

PRAXAIR INC  
Form 425  
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**Filed by: Praxair, Inc.**

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**Subject Companies: Praxair, Inc.**

**(Commission File No.: 001-11037)**

**Linde AG**

**Commission File No. for Registration Statement on Form S-4: 333-218485**

**July 27, 2017**

**PRAXAIR**

**NEWS RELEASE**

**Praxair Reports Second-Quarter 2017 Results**

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Solid financial performance

Sales of \$2.8 billion, 6% above prior-year quarter

Strong operating cash flow, 25% of sales

Free cash flow of \$0.4 billion, 8% above prior-year quarter

EPS of \$1.41, up 1% vs. prior-year quarter; adjusted EPS of \$1.46, up 5%

Continued focus on execution of our core strategy

Volume growth +3%, price attainment +1% vs. prior-year quarter

Project start-ups in China, Korea and Canada

Backlog \$1.4 billion; includes new project win in U.S. Gulf Coast

Continued progress on merger with Linde AG

Signed definitive Business Combination Agreement on June 1, 2017

DANBURY, Conn., July 27, 2017 Praxair, Inc. (NYSE: PX) reported second-quarter net income and diluted earnings per share of \$406 million and \$1.41, respectively. These results include transaction costs of \$15 million after-tax, or 5 cents of diluted earnings per share, related to the potential Linde AG merger. Excluding this charge, adjusted net income and diluted earnings per share were \$421 million and \$1.46, respectively.

Praxair's sales in the second quarter were \$2,834 million, 6% above the prior-year quarter. Excluding cost pass-through, sales grew 4%, driven by higher volumes in North America, Europe and Asia, including new project start-ups, and price attainment. Sales growth was primarily led by electronics, chemicals, metals, energy and food and beverage end-markets.

Reported operating profit in the second quarter was \$604 million, 3% above the prior-year quarter. Excluding the current quarter impact of transaction costs, adjusted operating profit was \$619 million, 5% above the prior-year quarter. Reported operating profit as a percentage of sales was 21.3%. Adjusted operating profit as a percentage of sales was 21.8%. EBITDA margin was 32.0% and adjusted EBITDA margin was 32.5%.

The company generated strong second-quarter cash flow from operations of \$701 million, 25% of sales. After capital expenditures of \$325 million, free cash flow was \$376 million, up 8% over the prior-year quarter. The company paid \$225 million of dividends.

Commenting on the financial results and business outlook, Chairman and Chief Executive Officer Steve Angel said,

Our second quarter results reflect Praxair employees' ability to execute our core strategy and deliver high-quality results. Adjusted operating profit growth of 5% outpaced underlying sales growth of 4%, and generated strong operating cash flow of 25% of sales.

The second quarter continued to reflect broad-based demand across all end-markets, but as anticipated, revealed further weakness in South America. In addition, we added to our project backlog another long-term on-site supply agreement with a petrochemical customer in the U.S. Gulf Coast which will further strengthen our network in the region. Including this new win, over 80% of our \$1.4 billion project backlog now relates to the U.S. Gulf Coast and we remain confident in our ability to win additional projects.

Furthermore, during the second quarter we announced the signing of a business combination agreement between Praxair and Linde AG. This was an important milestone toward creating significant value for our stakeholders. We are currently working closely with regulators and shareholders to obtain the appropriate approvals and will provide a more detailed progress update in the coming months.

Looking ahead, we are taking a more measured view as we do not anticipate significant underlying economic improvement in the second half of the year. In the U.S., aggregate customer demand has yet to match recent economic expectations and South America, specifically Brazil, continues to face political challenges that undermine the economy. Conversely, we expect Europe to remain stable, Asia to moderately grow and new project start-ups to contribute towards the latter part of the year. However, regardless of the economy, Praxair's relentless focus on operational excellence and financial discipline will continue to deliver strong cash flow and earnings per share for our shareholders.

For the third quarter of 2017, Praxair expects diluted earnings per share in the range of \$1.40 to \$1.46, excluding transaction costs related to the potential merger.

For full-year 2017, Praxair expects adjusted diluted earnings per share to be in the range of \$5.63 to \$5.75. This full-year guidance excludes transaction costs related to the potential merger. GAAP diluted earnings per share are expected to be in the range of \$5.56 to \$5.68 which includes \$0.07 per diluted share for the first and second quarter transaction costs and excludes future transaction costs related to the potential merger. Full-year capital expenditures are expected to be approximately \$1.4 billion.

