AIRGAS INC
Form DEFA14A
July 21, 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 x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

x 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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 240.0-11 and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

It s All About Value
It s All About Value
July 21, 2010
July 21, 2010

1
1
1
1
1
1
1
1
1
1
1
1

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.

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION

This presentation does not constitute an offer to buy or solicitation of an offer to sell any securities. In response to the tender offer commenced by Air Products Distribution, Inc., a wholly owned subsidiary of Air Products and Chemicals, Inc., Airgas has filed a solicitation/recommendation statement on Schedule 14D-9 with the U.S. Securities and Exchange Commission (SEC). INVESTORS AND SECURITY HOLDERS OF AIRGAS

ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain free copies of these documents and other documents filed with the SEC by Airgas through the web site maintained by the SEC at http://www.sec.gov. Also, materials related to Air Products Unsolicited Proposals are 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. In addition, Airgas filed a preliminary proxy statement for the 2010 Annual Meeting with the SEC on July 8, 2010, and

Airgas will file a definitive proxy statement in advance of the 2010 Annual Meeting. Any definitive proxy statement will be mailed to stockholders of Airgas. INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME

AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders will be able to obtain free copies of these documents (when available) and other documents filed with the SEC by Airgas through the web site maintained by the SEC at http://www.sec.gov.

CERTAIN INFORMATION REGARDING PARTICIPANTS

CERTAIN INFORMATION REGARDING PARTICIPANTS

Airgas and certain of its directors

and executive officers may be deemed to be participants under the rules of the SEC. Security holders may obtain information regarding the names, affiliations and interests of Airgas directors and executive officers in Airgas Annual Report on Form 10-K for the year ended March 31, 2010, which was filed with the SEC on May 27, 2010, its proxy statement for the 2009 Annual Meeting, which was filed with the SEC on July 13, 2009 and its preliminary proxy statement for the 2010 Annual Meeting, which was filed with the SEC on July 8, 2010. To the extent holdings of Airgas securities have changed since the amounts printed in the proxy statement for the 2009 Annual Meeting, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. These documents can be obtained free of charge from the sources indicated above.

Additional information regarding the interests of these participants in any proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will also be included in any proxy statement and other relevant materials to be filed with the SEC if and when they become available.

2
2
2
2
2
2
2
2
2
2
2
2
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.

3
3
3
3
3
3
3
3
3
3

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

The
Airgas
Board
unanimously
believes
that
Air
Products
offer
grossly
undervalues Airgas

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
3
3
We believe that Airgas is poised to deliver significant value driven by a
material recovery in our earnings through 2012
Our Board Believes That Air Products
Our Board Believes That Air Products
Offer
Offer
Would Deprive You of Full Value
Would Deprive You of Full Value

4
4
4
4
4
4
4
4
4
4

Unfolding 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
4
4
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.

5
5
5
5
5
5
5
5
5
5
5

5
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

6
6
6
6
Source: Airgas Management and Wall Street research.
* See attached reconciliations of non-GAAP measures.
Recovery is Demonstrated in Our 1Q
Recovery is Demonstrated in Our 1Q
FY2011 Earnings
FY2011 Earnings

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

7
7
7
7
7
7
7
7
7
7

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
7
7
Expected Earnings Growth and Strong Cash
Expected Earnings Growth and Strong Cash
Flow are Projected to Underpin Our
Flow are Projected to Underpin Our
Shareholder Value Creation
Shareholder Value Creation

8
8
8
8
8
8
8
8
8
8
8
8

8
8
8
8
I. Our Projections Assume SSS Growth
I. Our Projections Assume SSS Growth
Comparable to the Last Expansion
Comparable to the Last Expansion
8
8
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
-
Non-Tech IP Growth Rate

ISM Index[1]
$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
9
9
9
9
9
9
9
9
9
9
9
9
9
9
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+%
~7%
6 %
10 %
7 %
6 %
(16)%
(20)%
(10)%
0 %
10 %
20 %
2003-2005 Avg
2006
2007
2008
2009
2010-2012 Avg

10
10
10
10
10
10
10
10
10
10

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

11
11
11
11
11
11
11
11
11
11
IV. Business Mix Improvement Produces
IV. Business Mix Improvement Produces
Higher Margins
Higher Margins
Gas/Rent
Gas/Rent
55%

55%
Hardgoods
Hardgoods
45%
45%
Last Recession
1
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
$3.9B
$5.2B+
RADNOR Private Label
(% of Hardgoods
Sales)
~

~
12-15%
Atmospheric Gas Production
(% Total Atmos. Consumption)
10%
60%+
65%+
EBITDA Margin*
14%
17%
18.0-18.5%
1
CY2002.
* See attached reconciliations of non-GAAP measures.

