

AIRGAS INC
Form DEFA14A
August 18, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

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☐ Definitive Proxy Statement

☒ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-12

Airgas, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

It's All About Value (Updated)
It's All About Value (Updated)
August 18, 2010
August 18, 2010

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1

IMPORTANT INFORMATION

In
connection
with
its
2010
Annual
Meeting
of
Stockholders,
Airgas,
Inc.
has
filed
a
definitive
proxy
statement
on
Schedule
14A
with
the
Securities
and
Exchange
Commission
(the
SEC).
INVESTORS
AND
STOCKHOLDERS
OF
AIRGAS
ARE
URGED
TO
READ
THE
PROXY
STATEMENT

FOR
THE
2010
ANNUAL
MEETING
IN
ITS
ENTIRETY
BECAUSE
IT
CONTAINS
IMPORTANT
INFORMATION.

In
response
to
the
tender
offer
proposed
by
Air
Products
and
Chemicals,
Inc.
referred
to
in
this
communication,
Airgas
has
filed
with
the
SEC
a
Solicitation/Recommendation
Statement
on
Schedule
14D-9,
as
amended.
STOCKHOLDERS
OF
AIRGAS
ARE
ADVISED

TO
READ
AIRGAS
SOLICITATION/
RECOMMENDATION
STATEMENT
ON
SCHEDULE
14D-9,
AS
AMENDED,
IN
ITS
ENTIRETY
BECAUSE
IT
CONTAINS
IMPORTANT
INFORMATION.

This
communication
does
not
constitute
an
offer
to
sell
or
the
solicitation
of
an
offer
to
buy
any
securities
of
Air
Products.
Investors
and
stockholders
will
be
able
to
obtain
free

copies
of
Airgas
definitive
proxy
statement,
the
Solicitation/Recommendation
Statement
on
Schedule
14D-9,
any
amendments
or
supplements
to
the
proxy
statement
and/or
the
Schedule
14D-9,
any
other
documents
filed
by
Airgas
in
connection
with
the
2010
Annual
Meeting
and/or
the
tender
offer
by
Air
Products,
and
other
documents
filed
with
the

SEC
by
Airgas
at
the
SEC's
website
at
www.sec.gov.
Free
copies
of
the
definitive
proxy
statement,
the
Solicitation/
Recommendation
Statement
on
Schedule
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9,
and
any
amendments
and
supplements
to
these
documents
are
also
available
in
the
Investor
Information
section
of
the
Company's
website
at
www.airgas.com,
or
through
the
following

web
address:
<http://investor.shareholder.com/arg/airgascontent.cfm>.
Airgas
and
its
directors
and
certain
of
its
executive
officers
may
be
deemed
to
be
participants
in
the
solicitation
of
proxies
in
connection
with
its
2010
Annual
Meeting.
Detailed
information
regarding
the
names,
affiliations
and
interests
of
Airgas
directors
and
executive
officers
is
available
in
the
definitive

proxy
statement
for
the
2010
Annual
Meeting,
which
was
filed
with
the
SEC
on
July
23,
2010.

To
the
extent
holdings
of
Airgas
securities
have
changed,
such
changes
have
been
or
will
be
reflected
on
Statements
of
Change
in
Ownership
on
Form
4
filed with the SEC.

FORWARD-LOOKING STATEMENTS

This
presentation
contains
statements
that

are
forward
looking.
Forward-looking
statements
include
the
statements
identified
as
forward-looking
in
the
Company's
press
release
announcing
its
quarterly
earnings,
as
well
as
any
statement
that
is
not
based
on
historical
fact,
including
statements
containing
the
words
believes,
may,
plans,
will,
could,
should,
estimates,
continues,
anticipates,
intends,
expects
and
similar

expressions.
All
forward-looking
statements
are
based
on
current
expectations
regarding
important
risk
factors
and
should
not
be
regarded
as
a
representation
by
us
or
any
other
person
that
the
results
expressed
therein
will
be
achieved.
Airgas
assumes
no
obligation
to
revise
or
update
any
forward-looking
statements
for
any
reason,
except

as
required
by
law.
Important
factors
that
could
cause
actual
results
to
differ
materially
from
those
contained
in
any
forward-looking
statement
include
the
factors
identified
in
the
Company's
press
release
announcing
its
quarterly
earnings,
as
well
as
other
factors
described
in
the
Company's
reports,
including
its
March
31,
2010
Form

10-K,
subsequent
Forms
10-Q,
and
other
forms
filed
by
the
Company
with
the
Securities
and
Exchange
Commission.
The
Company
notes
that
forward-looking
statements
made
in
connection
with
a
tender
offer
are
not
subject
to
the
safe
harbors
created
by
the
Private
Securities
Litigation
Reform
Act
of
1995.
The
Company
is

not
waiving
any
other
defenses
that
may
be
available
under
applicable
law.

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3
3

Airgas Has Consistently Created
Airgas Has Consistently Created

Shareholder Value

Shareholder Value

Absolute Total Shareholder Return

Since Airgas

IPO (a)

4,201%

Total Shareholder Return CAGR

Since Airgas

IPO (a)

18%

Total Shareholder Return Since January 1, 1987

Ranking in S&P 500 (b)

#26 highest out of 500

Officer and Director Stock Beneficial Ownership (c)

11.9%

Officer and Director Stock Beneficial Ownership

Ranking in S&P 500

#28 highest out of 500

Note: Market data measured through market close on February 4, 2010, prior to date of announcement of the Air Products offer

(a)

Split-adjusted,

since

Airgas

IPO

in

1986.

Total

Shareholder

Return

calculated

as

share

price

plus

dividends

reinvested.

(b)

Excludes current S&P 500 constituents which were not public at January 1, 1987.

(c)

Includes all options and other rights to acquire shares exercisable on or within 60 days of May 31, 2010.

4
4

Airgas
management has a proven track record of exceptional shareholder
value
creation

The Airgas Board unanimously believes that Air Products
offer grossly
undervalues Airgas and is not a sensible starting point for any discussions or
negotiations

The Airgas Board has always been prepared to engage in discussions if and
when it believes those conversations will result in an appropriate value for
Airgas stockholders

We believe strongly that Airgas will generate more value for stockholders by
executing its strategic plan than by pursuing Air Products
proposed transaction

FY Q1 2011 announced results demonstrate the strength of our earnings
growth, underpinned by an economic recovery that is just beginning

In addition, Airgas has significant scarcity value
as the largest independent
packaged gas business in the world

Our Board Believes That Air Products

Our Board Believes That Air Products

Offer

Offer

Would Deprive Shareholders of Full Value

Would Deprive Shareholders of Full Value

We believe that Airgas is poised to deliver significant value driven by a
material recovery in our earnings through 2012

5
5
5
5
5
5
5
5
5
5
5
5
5
5
5

Time Has Provided Additional Value

Time Has Provided Additional Value

to Our Shareholders

to Our Shareholders

10-Year U.S. Treasury Yield

Source: Bloomberg market data as of August 13, 2010, public filings

Note: All data shown from February 5, 2010, the date of the announcement of the initial Air Products public offer, and August

* Represents quarterly Adjusted EPS. See attached reconciliations of non-GAAP measures.

(1) Shown indexed to close as of February 5, 2010, and denominated in local currencies.

Peer Stock Prices¹

Our Earnings*

90%

100%
110%
120%
130%
Feb-2010
May-2010
Aug-2010
Air
Liquide:
18.4%
Praxair:
17.9%
Linde:
15.9%
\$ 0.65
\$ 0.69
\$ 0.83
FQ3
2010
FQ4
2010
FQ1
2011
2.5%
3.0%
3.5%
4.0%
4.5%
Feb-2010
May-2010
Aug-2010
2.7 %

Additionally, from December 31, 2009 to August 13, 2010,
Airgas reduced adjusted debt by more than \$230 million

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Airgas Is the Only Remaining Independent
Airgas Is the Only Remaining Independent
Packaged Gas Company of Scale in the World
Packaged Gas Company of Scale in the World
\$12B+ U.S. Packaged Gases &
Welding Hardgoods
Market
~900

Independents

50%

Airgas

25%

Praxair

Taiyo Nippon Sanso

Air Liquide

Linde

Packaged Gases

\$6.5B+

Welding Hardgoods

\$5.5B+

Air Liquide

Air Products

Linde

Praxair

Air Liquide

Linde

Praxair

Taiyo Nippon Sanso

Regional Competitors

Independents

Air Liquide

Linde

Praxair

Taiyo Nippon Sanso

Regional Competitors

Independents

Safety PPE

\$6B+

Other MRO

\$50B+

Pipeline & bulk

~\$10B

The 100 largest
independents
account for nearly
25% of the
total market

8
8

Leader in the U.S. packaged gas market

Leading position in U.S. packaged industrial, medical, and specialty gas market

Significant position in U.S. bulk market

Leading platform for U.S. refrigerants, ammonia, and process chemicals markets

We also produce various gases

Fifth largest U.S. producer of atmospheric gases

Leading U.S. supplier of liquid CO₂ and dry ice

Largest U.S. producer of nitrous oxide

Leading supplier of hardgoods
in U.S.