Following is additional detail on second-quarter 2017 results by segment.

In North America, second-quarter sales were \$1,505 million, 4% above the prior-year quarter excluding cost-pass through and currency. Sales growth was driven primarily by stronger volumes to chemical, manufacturing and electronic end-markets and higher price. Operating profit was \$378 million, 5% above the prior-year quarter.

In Europe, second-quarter sales were \$383 million, 8% above the prior-year quarter. Excluding negative currency, sales grew 10% from the prior-year due to higher volumes including project start-ups, price and an acquisition primarily related to the carbon dioxide business largely serving the food and beverage end-market. Operating profit was \$73 million.

In South America, second-quarter sales were \$373 million, 4% above the prior-year quarter. Excluding positive currency translation and cost pass-through, sales were 3% below the prior-year quarter due to lower volumes driven by continued weak macro-economic conditions, largely in manufacturing. Operating profit was \$63 million.

Sales in Asia were \$422 million in the quarter, up 7% from the prior-year. Excluding a prior-year net divestiture, sales grew 11% driven by higher volumes in China, India and Korea, primarily in the electronics, metals and chemicals end-markets and price attainment. Operating profit was \$80 million, 19% above the prior-year quarter.

Praxair Surface Technologies had second-quarter sales of \$151 million as compared to \$148 million in the prior-year quarter. Excluding negative currency translation, sales were 4% above the prior-year period driven by 2% volume growth, largely aerospace coatings, and 2% growth from acquisitions. Operating profit was \$25 million.

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

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

A teleconference about Praxair's second-quarter results is being held this morning, July 27, 2017 at 11:00 am Eastern Time. The number is (631) 485-4849 Conference ID: 48847647. 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**

In connection with the proposed business combination between Praxair, Inc. ( Praxair ) and Linde AG ( Linde ), Linde plc ( New Holdco ) has filed a Registration Statement on Form S-4 (which Registration Statement has not yet been declared effective) with the U.S. Securities and Exchange Commission ( SEC ) that includes (1) a proxy statement of Praxair that also constitutes 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. Once the Registration Statement is declared effective by the SEC, Praxair will mail the proxy statement/prospectus to its stockholders in connection with the vote to approve the merger of Praxair and an indirect 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. New Holdco will also file an offer document with the German Federal Financial Supervisory Authority (Bundesanstalt fuer Finanzdienstleistungsaufsicht) ( BaFin ). The consummation of the proposed business combination is 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 BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** You may obtain a free copy of the proxy statement/prospectus 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 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 of its publication by the BaFin, the offer document will be made available for free at New Holdco's website at [www.lindepaxairmerger.com](http://www.lindepaxairmerger.com). Furthermore, the offer document is expected to be made available at BaFin's website for free at [www.bafin.de](http://www.bafin.de).

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, are set forth in the proxy statement/prospectus 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, 2016 and its Proxy Statement on Schedule 14A, dated March 15, 2017, 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 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 to abandon the transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the 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 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 and in the proxy statement/prospectus and the offering prospectus included in the Registration Statement on Form S-4 (which Registration Statement has not yet been declared effective) filed by New Holdco with the SEC which should be reviewed carefully. Please consider the company's forward-looking statements in light of those risks.

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>> 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,

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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).

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**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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Quarter Ended June 30</b>								
Reported GAAP Amounts	\$ 2,834	\$ 2,665	\$ 604	\$ 588	\$ 406	\$ 399	\$ 1.41	\$ 1.39
Transaction costs (a)			15		15		0.05	
Total adjustments			15		15		0.05	
Adjusted amounts	\$ 2,834	\$ 2,665	\$ 619	\$ 588	\$ 421	\$ 399	\$ 1.46	\$ 1.39
<b>Year To Date June 30</b>								
Reported GAAP Amounts	\$ 5,562	\$ 5,174	\$ 1,186	\$ 1,142	\$ 795	\$ 755	\$ 2.76	\$ 2.63
Transaction costs (a)			21		21		0.07	
Bond redemption (b)						10		0.04
Total adjustments			21		21	10	0.07	0.04
Adjusted amounts	\$ 5,562	\$ 5,174	\$ 1,207	\$ 1,142	\$ 816	\$ 765	\$ 2.83	\$ 2.67

- (a) Charges in the 2017 first and second quarters for transaction costs related to the potential Linde merger.  
(b) Charge to interest expense in the 2016 first quarter related to a bond redemption.

