prior-year quarter due to growth from acquisitions,

largely a carbon dioxide business in Europe, and higher pricing. Overall volumes were comparable to the prior-year quarter. Volume growth from new on-site projects in Europe, South America and Asia was offset by lower base business volumes in North America, due primarily to weaker manufacturing and energy activity.

Operating profit in the fourth quarter was \$599 million, 4% below the prior-year quarter. Excluding 1% headwind from foreign currency translation and a gain on asset sale in the prior year, operating profit was comparable with the prior-year quarter. Operating profit as a percentage of sales was 22.7% and EBITDA margin was 33.8%.

Fourth-quarter cash flow from operations was \$726 million, 27% of sales. Capital expenditures were \$409 million and the company paid \$214 million of dividends.

For the full year of 2016, reported net income was \$1,500 million and diluted earnings per share was \$5.21. On an adjusted basis, full-year net income was \$1,576 million and diluted earnings per share was \$5.48.

Full-year sales were \$10,534 million, 2% below 2015 due to the impacts of negative currency translation and lower cost pass-through, primarily natural gas. Underlying sales were 2% above prior year as growth from positive price, new project start-ups globally and acquisitions were partially offset by lower base volumes primarily in North America due to weaker upstream energy and manufacturing end-markets. Reported operating profit was \$2,238 million, 4% below prior year. Adjusted operating profit of \$2,338 million was 3% below 2015, excluding negative currency translation.

For full-year 2016, Praxair generated strong operating cash flow of \$2,773 million, 26% of sales, and free cash flow of \$1,308 million. The company invested \$363 million in acquisitions, primarily a carbon dioxide business in Europe, paid dividends of \$856 million, repurchased \$89 million of stock, net of issuances and reduced net debt.

Commenting on the financial results and business outlook, Chairman and Chief Executive Officer Steve Angel said, "During 2016, Praxair employees demonstrated operational excellence by again delivering high-quality results despite facing another challenging global economic year. We gained traction on our core strategy and generated record operating cash flow of 26% of sales and free cash flow of \$1.3 billion. As a result, we have announced an increase in our dividend for the 24<sup>th</sup> consecutive year."

Expanding our presence in more resilient end-markets including food, beverage, healthcare and aerospace is a key component of our strategy. We completed our carbon dioxide acquisition in Europe which will strengthen our food and beverage growth platform and began the PST joint venture with GE on aircraft coatings which we expect will triple the size of that business in a few years. Another important element of our strategy is to execute our backlog and capitalize on the additional project opportunities driven by the low-cost feedstock advantage in the U.S. Gulf Coast. We won seven new large on-site projects during the year that brought our backlog to just over \$1.5 billion, with 70% of that value supporting our extensive network in the U.S. Gulf Coast.

The year culminated in a non-binding agreement in principal to merge with Linde. We view this as a compelling opportunity to create substantial value for stakeholders. This announcement is the first step in a process that will take some time to complete. While we pursue this opportunity, rest assured our employees will remain laser focused on operational excellence and executing our core strategy.

For full-year 2017, Praxair expects diluted earnings per share to be in the range of \$5.45 to \$5.80, 2% to 9% growth excluding currency versus 2016. This

guidance assumes a negative currency impact of approximately 3%. Full-year capital expenditures are expected to be approximately \$1.4 billion and the effective tax rate is forecast to remain at approximately 28%.

For the first quarter of 2017, Praxair expects diluted earnings per share in the range of \$1.28 to \$1.35. This EPS guidance assumes a negative currency impact of approximately 1%.

Following is additional detail on fourth-quarter 2016 results by segment.

In North America, fourth-quarter sales were \$1,397 million, down 2% from the prior-year quarter. Sales growth from higher pricing and stronger volumes to metals, food and beverage and healthcare customers were more than offset by weaker volumes in energy and manufacturing end-markets. Operating profit was \$359 million.

In Europe, fourth-quarter sales were \$351 million, 9% above the prior-year quarter excluding negative currency translation. Acquisitions contributed 8% growth, primarily related to a carbon dioxide business largely serving the food and beverage end-market. Volume was up 1% primarily due to new project start-ups. Operating profit of \$71 million grew 15% from the prior year, primarily due to lower cost, higher volumes and acquisitions.

In South America, fourth-quarter sales were \$352 million, 18% above the prior-year quarter. Sales, excluding positive currency translation, grew 9% as a result of higher price, new on-site project volumes and higher sales to healthcare and food and beverage end-markets. Operating profit was \$64 million.

Sales in Asia were \$395 million in the quarter, 1% below the prior-year quarter. Excluding negative currency translation and a prior quarter divestiture, sales grew 5%. Operating profit of \$78 million grew 8%, excluding currency translation.

Praxair Surface Technologies had fourth-quarter sales of \$149 million as compared to \$152 million in the prior-year quarter. Excluding negative currency translation and cost pass-through, sales were comparable to the prior-year period. Favorable price and higher aerospace volumes were offset by weaker sales primarily to the energy end-markets. Operating profit was \$27 million.

### **About Praxair**

Praxair, Inc., a Fortune 300 company with 2016 sales of \$11 billion, is a leading industrial gas company in North and South America and one of the largest worldwide. The company produces, sells and distributes atmospheric, process and specialty gases, and high-performance surface coatings. Praxair products, services and technologies are making our planet more productive by bringing efficiency and environmental benefits to a wide variety of industries, including aerospace, chemicals, food and beverage, electronics, energy, healthcare, manufacturing, primary metals and many others. More information about Praxair, Inc. is available at [www.praxair.com](http://www.praxair.com).

Adjusted amounts are non-GAAP measures. Additionally, measures such as EBITDA, free cash flow, after-tax return on capital, return on equity and debt-to-capital are also non-GAAP measures. See the attachments for a summary of non-GAAP reconciliations and calculations of non-GAAP measures.

*Attachments:* Statements of Income, Balance Sheets, Statements of Cash Flows, Segment Information, Quarterly Financial Summary, Summary Non-GAAP Reconciliations and Appendix: Non-GAAP Measures.

A teleconference about Praxair's fourth-quarter results is being held this morning, January 26, 2017 at 11:00 am Eastern Time. The number is (631) 485-4849 Conference ID: 48171391. The call is also available as a webcast live and on-demand at [www.praxair.com/investors](http://www.praxair.com/investors). Materials to be used in the teleconference are also available on the website.

