PRAXAIR
Making our planet more productive℠

# Investor Teleconference Presentation
# Second Quarter 2016



Praxair, Inc.
July 28, 2016

# Forward Looking Statement

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**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 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.**

# 2Q16 Global Trends

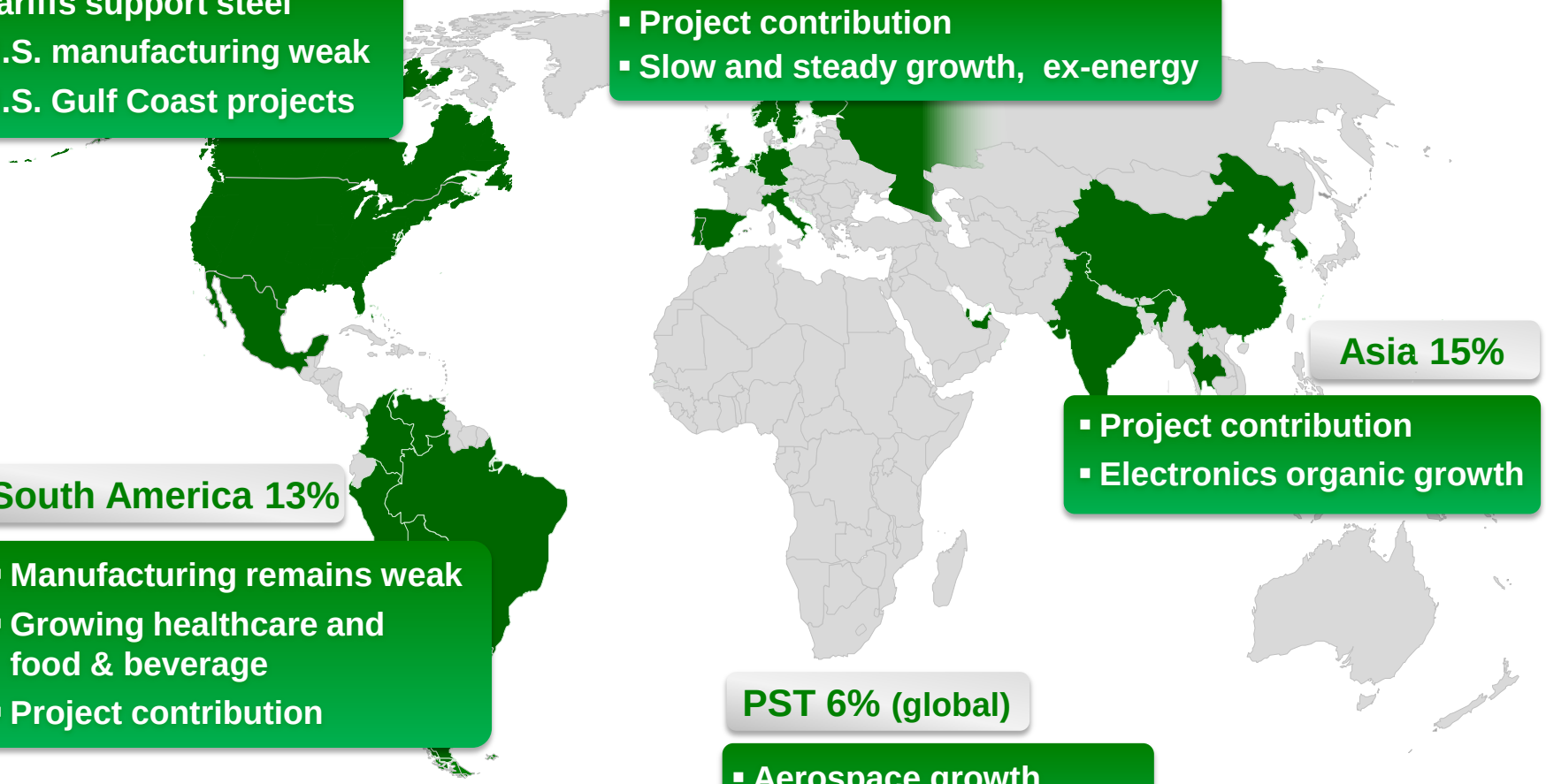
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## North America 53%

- Tariffs support steel
- U.S. manufacturing weak
- U.S. Gulf Coast projects

## Europe 13%

- Project contribution
- Slow and steady growth, ex-energy



## Asia 15%

- Project contribution
- Electronics organic growth

## South America 13%

- Manufacturing remains weak
- Growing healthcare and food & beverage
- Project contribution

## PST 6% (global)

- Aerospace growth
- Energy weak for OWS

# Second Quarter Results

| ($ MM) | Second Quarter 2016 | Adj. First Quarter 2016 | Adj. Second Quarter 2015(1) |
|---|---|---|---|
| Sales | $2,665 | $2,509 | $2,738 |
| Operating Profit | $588 | $554 | $626 |
| Operating Margin | 22.1% | 22.1% | 22.9% |
| EBITDA(1) | $880 | $836 | $914 |
| EBITDA Margin(1) | 33.0% | 33.3% | 33.4% |
| Net Income(2) | $399 | $366 | $420 |
| Diluted EPS(2) | $1.39 | $1.28 | $1.45 |
| After–Tax ROC(1) | 12.2% | 12.4% | 12.6% |
| ROE(1) | 34.0% | 34.6% | 30.5% |

(1) Non-GAAP measures, other than sales. See Appendix.