**PRAXAIR, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Millions of dollars, except per share data)  
**(UNAUDITED)**

	Quarter Ended June 30,		Year to Date June 30,	
	2017	2016	2017	2016
<b>SALES</b>	\$ 2,834	\$ 2,665	\$ 5,562	\$ 5,174
Cost of sales	1,598	1,468	3,143	2,849
Selling, general and administrative	308	308	587	582
Depreciation and amortization	292	281	579	553
Research and development	23	24	46	47
Transaction costs and other charges	15		21	
Other income (expense) - net	6	4		(1)
<b>OPERATING PROFIT</b>	604	588	1,186	1,142
Interest expense - net	38	44	79	109
<b>INCOME BEFORE INCOME TAXES AND EQUITY INVESTMENTS</b>	566	544	1,107	1,033
Income taxes	157	146	306	279
<b>INCOME BEFORE EQUITY INVESTMENTS</b>	409	398	801	754
Income from equity investments	11	11	23	21
<b>NET INCOME (INCLUDING NONCONTROLLING INTERESTS)</b>	420	409	824	775
Less: noncontrolling interests	(14)	(10)	(29)	(20)
<b>NET INCOME - PRAXAIR, INC.</b>	\$ 406	\$ 399	\$ 795	\$ 755
<b>PER SHARE DATA - PRAXAIR, INC. SHAREHOLDERS</b>				
Basic earnings per share	\$ 1.42	\$ 1.40	\$ 2.78	\$ 2.64
Diluted earnings per share	\$ 1.41	\$ 1.39	\$ 2.76	\$ 2.63
Cash dividends	\$ 0.7875	\$ 0.75	\$ 1.575	\$ 1.50
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>				
Basic shares outstanding (000 s)	286,090	285,702	285,799	285,566

Diluted shares outstanding (000 s)	288,535	287,727	288,067	287,426
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Note: See page 5 for a reconciliation to 2017 adjusted amounts which are Non-GAAP.

**PRAXAIR, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Millions of dollars)  
**(UNAUDITED)**

	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 535	\$ 524
Accounts receivable - net	1,791	1,641
Inventories	568	550
Prepaid and other current assets	225	165
<b>TOTAL CURRENT ASSETS</b>	<b>3,119</b>	<b>2,880</b>
Property, plant and equipment - net	11,806	11,477
Goodwill	3,182	3,117
Other intangibles - net	568	583
Other long-term assets	1,290	1,275
<b>TOTAL ASSETS</b>	<b>\$ 19,965</b>	<b>\$ 19,332</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 900	\$ 906
Short-term debt	280	434
Current portion of long-term debt	910	164
Other current liabilities	953	974
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,043</b>	<b>2,478</b>
Long-term debt	8,177	8,917
Other long-term liabilities	2,475	2,485
<b>TOTAL LIABILITIES</b>	<b>13,695</b>	<b>13,880</b>
<b>REDEEMABLE NONCONTROLLING INTERESTS</b>	<b>10</b>	<b>11</b>
<b>PRAXAIR, INC. SHAREHOLDERS EQUITY:</b>		
Common stock	4	4
Additional paid-in capital	4,076	4,074
Retained earnings	13,223	12,879
Accumulated other comprehensive income (loss)	(4,244)	(4,600)
Less: Treasury stock, at cost	(7,252)	(7,336)

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Total Praxair, Inc. Shareholders Equity	5,807	5,021
Noncontrolling interests	453	420
<b>TOTAL EQUITY</b>	6,260	5,441
<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 19,965	\$ 19,332

**PRAXAIR, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Millions of dollars)

(UNAUDITED)

	<b>Quarter Ended June 30,</b>		<b>Year to Date June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>OPERATIONS</b>				
Net income - Praxair, Inc.	\$ 406	\$ 399	\$ 795	\$ 755
Noncontrolling interests	14	10	29	20
Net income (including noncontrolling interests)	420	409	824	775
Adjustments to reconcile net income to net cash provided by operating activities:				
Transaction costs and other charges, net of payments	11		17	
Depreciation and amortization	292	281	579	553
Accounts Receivable	(46)	(41)	(95)	(61)
Inventory	(3)	(1)	(5)	(8)
Payables and accruals	18	14	(24)	(63)
Pension contributions	(3)	(4)	(6)	(6)
Deferred income taxes and other	12	48	121	69
Net cash provided by operating activities	701	706	1,411	1,259
<b>INVESTING</b>				
Capital expenditures	(325)	(357)	(652)	(680)
Acquisitions, net of cash acquired	(1)	(262)	(2)	(325)
Divestitures and asset sales	13	6	17	8
Net cash used for investing activities	(313)	(613)	(637)	(997)
<b>FINANCING</b>				
Debt increase (decrease) - net	(132)	595	(305)	690
Issuances of common stock	44	26	70	60
Purchases of common stock		(51)	(11)	(83)
Cash dividends - Praxair, Inc. shareholders	(225)	(214)	(450)	(428)
Noncontrolling interest transactions and other	(71)	(107)	(84)	(109)
Net cash provided by (used for) financing activities	(384)	249	(780)	130