Welding, safety and related MRO supplies

Red-D-Arc
®
rental welders

National platform supports multiple
sales channels:

Branch-based field sales

Retail stores

Strategic Accounts

Distributors
With an Unparalleled Distribution Platform
With an Unparalleled Distribution Platform
and Significant Production of Gases
and Significant Production of Gases

Telesales

Catalog

eBusiness

8

8

Known Locally Nationwide

Known Locally Nationwide

9

9

~1,100 Locations

875+ branches

325+ HP fill plants

16 ASU s

18 acetylene plants

6 liquid CO

2

production plants

63 regional spec gas labs

8 national spec gas labs

6 hardgoods distribution centers

14,000+ Associates

~1,500 sales people

(25% specialists)

5,000+ drivers

10M+ Cylinders

13,500+ Bulk Tanks

5,000+ Vehicles

Branch / Retail Store / Other

Air Separation Unit (ASU)

Hardgoods Distribution Center

10

10

Packaged Gases

Packaged Gases

Bulk Gases

Bulk Gases

Creating Value for Customers

Creating Value for Customers

Through the Right Supply Modes

Through the Right Supply Modes

Cylinders
Cylinders
Dewars
Dewars
MicroBulk
MicroBulk
Bulk,
Bulk,
Tube Trailers
Tube Trailers
Size of Supply Mode
Onsite,
Onsite,
Pipeline
Pipeline

Our full range of supply modes enables our customers to
optimize their production processes and reduce total costs

10

10

11

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Hardgoods

Hardgoods

Supply Modes

Supply Modes

6 national hardgoods

distribution centers

Drop-ship large and small order
quantities to end customers

1-2 day delivery to 95% of U.S.; next-
day delivery to 60% of U.S.

875+ regional company branches

Service walk-in customers with
inventory on-hand

Deliver to customers on truck routes
or via common carrier

Direct to customer from manufacturer

Vendor managed inventory (VMI)

11

11

Airgas 2000
Airgas 2000
Airgas 2010
Airgas 2010
Creating operating culture
Building out infrastructure
Repositioning company
(40+ hub companies)
Early stages of establishing

Strategic Products

Gas/Rent = ~50% of sales

Balance sheet leverage high

Operating culture firmly in place

Scalable infrastructure

12 regional operating companies form our
national distribution platform

11 strategically-aligned companies
complement our core business

Strategic Products established
(account for more than 40% of sales)

Gas/Rent = ~65% of sales

Operating efficiency programs

Significant Bulk capabilities

Spec Gas innovation & marketing

Ammonia and Refrigerants offerings

Tech expertise / Engineering capabilities

Demand planning / Buying Centers

Brand management / RADNOR

private label

Comfortable balance sheet leverage

12

12

We Are Stronger Than Ever...

We Are Stronger Than Ever...

12

12

Note: Dollars in millions.

13

13

\$27

\$41

\$109

\$196

\$191

\$190

\$197

\$236

\$256

\$314
\$397
\$489
\$666
\$746
\$665
\$50
\$145
\$139
\$62
\$38
\$79
\$194
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010

Fiscal Year Adjusted EBITDA

13

13

In the midst of the worst recession
since the Great Depression, FY 2010
was Airgas

only significant annual

EBITDA decline in 22 years

And Have Delivered Significant

And Have Delivered Significant

EBITDA Growth Over the Last 22 Years

EBITDA Growth Over the Last 22 Years

14

14

Track Record of Double-Digit Growth

Track Record of Double-Digit Growth

in Revenue, EBITDA and EPS

in Revenue, EBITDA and EPS

14

14

Revenue

2001-2009 CAGR

EBITDA *

2001-2009 CAGR

EBITDA *

Capex

2001-2009 CAGR

Diluted EPS

2001-2009 CAGR

Source: Financials based on company filings calendarized to December year end.

Note: CAGR = Compound Annual Growth Rate

* See attached reconciliation of non-GAAP measures.

Airgas

Air Products

11%

5%

Airgas

Air Products

17%

5%

Airgas

Air Products

15%

5%

Airgas

Air Products

20%

7%

15
15
Actual EPS vs. Consensus EPS Estimates
Source:
FactSet
and
consensus
Wall
Street
estimates

as
of
August
13,
2010.

15

15

Consistently Meeting or Exceeding

Consistently Meeting or Exceeding

Consensus Analyst Estimates

Consensus Analyst Estimates

Consensus Estimates

Actual

\$0.00

\$0.50

\$1.00

\$1.50

\$2.00

\$2.50

\$3.00

\$3.50

\$4.00

Mar-01

Mar-02

Mar-03

Mar-04

Mar-05

Mar-06

Mar-07

Mar-08

Mar-09

Mar-10

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Moderate macro-economic recovery underpins our Same-Store Sales
(SSS) growth of ~7% per year

Comparable to SSS growth in the prior recovery period

As SSS increase, the operating leverage inherent in Airgas business
model has historically translated to a higher EBITDA margin on every
dollar of incremental revenue, and we expect this to continue

Business mix is focused on higher-margin activities

e.g.
Gas
&
Rent
now
comprises
65%
of
total
sales
versus
55%
1
in
the
prior
recovery period

Margin
expansion
is
expected
to
be
further

enhanced
by
continued
focus
on operating efficiencies

Investment of nearly \$2.5 billion in capex
and acquisitions in the last
three years is not yet fully reflected in current performance

Our goal of CY2012 EPS of \$4.20+ reflects all of the costs of the SAP
implementation but none of the benefits

17

17

Why We Expect a Clear Path to EPS of

Why We Expect a Clear Path to EPS of

\$4.20+ by CY 2012

\$4.20+ by CY 2012

1

CY2002.

18
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What Happened in the Last Recovery?

What Happened in the Last Recovery?

* See attached reconciliations of non-GAAP measures.

Note: CAGR

= Compound Annual Growth Rate.

18% CAGR

19
19
19
19

Source: Airgas Management and Wall Street research.

* See attached reconciliations of non-GAAP measures.

Airgas

earnings recovery is clearly underway and reinforces our confidence
in our CY2012 EPS goal of \$4.20+

We have exceeded the high end of

our guidance and consensus
estimates by **15%**
and
Q1 2010 by **26%**
Strong operating momentum
is reflected in our **7+%**
raise in
guidance
1Q11 has resulted in the highest
EBITDA margin in ARG
history and is already
within our
CY 12 Goals
1Q FY2011
Adj. EPS*
FY2011
Adj. EPS*
EBITDA Margin*
Announced
First Fiscal Quarter
Revised Guidance
Actual 1QF11
CY12 Goal
Recovery is Demonstrated
Recovery is Demonstrated
in Our 1Q FY2011 Earnings
in Our 1Q FY2011 Earnings

20
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Five key factors drive our earnings goal of \$4.20+ in
CY 2012

- I.
Expected recovery of Same-Store Sales growth
- II.
Demonstrated operating leverage in the business
model
- III.
Continued focus on cutting operating costs
- IV.
Maintaining higher margin business mix
- V.
Realization of anticipated returns on capital
investments made in recent years

20
20
Expected Earnings Growth and
Expected Earnings Growth and
Strong Cash Flow Are Projected to
Strong Cash Flow Are Projected to
Underpin Our Shareholder Value Creation
Underpin Our Shareholder Value Creation

21
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21

I. Our Projections Assume SSS Growth

I. Our Projections Assume SSS Growth

Comparable to the Last Expansion

Comparable to the Last Expansion

21

21

Calendar Year Same-Store Sales Growth Rate

Note: Represents calendar year ended December 31. 2010 Non-Tech Industrial Production Growth Rate and ISM Index repres

1

The ISM Purchasing Managers

Index is a measure of the overall economic health of the manufacturing sector; a value above or below 50 represents an expansion or a contraction, respectively.