### **Additional Information and Where to Find It**

Should Praxair, Inc. ( Praxair ) and Linde AG ( Linde ) proceed with the proposed business combination transaction, Praxair and Linde expect that a newly formed holding company ( New Holdco ) will file a Registration Statement on Form S-4 or Form F-4 with the U.S. Securities and Exchange Commission ( SEC ) that will include (1) a proxy statement of Praxair that will also constitute a prospectus for New Holdco and (2) an offering prospectus of New Holdco to be used in connection with New Holdco 's offer to acquire Linde shares held by U.S. holders. When available, Praxair will mail the proxy statement/prospectus to its stockholders in connection with the vote to approve the merger of Praxair and a wholly-owned subsidiary of New Holdco, and New Holdco will distribute the offering prospectus to Linde shareholders in the United States in connection with New Holdco 's offer to acquire all of the outstanding shares of Linde. Should Praxair and Linde proceed with the proposed business combination transaction, Praxair and Linde also expect that New Holdco will file an offer document with the German Federal Financial Supervisory Authority (*Bundesanstalt fuer Finanzdienstleistungsaufsicht*) ( BaFin ). There can be no assurance that a binding definitive agreement will be reached between Praxair and Linde, and the consummation of any binding transaction will be subject to regulatory approvals and other customary closing conditions.

**INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND THE OFFER DOCUMENT REGARDING THE PROPOSED BUSINESS COMBINATION TRANSACTION AND PROPOSED OFFER IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** You may obtain a free copy of the proxy statement/prospectus (if and when it becomes available) and other related documents filed by Praxair, Linde and New Holdco with the SEC on the SEC 's Web site at [www.sec.gov](http://www.sec.gov). The proxy statement/prospectus (if and when it becomes available) and other documents relating thereto may also be obtained for free by accessing Praxair 's Web site at [www.praxair.com](http://www.praxair.com). Following approval by the BaFin, the offer document will be made available at BaFin 's Web site at [www.bafin.de](http://www.bafin.de). The offer document (if and when it becomes available) and other documents relating thereto may also be obtained for free by accessing Linde 's Web site at [www.linde.com](http://www.linde.com).

This document is neither an offer to purchase nor a solicitation of an offer to sell shares of New Holdco, Praxair or Linde. The final terms and further provisions regarding the public offer will be disclosed in the offer document after the publication has been approved by the BaFin and in documents that will be filed with the SEC. No money, securities or other consideration is being solicited, and, if sent in response to the information contained herein, will not be accepted. The information contained herein should not be considered as a recommendation that any person should subscribe for or purchase any securities.

No offering of securities shall be made except by means of a prospectus meeting the requirements of the U.S. Securities Act of 1933, as amended, and applicable European and German regulations. The distribution of this document may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No offering of securities will be made directly or indirectly, in or into any jurisdiction where to do so would be inconsistent with the laws of such jurisdiction.

## **Participants in Solicitation**

Praxair, Linde, New Holdco and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Praxair's stockholders in respect of the proposed business combination. Information regarding the persons who are, under the rules of the SEC, participants in the solicitation of the stockholders of Praxair in connection with the proposed transaction, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the proxy statement/prospectus if and when it is filed with the SEC. Information regarding the directors and executive officers of Praxair is contained in Praxair's Annual Report on Form 10-K for the year ended December 31, 2015 and its Proxy Statement on Schedule 14A, dated March 18, 2016, which are filed with the SEC and can be obtained free of charge from the sources indicated above.

## **Forward-looking Statements**

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's reasonable expectations and assumptions as of the date the statements are made but involve risks and uncertainties. These risks and uncertainties include, without limitation: the expected timing and likelihood of the entry into or the completion of the contemplated business combination with Linde AG, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals that could reduce anticipated benefits or cause the parties not to enter into, or to abandon the transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the proposed business combination agreement; the ability to successfully complete the proposed business combination and the exchange offer, including satisfying closing conditions; the success of the business following the proposed business combination; the ability to successfully integrate the Praxair and Linde businesses; the possibility that Praxair stockholders may not approve the proposed business combination agreement or that the requisite number of Linde shares may not be tendered in the public offer; the risk that the combined company may be unable to achieve expected synergies or that it may take longer or be more costly than expected to achieve those synergies; the performance of stock markets generally; developments in worldwide and national economies and other international events and circumstances; changes in foreign currencies and in interest rates; the cost and availability of electric power, natural gas and other raw materials; the ability to achieve price increases to offset cost increases; catastrophic events including natural disasters, epidemics and acts of war and terrorism; the ability to attract, hire, and retain qualified personnel; the impact of changes in financial accounting standards; the impact of changes in pension plan liabilities; the impact of tax, environmental, healthcare and other legislation and government regulation in jurisdictions in which the company operates; the cost and outcomes of investigations, litigation and regulatory proceedings; the impact of potential unusual or non-recurring items; continued timely development and market acceptance of new products and applications; the impact of competitive products and pricing; future financial and operating performance of major customers and industries served; the impact of information technology system failures, network disruptions and breaches in data security; and the effectiveness and speed of integrating new acquisitions into the business. These risks and uncertainties may cause actual future results or circumstances to differ materially from the GAAP or adjusted projections or estimates



contained in the forward-looking statements. The company assumes no obligation to update or provide revisions to any forward-looking statement in response to changing circumstances. The above listed risks and uncertainties are further described in Item 1A (Risk Factors) in the company's latest Annual Report on Form 10-K filed with the SEC which should be reviewed carefully. Please consider the company's forward-looking statements in light of those risks.

**PRAXAIR, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(Millions of dollars, except per share data)

(UNAUDITED)

|  | Quarter Ended<br>December 31, |          | Year to Date<br>December 31, |           |
|--|-------------------------------|----------|------------------------------|-----------|
|  | 2016                          | 2015     | 2016                         | 2015      |
| <b>SALES</b>   | \$ 2,644                      | \$ 2,595 | \$ 10,534                    | \$ 10,776 |
| Cost of sales  | 1,478                         | 1,426    | 5,860                        | 5,960     |
| Selling, general and administrative                      | 272                           | 275      | 1,145                        | 1,152     |
| Depreciation and amortization                            | 285                           | 275      | 1,122                        | 1,106     |
| Research and development                                 | 23                            | 23       | 92                           | 93        |
| Cost reduction program and other charges                 |                               |          | 100                          | 172       |
| Other income (expense) - net                             | 13                            | 28       | 23                           | 28        |
| <b>OPERATING PROFIT</b>                                  | 599                           | 624      | 2,238                        | 2,321     |
| Interest expense - net                                   | 38                            | 42       | 190                          | 161       |
| <b>INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS</b> | 561                           | 582      | 2,048                        | 2,160     |
| Income taxes   | 152                           | 163      | 551                          | 612       |
| <b>INCOME BEFORE EQUITY INVESTMENTS</b>                  | 409                           | 419      | 1,497                        | 1,548     |
| Income from equity investments                           | 10                            | 12       | 41                           | 43        |
| <b>NET INCOME (INCLUDING NONCONTROLLING INTERESTS)</b>   | 419                           | 431      | 1,538                        | 1,591     |
| Less: noncontrolling interests                           | (13)                          | (9)      | (38)                         | (44)      |
| <b>NET INCOME - PRAXAIR, INC.</b>                        | \$ 406                        | \$ 422   | \$ 1,500                     | \$ 1,547  |
| <b>PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS</b>       |                               |          |                              |           |
| Basic earnings per share                                 | \$ 1.42                       | \$ 1.48  | \$ 5.25                      | \$ 5.39   |
| Diluted earnings per share                               | \$ 1.41                       | \$ 1.47  | \$ 5.21                      | \$ 5.35   |
| Cash dividends   | \$ 0.75                       | \$ 0.715 | \$ 3.00                      | \$ 2.86   |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>               |                               |          |                              |           |
| Basic shares outstanding (000 s)                         | 285,720                       | 285,288  | 285,677                      | 287,005   |
| Diluted shares outstanding (000 s)                       | 287,956                       | 286,856  | 287,757                      | 289,055   |