(2) Net Income and Diluted EPS attributable to Praxair, Inc. shareholders. 1Q16 adjusted amounts are non-GAAP measures. See Appendix.

| | YOY | Q2 vs. Q1 |
|---|---|---|
| Sales Growth | - 3% | + 6% |
| Volume | -- | + 3% |
| Price | + 1% | -- |
| Cost pass-thru | - 1% | -- |
| Currency | - 4% | + 2% |
| Acq/Div | + 1% | + 1% |

- Strong operating cash flow, 26% of sales
- Project contribution in Asia, Europe and South America
- Organic growth YoY in food & beverage and healthcare globally, offset by weaker manufacturing in the Americas
- Seq volume growth includes seasonality
- In Europe, completed carbon dioxide acquisition and remaining JV share buyout
- Backlog $1.3B; strong U.S. Gulf Coast bid activity

# 2016 Guidance Update

## Third-Quarter 2016

- **Adjusted EPS in the range of $1.35 to $1.42**

## Full-Year 2016

- **Adjusted EPS in the range of $5.45 to $5.60**

  **Estimated currency headwind -3%**

  **Prior guidance: $5.35 to $5.70**

- **CAPEX approximately $1.4B**



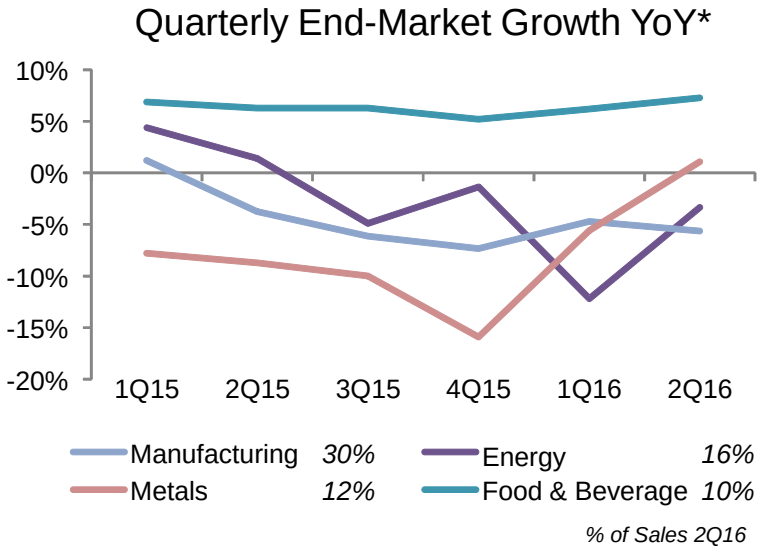
Adjusted amounts are non-GAAP measures and exclude 1Q16 bond redemption charge and the impact of a pension settlement charge expected to be recorded in the third quarter. See Appendix for non-GAAP reconciliations.

# Appendix

# North America

| ($ MM) | Second Quarter 2016 | First Quarter 2016 | Second Quarter 2015 |
|---|---|---|---|
| **Sales** | $1,411 | $1,353 | $1,482 |
| **Segment OP** | $359 | $349 | $388 |
| **Operating Margin** | 25.4% | 25.8% | 26.2% |

| | YOY | Q2 vs. Q1 |
|---|---|---|
| **Sales Growth** | **- 5%** | **+ 4%** |
| **Volume** | **- 2%** | **+ 3%** |
| **Price** | **+ 1%** | **--** |
| **Cost pass-thru** | **- 2%** | **- 1%** |
| **Currency** | **- 2%** | **+ 1%** |
| **Acq/Div** | **--** | **+ 1%** |




- **YoY lower volumes manufacturing and upstream energy, partially offset by growth in food & beverage and healthcare**
- **Seq sales growth primarily downstream energy, food & beverage and healthcare**
- **Strong U.S. Gulf Coast bidding activity**

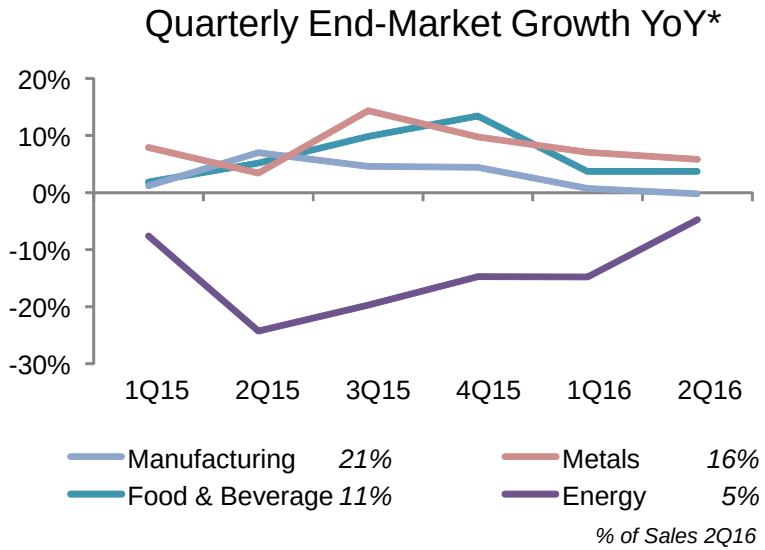


*Excludes impact of currency, natural gas/precious metals cost pass-through and acquisitions/divestitures.

# Europe

| ($ MM) | Second Quarter 2016 | First Quarter 2016 | Second Quarter 2015 |
|---|---|---|---|
| **Sales** | $355 | $320 | $331 |
| **Segment OP** | $68 | $62 | $63 |
| **Operating Margin** | 19.2% | 19.4% | 19.0% |

| | YOY | Q2 vs. Q1 |
|---|---|---|
| **Sales Growth** | **+ 7%** | **+ 11%** |
| **Volume** | **+ 3%** | **+ 6%** |
| **Price** | **+ 1%** | **--** |
| **Cost pass-thru** | **- 1%** | **- 1%** |
| **Currency** | **+ 1%** | **+ 3%** |
| **Acq/Div** | **+ 3%** | **+ 3%** |




- **Volume growth includes project contribution**
- **Seq volume benefit 1Q Easter holiday**
- **Continued solid operating margin due to productivity and cost control**
- **Completed synergistic carbon dioxide acquisition in June**