2010-2012 Avg: ~7%

Airgas Calendar Year Sales

2003-2005 Avg: 6%

(2)%

0 %

8 %

11 %

10 %

7 %

6 %

(16)%

30.0

40.0

50.0

60.0

70.0

(20)%

(10)%

0 %

10 %

20 %

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011E

2012E

-

Tech IP

Non-Tech IP Growth Rate

ISM Index¹

\$1.8

\$1.8

\$2.2

\$2.7

\$3.1

\$3.8

\$4.4

\$3.9

\$5.2+

\$0.0

\$1.0

\$2.0

\$3.0

\$4.0

\$5.0

\$6.0

2002

2003

2004

2005

2006

2007

2008

2009

2012E

14%
24%
23%
19%
0 %
10 %
20 %
30 %
2003-2005 Avg
2006
2007
2008

2009

2010-2012 Avg

22

22

22

22

22

22

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22

22

22

22

22

22

22

II. SSS Growth Drives Substantial EBITDA*

II. SSS Growth Drives Substantial EBITDA*

Growth Due to Operating Leverage

Growth Due to Operating Leverage

Calendar Year Same-Store Sales Growth Rate

Operating Leverage Drives Improved Fall Through

1

(Change in EBITDA* / Change in Sales)

* See attached reconciliations of non-GAAP measures.

1

Fall through has been adjusted for special items.

2

Not meaningful due to negative change in sales in 2009.

Not

Meaningful ²

22+%

6 %

10 %

7 %

6 %

(16)%

(20)%

(10)%

0 %

10 %

20 %

2003-2005 Avg

2006

2007

2008

2009

2010-2012 Avg

~7%

23
23
23
23
23
23
23
23
23
23

III. Operating Leverage Expected to be
III. Operating Leverage Expected to be
Further Enhanced by Ongoing Cost Savings
Further Enhanced by Ongoing Cost Savings

Achieved original goal of aggregate \$25M annual run-rate cost savings

Target announced in September 2007

Achieved three quarters ahead of schedule in December 2009

In December 2009, we announced incremental savings target of \$30M to be
achieved by CY 2012

Logistics, plant studies and cylinder testing drive savings

Cost savings after 2012 expected to be further enhanced by realization of SAP
benefits

Actual Savings
Through CY09
CY10

CY11

CY12

Expected

Cumulative Savings
Through CY12

Routing logistics

\$7M+

\$5M

\$6M

\$7M

\$25M+

Cylinder testing

\$6M+

\$2M

\$2M

\$1M

\$11M+

Freight

\$5M+

\$1M

\$1M

\$1M

\$8M+

Plant studies

\$3M+

\$2M

\$1M

\$1M

\$7M+

Fuel

\$2M+

-

-

-

\$2M+

Indirect spend

\$2M

-

-

-

\$2M

Total

\$25M+

\$10M

\$10M

\$10M

\$55M+

Expected Incremental Savings CY10-CY12

24
24
24
24
24
24
24
24
24
24
24

IV. Business Mix Improvement

IV. Business Mix Improvement

Produces Higher Margins

Produces Higher Margins

Gas/Rent

Gas/Rent

55%
55%
Hardgoods
Hardgoods
45%
45%
Last Recession¹
CY 2009
CY 2009
CY 2012E
CY 2012E

Gas/Rent
%
of
Sales:
Significantly
higher
margins
than
Hardgoods

RADNOR
Private
Label
%
of
Hardgoods
Sales:
Gross
margins
1.5-2.0x
comparable
OEM
products

Atmospheric
Gas
Production
%
of
Total
Atmospheric
Gas
Consumption:
Improves
sourcing
position
to
achieve

lowest
landed
cost
and
higher
margins
Gas/Rent
Gas/Rent
65%
65%
Hardgoods
Hardgoods
35%
35%
Gas/Rent
Gas/Rent
65%
65%
Hardgoods
Hardgoods
35%
35%
Sales
\$1.7B
\$1.7B
\$3.9B
\$3.9B
\$5.2B+
\$5.2B+
RADNOR Private Label
(% of Hardgoods
Sales)
~7%
~7%
7%
~12%
~12%
12%
12-15%
Atmospheric Gas Production
(% Total Atmos. Consumption)
10%
10%
60%+
60%+
65%+
65%+
EBITDA Margin*
14%

14%

17%

17%

18.0-18.5%

1

CY2002.

* See attached reconciliations of non-GAAP measures.

25
25
25
25
25
25
25
25
25
25
25

V. Substantial Investments Since Last Cycle
V. Substantial Investments Since Last Cycle
Should Generate Higher Margins
Should Generate Higher Margins

Distribution Footprint:
established national distribution platform, leveraging customer
density, enabling service of large multi-location customers

Production Capacity:

increased ASU production capacity has enhanced our sourcing
position
to
achieve
the
lowest
landed
product
cost
1
1
Landed
product
cost
is
the
full
cost
of
a
product
from
sourcing
up
until
the
point
of
sale.
*

See
attached
reconciliations
of
non-GAAP
measures.

Last
Recession
CY 02
CY 09
Goals
CY 12
Cylinders (in millions)
5+
10+
Bulk Tanks
6,000+
13,500+
Locations
~800

~1,100

ASU Production Capacity (liquid tons per day)

475

6,700

ASU Capacity Utilization

~87%

~70%

Revenue per Employee (in thousands)

\$200

\$279

Adjusted EBITDA Margin*

13.6%

17.3%

18%-18.5%

Adjusted EPS*

\$0.94

\$2.67

\$4.20+

Substantial

Investments

Operational

Efficiency

26
26
26
26
26
26
26

Source: Airgas Management.

* See attached reconciliations of non-GAAP measures.

First Quarter Fiscal 2011 Already Within the
First Quarter Fiscal 2011 Already Within the

Range of Our CY 2012 EBITDA Margin Goal
Range of Our CY 2012 EBITDA Margin Goal
EBITDA Margin

27

27

27

27

27

27

Source: Airgas Management.

* See attached reconciliations of non-GAAP measures.

On Track To Achieve CY 2012 EPS Goal

On Track To Achieve CY 2012 EPS Goal

1H CY2010 Adjusted EPS* increased **+13%** vs. 1H CY2009

1Q FY2011 Adjusted EPS* increased **+26%** vs. 1Q FY2010

\$ 3.30 -

\$ 3.15

\$ 3.05 -
\$ 2.95
18-23% Increase
16% CAGR
\$4.20+
\$2.67
7 quarters between
7 quarters between
March 31, 2011 and
March 31, 2011 and
December 31, 2012
December 31, 2012
CY 2009
Actual
Original
FY11 Guidance
(12 Mos. Ended
March 2011)
Revised
FY11 Guidance
(12 Mos. Ended
March 2011)
CY 2012
Goal

28
28
28
28
28
28

* See attached reconciliations of non-GAAP measures.

Note: CAGR

= Compound Annual Growth Rate.

As a Result, We Expect EPS Growth
 As a Result, We Expect EPS Growth
 Consistent with Past Recoveries
 Consistent with Past Recoveries

\$2.20

\$2.60

\$3.00

\$3.40

\$3.80

\$4.20

\$4.60

Dec

-09

Dec

-10

Dec

-11

Dec

-12

Calendar Year EPS 2009-2012

\$0.80

\$0.90

\$1.00

\$1.10

\$1.20

\$1.30

\$1.40

\$1.50

\$1.60

Dec

-02

Dec

-03

Dec

-04

Dec

-05

Calendar Year Adjusted EPS* 2002-2005

\$4.20+

(CY12 Goal)

\$2.67*

\$1.53

\$0.94

16% CAGR

18% CAGR

Adj. EPS*

EPS

FY11

Guidance*

(Updated)

\$3.30

\$3.15

29
29
29
29
29
29
29
29
29
29

29
29
29
29
29

* See attached reconciliations of non-GAAP measures.

Case 1: FY05

(Goals Published May 2001 Analyst Meeting)

Case 2: FY08

(Goals Published November 2004 Analyst Meeting)

Case 3: CY08

(Goals Represent CY08 Component of FY11 Goals
Published September 2007 Analyst Meeting)

We Have a Track Record of Meeting or

We Have a Track Record of Meeting or

Beating Our Mid-Term Goals

Beating Our Mid-Term Goals

Performing well toward FY11 goals

prior to recession

\$3.0B

\$315M

10-11%

11-12%

\$4.0B

\$476M

11.9%

13.2%

Sales

Op. Profit

Op. Margin

ROC*

FY08 Goals

FY08 Results

\$4.3B

\$541M

12.1%-

12.6%

13.2%-

13.7%

\$4.4B

\$541M

12.2%

13.5%

Sales

Op. Profit

Op. Margin

ROC*

CY08 Goals

CY08 Results

\$2.0B

\$200M

10.0%

10.0%

\$2.4B

\$209M

8.8%

10.3%

Sales

Op. Profit*

Op. Margin*

ROC*

FY05 Goals

FY05 Results

30
30
30
30
30
30
30
30
30
30
30

Note: Further benefits expected to be realized from ongoing SAP implementation.