Note: See page 10 for a reconciliation to 2016 adjusted amounts which are non-GAAP.

**PRAXAIR, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Millions of dollars)

(UNAUDITED)

|   | December 31,<br>2016 | December 31,<br>2015 |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                 |                      |                      |
| Cash and cash equivalents                     | \$ 524               | \$ 147               |
| Accounts receivable - net                     | 1,641                | 1,601                |
| Inventories                                   | 550                  | 531                  |
| Prepaid and other current assets              | 165                  | 347                  |
| <b>TOTAL CURRENT ASSETS</b>                   | <b>2,880</b>         | <b>2,626</b>         |
| Property, plant and equipment - net           | 11,477               | 10,998               |
| Goodwill                                      | 3,117                | 2,986                |
| Other intangibles - net                       | 583                  | 568                  |
| Other long-term assets                        | 1,275                | 1,141                |
| <b>TOTAL ASSETS</b>                           | <b>\$ 19,332</b>     | <b>\$ 18,319</b>     |
| <b>LIABILITIES AND EQUITY</b>                 |                      |                      |
| Accounts payable                              | \$ 906               | \$ 791               |
| Short-term debt                               | 434                  | 250                  |
| Current portion of long-term debt             | 164                  | 6                    |
| Other current liabilities                     | 974                  | 846                  |
| <b>TOTAL CURRENT LIABILITIES</b>              | <b>2,478</b>         | <b>1,893</b>         |
| Long-term debt                                | 8,917                | 8,975                |
| Other long-term liabilities                   | 2,485                | 2,545                |
| <b>TOTAL LIABILITIES</b>                      | <b>13,880</b>        | <b>13,413</b>        |
| <b>REDEEMABLE NONCONTROLLING INTERESTS</b>    | <b>11</b>            | <b>113</b>           |
| <b>PRAXAIR, INC. SHAREHOLDERS EQUITY:</b>     |                      |                      |
| Common stock                                  | 4                    | 4                    |
| Additional paid-in capital                    | 4,074                | 4,005                |
| Retained earnings                             | 12,879               | 12,229               |
| Accumulated other comprehensive income (loss) | (4,600)              | (4,596)              |
| Less: Treasury stock, at cost                 | (7,336)              | (7,253)              |
| Total Praxair, Inc. Shareholders Equity       | 5,021                | 4,389                |
| Noncontrolling interests                      | 420                  | 404                  |
| <b>TOTAL EQUITY</b>                           | <b>5,441</b>         | <b>4,793</b>         |

|                                     |    |        |    |        |
|-------------------------------------|----|--------|----|--------|
| <b>TOTAL LIABILITIES AND EQUITY</b> | \$ | 19,332 | \$ | 18,319 |
|-------------------------------------|----|--------|----|--------|

## PRAXAIR, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of dollars)

(UNAUDITED)

|   | Quarter<br>Ended     |        | Year to Date         |          |
|---|----------------------|--------|----------------------|----------|
|   | December 31,<br>2016 | 2015   | December 31,<br>2016 | 2015     |
| <b>OPERATIONS</b>   |                      |        |                      |          |
| Net income - Praxair, Inc.  | \$ 406               | \$ 422 | \$ 1,500             | \$ 1,547 |
| Noncontrolling interests  | 13                   | 9      | 38                   | 44       |
| Net income (including noncontrolling interests)                                   | 419                  | 431    | 1,538                | 1,591    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |        |                      |          |
| Cost reduction program and other charges, net of payments                         | (10)                 | (18)   | 83                   | 121      |
| Depreciation and amortization   | 285                  | 275    | 1,122                | 1,106    |
| Accounts receivable   | 11                   | 58     | (33)                 | 1        |
| Inventory   | (24)                 | (9)    | (13)                 | (23)     |
| Payables and accruals   | 86                   | (20)   | 92                   | (40)     |
| Pension contributions   | (3)                  | (2)    | (11)                 | (15)     |
| Deferred income taxes and other   | (38)                 | 76     | (5)                  | (46)     |
| Net cash provided by operating activities   | 726                  | 791    | 2,773                | 2,695    |
| <b>INVESTING</b>  |                      |        |                      |          |
| Capital expenditures  | (409)                | (387)  | (1,465)              | (1,541)  |
| Acquisitions, net of cash acquired  | (18)                 | (39)   | (363)                | (82)     |
| Divestitures and asset sales  | 17                   | 75     | 58                   | 320      |
| Net cash used for investing activities  | (410)                | (351)  | (1,770)              | (1,303)  |
| <b>FINANCING</b>  |                      |        |                      |          |
| Debt increase (decrease) - net  | (199)                | (203)  | 357                  | 168      |
| Issuances of common stock   | 30                   | 14     | 139                  | 88       |
| Purchases of common stock   | (95)                 | (21)   | (228)                | (725)    |
| Cash dividends - Praxair, Inc. shareholders                                       | (214)                | (204)  | (856)                | (819)    |
| Excess tax benefit on stock option exercises                                      |                      | 1      |                      | 19       |
| Noncontrolling interest transactions and other                                    | 67                   | 3      | (55)                 | (41)     |
| Net cash provided by (used for) financing activities                              | (411)                | (410)  | (643)                | (1,310)  |
| Effect of exchange rate changes on cash and cash equivalents                      | (8)                  | (19)   | 17                   | (61)     |

