

# News Release



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## PRAXAIR REPORTS THIRD-QUARTER EPS OF 75 CENTS; RAISES GUIDANCE

DANBURY, Conn., October 25, 2006 -- Praxair, Inc. (NYSE: PX) announced third-quarter diluted earnings per share of 75 cents, up 27% on a comparable basis.\* Net income rose to \$247 million in the quarter.

Sales in the third quarter rose 11% to \$2,099 million, compared to \$1,890 million in the 2005 quarter. Operating profit grew 28% to \$392 million from \$307 million in the prior-year quarter on a comparable basis. Higher operating profit was due to strong volume growth across most end markets and geographic regions, higher prices, productivity improvements, and a gain from divestitures.

"Activity in the industrial economy has continued to be strong, and we have not seen any meaningful decline in demand from our customers," said Dennis H. Reilley, chairman and chief executive officer.

In North America, third-quarter sales of \$1,187 million rose 9% from the year-ago quarter, and 11% excluding the effects of lower natural gas prices, due to higher volumes and higher prices. Sales grew in all major end-market segments. Operating profit grew to \$204 million, up 28% from \$159 million in the prior-year period on a comparable basis.

In Europe, sales in the quarter of \$293 million were 14% above the prior period, and increased 10% excluding currency effects. Underlying sales growth was primarily attributed to volume growth in Spain and Italy. On a comparable basis, operating profit rose 11% to \$69 million.

In South America, third-quarter sales of \$340 million grew 16% versus the prior year, and 10% excluding currency effects, primarily due to strong volume growth in the energy sector. Operating profit rose to \$69 million, an increase of 35% versus last year's quarter on a comparable basis, due to higher volumes and productivity programs.

Sales in Asia grew 21% to \$165 million in the quarter, from \$136 million in the year-ago period, led by robust electronics sales. Operating profit increased to \$27 million, from \$23 million in the prior-year period on a comparable basis.

Praxair Surface Technologies' sales in the quarter were \$114 million, 3% below the prior year. Excluding the effects of a divestiture and currency, organic sales growth was 9%, due primarily to strong coatings demand in aerospace and higher pricing. Operating profit increased to \$23 million, a result of higher volumes, productivity, and a gain on sale.

Cash flow from operations rose to a record \$554 million in the third quarter from higher earnings and effective working capital management. Capital expenditures were \$274 million. The company's after-tax return-on-capital ratio\* was 14.3% for the quarter.

For the fourth quarter of 2006, Praxair expects diluted earnings per share in the range of 75 cents to 78 cents, 15% to 20% above the fourth quarter of 2005, on a comparable basis.

For the full year of 2006, Praxair expects year-over-year sales growth of about 10%. Raising its earnings guidance, Praxair expects diluted earnings per share to be in the range of \$2.93 to \$2.96, representing 21% to 22% growth versus the prior year on a comparable basis. Full-year capital expenditures are expected to be \$1.05 billion to \$1.10 billion, supporting a growing backlog of new projects across all geographic regions, which will come on-stream in 2007 and 2008.

Commenting on Praxair's business outlook, Reilley said, "Looking forward, we expect U.S. macro-economic growth to moderate. However, we expect growth in our business to outpace the economy, due to a steadily increasing backlog of projects related to energy production, infrastructure building in emerging markets, and new applications technologies."

Praxair is the largest industrial gases company in North and South America, and one of the largest worldwide, with 2005 sales of \$7.7 billion. The company produces, sells and distributes atmospheric and process gases, and high-performance surface coatings. Praxair products, services and technologies bring productivity and environmental benefits to a wide variety of industries, including aerospace, chemicals, food and beverage, electronics, energy, healthcare, manufacturing, metals and others. More information on Praxair is available on the Internet at [www.praxair.com](http://www.praxair.com).

\*See the attachments for calculations of non-GAAP measures related to operating profit, net income, earnings per share, after-tax return-on-capital, and debt-to-capital ratios. All year-over-year comparisons use 2005 results before accounting change adjusted to include stock option expense, and exclude the \$92 million income tax charge in the third quarter.