12
12
12
12
12
12
12
12
12
12
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

13
13
13
13
13
13
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

14
14
14
14
14
14
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 to
$ 3.15
$ 3.05 to
$ 2.95
18-23% Increase
16% CAGR

15
15
15
15
15
15
* 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
2

Adj. EPS*
EPS
FY11
Guidance*
(Updated)
$3.30
$3.15
2

16
16
16
16
16
16
16
16
16

16
16
16
16
16
* 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
Beating Our Mid-Term
Goals
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

17
17
17
17
17
17
17
17
17
17
Note: Further benefits expected to be realized from ongoing SAP implementation.
In Addition, Returns from Significant Recent
In Addition, Returns from Significant Recent

Investments Yet to be Fully Realized...
Investments Yet to be Fully Realized...
($ in millions)
Total Capital Deployed
Since January 1, 2007
ASUs (Carrollton, New Carlisle)
$ 80
SAP Implementation to Date
62
CO_2 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

18
18
18
18
18
18
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

19
19
19
19
19
19
19
19
19

19
19
19
19
19
The Industrial Gas Sector has Steadily
The Industrial Gas Sector has Steadily
Consolidated
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
31
Linde
28
Air Products
19
Airgas
7
Taiyo Nippon Sanso
6
Major Industrial Gas Players in 2010
Source: Bloomberg market data as of July 16, 2010, public filings.

20
20
20
20
20
20
20
20
20

20
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
$12B+ U.S. Packaged Gases &
Welding Hardgoods Market
~900
Independents
50%
~900
Independents
50%
Airgas
25%
Airgas
25%
Praxair PDI
Matheson Tri-Gas
Air Liquide
Linde
Packaged Gases
$6.5B+
Packaged Gases
$6.5B+
Welding Hardgoods
$5.5B+
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

21
21
21
21
21
21
21
21

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

22
22
22
22
22
22
22
22
22
22
Source: Bloomberg consensus estimates as of July 16, 2010.

1

Data indexed to January 2006.

Timing Matters: U.S. Economic Recovery is
Timing Matters: U.S. Economic Recovery is
Just Beginning
Just Beginning

23
23
23
23
23
23
23
23

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...

24
24
24
24
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.

2 Based on consensus 1Q FY2011 EPS estimate of $0.72 and actual adjusted EPS

of
$0.83.
...But Air Products
...But Air Products
Proposals Haven t Even
Proposals Haven t Even
Kept Pace With the Growth in Peer Equity
Kept Pace With the Growth in Peer Equity
Values
Values

25
25
25
25
25
25
25
25

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. Ill

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 Febru
announcement of the Air Products offer. Returns are split-adjusted and are measured since the later of the director s start date
Airgas
Airgas
Nominees are Keenly Aware of Their
Nominees are Keenly Aware of Their
Fiduciary Duties
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

26
26
26
26
26
26
26
26
We Believe Air Products
We Believe Air Products
Proposals Would
Proposals Would

Facilitate Its Grossly Inadequate Offer
Facilitate Its Grossly Inadequate Offer

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 you vote for Air Products
bylaw proposals, you could reduce Airgas
ability to
create stockholder value and determine strategic direction
Vote your WHITE proxy card FOR the Airgas Nominees and
AGAINST the proposed bylaw amendments

Appendix
Appendix

28
28
28
28
28
28
28
28

The Company believes the above Adjusted Operating Income and Adjusted Operating Margin computations help investors ass
performance
without
the
impact
of
acquisition
integration
costs.
Non-GAAP
numbers
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 A
Income and Adjusted Operating Margin computations may be different from the Adjusted Operating Income and Adjusted Ope
provided by other companies.