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|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Change in cash and cash equivalents            | (103)  | 11     | 377    | 21     |
| Cash and cash equivalents, beginning-of-period | 627    | 136    | 147    | 126    |
| Cash and cash equivalents, end-of-period       | \$ 524 | \$ 147 | \$ 524 | \$ 147 |

**PRAXAIR, INC. AND SUBSIDIARIES****SEGMENT INFORMATION**

(Millions of dollars)

(UNAUDITED)

|  | <b>Quarter Ended<br/>December 31,</b> |             | <b>Year to Date<br/>December 31,</b> |             |
|--|---------------------------------------|-------------|--------------------------------------|-------------|
|  | <b>2016</b>                           | <b>2015</b> | <b>2016</b>                          | <b>2015</b> |
| <b>SALES</b>                             |                                       |             |                                      |             |
| North America                            | \$ 1,397                              | \$ 1,421    | \$ 5,592                             | \$ 5,865    |
| Europe                                   | 351                                   | 325         | 1,392                                | 1,320       |
| South America                            | 352                                   | 299         | 1,399                                | 1,431       |
| Asia                                     | 395                                   | 398         | 1,555                                | 1,551       |
| Surface Technologies                     | 149                                   | 152         | 596                                  | 609         |
| Consolidated sales                       | \$ 2,644                              | \$ 2,595    | \$ 10,534                            | \$ 10,776   |
| <b>OPERATING PROFIT</b>                  |                                       |             |                                      |             |
| North America                            | \$ 359                                | \$ 406      | \$ 1,430                             | \$ 1,558    |
| Europe                                   | 71                                    | 62          | 273                                  | 250         |
| South America                            | 64                                    | 55          | 257                                  | 291         |
| Asia                                     | 78                                    | 74          | 276                                  | 289         |
| Surface Technologies                     | 27                                    | 27          | 102                                  | 105         |
| Segment operating profit                 | \$ 599                                | \$ 624      | \$ 2,338                             | \$ 2,493    |
| Cost reduction program and other charges |                                       |             | (100)                                | (172)       |
| Total operating profit                   | \$ 599                                | \$ 624      | \$ 2,238                             | \$ 2,321    |

**PRAXAIR, INC. AND SUBSIDIARIES****QUARTERLY FINANCIAL SUMMARY**

(Millions of dollars, except per share data)

(UNAUDITED)

|  | 2016 (c)  |           |           |           | 2015 (d)  |           |           |  |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
|  | Q4        | Q3        | Q2        | Q1        | Q4        | Q3        | Q2        |  |
| <b>INCOME STATEMENT</b>                            |           |           |           |           |           |           |           |  |
|  | \$ 2,644  | \$ 2,716  | \$ 2,665  | \$ 2,509  | \$ 2,595  | \$ 2,686  | \$ 2,738  |  |
|  | 1,478     | 1,533     | 1,468     | 1,381     | 1,426     | 1,488     | 1,516     |  |
| and administrative                                 | 272       | 291       | 308       | 274       | 275       | 281       | 297       |  |
| and amortization                                   | 285       | 284       | 281       | 272       | 275       | 276       | 278       |  |
| development  | 23        | 22        | 24        | 23        | 23        | 23        | 23        |  |
| program and other charges                          |           | 100       |           |           |           | 26        | 146       |  |
| (expense) - net                                    | 13        | 11        | 4         | (5)       | 28        | 2         | 2         |  |
| net  | 599       | 497       | 588       | 554       | 624       | 594       | 480       |  |
| income - net                                       | 38        | 43        | 44        | 65        | 42        | 35        | 40        |  |
| (b)  | 152       | 120       | 146       | 133       | 163       | 156       | 131       |  |
| equity investments                                 | 10        | 10        | 11        | 10        | 12        | 10        | 10        |  |
| (including noncontrolling interests)               | 419       | 344       | 409       | 366       | 431       | 413       | 319       |  |
| controlling interests                              | (13)      | (5)       | (10)      | (10)      | (9)       | (12)      | (11)      |  |
| Praxair, Inc.                                      | \$ 406    | \$ 339    | \$ 399    | \$ 356    | \$ 422    | \$ 401    | \$ 308    |  |
| <b>PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS</b> |           |           |           |           |           |           |           |  |
| earnings per share                                 | \$ 1.41   | \$ 1.18   | \$ 1.39   | \$ 1.24   | \$ 1.47   | \$ 1.40   | \$ 1.06   |  |
| earnings per share                                 | \$ 0.75   | \$ 0.75   | \$ 0.75   | \$ 0.75   | \$ 0.715  | \$ 0.715  | \$ 0.715  |  |
| weighted average shares outstanding (000 shares)   | 287,956   | 288,195   | 287,727   | 286,665   | 286,856   | 287,311   | 290,102   |  |
| <b>PERCENTAGE AMOUNTS (a)</b>                      |           |           |           |           |           |           |           |  |
| earnings per share                                 | \$ 599    | \$ 597    | \$ 588    | \$ 554    | \$ 624    | \$ 620    | \$ 626    |  |
| margin   | 22.7%     | 22.0%     | 22.1%     | 22.1%     | 24.0%     | 23.1%     | 22.9%     |  |
| earnings per share                                 | \$ 406    | \$ 405    | \$ 399    | \$ 366    | \$ 422    | \$ 419    | \$ 420    |  |
| earnings per share                                 | \$ 1.41   | \$ 1.41   | \$ 1.39   | \$ 1.28   | \$ 1.47   | \$ 1.46   | \$ 1.45   |  |
| <b>BALANCE SHEET</b>                               |           |           |           |           |           |           |           |  |
|  | \$ 8,991  | \$ 9,215  | \$ 9,389  | \$ 9,183  | \$ 9,084  | \$ 9,344  | \$ 9,177  |  |
|  | \$ 14,443 | \$ 14,864 | \$ 14,948 | \$ 14,607 | \$ 13,990 | \$ 14,157 | \$ 14,696 |  |
| ratio (a)  | 62.3%     | 62.0%     | 62.8%     | 62.9%     | 64.9%     | 66.0%     | 62.4%     |  |
| <b>STATEMENT OF CASH FLOWS</b>                     |           |           |           |           |           |           |           |  |
| from operations (b)                                | \$ 726    | \$ 788    | \$ 706    | \$ 553    | \$ 791    | \$ 676    | \$ 710    |  |
| provided by (used for) investing activities        | (410)     | (363)     | (613)     | (384)     | (351)     | (400)     | (152)     |  |
| provided by (used for) financing activities (b)    | (411)     | (362)     | 249       | (119)     | (410)     | (260)     | (530)     |  |