In Addition, Returns from Significant Recent

In Addition, Returns from Significant Recent

Investments Have Yet to be Fully Realized...

Investments Have Yet to be Fully Realized...

(\$ in millions)

Total Capital Deployed

Since January 1, 2007

ASUs (Carrollton, New Carlisle)

\$ 80

SAP Implementation to Date

62

CO₂ Plants

25

Plant Upgrades / Consolidation

100

Other Capital Expenditures

344

Total Capital Expenditures

\$ 990

Linde Bulk Assets

\$ 495

Linde Packaged Gas Assets

310

Other Acquisitions

563

Total Acquisitions

\$ 1,368

Total Capital Deployed

\$ 2,358

Capital

Expenditures

Acquisitions

Total Capital

Deployed

Cylinders & Bulk Tanks

379

31
31
31
31
31
31
31

Note: Dollars in millions.

*See attached reconciliations of non-GAAP measures.

Air Products

Initial Proposal

...While Airgas Has Continued to Repay Debt

...While Airgas Has Continued to Repay Debt
and Build Value for Shareholders
and Build Value for Shareholders

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32	
Agenda	
Agenda	
Slide	
Slide	
Introduction	
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The Airgas Growth Story	
6	
Earnings Growth Outlook & 2012 Goals	
16	
Our Perspective on Valuation	
32	
Conclusion	
45	
Appendix	
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I.

Historical average next-twelve-months (NTM) trading multiples of Airgas

Airgas

5-year median NTM multiple is 16.7x P/E¹, which includes negative impact of recession

Over the past 5 years, Airgas

NTM

P/E has averaged:

17.7x when GDP growth is between 0% and 3% (current 2011E consensus of 2.8%)²

17.0x when ISM Index is between 50 and 55 and 17.2x when ISM index is 55 or greater²

II.

Increase

in

peer

equity

values

and

trading

multiples

since

Air

Products

February

4

proposal

Peers

share prices have increased by 16% to 18%

Peers

multiples have increased by median of 8% on P/E and 9% on EV/EBITDA³

III.

We

believe
Airgas
shareholders
are
not
receiving
adequate
value
for
Air
Products
estimated
synergies

At
Air
Products
\$250
million
announced
value,
synergies
are
worth
over
\$20
per
Airgas
share
4

Prior to February 4 proposal, Air Products indicated to Airgas that \$350 million of synergies could be achieved

IV.

Air Products can significantly increase its offer price while maintaining an accretive transaction post-synergies

At \$63.50 offer, Air Products expects transaction to be immediately accretive to both GAAP and Cash EPS even though full synergies not expected until after year 2

V.

Airgas
strong future growth prospects and significant leverage to recovering economy

VI.

Airgas
scarcity value as the largest, most valuable packaged gas business and the only remaining independent packaged gas company of scale in the world

Building Blocks of Value

Building Blocks of Value

Why We Believe

Why We Believe

Air Products

Air Products

Offer Is Inadequate and Opportunistic

Offer Is Inadequate and Opportunistic

33

33

¹ Represents five-year median multiple as of February 4, 2010, prior to date of announcement of the Air Products offer, based

² Represents U.S. real quarterly GDP growth, ISM Purchasing Managers Index, and five-year average NTM consensus P/E m

3

Based on CY2011 consensus estimates. Peer set comprises Praxair, Air Liquide, and Linde.

4

Refer to slide 42.

Source: FactSet consensus estimates, Bloomberg market data

34
34
34
34
34
34
34
34
34
34
34
34

Wall Street Analysts View Our FY11 Guidance
Wall Street Analysts View Our FY11 Guidance
and Our \$4.20+ EPS Goal in CY12 Favorably
and Our \$4.20+ EPS Goal in CY12 Favorably

FY11 Consensus EPS = \$3.26, within our FY11 Adjusted EPS* guidance range of \$3.15 to \$3.30

FY13 Consensus EPS = \$4.25, growth of 14.8% over FY12 Consensus EPS of \$3.70

Analysts generally don't include future acquisitions in estimates

Our FY13 encompasses three quarters of CY12

Management
also
reaffirmed
its
goal
of
achieving
CY 12
EPS
of
\$4.20,
and
indicated
it
is
on
a
trajectory
to
meet
or
exceed

this
even
absent
any
M&A
contribution.
When
this
goal
was
first
posited,
acquisition
was
seen
as
a
component
of
getting
there,
but
margin/execution
has
made
that
moot.

BB&T Capital Markets, July 22, 2010

Including
acquisitions,
we
believe
earnings
power
for
ARG
could
approach
\$4.50
per
share
by
FY13.
While
we
believe
the
company's

internal
goal
of
earnings
of
\$4.20
per
share
in
calendar
2012
is
certainly
attainable
given
significant
leverage
to
volume
recovery
and
ongoing
productivity
initiatives,
it
does
not
appear
to
be
conservative
to
us
given
the
need
to
generate
high
single-digit
organic
sales
growth.

KeyBanc
Capital Markets, July 22, 2010

ARG's
CY12
EPS

guidance
of
\$4.20
looks
increasingly
attainable.
APD s
recently
raised
\$63.50/share
hostile
bid
looks
less
attractive
to
ARG
shareholders
given
the
strong
results
and
lower
net
debt.

First Analysis Securities, July 22, 2010

For
FY12
we
are
forecasting
EPS
of
\$3.82
which
management
has
not
provided
guidance
for
although
they
have
expressed
an
EPS

goal
of
\$4.20
for
CY12
which
would
include
4QFY12
and
the
following
three
quarters.
An
acceleration
in
end
market
recovery
in
the
next
year
would
produce
upside
to
our
estimate
and
management's
guidance;
we
believe
both
reflect
a
steady
albeit
modest
ongoing
recovery.
For
FY12
we
are
looking
for
further

top-line
growth
of
9%
as
the
sales
initiatives
that
are
currently
being
implemented
gain
full
traction.

Piper Jaffray
& Co., July 22, 2010

Note: Permission to use quotations neither sought nor obtained.

* See attached non-GAAP reconciliations.

5 x
10 x
15 x
20 x
25 x

Feb-2000

Feb-2001

Feb-2002

Feb-2003

Feb-2004

Feb-2005

Feb-2006

Feb-2007

Feb-2008

Feb-2009

Feb-2010

Median P/E

2/2000 - 2002

15.1

x

2003 - 2005

16.9

x

2006 - 2008

17.5

x

2009 - 2/2010

14.8

x

Last 5 Years

16.7

x

35

35

35

35

35

35

35

35

35

35

35

35

35

35

35

35

Airgas

Next

Twelve

Months

P/E

Multiple

for

10
Years
Before
Air
Products
Unsolicited
Proposal
Source: Bloomberg market data as of February 4, 2010, consensus analyst estimates
Timing Matters: Our Trading History
Timing Matters: Our Trading History
Demonstrates Air Products
Demonstrates Air Products
Opportunism
Opportunism
Airgas
Stock
Price
for
10
Years
Before
Air
Products
Unsolicited
Proposal
\$43.53
\$ 0
\$ 15
\$ 30
\$ 45
\$ 60
\$ 75
Feb-2000
Feb-2001
Feb-2002
Feb-2003
Feb-2004
Feb-2005
Feb-2006
Feb-2007
Feb-2008
Feb-2009
Feb-2010

36
36
36
36
36
36
36
36
36
36
36

Source: Bloomberg consensus estimates as of August 13, 2010.

1

Data indexed to January 2006.

Timing Matters:

Timing Matters:

U.S. Economic Recovery is Just Beginning

U.S. Economic Recovery is Just Beginning

2.7 %

1.9 %

0.0 %

(2.6)%

3.0 %

2.8 %

3.1 %

2006

2007

2008

2009

2010E

2011E

2012E

U.S. GDP Growth

2.9 %

2.7 %

0.5 %

(4.1)%

1.2 %

1.3 %

1.6 %

2006

2007

2008

2009

2010E

2011E

2012E

European GDP Growth

50

60

70

80

90

100

110

120

Jan-06

Feb-07

Apr-08

May-09

Jul-10

U.S. Industrial Indicators Since 2006¹

ISM Manufacturing Index

Non-Tech Industrial Production

4.6 %

4.6 %

5.8 %

9.3 %

9.6 %

9.1 %

8.1 %

2006

2007

2008

2009

2010E

2011E

2012E

U.S. Unemployment

37
37
37
37
37
37
37
37
37
37

37
37
37
37
37
37

and Our Multiple Strengthens in Periods of
and Our Multiple Strengthens in Periods of

Economic Growth -

Economic Growth -

GDP

GDP

37

37

EV / NTM EBITDA

Price / NTM EPS

Q-o-Q GDP Growth

Airgas Multiple

37

37

3.0x

6.0x

9.0x

12.0x

Feb-05

Jan-06

Dec-06

Nov-07

Oct-08

Sep-09

Aug-10

(8.0%)

(4.0%)

0.0%

4.0%

8.0%

6.0x

12.0x

18.0x

24.0x

Feb-05

Jan-06

Dec-06

Nov-07

Oct-08

Sep-09

Aug-10

(8.0%)

(4.0%)

0.0%

4.0%
8.0%
8.5x
8.4x
7.5x
7.0x
(3%) or
less
(3%) -
0%
0% -
3%
3% or
greater
12.4x
14.4x
17.7x
17.8x
(3%) or
less
(3%) -
0%
0% -
3%
3% or
greater
Average
Multiple
(1)
Average
Multiple
(1)
Source:
FactSet
estimates
as
of
August
13,
2010.
Gross
Domestic
Product,
Real
%
Change
P/P

United
States

Quarterly.

