

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

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

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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x No fee required.

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

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(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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IMPORTANT INFORMATION

In  
connection  
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its  
2010  
Annual  
Meeting  
of  
Stockholders,  
Airgas,  
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INVESTORS  
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STATEMENT

FOR  
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INFORMATION.

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STOCKHOLDERS  
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AIRGAS  
SOLICITATION/  
RECOMMENDATION  
STATEMENT  
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SCHEDULE  
14D-9,  
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INFORMATION.

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SEC  
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[www.sec.gov](http://www.sec.gov).  
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Investor  
Information  
section  
of  
the  
Company's  
website  
at  
[www.airgas.com](http://www.airgas.com),  
or  
through  
the  
following

web  
address:  
<http://investor.shareholder.com/arg/airgascontent.cfm>.  
Airgas  
and  
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directors  
and  
certain  
of  
its  
executive  
officers  
may  
be  
deemed  
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To  
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of  
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Statements  
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Form  
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filed with the SEC.

**FORWARD-LOOKING STATEMENTS**

This  
presentation  
contains  
statements  
that

are  
forward  
looking.  
Forward-looking  
statements  
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Airgas  
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statements  
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Company's  
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earnings,  
as  
well  
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other  
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the  
Company's  
reports,  
including  
its  
March  
31,  
2010  
Form

10-K,  
subsequent  
Forms  
10-Q,  
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other  
forms  
filed  
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Company  
with  
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Securities  
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Company  
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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

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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 Prices<sup>1</sup>

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 CO<sub>2</sub> 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

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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  
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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.

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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



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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

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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

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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 Index<sup>1</sup>

\$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

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22

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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 <sup>2</sup>

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  
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 Recession<sup>1</sup>  
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  
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

CO<sub>2</sub> 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



32	
32	
Agenda	
Agenda	
Slide	
Slide	
Introduction	
2	
The Airgas Growth Story	
6	
Earnings Growth Outlook & 2012 Goals	
16	
Our Perspective on Valuation	
32	
Conclusion	
45	
Appendix	
49	

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

Airgas  
5-year median NTM multiple is 16.7x P/E<sup>1</sup>, 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%)<sup>2</sup>  
17.0x when ISM Index is between 50 and 55 and 17.2x when ISM index is 55 or greater<sup>2</sup>

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/EBITDA<sup>3</sup>

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

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

<sup>2</sup> 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  
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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 2006<sup>1</sup>

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  
NTM<sup>1</sup>  
P / EPS  
Pre-Lehman Filing  
on Sep. 15, 2008  
Peers<sup>2</sup>: 17.8x  
3-Year Median  
NTM<sup>1</sup>  
EV / EBITDA  
Pre-Lehman Filing  
on Sep. 15, 2008  
Peers<sup>2</sup>: 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.

41  
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)<sup>1</sup>  
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 share<sup>1</sup>  
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.

43  
43  
43  
43  
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	
16	
Our Perspective on Valuation	
32	
Conclusion	
45	
Appendix	
49	

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46  
46  
46  
46  
46  
46  
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  
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	
Agenda	
Agenda	
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32	
Conclusion	
45	
Appendix	
49	

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  
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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  
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  
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 the 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. Adjusted earnings per diluted share are calculated after deducting from GAAP earnings the following items: 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. 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 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  
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 is calculated as Adjusted EBITDA divided by Adjusted EBITDA plus depreciation, amortization and charges associated with the Company's withdrawal from multi-employer pension plans, costs related to Air Products' settlements and restructuring charges. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP is not 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 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 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.

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.