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|        |     |     |     |     |     |     |     |
|--------|-----|-----|-----|-----|-----|-----|-----|
| itures | 409 | 376 | 357 | 323 | 387 | 405 | 352 |
|        | 18  | 20  | 262 | 63  | 39  |     | 38  |
|        | 214 | 214 | 214 | 214 | 204 | 203 | 205 |

|   |        |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|
| <b>FORMATION</b>                        |        |        |        |        |        |        |        |
| on capital (ROC) (a)                    | 12.0%  | 12.1%  | 12.2%  | 12.4%  | 12.6%  | 12.5%  | 12.6%  |
| air, Inc. shareholders equity (ROE) (a) | 31.9%  | 33.3%  | 34.0%  | 34.6%  | 34.6%  | 32.5%  | 30.5%  |
| DA (a)                                  | \$ 894 | \$ 891 | \$ 880 | \$ 836 | \$ 911 | \$ 906 | \$ 914 |
| DA margin (a)                           | 33.8%  | 32.8%  | 33.0%  | 33.3%  | 35.1%  | 33.7%  | 33.4%  |
| ed EBITDA ratio (a)                     | 2.6    | 2.6    | 2.6    | 2.6    | 2.5    | 2.5    | 2.4    |
| ployees                                 | 26,498 | 26,680 | 26,896 | 26,558 | 26,657 | 26,989 | 27,302 |

|            |          |          |          |          |          |          |          |
|------------|----------|----------|----------|----------|----------|----------|----------|
| <b>ATA</b> |          |          |          |          |          |          |          |
|            | \$ 1,397 | \$ 1,431 | \$ 1,411 | \$ 1,353 | \$ 1,421 | \$ 1,463 | \$ 1,482 |
|            | 351      | 366      | 355      | 320      | 325      | 338      | 331      |
|            | 352      | 378      | 358      | 311      | 299      | 343      | 388      |
|            | 395      | 391      | 393      | 376      | 398      | 395      | 387      |
| ologies    | 149      | 150      | 148      | 149      | 152      | 147      | 150      |
|            | \$ 2,644 | \$ 2,716 | \$ 2,665 | \$ 2,509 | \$ 2,595 | \$ 2,686 | \$ 2,738 |

|                           |        |        |        |        |        |        |        |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|
| <b>PROFIT</b>             |        |        |        |        |        |        |        |
|                           | \$ 359 | \$ 363 | \$ 359 | \$ 349 | \$ 406 | \$ 385 | \$ 388 |
|                           | 71     | 72     | 68     | 62     | 62     | 63     | 63     |
|                           | 64     | 68     | 70     | 55     | 55     | 70     | 81     |
|                           | 78     | 68     | 67     | 63     | 74     | 77     | 69     |
| ologies                   | 27     | 26     | 24     | 25     | 27     | 25     | 25     |
| ing profit                | 599    | 597    | 588    | 554    | 624    | 620    | 626    |
| program and other charges |        | (100)  |        |        |        | (26)   | (146)  |
| profit                    | \$ 599 | \$ 497 | \$ 588 | \$ 554 | \$ 624 | \$ 594 | \$ 480 |

- (a) Non-GAAP measure, see Appendix.
- (b) During the second quarter 2016, Praxair adopted the FASB's Accounting Standards Update (ASU) 2016-09 relating to the accounting for stock compensation. Accordingly, effective with the 2016 second quarter, income taxes and operating cash flows include excess tax benefits related to stock compensation. Additionally, withholding tax payments related to stock compensation are required to be presented as financing versus operating cash flows on a retrospective basis.
- (c) 2016 includes (i) a \$16 million charge to interest expense (\$10 million after-tax, or \$0.04 per diluted share) in the first quarter related to the redemption of the \$325 million 5.20% notes due 2017, (ii) a pre-tax pension settlement charge of \$4 million (\$3 million after-tax, or \$0.01 per diluted share) in the third quarter related to lump sum benefit payments made from the U.S. supplemental pension plan, and (iii) pre-tax charges of \$96 million (\$63 million after-tax and non-controlling interests, or \$0.22 per diluted share) in the third quarter, primarily related to cost reduction actions. The cost reduction charges by segment are as follows: \$43 million in North America; \$19 million in Asia; \$15 million in Europe; \$12 million in South America; and \$7 million in Surface Technologies.
- (d) 2015 includes (i) a pre-tax pension settlement charge of \$7 million (\$5 million after-tax, or \$0.02 per diluted share) in the third quarter related to lump sum benefit payments made from the U.S. supplemental pension plan,

and (ii) pre-tax charges of \$19 million (\$13 million after-tax, or \$0.04 per diluted share) in the third quarter and \$146 million (\$112 million after-tax and non-controlling interests, or \$0.39 per diluted share) in the second quarter, primarily related to cost reduction actions taken in response to lower volumes resulting from economic slowdown in emerging markets and energy related end-markets. The cost reduction charges by segment are as follows: \$67 million in South America; \$34 million in North America; \$25 million in Asia; \$20 million in Europe; and \$19 million in Surface Technologies.

**PRAXAIR, INC. AND SUBSIDIARIES****SUMMARY NON-GAAP RECONCILIATIONS****(UNAUDITED)**

The following adjusted amounts are non-GAAP measures and are intended to supplement investors' understanding of the company's financial statements by providing measures which investors, financial analysts and management use to help evaluate the company's operating performance. Items which the company does not believe to be indicative of on-going business trends are excluded from these calculations so that investors can better evaluate and analyze historical and future business trends on a consistent basis. Definitions of these non-GAAP measures may not be comparable to similar definitions used by other companies and are not a substitute for similar GAAP measures. See the Non-GAAP reconciliations starting on page 11 for additional details relating to the Non-GAAP adjustments.

*(Millions of dollars, except per share amounts)*

|  | Sales     |           | Operating Profit |          | Net Income - Praxair, Inc. |          | Diluted EPS |         |
|--|-----------|-----------|------------------|----------|----------------------------|----------|-------------|---------|
|  | 2016      | 2015      | 2016             | 2015     | 2016                       | 2015     | 2016        | 2015    |
| <b>Year To Date December 31</b>              |           |           |                  |          |                            |          |             |         |
| Reported GAAP Amounts                        | \$ 10,534 | \$ 10,776 | \$ 2,238         | \$ 2,321 | \$ 1,500                   | \$ 1,547 | \$ 5.21     | \$ 5.35 |
| Pension settlement charges (a)               |           |           | 4                | 7        | 3                          | 5        | 0.01        | 0.02    |
| Cost reduction program and other charges (b) |           |           | 96               | 165      | 63                         | 125      | 0.22        | 0.43    |
| Bond redemption (c)                          |           |           |                  |          | 10                         |          | 0.04        |         |
| Total adjustments                            |           |           | 100              | 172      | 76                         | 130      | 0.27        | 0.45    |
| Adjusted amounts                             | \$ 10,534 | \$ 10,776 | \$ 2,338         | \$ 2,493 | \$ 1,576                   | \$ 1,677 | \$ 5.48     | \$ 5.80 |

- (a) Pension settlement charges were recorded in the third quarter of 2016 and 2015 related to lump sum benefit payments made from the U.S. supplemental pension plan.
- (b) Charges in the 2016 third quarter and the 2015 second and third quarters related to the cost reduction program and other charges.
- (c) \$16 million charge to interest expense (\$10 million after-tax) in the 2016 first quarter related to a bond redemption.