(1) Represents 5 years of data prior to February 4, 2010.

February 4, 2010

Proposal

February 4, 2010

Proposal

38
38
38
38
38
38
38
38
38
38

38
38
38
38
38
38
38
38
38
EV / NTM EBITDA
Price / NTM EPS
ISM Index
Airgas Multiple
and Our Multiple Strengthens in Periods of
and Our Multiple Strengthens in Periods of
Economic Growth -
Economic Growth -
ISM
ISM
38
38
3.0x
6.0x
9.0x
12.0x
Feb-05
Jan-06
Dec-06
Nov-07
Oct-08
Sep-09
Aug-10
30
40
50
60
70
6.0x
12.0x
18.0x
24.0x
Feb-05
Jan-06
Dec-06
Nov-07
Oct-08
Sep-09
Aug-10
30
40
50

60
70
80
8.2x
8.1x
8.0x
6.5x
40 or
less
40-50
50-55
55 or
greater
11.1x
15.8x
17.0x
17.2x
40 or
less
40-50
50-55
55 or
greater
Average
Multiple
(1)
Average
Multiple
(1)
February 4, 2010
Proposal
February 4, 2010
Proposal

Source: FactSet estimates as of August 13, 2010. ISM Manufacturing, Purchasing Managers Index- United States.

(1) Represents 5 years of data prior to February 4, 2010.

Source: Factset
and company filings.

Note: Current multiples as of August 13, 2010.

(1) Next Twelve Months

(2) Represents median multiple of an equally-weighted index comprising Praxair, Air Liquide, and Linde.

Although Lagging Pre-Recession Levels, Sector Trading

Although Lagging Pre-Recession Levels, Sector Trading

Multiples Have Significantly Increased Since Air Products

Multiples Have Significantly Increased Since Air Products

February 4 Proposal

February 4 Proposal
 Calendar 2010E EV / EBITDA
 39
 39
 Calendar 2011E EV / EBITDA
 Calendar 2012E EV / EBITDA
 Calendar 2010E P / EPS
 Calendar 2011E P / EPS
 Calendar 2012E P / EPS
 Current Median: 9.0x
 2/4/10 Median: 8.4x
 Current Median: 8.4x
 2/4/10 Median: 7.7x
 Current Median: 7.7x
 2/4/10 Median: 7.3x
 Current Median: 17.0x
 2/4/10 Median: 15.9x
 Current Median: 15.5x
 2/4/10 Median: 14.4x
 Current Median: 14.0x
 2/4/10 Median: 13.4x
 Multiple as of February 4, 2010
 Current Multiple
 39
 39
 8%
 9%
 5%
 7%
 8%
 5%
 10.6x
 9.0x
 8.1x
 8.0x
 8.4x
 9.4x
 PX
 AL
 LIN
 9.8x
 8.4x
 7.6x
 8.5x
 7.7x
 7.4x
 PX
 AL
 LIN
 9.1x

7.7x
 7.1x
 7.8x
 7.3x
 7.1x
 PX
 AL
 LIN
 18.6x
 17.0x
 15.6x
 16.1x
 15.9x
 14.9x
 PX
 AL
 LIN
 16.5x
 15.5x
 13.9x
 14.3x
 14.4x
 13.0x
 PX
 AL
 LIN
 15.0x
 14.0x
 12.2x
 12.8x
 13.4x
 12.0x
 PX
 AL
 LIN
 3-Year Median
 NTM¹
 P / EPS
 Pre-Lehman Filing
 on Sep. 15, 2008
 Peers²: 17.8x
 3-Year Median
 NTM¹
 EV / EBITDA
 Pre-Lehman Filing
 on Sep. 15, 2008
 Peers²: 9.1x

\$20
\$30
\$40
\$50
\$60
\$70
\$80
Aug-09
Sep-09
Oct-09

Nov-09

Dec-09

Jan-10

Feb-10

Air Products

Air Products

February 4 Proposal Followed a

February 4 Proposal Followed a

Temporary Market Anomaly

Temporary Market Anomaly

Source: Bloomberg market data as of February 4, 2010

Airgas Stock Price

January 15

February 4

(14)%

(12)%

(10)%

(8)%

(6)%

(4)%

(2)%

0%

2%

15-Jan

22-Jan

29-Jan

January 28, 2010

Airgas announces

Q3 FY 2010

earnings

miss guidance by

just 2 cents (3.0%),

stock falls 10%

(10)

\$43.53

40

40

40

40

Source: Bloomberg market data as of August 13, 2010

Note:

Share
price
changes
of
Praxair,
Air
Liquide,
and
Linde
taken
between
February

5,
2010,
the
date
Air
Products
\$60
proposal
was
made
public,
and
August
13,
2010.
Share
price
changes
denominated
in
the
local
currencies.

1
Average
change
in
share
price
of
Praxair,
Air
Liquide,
and
Linde
between
February
5,
2010,
the
date
Air
Products
\$60
proposal
was
made
public,
and
July

8,
2010,
the
date
of
Air
Products
offer
of
\$63.50.
Share
price
changes
denominated
in
the
local
currencies.

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41
41
41

Air Products

Air Products

Offer Premium

Offer Premium

Does Not Adequately Reflect the

Does Not Adequately Reflect the

Growth in Peer Equity Values

Growth in Peer Equity Values

Price

Change

Since

Air

Products

Initial

Public

Proposal

2.4%

5.8%

11.7%

15.9%

17.9%

18.4%

Increase in APD

Proposal from \$62 to

\$63.50

Increase in APD

Proposal from \$60 to

\$63.50

Peer Equity Growth
(as of \$63.50 offer date)¹

Linde

Praxair

Air Liquide

42
42
42
42
42
42
42
42

We Believe Airgas Shareholders Are
We Believe Airgas Shareholders Are
Not Being Adequately Compensated for
Not Being Adequately Compensated for
the Value of Air Products
the Value of Air Products
Estimated Synergies
Estimated Synergies

Air Products has stated that an acquisition of Airgas would have
substantial cost synergies yielding \$250 million run-rate by the end of
year two

However, prior
to
February
4
proposal,
Air
Products
indicated
to
Airgas
that \$350 million of synergies could be achieved

Air Products has also publicly estimated cash costs of implementing
synergies to be somewhere in the \$350 million to \$400 million range

\$250M of
annual
synergies
and
\$400M
implementation
costs
implies
a
value of synergies in excess of \$20 per Airgas share¹
Source: Air Products

Offer to Acquire Airgas
presentation dated February 5, 2010, and associated transcript
1

Assumes that synergies are capitalized at median peer EV / CY2010E EBITDA multiple of 9.0x. $9.0 \times \$250\text{M}$ in annual synergies to be implemented, equals \$1.85B, divided by total diluted share count based on the most recent Air Products offer price of \$63.50 per share, equals 29.1 million shares.

