

PRAXAIR INC  
Form 425  
January 26, 2017

**Filed by: Praxair, Inc.**

**Pursuant to Rule 425 under the Securities Act of 1933**

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**of the Securities Exchange Act of 1934**

**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 December 31,		Year to Date 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, 2016	December 31, 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
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## PRAXAIR, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of dollars)

(UNAUDITED)

	Quarter Ended		Year to Date	
	December 31, 2016	2015	December 31, 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)

	Quarter Ended December 31,		Year to Date December 31,	
	2016	2015	2016	2015
<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	191

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	\$ 690
(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	\$ 2,000
\$ 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	\$ 15,980
<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>

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**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 2016	Third Quarter 2016	First Quarter 2016	Year 2015	Third Quarter 2015	Second Quarter 2015	Year 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 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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