

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

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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(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:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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

1  
1  
1  
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1  
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1  
1  
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1  
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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  
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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  
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regarded  
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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  
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Private  
Securities  
Litigation  
Reform  
Act  
of  
1995.  
The  
Company  
is  
not  
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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  
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documents  
and  
other  
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filed  
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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](http://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  
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stockholders  
of  
Airgas.  
INVESTORS  
AND  
SECURITY  
HOLDERS  
OF  
AIRGAS  
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WHEN  
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BECOME

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BECAUSE  
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WILL  
CONTAIN  
IMPORTANT  
INFORMATION.

Investors  
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holders  
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obtain  
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of  
these  
documents  
(when  
available)  
and  
other  
documents  
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with  
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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  
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2010  
Annual  
Meeting,  
which  
was  
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with  
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SEC  
on  
July  
8,  
2010.  
To  
the  
extent  
holdings  
of  
Airgas



securities  
have  
changed  
since  
the  
amounts  
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in  
the  
proxy  
statement  
for  
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2009  
Annual  
Meeting,  
such  
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or  
will  
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on  
Statements  
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Change  
in  
Ownership  
on  
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the  
SEC.  
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documents  
can  
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obtained  
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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  
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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  
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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  
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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  
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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  
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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  
Flow are Projected to Underpin Our  
Shareholder Value Creation  
Expected Earnings Growth and Strong Cash  
Flow are Projected to 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

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<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

9

9

9

9

9

9

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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 <sup>2</sup>

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  
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  
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  
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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  
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  
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  
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<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



18  
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  
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

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  
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  
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. 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 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  
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  
28

The Company believes the above Adjusted Operating Income and Adjusted Operating Margin computations help investors assess 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 Adjusted Operating Income and Adjusted Operating Margin computations may be different from the Adjusted Operating Income and Adjusted Operating Margin 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  
\$

Adjusted 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 management uses return on capital as one of the metrics for determining employee compensation. Non-GAAP numbers should be reconciled to GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. We note that our return on capital computation information may be different from the return on capital computations provided by other companies.

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  
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  
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 to GAAP financial measures.

It should be noted as well that our adjusted earnings per diluted share metric may be different from adjusted earnings per diluted 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  
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 pension charges.

Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, not a 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  
\$