43
43
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43
43
43
43
43
43

43

43

43

43

43

The Industrial Gas Sector

The Industrial Gas Sector

has Steadily Consolidated

has Steadily Consolidated

Major Industrial Gas Players in 2000

Company

AGA

Air Liquide

Air Products

Airgas

The BOC Group

Hede Nielsen

Japan Air Gases

Linde

Linweld

Messer Griesheim

Nippon Sanso

Praxair

Taiyo Toyo Sanso

Valley National Gases

Company

Enterprise Value (\$bn)

Air Liquide

\$38

Praxair

33

Linde

29

Air Products

20

Airgas

7

Taiyo Nippon Sanso

6

Major Industrial Gas Players in 2010

Source: Bloomberg market data as of August 13, 2010, public filings

44
44
44
44
44
44
44
44

As an independent company, Airgas has demonstrated a strong track record of earnings growth and stock price appreciation

Strongly positioned to grow leading share in packaged gas

Also strongly positioned to grow share in bulk gases

As a result, we believe that Airgas is well positioned to continue to deliver shareholder value

Delivering robust SSS growth

Continuing to deliver operating efficiencies

Proven history of successful acquisition integration

The Airgas Board understands the unique strategic value of the company

...Airgas Represents

...Airgas Represents

Significant Strategic Value

Significant Strategic Value

45	
45	
Agenda	
Agenda	
Slide	
Slide	
Introduction	
2	
The Airgas Growth Story	
6	
Earnings Growth Outlook & 2012 Goals	
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46

Air Products

proposal would amend Airgas
bylaws to require Airgas to hold
future Annual Meetings in January

Requires Airgas to accelerate its 2011 meeting to elect directors on January
18, 2011 (and all subsequent meetings in January of each year)

We believe that implementation of Air Products
proposals would prevent Airgas
shareholders from benefiting from the Company's earnings recovery and
resulting value creation

Full text of the Schedule TO text that was subsequently deleted:

Given that the economy is just beginning to emerge from recession, Air Products concluded
that the timing is ideal because the combined company would be able to take full advantage of the substantial growth potential
synergies unique to this transaction.

-

Air Products Schedule TO dated February 11, 2010 (deleted in Schedule 14A dated June 16, 2010)

Given that the economy is just beginning to
Given that the economy is just beginning to
emerge from recession, Air Products concluded
emerge from recession, Air Products concluded
that the timing is ideal...
that the timing is ideal...

47
47
47
47
47
47
47
47

Peter McCausland

Chairman and CEO of Airgas since 1987

Airgas Director since 1986 IPO

Beneficial ownership of ARG nearly 8.6 million shares*

4,201%

Total

Shareholder

Return

since

joining

the

Airgas

Board

1

W. Thacher

Brown

Chairman, President and a director of 1838 Investment Advisors LLC from 1988 until retirement in 2004

Airgas Director since August 7, 1989

Beneficial ownership of ARG nearly 192,000 shares*

1,409%

Total

Shareholder

Return

since

joining

the

Airgas

Board

1

Richard C. III

President, CEO, and a director of Triumph Group (NYSE: TGI) since 1993

Airgas Director since August 4, 2004

Beneficial ownership of ARG 48,500 shares*

110%

Total

Shareholder

Return

since
joining
the
Airgas
Board

1

* Source: 2010 proxy statement.

1

Total Shareholder Returns are calculated as share price plus dividends reinvested, measured through the market close on February 2, 2011, the date of announcement of the Air Products offer. Returns are split-adjusted and are measured since the later of the director's start date or the date of the offer.

Airgas

Airgas

Nominees Are Keenly Aware

Nominees Are Keenly Aware

of Their Fiduciary Duties

of Their Fiduciary Duties

Eight of our Board members are independent and our Board has significant equity ownership, which we believe closely aligns the existing Airgas Board

with Airgas

shareholders

interests

48
48
48
48
48
48
48
48

While Air Products' nominees may not be controlled by Air Products, we believe their views could be colored by their relationship with Air Products

To consider strategies other than the Air Products offer, we believe it would be in the best interests of our stockholders if our directors are not associated in any way with Air Products

If shareholders vote for Air Products
bylaw proposals, they could reduce Airgas
ability to create stockholder value and determine strategic direction
We recommend that you discard any Gold proxy cards
you receive and promptly vote the WHITE proxy card

FOR
the three highly qualified Airgas Directors and

AGAINST
Air Products
proposed By-Law amendments
We Believe Air Products
We Believe Air Products
Nominees and
Nominees and
Proposals Would Deprive Airgas
Proposals Would Deprive Airgas
Shareholders of Full Value
Shareholders of Full Value

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49	
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Agenda	
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Airgas

Airgas

Acquisition History vs. Non-Tech IP

Acquisition History vs. Non-Tech IP

1988-Present

1988-Present

50

50

\$0

\$100
\$200
\$300
\$400
\$500
\$600
-10%
-9%
-8%
-7%
-6%
-5%
-4%
-3%
-2%
-1%
0%
1%
2%
3%
4%
5%
6%
FY88
FY89
FY90
FY91
FY92
FY93
FY94
FY95
FY96
FY97
FY98
FY99
FY00
FY01
FY02
FY03
FY04
FY05
FY06
FY07
FY08
FY09
FY10
S
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A
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t
h

Sales Acquired

Non-Tech IP

Refron

BOC Packaged

Linde

Bulk

Linde

Packaged
Air Products Packaged

51
51
Airgas
Airgas
Superior Track Record
Superior Track Record
in Executing Acquisitions
in Executing Acquisitions
51
51
Since 2000
Airgas
Air Products
Number of Acquisitions
91

21

Total Disclosed Value of
Acquisitions

\$2,210 million

\$1,765 million

Acquisition and Restructuring

Related Charges (\$mm)

\$21 million

\$393 million (1)

Acquisition Value Leakage (2)

1%

22%

Source: Company public filings through January 2010

(1) Includes impairment charge on sale of U.S. Healthcare operations in 2009 and HPPC Business in 2007. Excludes charges a
related to aborted BOC transaction.

(2) Defined as acquisition and restructuring related charges as percentage of total disclosed value of acquisitions.

52
52
52
52
Total Shareholder Returns outperforming
the S&P 500
Since
1/1/1987,
#26
highest
out
of

500
(Top
5%)
(b)
3-year returns +22%
5-year returns +89%
10-year returns +516%
Officer and Director compensation
practices favorable to peers
Incentive and equity based comp for officers
Equity component to Director comp
No repricing
of options
Officer and Director stock beneficial
ownership
11.9% (#28 highest out of S&P 500)
Employee compensation leveraged,
consistent
Simple options; gainsharing
plans
Incentive-based components at all levels
Clean balance sheet
No material legacy liabilities
No material contingent liabilities
Strong cash flow
Free
Cash
Flow
(c)
\$411
million
in
FY10
Cash
from
Operations
(c)
\$648
million
in
FY10
(20% CAGR since FY01)
Note:
Market
data
as
of
February
4,
2010

(a)
Split-adjusted,
since
Airgas
IPO
in
1986.
Total
Shareholder
Return
calculated
as
share
price
plus
dividends
reinvested.

(b)
Excludes
current
S&P
500
constituents
which
were
not
public
at
January
1,
1987.

(c)
See
attached
reconciliations
of
non-GAAP
measures.

A History of Value Creation
A History of Value Creation
and Alignment with Shareholders
and Alignment with Shareholders

53

53

53

53

Strong Cash Flow

Strong Cash Flow

Drives Shareholder Value Creation

Drives Shareholder Value Creation

Strong Cash Flow from Operations*

Funds growth / maint. capex

Returns cash to stockholders through

Funds acquisitions

dividends and share repurchases

Accelerates debt paydown

* See attached reconciliations of non-GAAP measures

Note: CAGR

= Compound Annual Growth Rate

\$0

\$100

\$200

\$300

\$400

\$500

\$600

\$700

FY01

FY02

FY03

FY04

FY05

FY06

FY07

FY08

FY09

FY10

Maint. Capex

(~3%

of Sales)

Growth Capex

Free

Cash

Flow

Cash from

Operations*

Total Capex*

\$411M

\$66M

20% CAGR

in

Cash from

Operations*

54
54
54
54
54
54
54
54
(in millions)
2009
2001
CAGR
Net earnings (loss)
213
\$
(18)

\$
Cumulative effect of change in accounting principle
-

59

Earnings before the cumulative effect of a change
in accounting principle
213

41

Plus:
Income Taxes
136

26

Equity in earnings of unconsolidated subsidiary
-

(3)

Interest expense, net
70

48

Discount on securitization of trade receivables
6

5

Loss on the extinguishment of debt
9

-

Other (income) expense, net
(1)

(1)

Depreciation
210

62

Amortization
22

12

Multi-employer pension plan withdrawal charge

7

-

Adjusted EBITDA

672

190

17%

Capital expenditures

(261)

(59)

Adjustments to capital expenditures:

Proceeds from the sale of plant and equipment

11

3

Operating lease buyouts

2

-

Adjusted Capital Expenditures

(248)

(56)

Adjusted EBITDA less Adjusted Capital Expenditures

424

\$

134

\$

15%

Twelve Months Ended

December 31,

The Company believes this presentation of the cumulative average growth rates ("CAGR") of adjusted EBITDA and adjusted EBITDA less adjusted capital expenditures helps investors better assess the Company's growth. Non-GAAP metrics should be read in conjunction with GAAP financial measures, as non GAAP metrics are merely a supplement to, and not a replacement for GAAP financial measures. It should be noted as well that our adjusted EBITDA and adjusted capital expenditures metrics may differ from adjusted EBITDA and adjusted capital expenditures metrics provided by other companies.