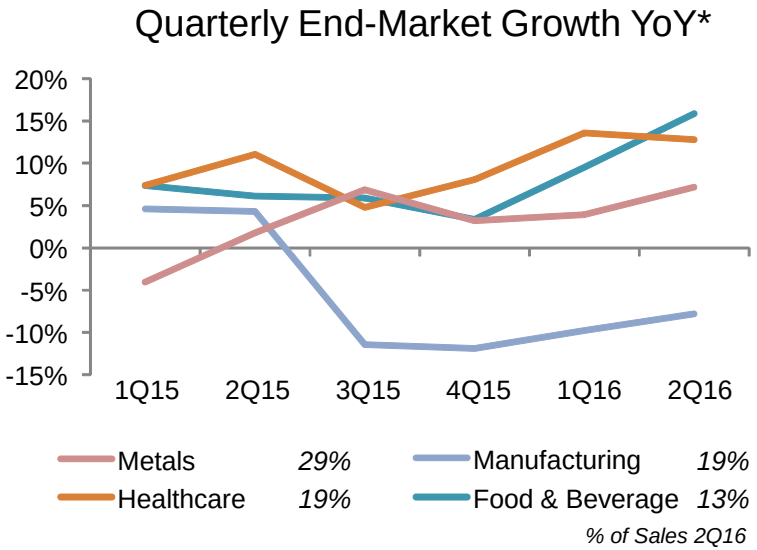


*Excludes impact of currency, natural gas/precious metals cost pass-through and acquisitions/divestitures.

# South America

| ($ MM) | Second Quarter 2016 | First Quarter 2016 | Second Quarter 2015 |
|---|---|---|---|
| **Sales** | $358 | $311 | $388 |
| **Segment OP** | $70 | $55 | $81 |
| **Operating Margin** | 19.6% | 17.7% | 20.9% |

| | YOY | Q2 vs. Q1 |
|---|---|---|
| **Sales Growth** | **- 8%** | **+ 15%** |
| **Volume** | **+ 1%** | **+ 3%** |
| **Price** | **+ 4%** | **+ 3%** |
| **Cost pass-thru** | **--** | **--** |
| **Currency** | **- 13%** | **+ 9%** |
| **Acq/Div** | **--** | **--** |




- **Volume growth includes metals project contribution**
- **Continued outperformance vs. Brazil -7% industrial production**
- **Manufacturing remains weak**
- **Operational excellence and strong cost control**

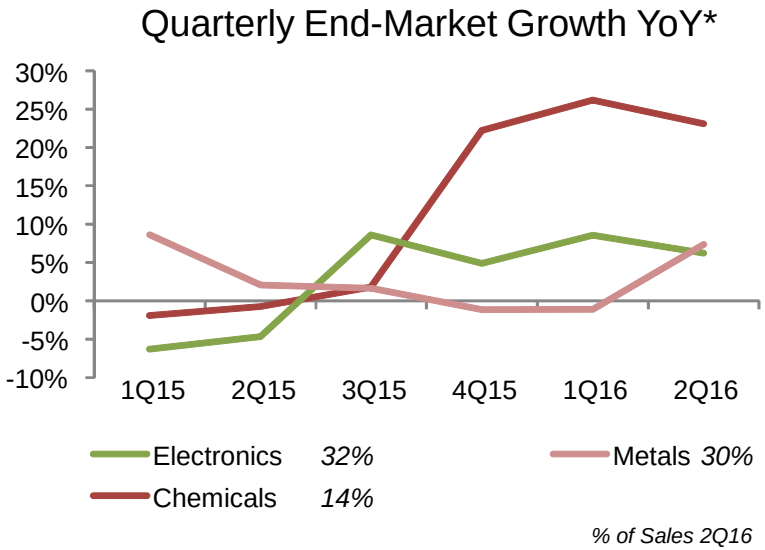


*Excludes impact of currency, natural gas/precious metals cost pass-through and acquisitions/divestitures.

# Asia

| ($ MM) | Second Quarter 2016 | First Quarter 2016 | Second Quarter 2015 |
|---|---|---|---|
| **Sales** | $393 | $376 | $387 |
| **Segment OP** | $67 | $63 | $69 |
| **Operating Margin** | 17.0% | 16.8% | 17.8% |

| | YOY | Q2 vs. Q1 |
|---|---|---|
| **Sales Growth** | **+ 2%** | **+ 5%** |
| **Volume** | **+ 6%** | **+ 4%** |
| **Price** | **- 1%** | **--** |
| **Cost pass-thru** | **--** | **--** |
| **Currency** | **- 4%** | **+ 1%** |
| **Acq/Div** | **+ 1%** | **--** |




- **Growth YoY includes project start-ups in China (chemicals) and India (metals)**
- **Sequential growth includes seasonal improvement in China**
- **Continuing to manage cost structure**



*Excludes impact of currency, natural gas/precious metals cost pass-through and acquisitions/divestitures.