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Effect of exchange rate changes on cash and cash equivalents	12	4	17	28
Change in cash and cash equivalents	16	346	11	420
Cash and cash equivalents, beginning-of-period	519	221	524	147
Cash and cash equivalents, end-of-period	\$ 535	\$ 567	\$ 535	\$ 567

**PRAXAIR, INC. AND SUBSIDIARIES****SEGMENT INFORMATION****(Millions of dollars)****(UNAUDITED)**

	<b>Quarter Ended</b>		<b>Year to Date</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>SALES</b>				
North America	\$ 1,505	\$ 1,411	\$ 2,963	\$ 2,764
Europe	383	355	739	675
South America	373	358	742	669
Asia	422	393	817	769
Surface Technologies	151	148	301	297
Consolidated sales	\$ 2,834	\$ 2,665	\$ 5,562	\$ 5,174
<b>OPERATING PROFIT</b>				
North America	\$ 378	\$ 359	\$ 735	\$ 708
Europe	73	68	139	130
South America	63	70	127	125
Asia	80	67	155	130
Surface Technologies	25	24	51	49
Segment operating profit	\$ 619	\$ 588	\$ 1,207	\$ 1,142
Transaction costs and other charges	(15)		(21)	
Total operating profit	\$ 604	\$ 588	\$ 1,186	\$ 1,142



**PRAXAIR, INC. AND SUBSIDIARIES****QUARTERLY FINANCIAL SUMMARY****(Millions of dollars, except per share data)****(UNAUDITED)**

	2017 (b)			2016 (c)		
	Q2	Q1	Q4	Q3	Q2	Q1
<b>FROM THE INCOME STATEMENT</b>						
Sales	\$ 2,834	\$ 2,728	\$ 2,644	\$ 2,716	\$ 2,665	\$ 2,509
Cost of sales	1,598	1,545	1,478	1,533	1,468	1,381
Selling, general and administrative	308	279	272	291	308	274
Depreciation and amortization	292	287	285	284	281	272
Research and development	23	23	23	22	24	23
Transaction costs and other charges	15	6		100		
Other income (expense) - net	6	(6)	13	11	4	(5)
Operating profit	604	582	599	497	588	554
Interest expense - net	38	41	38	43	44	65
Income taxes	157	149	152	120	146	133
Income from equity investments	11	12	10	10	11	10
Net income (including noncontrolling interests)	420	404	419	344	409	366
Less: noncontrolling interests	(14)	(15)	(13)	(5)	(10)	(10)
Net income - Praxair, Inc.	\$ 406	\$ 389	\$ 406	\$ 339	\$ 399	\$ 356

**PER SHARE DATA -  
PRAXAIR, INC.****SHAREHOLDERS**

Diluted earnings per share	\$ 1.41	\$ 1.35	\$ 1.41	\$ 1.18	\$ 1.39	\$ 1.24
Cash dividends per share	\$ 0.7875	\$ 0.7875	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75
Diluted weighted average shares outstanding (000 s)	288,535	287,384	287,956	288,195	287,727	286,665

**ADJUSTED AMOUNTS (a)**

Operating profit	\$ 619	\$ 588	\$ 599	\$ 597	\$ 588	\$ 554
Operating margin	21.8%	21.6%	22.7%	22.0%	22.1%	22.1%

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Net Income	\$ 421	\$ 395	\$ 406	\$ 405	\$ 399	\$ 366
Diluted earnings per share	\$ 1.46	\$ 1.37	\$ 1.41	\$ 1.41	\$ 1.39	\$ 1.28

**FROM THE BALANCE SHEET**

Net debt (a)	\$ 8,832	\$ 8,849	\$ 8,991	\$ 9,215	\$ 9,389	\$ 9,183
Capital (a)	\$ 15,102	\$ 14,824	\$ 14,443	\$ 14,864	\$ 14,948	\$ 14,607