# # #

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

A *teleconference* on Praxair's third-quarter results is being held this morning, October 25, at 11:00 am Eastern Time. The number is (617) 786-2901 -- Passcode: 35923480. The call also is available as a web cast at [www.praxair.com/investors](http://www.praxair.com/investors). Materials to be used in the teleconference are available on [www.praxair.com/investors](http://www.praxair.com/investors).

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; the ability to attract, hire, and retain qualified personnel; the impact of changes in financial accounting standards; the impact of tax and other legislation and government regulation in jurisdictions in which the company operates; the cost and outcomes of litigation and regulatory agency actions; 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; 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 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 September 30,		Year to Date September 30,	
	2006	2005	2006	2005
<b>SALES (a)</b>	\$ 2,099	\$ 1,890	\$ 6,201	\$ 5,636
Cost of sales	1,259	1,144	3,704	3,420
Selling, general and administrative	272	243	816	735
Depreciation and amortization	173	165	518	490
Research and development	21	19	64	58
Other income (expense) - net (b)	18	(2)	27	15
<b>OPERATING PROFIT (c)</b>	392	317	1,126	948
Interest expense - net	38	40	117	123
<b>INCOME BEFORE INCOME TAXES</b>	354	277	1,009	825
Income taxes (d)	101	163	274	296
	253	114	735	529
Minority interests	(7)	(8)	(22)	(28)
Income from equity investments	1	2	6	11
<b>NET INCOME (c)</b>	<u>\$ 247</u>	<u>\$ 108</u>	<u>\$ 719</u>	<u>\$ 512</u>
<b>PER SHARE DATA</b>				
Basic earnings per share	\$ 0.76	\$ 0.33	\$ 2.22	\$ 1.58
Diluted earnings per share	\$ 0.75	\$ 0.33	\$ 2.18	\$ 1.55
Cash dividends	\$ 0.25	\$ 0.18	\$ 0.75	\$ 0.54
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>				
Basic shares outstanding (000's)	323,582	324,137	323,635	323,951
Diluted shares outstanding (000's)	329,498	329,993	329,512	329,853

- (a) Sales for the 2006 quarter and year-to-date periods decreased \$23 million and \$13 million, respectively, from the decreased contractual pass-through of lower hydrogen feedstock costs, with minimal impact on operating profit compared to 2005. Sales for the quarter and year-to-date periods increased \$49 million and \$115 million, respectively, due to currency effects versus 2005.
- (b) Other income (expense) - net for the 2006 quarter includes a \$14 million gain, \$3 million after tax, related to two divestitures. The 2005 quarter includes an \$8 million charge for insurance matters and fixed asset write-offs related to Hurricanes Katrina and Rita.
- (c) 2006 results include stock option expense while 2005 reported results do not. Stock option expense for the 2006 quarter and year-to-date periods was \$10 million or \$7 million after tax, and \$32 million or \$21 million after tax, respectively. Comparable 2005 results are shown in the Appendix.
- (d) Income taxes for the 2006 quarter include \$11 million of charges related to the impact of two divestitures. The 2005 quarter includes a \$92 million (\$0.28 per diluted share) income tax charge for the repatriation of foreign earnings and other tax adjustments. Excluding these and other discrete tax items, the underlying effective tax rates were approximately 26.5% and 26% for the 2006 and 2005 quarterly periods, respectively.

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

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 22	\$ 173
Accounts receivable - net	1,469	1,386
Inventories	400	373
Prepaid and other current assets	213	201
<b>TOTAL CURRENT ASSETS</b>	<b>2,104</b>	<b>2,133</b>
Property, plant and equipment - net	6,516	6,108
Goodwill	1,598	1,545
Other intangibles - net	71	81
Other long-term assets	636	624
<b>TOTAL ASSETS</b>	<b>\$ 10,925</b>	<b>\$ 10,491</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 603	\$ 639
Short-term debt	303	231
Current portion of long-term debt	47	290
Other current liabilities	940	841
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,893</b>	<b>2,001</b>
Long-term debt	2,824	2,926
Other long-term liabilities	1,505	1,460
<b>TOTAL LIABILITIES</b>	<b>6,222</b>	<b>6,387</b>
Minority interests	209	202
Shareholders' equity	4,494	3,902
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 10,925</b>	<b>\$ 10,491</b>