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**PRAXAIR, INC. AND SUBSIDIARIES**
**APPENDIX****NON-GAAP MEASURES****(Millions of dollars, except per share data)****(UNAUDITED)**

The following non-GAAP measures are intended to supplement investors' understanding of the company's financial information by providing measures which investors, financial analysts and management use to help evaluate the company's financial leverage, return on capital and operating performance. Items which the company does not believe to be indicative of on-going business trends are excluded from these calculations so that investors can better evaluate and analyze historical and future business trends on a consistent basis. Definitions of these non-GAAP measures may not be comparable to similar definitions used by other companies and are not a substitute for similar GAAP measures. Adjusted amounts exclude the impacts of the 2016 third quarter cost reduction program and pension settlement, 2016 first quarter bond redemption, 2015 third quarter cost reduction program and pension settlement, 2015 second quarter cost reduction program and other charges, and 2014 fourth quarter pension settlement, bond redemption and loss on Venezuela currency devaluation.

|   | 2016     |        |        |        | 2015     |        |        |        | 2014     |        |        |
|---|----------|--------|--------|--------|----------|--------|--------|--------|----------|--------|--------|
|   | Q4       | Q3     | Q2     | Q1     | Q4       | Q3     | Q2     | Q1     | Q4       | Q3     | Q2     |
| <b>FCF</b> - Free cash flow is a measure used by investors, financial analysts and management to evaluate the ability of a company to pursue and enhance shareholder value. FCF equals cash flow from operations less capital expenditures. | \$ 726   | \$ 788 | \$ 706 | \$ 553 | \$ 791   | \$ 676 | \$ 710 | \$ 518 | \$ 772   | \$ 713 | \$ 841 |
|   | (409)    | (376)  | (357)  | (323)  | (387)    | (405)  | (352)  | (397)  | (482)    | (430)  | (381)  |
|   | \$ 317   | \$ 412 | \$ 349 | \$ 230 | \$ 404   | \$ 271 | \$ 358 | \$ 121 | \$ 290   | \$ 283 | \$ 460 |
|   | \$ 1,308 |        |        |        | \$ 1,154 |        |        |        | \$ 1,198 |        |        |

**Ratio** - The debt-to-capital ratio is a measure used by investors, financial analysts and management to provide a measure of financial leverage. The ratio is calculated as debt divided by capital. The company is financing its operations.

|  |          |          |          |          |          |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|  | \$ 9,515 | \$ 9,842 | \$ 9,956 | \$ 9,404 | \$ 9,231 | \$ 9,480 | \$ 9,313 | \$ 9,360 | \$ 9,225 | \$ 9,090 | \$ 9,131 |
|  | (524)    | (627)    | (567)    | (221)    | (147)    | (136)    | (136)    | (117)    | (126)    | (168)    | (171)    |
|  | 8,991    | 9,215    | 9,389    | 9,183    | 9,084    | 9,344    | 9,177    | 9,243    | 9,099    | 8,922    | 8,960    |
|  | 11       | 11       | 12       | 119      | 113      | 169      | 175      | 170      | 176      | 190      | 190      |

|              |              |              |              |              |              |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 5,021        | 5,245        | 5,140        | 4,888        | 4,389        | 4,264        | 4,964        | 5,018        | 5,623        | 6,552        | 6,911        |
| 420          | 393          | 407          | 417          | 404          | 380          | 380          | 375          | 387          | 388          | 391          |
| 5,452        | 5,649        | 5,559        | 5,424        | 4,906        | 4,813        | 5,519        | 5,563        | 6,186        | 7,130        | 7,500        |
| \$ 14,443    | \$ 14,864    | \$ 14,948    | \$ 14,607    | \$ 13,990    | \$ 14,157    | \$ 14,696    | \$ 14,806    | \$ 15,285    | \$ 16,052    | \$ 16,453    |
| <b>62.3%</b> | <b>62.0%</b> | <b>62.8%</b> | <b>62.9%</b> | <b>64.9%</b> | <b>66.0%</b> | <b>62.4%</b> | <b>62.4%</b> | <b>59.5%</b> | <b>55.6%</b> | <b>54.4%</b> |

**Return on Capital (ROC)** - After-tax return on capital is a measure used by investors, financial analysts and management to evaluate the return on the business. ROC measures the after-tax operating profit that the company was able to generate with the investments made by all parties (including noncontrolling interests and Praxair, Inc. shareholders' equity).

|              |              |              |              |              |              |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 599       | \$ 597       | \$ 588       | \$ 554       | \$ 624       | \$ 620       | \$ 626       | \$ 623       | \$ 663       | \$ 711       | \$ 691       |
| (152)        | (149)        | (146)        | (139)        | (163)        | (164)        | (164)        | (162)        | (161)        | (187)        | (181)        |
| (10)         | (12)         | (12)         | (14)         | (12)         | (10)         | (11)         | (12)         | (12)         | (13)         | (11)         |
| 10           | 10           | 11           | 10           | 12           | 10           | 10           | 11           | 12           | 11           | 11           |
| \$ 447       | \$ 446       | \$ 441       | \$ 411       | \$ 461       | \$ 456       | \$ 461       | \$ 460       | \$ 502       | \$ 522       | \$ 511       |
| \$ 1,745     | \$ 1,759     | \$ 1,769     | \$ 1,789     | \$ 1,838     | \$ 1,879     | \$ 1,945     | \$ 1,996     | \$ 2,031     | \$ 2,035     | \$ 2,001     |
| \$ 14,443    | \$ 14,864    | \$ 14,948    | \$ 14,607    | \$ 13,990    | \$ 14,157    | \$ 14,696    | \$ 14,806    | \$ 15,285    | \$ 16,052    | \$ 16,453    |
| \$ 14,570    | \$ 14,513    | \$ 14,480    | \$ 14,451    | \$ 14,587    | \$ 14,999    | \$ 15,460    | \$ 15,777    | \$ 16,007    | \$ 16,094    | \$ 15,981    |
| <b>12.0%</b> | <b>12.1%</b> | <b>12.2%</b> | <b>12.4%</b> | <b>12.6%</b> | <b>12.5%</b> | <b>12.6%</b> | <b>12.7%</b> | <b>12.7%</b> | <b>12.6%</b> | <b>12.5%</b> |