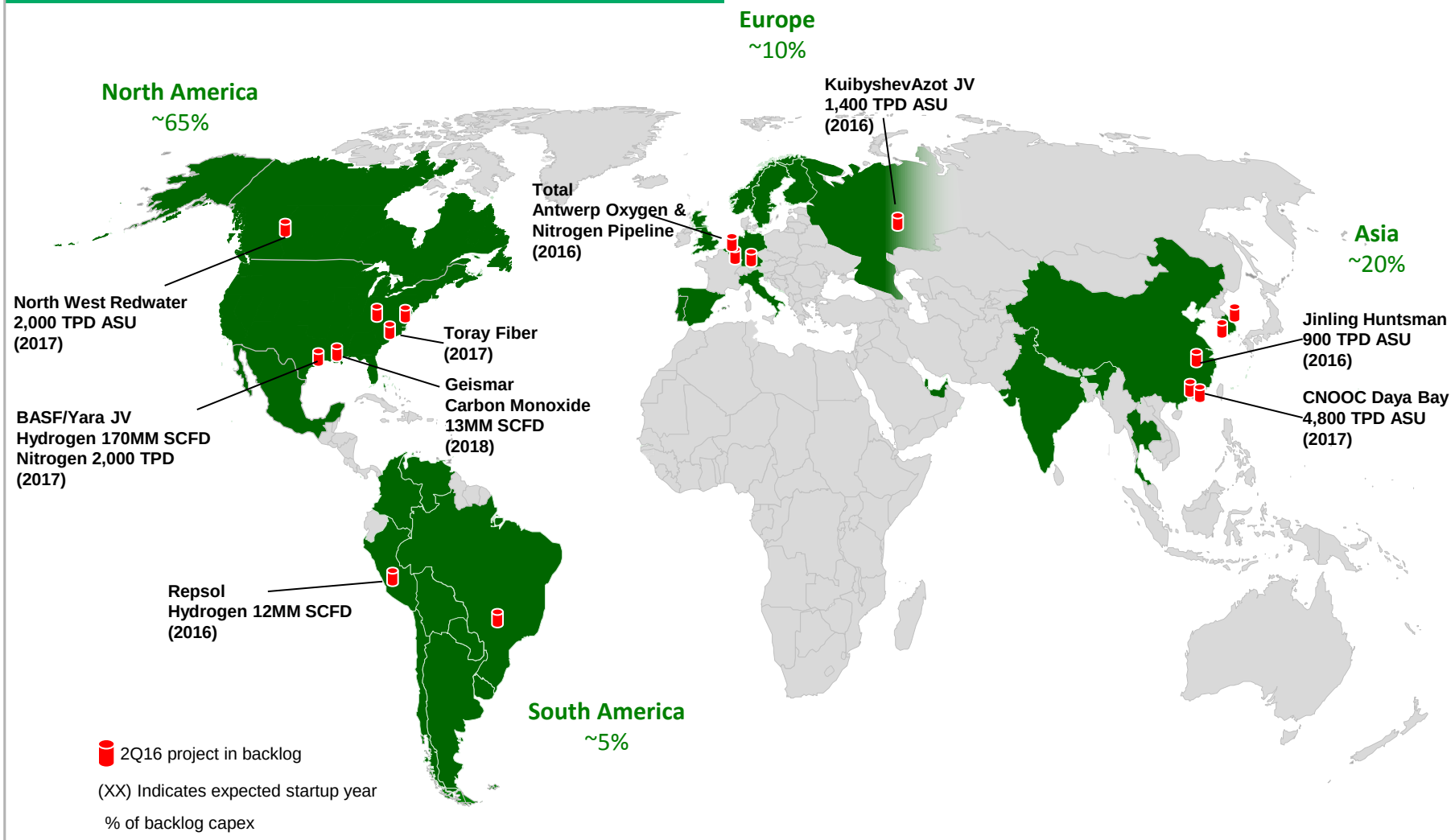
# Surface Technologies

| ($ MM) | Second Quarter 2016 | First Quarter 2016 | Second Quarter 2015 |
|---|---|---|---|
| **Sales** | $148 | $149 | $150 |
| **Segment OP** | $24 | $25 | $25 |
| **Operating Margin** | 16.2% | 16.8% | 16.7% |

- **Organic sales -2% YoY and Seq**
- **Aerospace end-market growth more than offset by continued upstream energy and industrial headwinds**
- **GE Aviation joint venture expected start 2H16**

# Backlog - $1.3B Capital Expenditures

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ASU – Air separation unit(s)
TPD – Tons per day
SCFD – Standard cubic feet per day