**PRAXAIR, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Millions of dollars)  
**(UNAUDITED)**

	Quarter Ended September 30,		Year to Date September 30,	
	2006	2005	2006	2005
<b>OPERATIONS</b>				
Net income	\$ 247	\$ 108	\$ 719	\$ 512
Depreciation and amortization	173	165	518	490
Accounts receivable	(22)	(56)	(98)	(115)
Inventory	(13)	(18)	(33)	(41)
Payables and accruals	124	183	109	257
Pension contributions	(1)	(6)	(119)	(78)
Other	46	44	93	74
Net cash provided by operating activities	<u>554</u>	<u>420</u>	<u>1,189</u>	<u>1,099</u>
<b>INVESTING</b>				
Capital expenditures	(274)	(235)	(800)	(598)
Acquisitions	(1)	(3)	(7)	(8)
Divestitures and asset sales	99	12	112	25
Net cash used for investing activities	<u>(176)</u>	<u>(226)</u>	<u>(695)</u>	<u>(581)</u>
<b>FINANCING</b>				
Debt increase (decrease) - net	(292)	(61)	(346)	(192)
Excess tax benefit on stock option exercises	6	-	18	-
Issuances of common stock	47	66	203	192
Purchases of common stock	(45)	(140)	(262)	(332)
Cash dividends	(81)	(58)	(242)	(174)
Minority interest transactions and other	(13)	(11)	(18)	(18)
Net cash used for financing activities	<u>(378)</u>	<u>(204)</u>	<u>(647)</u>	<u>(524)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1</u>	<u>1</u>	<u>2</u>	<u>-</u>
Change in cash and cash equivalents	1	(9)	(151)	(6)
Cash and cash equivalents, beginning-of-period	<u>21</u>	<u>28</u>	<u>173</u>	<u>25</u>
Cash and cash equivalents, end-of-period	<u>\$ 22</u>	<u>\$ 19</u>	<u>\$ 22</u>	<u>\$ 19</u>

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

	Quarter Ended September 30,		Year to Date September 30,	
	2006	2005	2006	2005
<b>SALES (a)</b>				
North America (b)	\$ 1,187	\$ 1,087	\$ 3,514	\$ 3,244
Europe (c)	293	258	857	830
South America (d)	340	292	997	810
Asia (e)	165	136	467	395
Surface Technologies (f)	114	117	366	357
Total sales	<u>\$ 2,099</u>	<u>\$ 1,890</u>	<u>\$ 6,201</u>	<u>\$ 5,636</u>
<b>SEGMENT OPERATING PROFIT</b>				
North America (b)	\$ 204	\$ 165	\$ 619	\$ 492
Europe (c)	69	63	193	202
South America (d)	69	52	184	146
Asia (e)	27	24	78	70
Surface Technologies (f)	23	13	52	38
Total operating profit	<u>\$ 392</u>	<u>\$ 317</u>	<u>\$ 1,126</u>	<u>\$ 948</u>

- (a) In 2006, Praxair changed its presentation of segment sales to reflect external sales only. Segment operating profit was not impacted. 2005 sales amounts have been reclassified to conform to current period presentation.
- (b) North American 2006 sales for the quarter and year-to-date periods decreased \$23 million and \$13 million, respectively, from the contractual pass-through of lower hydrogen feedstock costs, with minimal impact on operating profit compared to 2005. Sales for the quarter and year-to-date periods increased \$13 million and \$45 million, respectively, due to currency effects versus 2005. 2006 operating profit included stock option expense of \$6 million for the quarter and \$18 million for the year-to-date period.
- (c) European 2006 sales for the quarter and year-to-date periods increased \$11 million and decreased \$24 million, respectively, due to currency effects versus 2005. 2006 operating profit included stock option expense of \$2 million for the quarter and \$4 million for the year-to-date period. 2006 operating profit for both periods included a gain of approximately \$5 million relating to the divestiture of a Turkish joint venture.
- (d) South American 2006 sales for the quarter and year-to-date periods increased \$18 million and \$91 million, respectively, due to currency effects versus 2005. 2006 operating profit included stock option expense of \$1 million for the quarter and \$5 million for the year-to-date period.
- (e) Asian 2006 sales for the quarter and year-to-date periods increased \$3 million and \$6 million, respectively, due to currency effects versus 2005. 2006 operating profit included stock option expense of \$1 million for the quarter and \$3 million for the year-to-date period.
- (f) Surface Technologies 2006 sales for the quarter and year-to-date periods increased \$3 million and decreased \$4 million, respectively, due to currency effects versus 2005. 2006 operating profit included stock option expense of less than \$1 million for the quarter and \$2 million for the year-to-date period. 2006 operating profit for both periods included a gain of approximately \$7 million relating to the divestiture of the aviation services business in July 2006. Sales for the 2006 quarter were reduced by \$17 million relating to the divestiture.