Reconciliation: Adjusted Operating Income and
Reconciliation: Adjusted Operating Income and
Adjusted Operating Margin
Adjusted Operating Margin
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%

29
29
29
29
29
29
29
29
The Company believes this return on capital computation helps investors assess how effectively the Company uses the capital i
management uses return on capital as one of the metrics for determining employee compensation. Non-GAAP numbers should
GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial meas
well that our return on capital computation information may be different from the return on capital computations provided by o
Reconciliation: Return on Capital
Reconciliation: Return on Capital
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,

30
30
30
30
30
30
30
30
The
Company
believes
the
above
adjusted
EBITDA
margin
computations
help
investors
assess
the
Company s

operating performance without the impact of depreciation and amortization and charges associated with the Company s withdrawal from multi-employer pension plans, costs related to Air Products unsolicited takeover attempt, significant legal settlements and restructuring charges. Non-GAAP numbers 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
metric
may
be
different
from
similar
metrics
provided
by
other
companies.
Reconciliation: Adjusted EBITDA Margin
Reconciliation: Adjusted EBITDA Margin
Three Months Ended
Six Months Ended
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

31
31
31
31
31
31
31
31
The
Company
believes
that
using
adjusted
EBITDA
in

its Percentage of Adjusted EBITDA Fall Through metric provide investors meaningful insight into the Company's trend of the increase in Adjusted EBITDA for every dollar of increased sales without the impact of costs related to the unsolicited takeover attempt, multi-employer pension plan withdrawal charges, restructuring charges, fire losses, costs of integration for significant acquisitions, employee separation costs and hurricane losses. Non-GAAP numbers 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 Percentage of Adjusted EBITDA

Fall
Through
metric
may
be
different
from
similar
metrics
provided
by
other
companies.
Reconciliation: Adjusted EBITDA Fall Through
Reconciliation: Adjusted EBITDA Fall Through
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 seperation
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

32
32
32
32
32
32
32
32
The Company believes that adjusted earnings per diluted share above provide investors meaningful insight into the Company's
impact of debt extinguishment charges, multi-employer pension plan withdrawal charges, the settlement of material litigation,
gains,
fire
losses,
the
costs
of
the
BOC
acquisition
integration,
employee
separation
costs,
hurricane

losses
and
losses
from
discontinued
operations.
Non-
GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement
GAAP financial measures.
It should be noted as well that our adjusted earnings per diluted share metric may be different from adjusted earnings per dilute
share metrics provided by other companies.
Reconciliation: Adjusted Earnings Per Share
Reconciliation: Adjusted Earnings Per Share
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
$
Calendar Year
(Updated Guidance)
Fiscal Year Ending March 31, 2011

33
33
33
33
33
33
33
33
The Company uses adjusted debt to provide investors with a more meaningful measure of the Company's debt obligations be a
under
the
trade
receivable
securitization
program.
The
Company
believes

that
using
adjusted
EBITDA
provide
investors
meaningful
insight
into
the
Company's performance trend without the impact of costs related to the unsolicited takeover attempt, and multi-employer pens
charges.
Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supple
replacement for, GAAP financial measures.
Reconciliation: Adjusted Debt & EBITDA
Reconciliation: Adjusted Debt & EBITDA
Reconciliation of Adjusted debt:
June 30,
December
June 30,
December
June 30,
December
June 30,
(In thousands)
2007
2007
2008
2008
2009
2009
2010
Current portion of long-term debt
41,773
$
40,554
$
43,458
$
10,227
$
11,033
$
10,103
$
9,589
$
Long-term debt, excluding current portion
1,598,004
1,493,901

1,537,696
1,810,181
1,675,194
1,604,070
1,711,630
Net debt
1,639,776
1,534,455
1,581,154
1,820,408
1,686,227
1,614,173
1,721,219
Securitization of trade receivables
285,000
360,000
360,000
360,000
295,500
267,900
-
Adjusted debt
1,924,776
$
1,894,455
$
1,941,154
$
2,180,408
$
1,981,727
$
1,882,073
$
1,721,219
$
Three Months
Three Months
Three Months
Three Months
Three Months
Three Months
Three Months
Reconciliation of Adjusted EBITDA:
ended
ended
ended
ended
ended
ended

ended
June 30,
December
June 30,
December
June 30,
December
June 30,
(In thousands)
2007
2007
2008
2008
2009
2009
2010
Operating Income
111,037
$
118,329
$
134,856
$
130,522
$
107,910
$
99,988
$
122,751
$
Adjustments:
Depreciation & Amortization
44,472
48,072
53,502
54,740
56,400
59,454
60,467
Costs related to unsolicited takeover attempt
3,787
Multi-employer pension plan withdrawal charge
4,950
3,204
Adjusted EBITDA
155,509
$
166,401
$

188,359
$
185,262
$
164,310
$
164,392
$
190,209
$