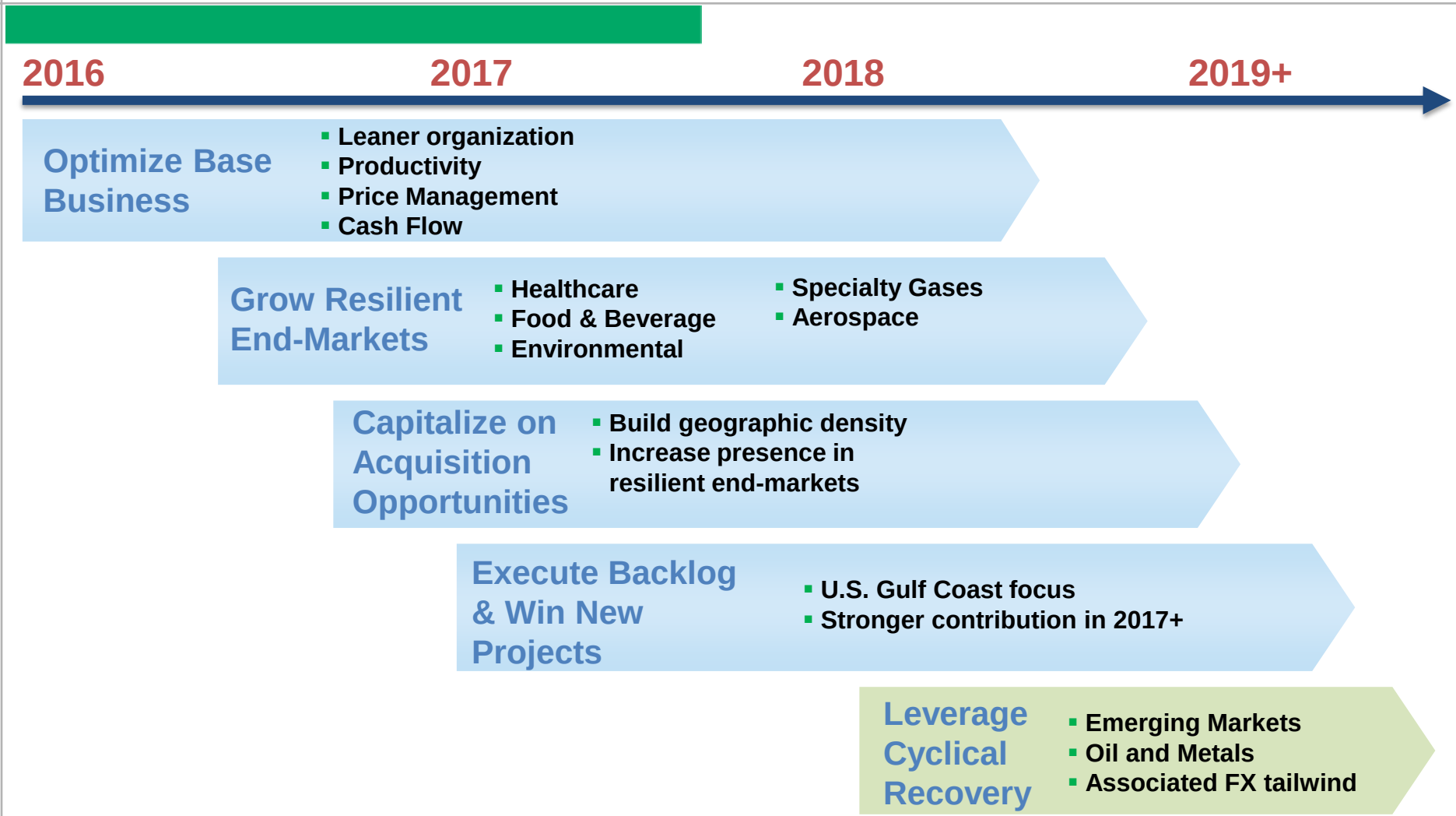
# Global End-Market Trends

| | 2Q16 % of Sales | 2Q16 Sales Growth* YOY | 2Q16 Sales Growth* Vs. 1Q16 | |
|---|---|---|---|---|
|  | Manufacturing (23%) | - 6% | -- | YoY North and South America |
|  | Metals (17%) | + 5% | + 5% | Asia and new projects South America |
|  | Energy (11%) | - 4% | + 7% | YoY upstream North America; Seq North America refineries |
|  | Chemicals (10%) | - 1% | + 3% | Seq North and South America |
|  | Healthcare (8%) | + 8% | + 7% | North and South America |
|  | Food & Bev (9%) | + 8% | + 8% | North and South America |
|  | Electronics (8%) | + 6% | -- | YoY Asia |

* Excludes impact of currency, natural gas/precious metals cost pass-through and acquisitions/divestitures.

# Strategy

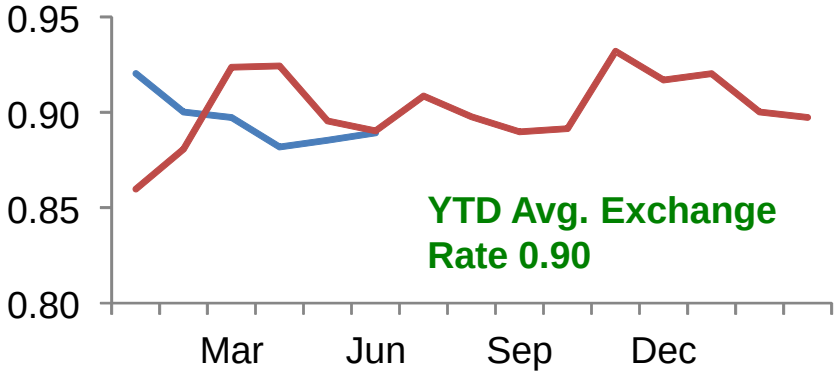
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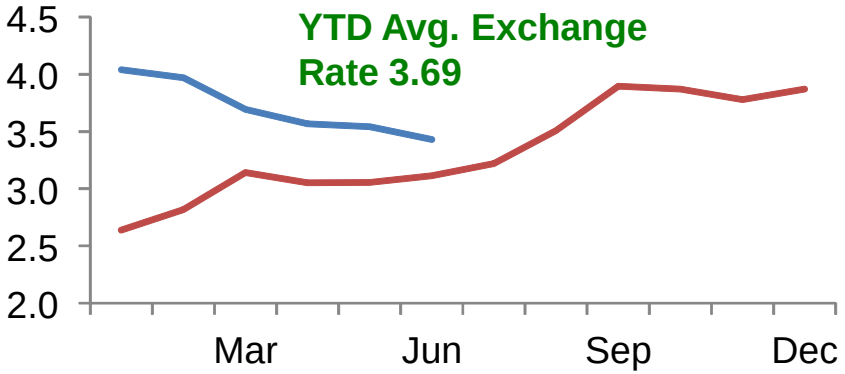

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# 2016 Currency Translation

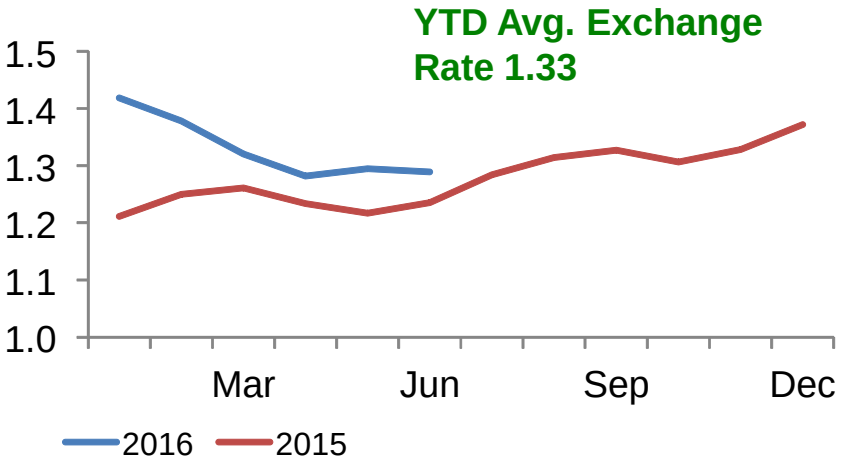
## Euro 10% of Sales



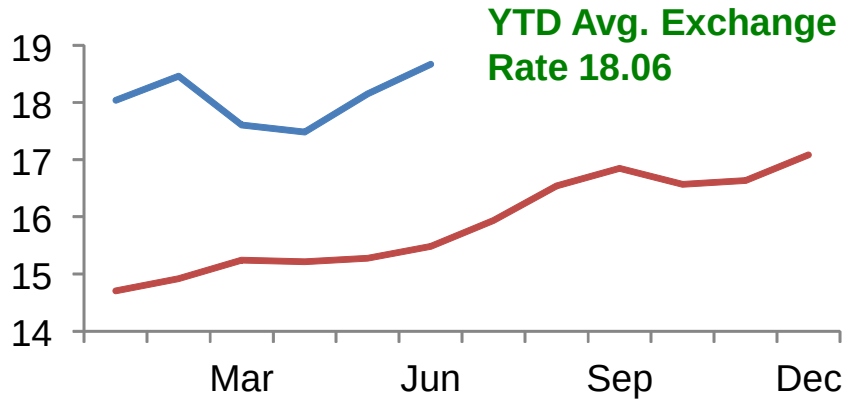

## Brazil 11% of Sales




## Canada 8% of Sales




## Mexico 5% of Sales



# Non-GAAP Measures

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 next page for additional details relating to the Non-GAAP adjustments.