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

	2006			2005 SFAS 123R Revised (a)			
	Q3	Q2	Q1	Q4	Q3 (b)	Q2	Q1
<b>FROM THE INCOME STATEMENT</b>							
Sales	\$ 2,099	\$ 2,076	\$ 2,026	\$ 2,020	\$ 1,890	\$ 1,919	\$ 1,827
Cost of sales	1,259	1,238	1,207	1,221	1,145	1,167	1,109
Selling, general and administrative	272	271	273	261	252	257	254
Depreciation and amortization	173	174	171	175	165	163	162
Research and development	21	22	21	23	19	20	20
Other income (expenses) – net	18	11	(2)	(5)	(2)	(1)	18
Operating profit	392	382	352	335	307	311	300
Interest expense - net	38	41	38	40	40	41	42
Income taxes	101	90	83	76	160	60	66
Minority interests	(7)	(7)	(8)	(9)	(8)	(13)	(7)
Income from equity investments	1	3	2	4	2	5	4
Income before accounting change	247	247	225	214	101	202	189
Accounting change (c)	-	-	-	(6)	-	-	-
Net income	<u>\$ 247</u>	<u>\$ 247</u>	<u>\$ 225</u>	<u>\$ 208</u>	<u>\$ 101</u>	<u>\$ 202</u>	<u>\$ 189</u>
<b>PER SHARE DATA</b>							
Diluted earnings per share:							
Income before accounting change	\$ 0.75	\$ 0.75	\$ 0.68	\$ 0.65	\$ 0.31	\$ 0.61	\$ 0.57
Accounting change (c)	-	-	-	(0.02)	-	-	-
Net income	<u>\$ 0.75</u>	<u>\$ 0.75</u>	<u>\$ 0.68</u>	<u>\$ 0.63</u>	<u>\$ 0.31</u>	<u>\$ 0.61</u>	<u>\$ 0.57</u>
Cash dividends per share	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Diluted weighted average shares outstanding (000's)	329,498	329,880	330,043	329,113	329,993	329,818	329,669
<b>FROM THE BALANCE SHEET</b>							
Total debt	\$ 3,174	\$ 3,454	\$ 3,408	\$ 3,447	\$ 3,272	\$ 3,327	\$ 3,449
Total capital (d)	7,877	7,926	7,740	7,551	7,370	7,373	7,321
Debt-to-capital ratio (d)	40.3%	43.6%	44.0%	45.6%	44.4%	45.1%	47.1%
<b>FROM THE STATEMENT OF CASH FLOWS</b>							
Cash flow from operations	\$ 554	\$ 392	\$ 243	\$ 376	\$ 420	\$ 390	\$ 289
Capital expenditures	274	270	256	279	235	198	165
Acquisitions	1	3	3	36	3	3	2
Cash dividends	81	80	81	59	58	58	58
<b>OTHER INFORMATION</b>							
Number of employees	26,926	27,532	27,231	27,306	27,222	27,134	27,082
After-tax return on capital (ROC) (d)	14.3%	14.5%	13.7%	13.6%	12.5%	13.4%	12.4%
<b>SEGMENT DATA</b>							
<b>SALES (e)</b>							
North America	\$ 1,187	\$ 1,158	\$ 1,169	\$ 1,185	\$ 1,087	\$ 1,097	\$ 1,060
Europe	293	296	268	258	258	287	285
South America	340	340	317	313	292	274	244
Asia	165	155	147	148	136	137	122
Surface Technologies	114	127	125	116	117	124	116
Total	<u>\$ 2,099</u>	<u>\$ 2,076</u>	<u>\$ 2,026</u>	<u>\$ 2,020</u>	<u>\$ 1,890</u>	<u>\$ 1,919</u>	<u>\$ 1,827</u>
<b>OPERATING PROFIT</b>							
North America	\$ 204	\$ 215	\$ 200	\$ 187	\$ 159	\$ 155	\$ 161
Europe	69	65	59	60	62	71	66
South America	69	58	57	55	51	49	42
Asia	27	28	23	24	23	23	21
Surface Technologies	23	16	13	9	12	13	10
Total	<u>\$ 392</u>	<u>\$ 382</u>	<u>\$ 352</u>	<u>\$ 335</u>	<u>\$ 307</u>	<u>\$ 311</u>	<u>\$ 300</u>

