

A Landmark Acquisition

“This acquisition is a natural evolution of our company and one that validates our growth strategy.”

Peter McCausland, Chairman and CEO

“Our experience with 300 successful acquisitions, combined with our operational strengths and project-management skills, will help make this transaction a seamless transition for our customers.”

Glenn Fischer, President and COO

“With the great strategic fit and tremendous efficiencies we bring to the business, we are confident that this acquisition will be accretive to earnings per share, free cash flow, and return on capital in year one.”

Roger Millay, Senior Vice President and CFO



Airgas is one of the rare breed of successful roll-ups. Over 20 years, it has made more than 300 acquisitions to become the national leader in packaged gases. In February 2002, Airgas made its latest and largest acquisition—the majority of the U.S. packaged gas business of Air Products and Chemicals, Inc.

This landmark acquisition has strengthened Airgas’ national distribution network with added scale and capabilities, and it has bolstered its presence in important new geographic areas and in current markets where local density is key to success. At the same time, it cements Airgas’ position as the only national distribution system in the packaged gas industry and creates a beneficial relationship with a key gas supplier.

The addition of the Air Products business gives Airgas the opportunity to achieve greater market growth through increased sales to Strategic Accounts, selling multiple product lines to a wider base of customers, and leveraging a much stronger position in specialty gases.

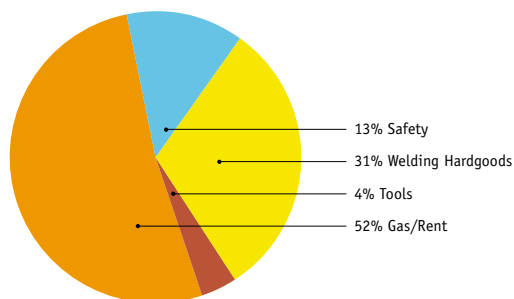
In anticipation of the closing of this landmark transaction, Airgas managers visited the floor of the New York Stock Exchange on February 27, 2002, and Peter McCausland had the honor of ringing the closing bell. (Photo above.)

Strength in specialty gases

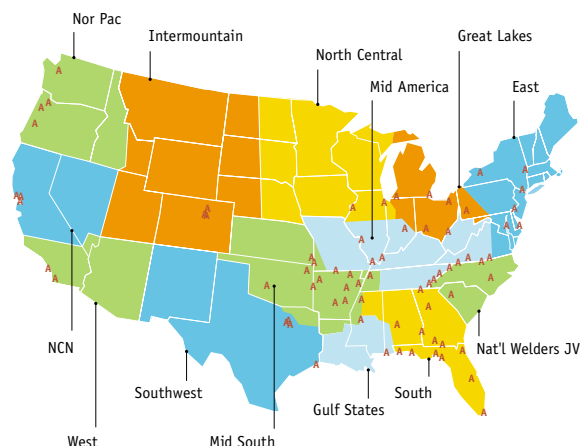
The Air Products acquisition has nearly doubled Airgas’ position in specialty gases, a market that has grown at a faster rate than the economy. More importantly, the capabilities acquired from Air Products give us an expanded range of high-purity specialty gases, environmental gases, calibration mixtures, emission monitoring gases, and protocol gases. In many processes and analytical procedures, these products are critical to customers in order to achieve accurate, consistent results.

With the recent acquisition of specialty gas and equipment operations from Air Products, Airgas now has eight national facilities supporting 54 regional specialty gas facilities, along with an expert sales force. These resources add up to the largest specialty gas supply network in the U.S.

The complete Airgas specialty gases and equipment portfolio gives the company several ways to engage the customer, with the ability to bundle offerings as a distinct competitive advantage. So whether customers need specialty gases and equipment in a single facility or multiple sites across the U.S., Airgas has the precision and presence to deliver.



Post-Acquisition Sales of **\$1.85 Billion**



A Air Products sites acquired

Our post-acquisition business mix shifts toward gas

A good deal financially

Airgas fully expects the acquisition to be accretive to earnings, free cash flow, and return on capital in its first year. The addition of Air Products' revenues also improves the mix of business, with 52% now coming from higher-margin packaged gases and cylinder rentals, up from 48% prior to the acquisition.

The 1 million cylinders gained from Air Products are valuable assets, which continue to generate rental income and contribute to strong cash flow.

Airgas also will benefit on the expense side of the equation, as the acquisition will accelerate its ability to achieve a low-cost position. With the added scale, Airgas can leverage its fixed costs over a broader base. While most of the acquired sites complement our regional company structure, we will capture near-term synergies by consolidating overlapping facilities and merging distribution supply chains. Other longer-term synergies will emerge by combining best practices in business processes and technologies.

In addition, Air Products and Airgas have signed supply agreements that will help both companies expand opportunities to serve our customers nationwide.

Air Products assets will integrate into our existing regional structure

Integration going well

Since completing the transaction on February 28, 2002, Airgas has already made progress on the integration. Here are some of the accomplishments to date:

- The 88 locations and about 1,100 employees are now part of our Airgas regional company structure. Most locations fell into four regional companies, although every region and our Gas Operations units had a role to play.
- In any acquisition, information technology conversion is key. Fortunately, half of the acquired business was on a system similar to that used by Airgas. Teams tackled the other half first and on May 1, 2002, completed those conversions. We expect to convert the remaining similar systems by mid summer.
- The acquired customer base included many large customers that fit well with our Strategic Accounts approach, as well as geographic and retail accounts served by regional companies, and a block of business with independent distributors. Our teams developed approaches for each customer class, with a clear focus on retaining customers.
- Airgas remains focused on achieving synergies at the regional company level. Regional company leaders were involved in planning the integration and are accountable for managing the process.