**FROM THE STATEMENT OF CASH FLOWS**

Cash flow from operations	\$ 701	\$ 710	\$ 726	\$ 788	\$ 706	\$ 553
Cash flow provided by (used for) investing activities	(313)	(324)	(410)	(363)	(613)	(384)
Cash flow provided by (used for) financing activities	(384)	(396)	(411)	(362)	249	(119)
Capital expenditures	325	327	409	376	357	323
Acquisitions	1	1	18	20	262	63
Cash dividends	225	225	214	214	214	214

**OTHER INFORMATION**

After-tax return on capital (ROC) (a)	11.5%	11.5%	11.5%	11.6%	12.1%	11.5%
Adjusted after-tax ROC (a)	12.1%	12.0%	12.0%	12.1%	12.2%	12.4%
EBITDA (a)	907	881	894	791	880	836
EBITDA margin (a)	32.0%	32.3%	33.8%	29.1%	33.0%	33.3%
Adjusted EBITDA (a)	\$ 922	\$ 887	\$ 894	\$ 891	\$ 880	\$ 836
Adjusted EBITDA margin (a)	32.5%	32.5%	33.8%	32.8%	33.0%	33.3%
Number of employees	26,487	26,420	26,498	26,680	26,896	26,558

**SEGMENT DATA**

**SALES**

North America	\$ 1,505	\$ 1,458	\$ 1,397	\$ 1,431	\$ 1,411	\$ 1,353
Europe	383	356	351	366	355	320
South America	373	369	352	378	358	311
Asia	422	395	395	391	393	376
Surface Technologies	151	150	149	150	148	149

Total sales	\$ 2,834	\$ 2,728	\$ 2,644	\$ 2,716	\$ 2,665	\$ 2,509
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**OPERATING PROFIT**

North America	\$ 378	\$ 357	\$ 359	\$ 363	\$ 359	\$ 349
Europe	73	66	71	72	68	62
South America	63	64	64	68	70	55
Asia	80	75	78	68	67	63
Surface Technologies	25	26	27	26	24	25

Segment operating profit	619	588	599	597	588	554
Transaction costs and other charges	(15)	(6)		(100)		

Total operating profit	\$ 604	\$ 582	\$ 599	\$ 497	\$ 588	\$ 554
------------------------	--------	--------	--------	--------	--------	--------

- (a) Non-GAAP measure, see Appendix.
- (b) 2017 includes (i) an after-tax charge of \$6 million (\$0.02 per diluted share) in the first quarter for transaction costs related to the potential Linde merger and (ii) an after-tax charge of \$15 million (\$0.05 per diluted share) in the second quarter for transaction costs related to the potential Linde merger.
- (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.

**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 2017 first and second quarter transaction costs, 2016 third quarter cost reduction program and pension settlement, 2016 first quarter bond redemption, 2015 third quarter cost reduction program and pension settlement, and 2015 second quarter cost reduction program and other charges.

**Adjusted Amounts**

	Year-to-date			Year			Second		
	June 30, 2017	Second Quarter 2017	First Quarter 2017	2016	Third Quarter 2016	First Quarter 2016	2015	Third Quarter 2015	Quarter 2015
<b><u>Adjusted Operating Profit and Operating Profit Margin</u></b>									
Reported operating profit	\$ 1,186	\$ 604	\$ 582	\$ 2,238	\$ 497	\$ 554	\$ 2,321	\$ 594	\$ 480
Add: Cost reduction program and other charges				96	96		165	19	146
Add: Pension settlement charge				4	4		7	7	
Add: Transaction costs	21	15	6						
	21	15	6	100	100		172	26	146

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Total  
adjustments

Adjusted operating profit	\$ 1,207	\$ 619	\$ 588	\$ 2,338	\$ 597	\$ 554	\$ 2,493	\$ 620	\$ 626
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Reported  
percentage  
change

4% 3%

Adjusted  
percentage  
change

6% 5%

Reported sales	\$ 5,562	\$ 2,834	\$ 2,728	\$ 10,534	\$ 2,716	\$ 2,509	\$ 10,776	\$ 2,686	\$ 2,738
----------------	----------	----------	----------	-----------	----------	----------	-----------	----------	----------

Adjusted  
operating profit  
margin

21.7% 21.8% 21.6% 22.2% 22.0% 22.1% 23.1% 23.1% 22.9%

**Adjusted  
Interest  
Expense - net**

Reported  
interest expense  
- net

\$ 79	\$ 38	\$ 41	\$ 190	\$ 43	\$ 65	\$ 161	\$ 35	\$ 40
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Less: Bond  
redemption