(a) 2006 results include the effect of expensing stock options. The 2005 SFAS 123R Revised results include the pro-forma impact of expensing stock options and are comparable to the 2006 presentation. Non-GAAP measures, see Appendix.

(b) The third quarter 2005 includes the impact of a \$92 million (\$0.28 per diluted share) income tax charge for the repatriation of foreign earnings and other tax adjustments.

(c) Represents charge to earnings related to conditional asset retirement obligations.

(d) Non-GAAP measure, see Appendix.

(e) In 2006, Praxair changed its presentation of segment sales to reflect external sales only. Segment operating profit was not impacted. 2005 sales amounts have been reclassified to conform to current period presentation.

**PRAXAIR, INC. AND SUBSIDIARIES**  
**APPENDIX**  
**NON-GAAP MEASURES**  
**(Dollar amounts in millions)**  
**(UNAUDITED)**

Definitions of the following non-GAAP measures may not be comparable to similar definitions used by other companies. Praxair believes that (i) its debt-to-capital ratio is appropriate for measuring its financial leverage; (ii) its after-tax return on invested capital ratio is an appropriate measure for judging performance as it reflects the approximate after-tax profit earned as a percentage of investments by all parties in the business (debt, minority interests and shareholders' equity) and the adjusted ROC amount will help investors understand underlying performance on a comparable basis; and (iii) operating profit, net income and diluted EPS amounts that include pro-forma stock option expense in 2005 periods, help investors understand underlying performance on a comparable basis.

	2006			2005			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b><u>Total Capital</u></b>							
Total debt	\$ 3,174	\$ 3,454	\$ 3,408	\$ 3,447	\$ 3,272	\$ 3,327	\$ 3,449
Minority interests	209	203	207	202	225	225	221
Shareholders' equity	4,494	4,269	4,125	3,902	3,873	3,821	3,651
Total Capital	<u>\$ 7,877</u>	<u>\$ 7,926</u>	<u>\$ 7,740</u>	<u>\$ 7,551</u>	<u>\$ 7,370</u>	<u>\$ 7,373</u>	<u>\$ 7,321</u>
<b><u>Debt-to-Capital Ratio</u></b>	<u>40.3%</u>	<u>43.6%</u>	<u>44.0%</u>	<u>45.6%</u>	<u>44.4%</u>	<u>45.1%</u>	<u>47.1%</u>
<b><u>After-Tax Return on Capital (ROC)</u></b>							
Adjusted operating profit (a,c)	\$ 392	\$ 382	\$ 352	\$ 335	\$ 307	\$ 311	\$ 300
Less: adjusted taxes (a,b)	(101)	(90)	(83)	(76)	(68)	(60)	(66)
Less: tax benefit on interest expense	(10)	(11)	(10)	(10)	(10)	(11)	(11)
Add: income from equity investments	1	3	2	4	2	5	4
Net operating profit after-tax (NOPAT)	<u>\$ 282</u>	<u>\$ 284</u>	<u>\$ 261</u>	<u>\$ 253</u>	<u>\$ 231</u>	<u>\$ 245</u>	<u>\$ 227</u>
Beginning capital	\$ 7,926	\$ 7,740	\$ 7,551	\$ 7,370	\$ 7,373	\$ 7,321	\$ 7,358
Ending capital	\$ 7,877	\$ 7,926	\$ 7,740	\$ 7,551	\$ 7,370	\$ 7,373	\$ 7,321
Average capital	\$ 7,902	\$ 7,833	\$ 7,646	\$ 7,461	\$ 7,372	\$ 7,347	\$ 7,340
ROC %	3.6%	3.6%	3.4%	3.4%	3.1%	3.3%	3.1%
<b><u>ROC % (annualized)</u></b>	<u>14.3%</u>	<u>14.5%</u>	<u>13.7%</u>	<u>13.6%</u>	<u>12.5%</u>	<u>13.4%</u>	<u>12.4%</u>