Non-GAAP Reconciliations:

Non-GAAP Reconciliations:

Adjusted EBITDA and Adjusted EBITDA Less Capital Expenditures

Adjusted EBITDA and Adjusted EBITDA Less Capital Expenditures

55
55
55
55
55
55
55
55
55
55
55

Fiscal Year Ended
March 31, 2005

Sales

2,367,782

\$

Operating Income

202,454

Adjustment:

Acquisition integration costs

6,400

Adjusted Operating Income

208,854

\$

Adjusting Operating Margin

8.8%

The Company believes the above adjusted operating income and adjusted operating margin computations help investors assess the Company's operating performance without the impact of charges associated with the integration of major acquisitions. Non-GAAP metrics should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our adjusted operating income and adjusted operating margin metrics may be different from the adjusted operating income and adjusted operating margin metrics provided by other companies.

Non-GAAP Reconciliations:

Non-GAAP Reconciliations:

Adjusted

Adjusted

Operating

Operating

Income

Income

and

and

Adjusted

Adjusted

Operating

Operating

Margin

Margin

FY2005

FY2005

56

56

56

56

56

56

Calendar Year

(In thousands)

2005

2008

2008

Operating Income - Trailing Four Quarters

210,454

\$

476,146

\$

541,422

\$

Five Quarter Average of Total Assets

2,134,362

\$

3,708,389

\$

4,122,411

\$

Five Quarter Average of Securitized Trade Receivables

183,300

310,880

360,000

Five Quarter Average of Current Liabilities (exclusive of debt)
(274,035)

(421,589)

(459,362)

Five Quarter Average Capital Employed

2,043,627

\$

3,597,680

\$

4,023,049

\$

Return on Capital

10.3%

13.2%

13.5%

Fiscal Year Ended March 31,

The Company believes this return on capital computation helps investors assess how effectively the Company uses the capital in its operations. Our management uses return on capital as one of the metrics for determining employee compensation. Non-GAAP metrics should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our return on capital computation information may be different from capital computations provided by other companies.

56

56

Non-GAAP Reconciliation:

Non-GAAP Reconciliation:

Return on Capital

Return on Capital

57
57
57
57
57
57
57
57
57
Three Months Ended
Low
High
June 30, 2010
2009
2005
2004
2003
2002
Earnings per diluted share
3.08
\$
3.23
\$
0.76

\$
2.55

\$
1.48

\$
1.18

\$
1.04

\$
0.82

\$
Adjustments:

Costs related to unsolicited takeover attempt
0.03

0.03

0.03

-

-

-

-

-

Debt extinguishment charges
0.02

0.02

0.02

0.07

-

-

-

-

Multi-employer pension plan withdrawal charges
0.02

0.02

0.02

0.05

-

-

-

-

Legal Settlement

-

-

-

-

-

-

-

0.08

Restructuring charge (recovery)

-

-

-

-

-

(0.01)

-

0.03

Insurance gain

-

-

-

-

-

-

(0.02)

-

Fire Losses

-

-

-

-

-

-

0.02

-

Acquisition integration costs

-

-

-

-

0.01

0.03

-

-

Employee separation costs

-

-	
-	
-	
0.01	
-	
-	
-	
Hurricane losses	
-	
-	
-	
-	
0.02	
-	
-	
-	
Losses from discontinued operations	
-	
-	
-	
-	
0.01	
-	
0.01	
0.01	
Adjusted earnings per diluted share	

3.15
\$
3.30
\$
0.83
\$
2.67
\$
1.53
\$
1.20
\$
1.05
\$
0.94
\$

(Updated Guidance)

Fiscal Year Ending March 31, 2011

Calendar Year

The Company believes that the adjusted earnings per diluted share above provide investors meaningful insight into the Company's performance, net of non-recurring charges, multi-employer pension plan withdrawal charges, the settlement of material litigation, restructuring charges, insurance losses, employee separation costs, hurricane losses, and losses from discontinued operations. Non-GAAP metrics should be read in conjunction with GAAP financial measures. It should be noted as well that our adjusted earnings per diluted share metrics provided by other companies.

Non-GAAP Reconciliation:

Non-GAAP Reconciliation:

Adjusted Earnings Per Diluted Share

Adjusted Earnings Per Diluted Share

58
58
58
58
58
58
58
58
Three Months Ended
Six Months Ended
(in thousands)
Low
High
2009
2002
June 30, 2010
June 30, 2010
Sales
5,200,000
\$
5,200,000
\$
3,886,671

\$
 1,714,527
 \$
 1,052,656
 \$
 2,035,964
 \$
 Operating Income
 648,000
 \$
 675,000
 \$
 432,221
 \$
 142,442
 \$
 122,751
 \$
 204,634
 \$
 Adjustments:
 Depreciation & Amortization
 286,000

 286,000

 231,518

 79,294

 60,467

 121,440

 Costs related to unsolicited takeover attempt
 -

 -

 -

 -

 3,787

 27,222

 Multi-employer pension plan withdrawal charges
 -

-	
6,650	
-	
3,204	
3,204	
Legal Settlement	
-	
-	
-	
8,500	
-	
-	
Restructuring charges	
-	
-	
-	
2,700	
-	
-	
Other	
-	
-	
400	
-	
-	
-	
Adjusted EBITDA	

934,000

\$

961,000

\$

670,790

\$

232,936

\$

190,209

\$

356,500

\$

Adjusted EBITDA Margin

18.0%

18.5%

17.3%

13.6%

18.1%

17.5%

Calendar Year

2012 Target

The Company believes the above adjusted EBITDA margin computations help investors assess the Company's operating performance. The Company's adjusted EBITDA margin computations exclude depreciation, amortization and charges associated with the Company's withdrawal from multi-employer pension plans, costs related to Air Liquide's acquisitions, settlements and restructuring charges. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP measures are not intended to be a replacement for, GAAP financial measures. It should be noted as well that our Adjusted EBITDA metric may be different from other companies' Adjusted EBITDA metrics.

Non-GAAP Reconciliation:

Non-GAAP Reconciliation:

Adjusted EBITDA Margin

Adjusted EBITDA Margin

59
59
59
59
59
59
59
59
Average
Average
(in thousands)
2003 to 2005
2006
2007
2008
2010E to 2012E
Sales
2,246,184

\$	
3,098,086	
\$	
3,792,509	
\$	
4,456,256	
\$	
4,700,000	
\$	
Change in sales	
337,518	
\$	
371,006	
\$	
694,423	
\$	
663,747	
\$	
435,000	
\$	
Operating Income	
201,877	
\$	
322,300	
\$	
437,733	
\$	
541,422	
\$	
565,000	
\$	
Adjustments:	
Depreciation & Amortization	
104,021	
142,021	
179,545	
211,885	
264,283	
Costs related to unsolicited takeover attempt	
-	
-	
-	

-

9,074

Multi-employer pension plan withdrawal charge

-

-

-

-

1,068

Restructuring charge (recovery)

(267)

-

-

-

-

Fire Losses

933

-

-

-

-

Acquisition integration costs

1,600

-

10,100

-

-

Employee separation costs

533

-

-

-

-

Hurricane losses

733

-

-

-

-

Adjusted EBITDA

309,431

\$

464,321

\$

627,378

\$

753,307

\$

839,425

\$

Change in adjusted EBITDA

47,869

\$

87,777

\$

163,057

\$

125,929

\$

97,000

\$

Percentage adjusted EBITDA fall through

14%

24%

23%

19%

22%

Calendar Year

The Company believes that using adjusted EBITDA in its percentage of adjusted EBITDA fall through metric provides investors with a measure of the Company's operating performance. The Company's adjusted EBITDA fall through metric is calculated as adjusted EBITDA for every dollar of increased sales without the impact of costs related to the unsolicited takeover attempt, including restructuring charges, fire losses, significant acquisition integration costs, employee separation costs and hurricane losses. Non-GAAP financial measures, as non-GAAP measures are merely a supplement to, and not a replacement for, GAAP financial measures. The Company's adjusted EBITDA fall through metric may be different from similar metrics provided by other companies.