**Praxair, Inc. Shareholders' Equity (ROE)** - Return on Praxair, Inc. shareholders' equity is a measure used by investors, financial analysts and other interested parties to evaluate the company's operating performance from a Praxair shareholder perspective. ROE measures the net income attributable to Praxair, Inc. that the company was able to generate for the common money shareholders have invested.

|              |              |              |              |              |              |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 406       | \$ 405       | \$ 399       | \$ 366       | \$ 422       | \$ 419       | \$ 420       | \$ 416       | \$ 460       | \$ 477       | \$ 460       |
| \$ 1,576     | \$ 1,592     | \$ 1,606     | \$ 1,627     | \$ 1,677     | \$ 1,715     | \$ 1,773     | \$ 1,820     | \$ 1,852     | \$ 1,854     | \$ 1,820     |
| \$ 5,021     | \$ 5,245     | \$ 5,140     | \$ 4,888     | \$ 4,389     | \$ 4,264     | \$ 4,964     | \$ 5,018     | \$ 5,623     | \$ 6,552     | \$ 6,910     |
| \$ 4,937     | \$ 4,785     | \$ 4,729     | \$ 4,705     | \$ 4,852     | \$ 5,284     | \$ 5,814     | \$ 6,141     | \$ 6,459     | \$ 6,576     | \$ 6,430     |
| <b>31.9%</b> | <b>33.3%</b> | <b>34.0%</b> | <b>34.6%</b> | <b>34.6%</b> | <b>32.5%</b> | <b>30.5%</b> | <b>29.6%</b> | <b>28.7%</b> | <b>28.2%</b> | <b>28.2%</b> |

**A, Adjusted EBITDA Margin and Debt-to-Adjusted EBITDA Ratio**- These measures are used by investors, financial analysts and other interested parties to evaluate the company's profitability.

|               |               |               |               |               |               |               |               |               |                 |                 |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| \$ 406        | \$ 405        | \$ 399        | \$ 366        | \$ 422        | \$ 419        | \$ 420        | \$ 416        | \$ 460        | \$ 477          | \$ 460          |
| 13            | 10            | 10            | 10            | 9             | 12            | 12            | 12            | 11            | 13              | 11              |
| 38            | 43            | 44            | 49            | 42            | 35            | 40            | 44            | 43            | 45              | 44              |
| 152           | 149           | 146           | 139           | 163           | 164           | 164           | 162           | 161           | 187             | 187             |
| 285           | 284           | 281           | 272           | 275           | 276           | 278           | 277           | 291           | 301             | 291             |
| <b>\$ 894</b> | <b>\$ 891</b> | <b>\$ 880</b> | <b>\$ 836</b> | <b>\$ 911</b> | <b>\$ 906</b> | <b>\$ 914</b> | <b>\$ 911</b> | <b>\$ 966</b> | <b>\$ 1,023</b> | <b>\$ 1,000</b> |
| 2,644         | 2,716         | 2,665         | 2,509         | 2,595         | 2,686         | 2,738         | 2,757         | 2,990         | 3,144           | 3,110           |
| <b>33.8%</b>  | <b>32.8%</b>  | <b>33.0%</b>  | <b>33.3%</b>  | <b>35.1%</b>  | <b>33.7%</b>  | <b>33.4%</b>  | <b>33.0%</b>  | <b>32.3%</b>  | <b>32.5%</b>    | <b>32.5%</b>    |

|              |            |              |            |              |            |            |            |            |            |            |
|--------------|------------|--------------|------------|--------------|------------|------------|------------|------------|------------|------------|
| \$ 10,534    |            | \$ 10,776    |            | \$ 12,273    |            |            |            |            |            |            |
| \$ 3,501     |            | \$ 3,642     |            | \$ 3,958     |            |            |            |            |            |            |
| <b>33.2%</b> |            | <b>33.8%</b> |            | <b>32.2%</b> |            |            |            |            |            |            |
| \$ 8,991     | \$ 9,215   | \$ 9,389     | \$ 9,183   | \$ 9,084     | \$ 9,344   | \$ 9,177   | \$ 9,243   | \$ 9,099   | \$ 8,922   | \$ 8,991   |
| \$ 9,172     | \$ 9,243   | \$ 9,236     | \$ 9,206   | \$ 9,189     | \$ 9,157   | \$ 9,080   | \$ 9,063   | \$ 8,943   | \$ 8,895   | \$ 8,900   |
| \$ 3,501     | \$ 3,518   | \$ 3,533     | \$ 3,567   | \$ 3,642     | \$ 3,697   | \$ 3,814   | \$ 3,900   | \$ 3,958   | \$ 3,978   | \$ 3,990   |
| <b>2.6</b>   | <b>2.6</b> | <b>2.6</b>   | <b>2.6</b> | <b>2.5</b>   | <b>2.5</b> | <b>2.4</b> | <b>2.3</b> | <b>2.3</b> | <b>2.2</b> | <b>2.2</b> |

- (a) The following table presents adjusted amounts for Operating Profit and Operating Profit Margin, Interest Expense - net, Income Taxes, Effective Tax Rate, Noncontrolling Interests, Net income - Praxair, Inc., and Diluted EPS for the periods presented. Additionally, this table presents cash income taxes and cash interest, net of interest capitalized and excluding the bond redemption costs for 2016 and 2014.