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

| | Sales | | Operating Profit | | Net Income - Praxair, | | Diluted EPS | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Quarter Ended June 30** | | | | | | | | |
| Reported GAAP Amounts | $ 2,665 | $ 2,738 | $ 588 | $ 480 | $ 399 | $ 308 | $ 1.39 | $ 1.06 |
| Cost reduction program and other charges (b) | - | - | - | 146 | - | 112 | - | 0.39 |
| Total adjustments | - | - | - | 146 | - | 112 | - | 0.39 |
| Adjusted amounts | $ 2,665 | $ 2,738 | $ 588 | $ 626 | $ 399 | $ 420 | $ 1.39 | $ 1.45 |
| **Year To Date June 30** | | | | | | | | |
| Reported GAAP Amounts | $ 5,174 | $ 5,495 | $ 1,142 | $ 1,103 | $ 755 | $ 724 | $ 2.63 | $ 2.49 |
| Cost reduction program and other charges (b) | - | - | - | 146 | - | 112 | - | 0.39 |
| Bond redemption (a) | - | - | - | - | 10 | - | 0.04 | - |
| Total adjustments | - | - | - | 146 | 10 | 112 | 0.04 | 0.39 |
| Adjusted amounts | $ 5,174 | $ 5,495 | $ 1,142 | $ 1,249 | $ 765 | $ 836 | $ 2.67 | $ 2.88 |

(a) $16 million charge to interest expense ($10 million after-tax or $0.04 per diluted share) in the 2016 first quarter related to a bond redemption.
(b) Charges in the 2015 second quarter related to the cost reduction program and other charges.

# Non-GAAP Measures, continued

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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 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 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Free Cash Flow (FCF) -** 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 flow | $ 706 | $ 553 | $ 791 | $ 676 | $ 710 | $ 518 | $ 772 | $ 713 | $ 847 | $ 555 |
| Less: capital expenditures | (357) | (323) | (387) | (405) | (352) | (397) | (482) | (430) | (384) | (393) |
| **Free Cash Flow** | **$ 349** | **$230** | **$ 404** | **$ 271** | **$ 358** | **$ 121** | **$ 290** | **$ 283** | **$ 463** | **$ 162** |
| **Debt-to-Capital Ratio** - 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 | $ 9,956 | $ 9,404 | $ 9,231 | $ 9,480 | $ 9,313 | $ 9,360 | $ 9,225 | $ 9,090 | $ 9,132 | $ 9,236 |
| Less: cash and cash equivalents | (567) | (221) | (147) | (136) | (136) | (117) | (126) | (168) | (173) | (144) |
| Net debt | 9,389 | 9,183 | 9,084 | 9,344 | 9,177 | 9,243 | 9,099 | 8,922 | 8,959 | 9,092 |
| Equity and redeemable noncontrolling interests: | | | | | | | | | | |
| Redeemable noncontrolling interests | 12 | 119 | 113 | 169 | 175 | 170 | 176 | 190 | 194 | 195 |
| Praxair, Inc. shareholders' equity | 5,140 | 4,888 | 4,389 | 4,264 | 4,964 | 5,018 | 5,623 | 6,552 | 6,911 | 6,600 |
| Noncontrolling interests | 407 | 417 | 404 | 380 | 380 | 375 | 387 | 388 | 395 | 398 |
| Total equity and redeemable noncontrolling interests | 5,559 | 5,424 | 4,906 | 4,813 | 5,519 | 5,563 | 6,186 | 7,130 | 7,500 | 7,193 |
| Capital | $ 14,948 | $ 14,607 | $ 13,990 | $ 14,157 | $ 14,696 | $ 14,806 | $ 15,285 | $ 16,052 | $ 16,459 | $ 16,285 |
| **Debt-to-capital** | **62.8%** | **62.9%** | **64.9%** | **66.0%** | **62.4%** | **62.4%** | **59.5%** | **55.6%** | **54.4%** | **55.8%** |
| **After-tax Return on Capital (ROC)** - 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 interests and Praxair, Inc. shareholders' equity). | | | | | | | | | | |
| Adjusted operating profit (a) | $ 588 | $ 554 | $ 624 | $ 620 | $ 626 | $ 623 | $ 663 | $ 711 | $ 697 | $ 675 |
| Less: adjusted income taxes (a) | (146) | (139) | (163) | (164) | (164) | (162) | (161) | (187) | (183) | (176) |
| Less: tax benefit on adjusted interest expense (a) | (12) | (14) | (12) | (10) | (11) | (12) | (12) | (13) | (12) | (13) |
| Add: income from equity investments | 11 | 10 | 12 | 10 | 10 | 11 | 12 | 11 | 10 | 9 |
| Adjusted net operating profit after-tax (NOPAT) | $ 441 | $ 411 | $ 461 | $ 456 | $ 461 | $ 460 | $ 502 | $ 522 | $ 512 | $ 495 |
| 4-quarter trailing adjusted NOPAT | $ 1,769 | $ 1,789 | $ 1,838 | $ 1,879 | $ 1,945 | $ 1,996 | $ 2,031 | $ 2,035 | $ 2,011 | $ 1,990 |
| Ending capital (see above) | $ 14,948 | $ 14,607 | $ 13,990 | $ 14,157 | $ 14,696 | $ 14,806 | $ 15,285 | $ 16,052 | $ 16,459 | $ 16,285 |
| 5-quarter average ending capital | $ 14,480 | $ 14,451 | $ 14,587 | $ 14,999 | $ 15,460 | $ 15,777 | $ 16,007 | $ 16,094 | $ 15,987 | $ 15,757 |
| **After-tax ROC (4-quarter trailing NOPAT / 5-quarter average capital)** | **12.2%** | **12.4%** | **12.6%** | **12.5%** | **12.6%** | **12.7%** | **12.7%** | **12.6%** | **12.6%** | **12.6%** |