(16) (16)

Adjusted  
interest expense  
- net

\$ 79	\$ 38	\$ 41	\$ 174	\$ 43	\$ 49	\$ 161	\$ 35	\$ 40
-------	-------	-------	--------	-------	-------	--------	-------	-------

**Adjusted  
Income Taxes**

Reported  
income taxes

\$ 306	\$ 157	\$ 149	\$ 551	\$ 120	\$ 133	\$ 612	\$ 156	\$ 131
--------	--------	--------	--------	--------	--------	--------	--------	--------

Add: Cost  
reduction  
program and  
other charges

28 28 39 6 33

Add: Bond  
redemption

6 6

Add: Pension  
settlement  
charge

1 1 2 2

Add:  
Transaction  
costs

Total  
adjustments

35 29 6 41 8 33

\$ 306	\$ 157	\$ 149	\$ 586	\$ 149	\$ 139	\$ 653	\$ 164	\$ 164
--------	--------	--------	--------	--------	--------	--------	--------	--------

Adjusted  
income taxes**Adjusted  
Effective Tax  
Rate**Reported  
income before  
income taxes  
and equity  
investments

\$ 1,107	\$ 566	\$ 541	\$ 2,048	\$ 454	\$ 489	\$ 2,160	\$ 559	\$ 440
----------	--------	--------	----------	--------	--------	----------	--------	--------

Add: Cost  
reductionprogram and  
other charges

96	96		165	19	146
----	----	--	-----	----	-----

Add: Bond  
redemption

16		16		
----	--	----	--	--

Add: Pension  
settlement  
charge

4	4		7	7
---	---	--	---	---

Add:  
Transaction  
costs

21	15	6		
----	----	---	--	--

Total  
adjustments

21	15	6	116	100	16	172	26	146
----	----	---	-----	-----	----	-----	----	-----

Adjusted  
income before  
income taxes  
and equity  
investments

\$ 1,128	\$ 581	\$ 547	\$ 2,164	\$ 554	\$ 505	\$ 2,332	\$ 585	\$ 586
----------	--------	--------	----------	--------	--------	----------	--------	--------

Reported  
effective tax rate

27.6%	27.7%	27.5%	26.9%	26.4%	27.2%	28.3%	27.9%	29.8%
-------	-------	-------	-------	-------	-------	-------	-------	-------

Adjusted  
effective tax rate

27.1%	27.0%	27.2%	27.1%	26.9%	27.5%	28.0%	28.0%	28.0%
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**Adjusted  
Noncontrolling  
Interests**Reported  
noncontrolling  
interests

\$ 29	\$ 14	\$ 15	\$ 38	\$ 5	\$ 10	\$ 44	\$ 12	\$ 11
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Add: Cost  
reductionprogram and  
other charges

5	5		1		1
---	---	--	---	--	---

Total  
adjustments

5	5		1		1
---	---	--	---	--	---

Adjusted noncontrolling interests	\$ 29	\$ 14	\$ 15	\$ 43	\$ 10	\$ 10	\$ 45	\$ 12	\$ 12
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**Adjusted Net Income - Praxair, Inc.**

Reported net income - Praxair, Inc.	\$ 795	\$ 406	\$ 389	\$ 1,500	\$ 339	\$ 356	\$ 1,547	\$ 401	\$ 308
Add: Cost reduction program and other charges				63	63		125	13	112
Add: Bond redemption				10		10			
Add: Pension settlement charge				3	3		5	5	
Add: Transaction costs	21	15	6						
Total adjustments	21	15	6	76	66	10	130	18	112

Adjusted net income - Praxair, Inc.	\$ 816	\$ 421	\$ 395	\$ 1,576	\$ 405	\$ 366	\$ 1,677	\$ 419	\$ 420
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Reported percentage change	5%	2%							
Adjusted percentage change	7%	6%							

**Adjusted Diluted EPS**

Reported diluted EPS	\$ 2.76	\$ 1.41	\$ 1.35	\$ 5.21	\$ 1.18	\$ 1.24	\$ 5.35	\$ 1.40	\$ 1.06
Add: Cost reduction program and other charges				0.22	0.22		0.43	0.04	0.39
Add: Bond redemption				0.04		0.04			
Add: Pension settlement charge				0.01	0.01		0.02	0.02	