|   | Year<br>2016 | Third Quarter<br>2016 | First Quarter<br>2016 | Year<br>2015 | Third Quarter<br>2015 | Second<br>Quarter<br>2015 | Year<br>2014 |
|---|--------------|-----------------------|-----------------------|--------------|-----------------------|---------------------------|--------------|
| <b>Operating Profit and Operating Profit Margin</b> |              |                       |                       |              |                       |                           |              |
| Operating profit                                    | \$ 2,238     | \$ 497                | \$ 554                | \$ 2,321     | \$ 594                | \$ 480                    | \$ 2,608     |
| Int reduction program and other charges             | 96           | 96                    |                       | 165          | 19                    | 146                       |              |
| Debt redemption                                     | 4            | 4                     |                       | 7            | 7                     |                           | 7            |
| Venezuela currency devaluation                      |              |                       |                       |              |                       |                           | 131          |
| Adjustments   | 100          | 100                   |                       | 172          | 26                    | 146                       | 138          |
| Operating profit                                    | \$ 2,338     | \$ 597                | \$ 554                | \$ 2,493     | \$ 620                | \$ 626                    | \$ 2,746     |
| Operating profit percentage change                  | -4%          |                       |                       |              |                       |                           |              |
| Operating profit margin percentage change           | -6%          |                       |                       |              |                       |                           |              |
| Operating sales                                     | \$ 10,534    | \$ 2,716              | \$ 2,509              | \$ 10,776    | \$ 2,686              | \$ 2,738                  | \$ 12,273    |
| Operating profit margin                             | 22.2%        | 22.0%                 | 22.1%                 | 23.1%        | 23.1%                 | 22.9%                     | 22.4%        |
| <b>Interest Expense - net</b>                       |              |                       |                       |              |                       |                           |              |
| Interest expense - net                              | \$ 190       | \$ 43                 | \$ 65                 | \$ 161       | \$ 35                 | \$ 40                     | \$ 213       |
| Debt redemption                                     | (16)         |                       | (16)                  |              |                       |                           | (36)         |
| Interest expense - net                              | \$ 174       | \$ 43                 | \$ 49                 | \$ 161       | \$ 35                 | \$ 40                     | \$ 177       |
| <b>Income Taxes</b>                                 |              |                       |                       |              |                       |                           |              |
| Income taxes  | \$ 551       | \$ 120                | \$ 133                | \$ 612       | \$ 156                | \$ 131                    | \$ 691       |
| Int reduction program and other charges             | 28           | 28                    |                       | 39           | 6                     | 33                        |              |
| Debt redemption                                     | 6            |                       | 6                     |              |                       |                           | 14           |
| Debt settlement charge                              | 1            | 1                     |                       | 2            | 2                     |                           | 2            |
| Adjustments   | 35           | 29                    | 6                     | 41           | 8                     | 33                        | 16           |
| Income taxes  | \$ 586       | \$ 149                | \$ 139                | \$ 653       | \$ 164                | \$ 164                    | \$ 707       |
| <b>Effective Tax Rate</b>                           |              |                       |                       |              |                       |                           |              |
| Income before income taxes and equity investments   | \$ 2,048     | \$ 454                | \$ 489                | \$ 2,160     | \$ 559                | \$ 440                    | \$ 2,395     |
| Int reduction program and other charges             | 96           | 96                    |                       | 165          | 19                    | 146                       |              |
| Debt redemption                                     | 16           |                       | 16                    |              |                       |                           | 36           |
| Debt settlement charge                              | 4            | 4                     |                       | 7            | 7                     |                           | 7            |
| Venezuela currency devaluation                      |              |                       |                       |              |                       |                           | 131          |
| Adjustments   | 116          | 100                   | 16                    | 172          | 26                    | 146                       | 174          |
| Income before income taxes and equity investments   | \$ 2,164     | \$ 554                | \$ 505                | \$ 2,332     | \$ 585                | \$ 586                    | \$ 2,569     |



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|                    |       |       |       |       |       |       |       |
|--------------------|-------|-------|-------|-------|-------|-------|-------|
| effective tax rate | 26.9% | 26.4% | 27.2% | 28.3% | 27.9% | 29.8% | 28.9% |
| effective tax rate | 27.1% | 26.9% | 27.5% | 28.0% | 28.0% | 28.0% | 27.5% |

**Noncontrolling Interests**

|   |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|
| noncontrolling interests                | \$ 38 | \$ 5  | \$ 10 | \$ 44 | \$ 12 | \$ 11 | \$ 52 |
| tax reduction program and other charges | 5     | 5     |       | 1     |       | 1     |       |
| adjustments                             | 5     | 5     |       | 1     |       | 1     |       |
| noncontrolling interests                | \$ 43 | \$ 10 | \$ 10 | \$ 45 | \$ 12 | \$ 12 | \$ 52 |

**Net Income - Praxair, Inc.**

|   |          |        |        |          |        |        |          |
|---|----------|--------|--------|----------|--------|--------|----------|
| net income - Praxair, Inc.              | \$ 1,500 | \$ 339 | \$ 356 | \$ 1,547 | \$ 401 | \$ 308 | \$ 1,694 |
| tax reduction program and other charges | 63       | 63     |        | 125      | 13     | 112    |          |
| share redemption                        | 10       |        | 10     |          |        |        | 22       |
| acquisition settlement charge           | 3        | 3      |        | 5        | 5      |        | 5        |
| Venezuela currency devaluation          |          |        |        |          |        |        | 131      |
| adjustments                             | 76       | 66     | 10     | 130      | 18     | 112    | 158      |
| net income - Praxair, Inc.              | \$ 1,576 | \$ 405 | \$ 366 | \$ 1,677 | \$ 419 | \$ 420 | \$ 1,852 |
| percentage change                       | -3%      |        |        |          |        |        |          |
| percentage change                       | -6%      |        |        |          |        |        |          |

**Diluted EPS**

|   |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|
| diluted EPS                             | \$ 5.21 | \$ 1.18 | \$ 1.24 | \$ 5.35 | \$ 1.40 | \$ 1.06 | \$ 5.73 |
| tax reduction program and other charges | 0.22    | 0.22    |         | 0.43    | 0.04    | 0.39    |         |
| share redemption                        | 0.04    |         | 0.04    |         |         |         | 0.07    |
| acquisition settlement charge           | 0.01    | 0.01    |         | 0.02    | 0.02    |         | 0.02    |
| Venezuela currency devaluation          |         |         |         |         |         |         | 0.45    |
| adjustments                             | 0.27    | 0.23    | 0.04    | 0.45    | 0.06    | 0.39    | 0.54    |
| diluted EPS                             | \$ 5.48 | \$ 1.41 | \$ 1.28 | \$ 5.80 | \$ 1.46 | \$ 1.45 | \$ 6.27 |

**Income Taxes and Interest**

|  |        |  |  |        |  |  |        |
|--|--------|--|--|--------|--|--|--------|
| taxes paid   | \$ 585 |  |  | \$ 420 |  |  | \$ 606 |
| paid, net of interest capitalized and excluding bond | \$ 173 |  |  | \$ 174 |  |  | \$ 174 |

**2017 Diluted EPS Guidance**

|  |                       |                 |
|--|-----------------------|-----------------|
|  | <b>Full Year 2017</b> |                 |
|  | <b>Low End</b>        | <b>High End</b> |
| estimated EPS guidance                                 | \$ 5.45               | \$ 5.80         |
| adjusted diluted EPS (see above for full year amounts) | \$ 5.48               | \$ 5.48         |
| percentage change                                      | -1%                   | 6%              |
| percentage change, excluding estimated currency        | 2%                    | 9%              |

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