Non-GAAP Reconciliation:

Non-GAAP Reconciliation:

Adjusted EBITDA Fall Through

Adjusted EBITDA Fall Through

Non-GAAP Reconciliations:

Non-GAAP Reconciliations:

Adjusted Debt and Adjusted EBITDA

Adjusted Debt and Adjusted EBITDA

Quarterly

Quarterly

60

60

Non-GAAP Reconciliation:

Non-GAAP Reconciliation:

Adjusted

Adjusted

EBITDA

EBITDA

FY89-FY10

FY89-FY10

61

61

(In thousands)

FY89

FY90

FY91

FY92

FY93

FY94

FY95

FY96

FY97

FY98

FY99

Operating income

15,958

\$

23,221

\$

17,286

\$

26,316

\$

34,367

\$

48,667

\$

72,600

\$

92,987

\$

80,480

\$

111,709

\$

112,607

\$

Add:

Depreciation & amortization

11,147

17,387

21,158

23,420

28,042

30,571

36,868

45,762

64,428

82,227

83,839

Costs related to unsolicited takeover attempt

-

-

-

-

-
 -
 -
 -
 -
 -
 -
 Multi-employer pension plan withdrawal charges

-
 -
 -
 -
 -
 -
 -
 -
 -
 -
 -

Adjusted EBITDA

27,105
 40,608
 38,444
 49,736
 62,409
 79,238
 109,468
 138,749
 144,908
 193,936
 196,446

(Uses)/sources of cash excluded from adjusted
 EBITDA, included in cash from operations:

Interest expense, net

(12,245)
 (16,198)
 (15,179)
 (12,838)
 (11,403)
 (12,486)
 (17,625)
 (24,862)
 (39,367)
 (52,603)
 (59,677)

Discount on securitization of receivables

-
 -
 -
 -

-
 -
 -
 -
 -
 -
 -
 Current income taxes
 404
 1,700
 (599)
 (3,591)
 (5,653)
 (7,838)
 (12,345)
 (17,654)
 (20,012)
 (16,502)
 (17,244)
 Other income (expense)
 215
 157
 870
 214
 546
 453
 1,607
 781
 1,695
 9,811
 29,491
 Equity in earnings of Elkem
 joint venture
 1,415
 1,435
 2,009
 2,019
 (897)
 (1,258)
 (840)
 (1,428)
 (1,356)
 (1,478)
 (869)
 (Gains)/losses on divestitures
 -
 -
 -
 -
 -

-
(560)
-
-
(1,452)
(25,468)
(Gain)/losses on sale of PP&E
(32)
2
(715)
(76)
(292)
(63)
110
(12)
616
(504)
(222)
Stock-based compensation expense
-
-
-
-
-
-
-
-
-
-
Income/(loss) on discontinued operations
-
-
-
-
-
-
-
-
478
(635)
(871)
Costs related to unsolicited takeover attempt
-
-
-
-
-
-
-

-
 -
 -
 -
 Multi-employer pension plan withdrawal charges

-
 -
 -
 -
 -
 -
 -
 -
 -
 -
 -
 Other non-cash charges

260
 308
 252
 250
 -
 -
 -
 -
 3,930
 11,422
 -

Cash provided by (used in)
 changes in assets and liabilities

4,379
 702
 6,712
 15,968
 13,608
 6,752
 (2,030)
 (6,948)
 (14,801)
 (13,548)
 (25,273)

Net cash provided by operating activities

21,501
 \$
 28,714
 \$
 31,794
 \$
 51,682
 \$

58,318

\$

64,798

\$

77,785

\$

88,626

\$

76,091

\$

128,447

\$

96,313

\$

(In thousands)

FY00

FY01

FY02

FY03

FY04

FY05

FY06

FY07

FY08

FY09

FY10

Operating income

105,461

\$

106,728

\$

124,938

\$

156,336

\$

168,544

\$

202,454

\$

269,142

\$

341,497

\$

475,824

\$

524,868

\$

399,598

\$

Add:

Depreciation & amortization

85,262

82,796

71,757

79,279

87,447

111,078

127,542

147,343

189,775

220,795

234,949

Costs related to unsolicited takeover attempt

-

-

-

-

-

-

-

-

-

-

23,435

Multi-employer pension plan withdrawal charges

-

-

-

-

-

-

-

-

-

6,650

Adjusted EBITDA

190,723

189,524

196,695

235,615

255,991

313,532

396,684

488,840

665,599

745,663

664,632

(Uses)/sources of cash excluded from adjusted
EBITDA, included in cash from operations:

Interest expense, net

(56,879)

(59,550)

(46,775)

(46,374)

(42,357)

(51,245)

(54,145)

(60,180)

(89,485)

(84,395)

(63,310)

Discount on securitization of receivables

-

(1,303)

(4,846)

(3,326)

(3,264)

(4,711)

(9,371)

(13,630)

(17,031)

(10,738)

(5,651)

Current income taxes

(16,902)

(13,402)

4,546

(33,174)

(24,623)

(22,622)

(30,718)

(47,972)

(69,459)

(64,985)

(51,634)

Other income (expense)

18,625

1,324

5,987

2,132

1,472

1,129

2,411

1,556

1,454

(382)

1,332

Equity in earnings of Elkem
joint venture

-
 -
 -
 -
 -
 -
 -
 -
 -
 -
 -
 (Gains)/losses on divestitures
 (17,712)
 (1,173)
 (5,548)
 241
 -
 (360)
 1,900
 -
 -
 -
 -
 (Gain)/losses on sale of PP&E
 (915)
 502
 405
 (257)
 (837)
 (321)
 (1,330)
 39
 714
 (964)
 3,014
 Stock-based compensation expense
 -
 -
 -
 -
 -
 -
 -
 15,445
 16,629
 20,635
 22,868
 Income/(loss) on discontinued operations
 (335)
 (400)

(3,529)

(1,776)

(457)

464

(1,424)

-

-

-

-

Costs related to unsolicited takeover attempt

-

-

-

-

-

-

-

-

-

-

(23,435)

Multi-employer pension plan withdrawal charges

-

-

-

-

-

-

-

-

-

-

(6,650)

Other non-cash charges

458

2,281

1,068

-

-

-

-

-

-

-

Cash provided by (used in)
changes in assets and liabilities

(22,686)

78,329

95,691

33,931
 17,865
 (23,456)
 42,038
 (57,755)
 41,505
 (22,067)
 58,881
 Net cash provided by operating activities
 94,377
 \$
 196,132
 \$
 243,694
 \$
 187,012
 \$
 203,790
 \$
 212,410
 \$
 346,045
 \$
 326,343
 \$
 549,926
 \$
 582,767
 \$
 600,047
 \$

The Company believes adjusted EBITDA provides investors meaningful insight into the Company's ability to generate cash from operations in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures provided by other companies. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation.

Non-GAAP Reconciliations:

Non-GAAP Reconciliations:

Adjusted Cash from Operations,

Adjusted Cash from Operations,

Adjusted Capital Expenditures & Free Cash Flow

Adjusted Capital Expenditures & Free Cash Flow

62

62

(\$ in millions)

FY10

FY09

FY08

FY07

FY06

FY05

FY04

FY03

FY02

FY01

Net cash provided by operating activities

600

\$

583

\$

550

\$

326

\$

346

\$

212

\$

204

\$

187

\$

244

\$

196

\$

Adjustments to cash provided by operating activities:

Cash used (provided) by the

securitization of trade receivables

16

49

(96)

(20)

(54)

(27)

(4)

(25)

(61)

(73)

Stock issued for employee stock purchase plan

15

17

14

12

11

10

7

9

7

6

Tax benefit realized from exercise of stock options

15

12

13

9
-
-
-
-
-
-

Adjusted cash from operations

648

\$

660

\$

482

\$

327

\$

302

\$

195

\$

207

\$

171

\$

190

\$

129

\$

Capital expenditures

(253)

\$

(352)

\$

(267)

\$

(238)

\$

(209)

\$

(168)

\$

(94)

\$

(68)

\$

(58)

\$

(66)

\$

Adjustments to capital expenditures:

Proceeds from sales of plant and equipment

14

14

9

9

8

5

5

4

3

3

Operating lease buyouts

2

6

1

10

15

24

4

-

-

-

Adjusted capital expenditures

(237)

\$

(332)

\$

(257)

\$

(220)

\$

(186)

\$

(139)

\$

(84)

\$

(64)

\$

(55)

\$

(63)

\$

Free Cash Flow

411

\$

328

\$

225

\$

107
\$
116
\$
57
\$
123
\$
107
\$
135
\$
66
\$
Adjusted Cash from Operations
CAGR FY01-FY10
20%

The Company believes that free cash flow and adjusted cash from operations provide investors meaningful insight into the Company's ability to generate cash for servicing debt obligations and for the execution of its business strategy, including acquisitions, the prepayment of debt, the repurchase of common stock, and other capital activities. Non-GAAP metrics should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely supplemental measures. It should be noted as well that our free cash flow and adjusted cash from operations metrics may be different from those of other companies.