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Add:									
Transaction costs	0.07	0.05	0.02						
<b>Total adjustments</b>	<b>0.07</b>	<b>0.05</b>	<b>0.02</b>	<b>0.27</b>	<b>0.23</b>	<b>0.04</b>	<b>0.45</b>	<b>0.06</b>	<b>0.39</b>
Adjusted diluted EPS	\$ 2.83	\$ 1.46	\$ 1.37	\$ 5.48	\$ 1.41	\$ 1.28	\$ 5.80	\$ 1.46	\$ 1.45

Reported percentage change	5%	1%							
Adjusted percentage change	6%	5%							

**Cash Income**

**Taxes and**

**Interest**

Income taxes paid				\$ 585			\$ 420		
Interest paid, net of interest capitalized and excluding bond redemption				\$ 173			\$ 174		

**Full Year 2017 Diluted EPS Guidance**

	<b>Full Year 2017</b>	
	<b>Low End</b>	<b>High End</b>
2017 GAAP diluted EPS guidance	\$ 5.56	\$ 5.68
Add: Q1 and Q2 Transaction costs (excludes future merger transaction costs)	0.07	0.07
2017 adjusted diluted EPS guidance	\$ 5.63	\$ 5.75
2016 adjusted diluted EPS (see above for full year reconciliation)	\$ 5.48	\$ 5.48
Adjusted percentage change	3%	5%



	2017		2016				2015			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Free Cash Flow (FCF)</b> - Free cash flow is a measure used by investors, financial analysts and management to evaluate the ability of a company to pursue opportunities that enhance shareholder value. FCF equals cash flow from operations less capital expenditures.										
Operating cash	\$ 701	\$ 710	\$ 726	\$ 788	\$ 706	\$ 553	\$ 791	\$ 676	\$ 710	\$ 510
Capital expenditures	(325)	(327)	(409)	(376)	(357)	(323)	(387)	(405)	(352)	(390)
<b>Free Cash</b>	<b>\$ 376</b>	<b>\$ 383</b>	<b>\$ 317</b>	<b>\$ 412</b>	<b>\$ 349</b>	<b>\$ 230</b>	<b>\$ 404</b>	<b>\$ 271</b>	<b>\$ 358</b>	<b>\$ 120</b>
<b>Debt, Capital and Debt-to-Capital Ratio</b> - The debt-to-capital ratio is a measure used by investors, financial analysts and management to provide a measure of financial leverage and insights into how the company is financing its operations.										
Debt	\$ 9,367	\$ 9,368	\$ 9,515	\$ 9,842	\$ 9,956	\$ 9,404	\$ 9,231	\$ 9,480	\$ 9,313	\$ 9,360
Capital and redeemable controlling interests	(535)	(519)	(524)	(627)	(567)	(221)	(147)	(136)	(136)	(110)
Debt	8,832	8,849	8,991	9,215	9,389	9,183	9,084	9,344	9,177	9,240
Capital and redeemable controlling interests	10	10	11	11	12	119	113	169	175	170
Debt	5,807	5,529	5,021	5,245	5,140	4,888	4,389	4,264	4,964	5,010
Capital and redeemable controlling interests	453	436	420	393	407	417	404	380	380	370
Debt	6,270	5,975	5,452	5,649	5,559	5,424	4,906	4,813	5,519	5,560
Capital and redeemable controlling interests	6,270	5,975	5,452	5,649	5,559	5,424	4,906	4,813	5,519	5,560
Total	\$ 15,102	\$ 14,824	\$ 14,443	\$ 14,864	\$ 14,948	\$ 14,607	\$ 13,990	\$ 14,157	\$ 14,696	\$ 14,800
<b>Debt-to-capital</b>	<b>58.5%</b>	<b>59.7%</b>	<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>62.3%</b>
<b>After-tax Return on Capital and Adjusted After-tax Return on Capital (ROC)</b> - After-tax return on capital is a measure used by investors, financial analysts and management to evaluate the return on net assets employed in the business. ROC measures the after-tax operating profit that the company was able to generate with the investments made by all parties in the business (debt, noncontrolling										

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ests and Praxair, Inc. shareholders equity).