# Non-GAAP Measures, continued

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| | 2016 | | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Adjusted net income - Praxair, Inc. (a) | $ 399 | $ 366 | $ 422 | $ 419 | $ 420 | $ 416 | $ 460 | $ 477 | $ 467 | $ 448 |
| 4-quarter trailing adjusted net income - Praxair, Inc. | $ 1,606 | $ 1,627 | $ 1,677 | $ 1,715 | $ 1,773 | $ 1,820 | $ 1,852 | $ 1,854 | $ 1,828 | $ 1,806 |
| Ending Praxair, Inc. shareholders' equity | $ 5,140 | $ 4,888 | $ 4,389 | $ 4,264 | $ 4,964 | $ 5,018 | $ 5,623 | $ 6,552 | $ 6,911 | $ 6,600 |
| 5-quarter average Praxair shareholders' equity | $ 4,729 | $ 4,705 | $ 4,852 | $ 5,284 | $ 5,814 | $ 6,141 | $ 6,459 | $ 6,576 | $ 6,452 | $ 6,303 |
| **ROE (4-quarter trailing adjusted net income - Praxair, Inc. / 5-quarter average Praxair shareholders' equity)** | **34.0%** | **34.6%** | **34.6%** | **32.5%** | **30.5%** | **29.6%** | **28.7%** | **28.2%** | **28.3%** | **28.7%** |

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Adjusted net income - Praxair, Inc. (a) | $ 399 | $ 366 | $ 422 | $ 419 | $ 420 | $ 416 | $ 460 | $ 477 | $ 467 | $ 448 |
| Add: adjusted noncontrolling interests (a) | 10 | 10 | 9 | 12 | 12 | 12 | 11 | 13 | 14 | 14 |
| Add: adjusted interest expense - net (a) | 44 | 49 | 42 | 35 | 40 | 44 | 43 | 45 | 43 | 46 |
| Add: adjusted income taxes (a) | 146 | 139 | 163 | 164 | 164 | 162 | 161 | 187 | 183 | 176 |
| Add: depreciation and amortization | 281 | 272 | 275 | 276 | 278 | 277 | 291 | 301 | 293 | 285 |
| **Adjusted EBITDA** | **$ 880** | **$ 836** | **$ 911** | **$ 906** | **$ 914** | **$ 911** | **$ 966** | **$ 1,023** | **$ 1,000** | **$ 969** |
| Reported sales | 2,665 | 2,509 | 2,595 | 2,686 | 2,738 | 2,757 | 2,990 | 3,144 | 3,113 | 3,026 |
| **Adjusted EBITDA margin** | **33.0%** | **33.3%** | **35.1%** | **33.7%** | **33.4%** | **33.0%** | **32.3%** | **32.5%** | **32.1%** | **32.0%** |
| Ending net debt (see above) | $ 9,389 | $ 9,183 | $ 9,084 | $ 9,344 | $ 9,177 | $ 9,243 | $ 9,099 | $ 8,922 | $ 8,959 | $ 9,092 |
| 5-quarter average net debt | $ 9,236 | $ 9,206 | $ 9,189 | $ 9,157 | $ 9,080 | $ 9,063 | $ 8,943 | $ 8,895 | $ 8,904 | $ 8,819 |
| 4-quarter trailing adjusted EBITDA | $ 3,533 | $ 3,567 | $ 3,642 | $ 3,697 | $ 3,814 | $ 3,900 | $ 3,958 | $ 3,978 | $ 3,923 | $ 3,874 |
| **Debt-to-adjusted EBITDA ratio (5-quarter average net debt / 4-quarter trailing adjusted EBITDA)** | **2.6** | **2.6** | **2.5** | **2.5** | **2.4** | **2.3** | **2.3** | **2.2** | **2.3** | **2.3** |

# Non-GAAP Measures, continued

(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-to-date June 30, 2016 | First Quarter 2016 | Year 2015 | Third Quarter 2015 | Second Quarter 2015 | Year 2014 | Fourth Quarter 2014 |
|---|---|---|---|---|---|---|---|
| **Adjusted Operating Profit and Operating Profit Margin** | | | | | | | |
| Reported operating profit | $ 1,142 | $ 554 | $ 2,321 | $ 594 | $ 480 | $ 2,608 | $ 525 |
| Add: Cost reduction program and other charges | - | - | 165 | 19 | 146 | - | - |
| Add: Pension settlement charge | - | - | 7 | 7 | - | 7 | 7 |
| Add: Venezuela currency devaluation | - | - | - | - | - | 131 | 131 |
| Total adjustments | - | - | 172 | 26 | 146 | 138 | 138 |
| Adjusted operating profit | $ 1,142 | $ 554 | $ 2,493 | $ 620 | $ 626 | $ 2,746 | $ 663 |
| Reported percentage change | 4% | | | | | | |
| Adjusted percentage change | -9% | | | | | | |
| Reported sales | $ 5,174 | $ 2,509 | $ 10,776 | $ 2,686 | $ 2,738 | $ 12,273 | $ 2,990 |
| Adjusted operating profit margin | 22.1% | 22.1% | 23.1% | 23.1% | 22.9% | 22.4% | 22.2% |
| **Adjusted Interest Expense - net** | | | | | | | |
| Reported interest expense - net | $ 109 | $ 65 | $ 161 | $ 35 | $ 40 | $ 213 | $ 79 |
| Less: Bond redemption | (16) | (16) | - | - | - | (36) | (36) |
| Adjusted interest expense - net | $ 93 | $ 49 | $ 161 | $ 35 | $ 40 | $ 177 | $ 43 |
| **Adjusted Income Taxes** | | | | | | | |
| Reported income taxes | $ 279 | $ 133 | $ 612 | $ 156 | $ 131 | $ 691 | $ 145 |
| Add: Cost reduction program and other charges | - | - | 39 | 6 | 33 | - | - |
| Add: Bond redemption | 6 | 6 | - | - | - | 14 | 14 |
| Add: Income tax benefit | - | - | - | - | - | - | - |
| Add: Pension settlement charge | - | - | 2 | 2 | - | 2 | 2 |
| Total adjustments | 6 | 6 | 41 | 8 | 33 | 16 | 16 |
| Adjusted income taxes | $ 285 | $ 139 | $ 653 | $ 164 | $ 164 | $ 707 | $ 161 |
| **Adjusted Effective Tax Rate** | | | | | | | |
| Reported income before income taxes and equity investments | $ 1,033 | $ 489 | $ 2,160 | $ 559 | $ 440 | $ 2,395 | $ 446 |
| Add: Cost reduction program and other charges | - | - | 165 | 19 | 146 | - | - |
| Add: Bond redemption | 16 | 16 | - | - | - | 36 | 36 |
| Add: Pension settlement charge | - | - | 7 | 7 | - | 7 | 7 |
| Add: Venezuela currency devaluation | - | - | - | - | - | 131 | 131 |
| Total adjustments | 16 | 16 | 172 | 26 | 146 | 174 | 174 |
| Adjusted income before income taxes and equity investments | $ 1,049 | $ 505 | $ 2,332 | $ 585 | $ 586 | $ 2,569 | $ 620 |
| Adjusted income taxes (above) | $ 285 | $ 139 | $ 653 | $ 164 | $ 164 | $ 707 | $ 161 |
| Adjusted effective tax rate | 27% | 28% | 28% | 28% | 28% | 28% | 26% |