(a) Reported 2006 operating profit and taxes include the effect of expensing stock options while 2005 reported amounts do not. The 2005 operating profit and reported tax amounts have been adjusted to include the pro-forma impact of expensing stock options and are comparable to the 2006 presentation. See the following section "2005 FAS 123R Revised," for the calculation of these non-GAAP measures.

(b) The third quarter 2005 excludes the impact of a \$92 million income tax charge for the repatriation of foreign earnings and other tax adjustments.

(c) The second quarter 2006 includes the impact of a \$15 million benefit related to insurance recoveries which increased annualized ROC by 0.5% for that quarter.





**PRAXAIR, INC. AND SUBSIDIARIES**  
**APPENDIX, CONTINUED**  
**NON-GAAP MEASURES, CONTINUED**  
(Dollar amounts in millions, except per share data)  
**(UNAUDITED)**

The Company believes adjusted net income and diluted EPS, quarterly and full-year earnings guidance amounts for 2006, and quarterly effective tax rates, which reflect 2005 results adjusted to include stock option expense and exclude the impact of a third quarter \$92 million income tax charge and accounting change, help investors understand underlying performance on a comparable basis.

	Quarter Ended		Full Year	4Q
	September 30,			
<b><u>Adjusted Net Income, Diluted EPS</u></b>	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>
Reported income before accounting change	\$ 247	\$ 108	\$ 732	\$ 220
Add: income tax charge	-	92	92	-
Less: proforma stock option expense	-	(7)	\$ (26)	\$ (6)
Adjusted Net income	<u>\$ 247</u>	<u>\$ 193</u>	<u>\$ 798</u>	<u>\$ 214</u>
Diluted weighted average shares	329,498	329,993	329,685	329,113
Reported diluted earnings per share before accounting change	\$ 0.75	\$ 0.33	\$ 2.22	\$ 0.67
Add back: income tax charge	-	\$ 0.28	\$ 0.28	-
Less: proforma stock option expense	-	\$ (0.02)	\$ (0.08)	\$ (0.02)
Adjusted diluted earnings per share	<u>\$ 0.75</u>	<u>\$ 0.59</u>	<u>\$ 2.42</u>	<u>\$ 0.65</u>
Percentage increase diluted EPS versus 2005	27%			
	<u>Fourth Quarter 2006</u>		<u>Full Year 2006</u>	
<b><u>Adjusted 2006 Quarterly and Full Year Diluted EPS Guidance</u></b>	<u>Low end</u>	<u>High end</u>	<u>Low end</u>	<u>High end</u>
Reported nine-month 2006 diluted EPS	\$ -	\$ -	\$ 2.18	\$ 2.18
Expected fourth quarter 2006 diluted EPS	<u>\$ 0.75</u>	<u>\$ 0.78</u>	<u>\$ 0.75</u>	<u>\$ 0.78</u>
	<u>\$ 0.75</u>	<u>\$ 0.78</u>	<u>\$ 2.93</u>	<u>\$ 2.96</u>
2005 Adjusted diluted earnings per share (above)	\$ 0.65	\$ 0.65	\$ 2.42	\$ 2.42
Percentage increase	15%	20%	21%	22%

	Quarter Ended	
	September 30,	
<b><u>Adjusted Quarterly Effective Tax Rate</u></b>	<u>2006</u>	<u>2005</u>
Reported income before income tax	\$ 354	\$ 277
Less: divestiture gains	(14)	-
Adjusted income before income tax	<u>\$ 340</u>	<u>\$ 277</u>
Reported income tax expense	\$ 101	\$ 163
Less: 2005 income tax charge	-	(92)
Less: taxes on divestiture gains	(11)	-
Adjusted income tax expense	<u>90</u>	<u>71</u>
Underlying effective tax rate	26.5%	26%