Reported net income - Praxair, Inc.	\$ 406	\$ 389	\$ 406	\$ 339	\$ 399	\$ 356	\$ 422	\$ 401	\$ 308	\$ 411
Adjustments:										
: controlling interests	14	15	13	5	10	10	9	12	11	11
: interest expense - net	38	41	38	43	44	65	42	35	40	44
: tax benefit on interest expense *	(11)	(12)	(10)	(12)	(12)	(20)	(12)	(10)	(11)	(11)
<b>Adjusted operating profit after-tax (NOPAT)</b>	<b>\$ 447</b>	<b>\$ 433</b>	<b>\$ 447</b>	<b>\$ 375</b>	<b>\$ 441</b>	<b>\$ 411</b>	<b>\$ 461</b>	<b>\$ 438</b>	<b>\$ 348</b>	<b>\$ 466</b>
Adjustments:										
: Cost of sales										
: Program and other charges				96				19	146	
: Pension expense					4			7		
: Transaction costs	15	6								
: income tax on pre-tax adjustments				(29)				(8)	(33)	
<b>Adjusted NOPAT</b>	<b>\$ 462</b>	<b>\$ 439</b>	<b>\$ 447</b>	<b>\$ 446</b>	<b>\$ 441</b>	<b>\$ 411</b>	<b>\$ 461</b>	<b>\$ 456</b>	<b>\$ 461</b>	<b>\$ 466</b>
Quarterly ending NOPAT	\$ 1,702	\$ 1,696	\$ 1,674	\$ 1,688	\$ 1,751	\$ 1,658	\$ 1,707	\$ 1,616	\$ 1,700	\$ 1,861
Quarterly ending adjusted NOPAT	\$ 1,794	\$ 1,773	\$ 1,745	\$ 1,759	\$ 1,769	\$ 1,789	\$ 1,838	\$ 1,879	\$ 1,945	\$ 1,991
Quarterly ending capital (above)	\$ 15,102	\$ 14,824	\$ 14,443	\$ 14,864	\$ 14,948	\$ 14,607	\$ 13,990	\$ 14,157	\$ 14,696	\$ 14,801
Quarterly ending average capital	\$ 14,836	\$ 14,737	\$ 14,570	\$ 14,513	\$ 14,480	\$ 14,451	\$ 14,587	\$ 14,999	\$ 15,460	\$ 15,771
<b>Pre-tax ROC</b>	<b>11.5%</b>	<b>11.5%</b>	<b>11.5%</b>	<b>11.6%</b>	<b>12.1%</b>	<b>11.5%</b>	<b>11.7%</b>	<b>10.8%</b>	<b>11.0%</b>	<b>11.5%</b>
Quarterly ending										

PAT / Quarter Average (Total)											
Adjusted Pre-tax ROC											
Quarter Ending Adjusted PAT / Quarter Average (Total)	12.1%	12.0%	12.0%	12.1%	12.2%	12.4%	12.6%	12.5%	12.6%	12.6%	12.6%

tax benefit on interest expense - net is generally presented using the reported effective rate.

**EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin** - These measures are used by investors, financial analysts and management to assess a company's profitability.

Reported net Income - Praxair, Inc.	\$ 406	\$ 389	\$ 406	\$ 339	\$ 399	\$ 356	\$ 422	\$ 401	\$ 308	\$ 411
Adjustments:										
Goodwill impairment	14	15	13	5	10	10	9	12	11	11
Interest expense - net	38	41	38	43	44	65	42	35	40	44
Income tax expense	157	149	152	120	146	133	163	156	131	163
Depreciation and amortization	292	287	285	284	281	272	275	276	278	277
<b>EBITDA</b>	<b>\$ 907</b>	<b>\$ 881</b>	<b>\$ 894</b>	<b>\$ 791</b>	<b>\$ 880</b>	<b>\$ 836</b>	<b>\$ 911</b>	<b>\$ 880</b>	<b>\$ 768</b>	<b>\$ 914</b>
Adjustments:										
Cost of sales										
Program and marketing charges				96				19	146	
Pension expense										
Goodwill impairment				4				7		
Transaction costs	15	6								
<b>Adjusted EBITDA</b>	<b>\$ 922</b>	<b>\$ 887</b>	<b>\$ 894</b>	<b>\$ 891</b>	<b>\$ 880</b>	<b>\$ 836</b>	<b>\$ 911</b>	<b>\$ 906</b>	<b>\$ 914</b>	<b>\$ 914</b>
Reported sales	2,834	2,728	2,644	2,716	2,665	2,509	2,595	2,686	2,738	2,750

<b>TDA gin usted</b>	<b>32.0%</b>	<b>32.3%</b>	<b>33.8%</b>	<b>29.1%</b>	<b>33.0%</b>	<b>33.3%</b>	<b>35.1%</b>	<b>32.8%</b>	<b>28.0%</b>	<b>33.</b>
<b>TDA gin</b>	<b>32.5%</b>	<b>32.5%</b>	<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.</b>