# Non-GAAP Measures, continued

| | Year-to-date June 30, 2016 | First Quarter 2016 | Year 2015 | Third Quarter 2015 | Second Quarter 2015 | Year 2014 | Fourth Quarter 2014 |
|---|---|---|---|---|---|---|---|
| **Adjusted Noncontrolling Interests** | | | | | | | |
| Reported noncontrolling interests | $ 20 | $ 10 | $ 44 | $ 12 | $ 11 | $ 52 | $ 11 |
| Add: Cost reduction program and other charges | - | - | 1 | - | 1 | - | - |
| Less: Income tax benefit | - | - | - | - | - | - | - |
| Total adjustments | - | - | 1 | - | 1 | - | - |
| Adjusted noncontrolling interests | $ 20 | $ 10 | $ 45 | $ 12 | $ 12 | $ 52 | $ 11 |
| **Adjusted Net Income - Praxair, Inc.** | | | | | | | |
| Reported net income - Praxair, Inc. | $ 755 | $ 356 | $ 1,547 | $ 401 | $ 308 | $ 1,694 | $ 302 |
| Add: Cost reduction program and other charges | - | - | 125 | 13 | 112 | - | - |
| Add: Bond redemption | 10 | 10 | - | - | - | 22 | 22 |
| Add: Pension settlement charge | - | - | 5 | 5 | - | 5 | 5 |
| Add: Venezuela currency devaluation | - | - | - | - | - | 131 | 131 |
| Adjusted net income - Praxair, Inc. | $ 765 | $ 366 | $ 1,677 | $ 419 | $ 420 | $ 1,852 | $ 460 |
| Reported percentage change | 4% | | | | | | |
| Adjusted percentage change | -8% | | | | | | |
| **Adjusted Diluted EPS** | | | | | | | |
| Reported diluted EPS | $ 2.63 | $ 1.24 | $ 5.35 | $ 1.40 | $ 1.06 | $ 5.73 | $ 1.03 |
| Add: Cost reduction program and other charges | - | - | 0.43 | 0.04 | 0.39 | - | - |
| Add: Bond redemption | 0.04 | 0.04 | - | - | - | 0.07 | 0.07 |
| Add: Pension settlement charge | - | - | 0.02 | 0.02 | - | 0.02 | 0.02 |
| Add: Venezuela currency devaluation | - | - | - | - | - | 0.45 | 0.45 |
| Total adjustments | 0.04 | 0.04 | 0.45 | 0.06 | 0.39 | 0.54 | 0.54 |
| Adjusted diluted EPS | $ 2.67 | $ 1.28 | $ 5.80 | $ 1.46 | $ 1.45 | $ 6.27 | $ 1.57 |
| **Cash Income Taxes and Interest** | | | | | | | |
| Income taxes paid | | | $ 420 | | | $ 606 | |
| Interest paid, net of interest capitalized and excluding bond redemption | | | $ 174 | | | $ 174 | |

**Third Quarter and Full-Year 2016 Diluted EPS Guidance**

| | Third Quarter 2016 | | Full Year 2016 | |
|---|---|---|---|---|
| | Low End | High End | Low End | High End |
| 2016 GAAP diluted EPS guidance | $ 1.34 | $ 1.41 | $ 5.40 | $ 5.55 |
| Add: bond redemption charge - Q1 | - | - | 0.04 | 0.04 |
| Add: estimated pension settlement impact - Q3 | 0.01 | 0.01 | 0.01 | 0.01 |
| 2016 adjusted diluted EPS guidance | $ 1.35 | $ 1.42 | $ 5.45 | $ 5.60 |

# Sustainable Development Highlights

PRAXAIR
*Making our planet more productive*




**BEST-IN-CLASS SAFETY PERFORMANCE:**

**25x** better than US OSHA industrial average lost workday case rate

**300+ SITES & 12,500+ EMPLOYEES PARTICIPATED IN Praxair's Zero Waste Program**

**$60+MM ENERGY SAVINGS PER YEAR**

**ECO-PORTFOLIO 32% of revenue**

**GHG** 2x net GHG benefit through PX applications

**346,919** BENEFICIARIES GLOBALLY from Community Engagement

**90%** of LEADERSHIP in emerging economies is local



**125MM** people served by water applications

**RECOGNITION**

**13** consecutive years named to the Dow Jones Sustainability Indices In Collaboration with RobecoSAM

**8** consecutive years — CDP CLIMATE DISCLOSURE LEADER 2015

Forbes | 2016 AMERICA'S BEST LARGE EMPLOYERS POWERED BY STATISTA

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Making our planet more productive™

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