

Consolidated Statements of Earnings

Airgas, Inc. and Subsidiaries

(In thousands, except per share amounts)

Years Ended March 31,	2002	2001	2000
Net Sales			
Distribution	\$ 1,494,267	\$ 1,487,422	\$ 1,409,949
Gas Operations	141,780	141,479	132,385
Total net sales	1,636,047	1,628,901	1,542,334
Costs and Expenses			
Cost of products sold (excluding depreciation expense)			
Distribution	770,094	797,423	760,122
Gas Operations	48,659	49,777	56,475
Selling, distribution and administrative expenses	619,316	583,355	532,527
Depreciation	64,785	62,938	63,635
Amortization (Note 7)	8,160	23,816	25,673
Special charges (recoveries), net (Note 3)	—	3,643	(2,829)
Total costs and expenses	1,511,014	1,520,952	1,435,603
Operating Income			
Distribution	103,430	92,186	94,671
Gas Operations	21,603	19,406	9,231
Special (charges) recoveries, net	—	(3,643)	2,829
Total operating income	125,033	107,949	106,731
Interest expense, net (Note 16)	(47,013)	(60,207)	(57,560)
Discount on securitization of trade receivables (Note 12)	(4,846)	(1,303)	—
Other income, net (Note 2)	1,382	242	17,862
Equity in earnings of unconsolidated affiliates (Note 15)	3,835	2,260	3,391
Earnings before income taxes and the cumulative effect of a change in accounting principle	78,391	48,941	70,424
Income taxes (Note 17)	29,806	20,718	31,551
Earnings before the cumulative effect of a change in accounting principle	48,585	28,223	38,873
Cumulative effect of a change in accounting principle	(59,000)	—	(590)
Net Earnings (Loss)	\$ (10,415)	\$ 28,223	\$ 38,283
Basic earnings (loss) per share:			
Earnings per share before the cumulative effect of a change in accounting principle	\$.71	\$.43	\$.56
Cumulative effect per share of a change in accounting principle	(.86)	—	(.01)
Net earnings (loss) per share	\$ (.15)	\$.43	\$.55
Diluted earnings (loss) per share:			
Earnings per share before the cumulative effect of a change in accounting principle	\$.69	\$.42	\$.55
Cumulative effect per share of a change in accounting principle	(.84)	—	(.01)
Net earnings (loss) per share	\$ (.15)	\$.42	\$.54
Weighted average shares outstanding:			
Basic (Note 4)	68,100	66,000	69,200
Diluted (Note 4)	69,900	67,200	70,600
Comprehensive income (loss)	\$ (13,663)	\$ 27,666	\$ 38,597

See accompanying notes to consolidated financial statements, including Note 7 containing pro forma amounts assuming the retroactive application of SFAS 142.

Consolidated Balance Sheets

Airgas, Inc. and Subsidiaries

(In thousands, except per share amounts)

March 31,	2002	2001
Assets		
Current Assets		
Trade receivables, less allowances for doubtful accounts of \$8,176 in 2002 and \$7,402 in 2001 (Note 12)	\$ 88,634	\$ 143,129
Inventories, net (Note 5)	154,045	155,024
Deferred income tax asset, net (Note 17)	13,210	10,143
Prepaid expenses and other current assets	47,654	25,549
Total current assets	303,543	333,845
Plant and equipment, at cost (Note 6)	1,309,001	1,073,252
Less accumulated depreciation	(415,986)	(368,606)
Plant and equipment, net	893,015	704,646
Goodwill	406,548	440,057
Other intangible assets, net	25,718	29,668
Investments in unconsolidated affiliates	64,626	63,262
Other non-current assets	23,607	9,812
Total assets	\$ 1,717,057	\$ 1,581,290
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	\$ 82,485	\$ 76,337
Accrued expenses and other current liabilities (Note 8)	136,390	130,873
Current portion of long-term debt (Note 9)	2,456	72,945
Total current liabilities	221,331	280,155
Long-term debt, excluding current portion (Note 9)	764,124	620,664
Deferred income tax liability, net (Note 17)	198,173	161,176
Other non-current liabilities	30,343	22,446
Commitments and contingencies (Notes 20 and 21)	—	—
Stockholders' Equity (Note 13)		
Preferred stock, no par value, 20,000 shares authorized, no shares issued or outstanding in 2002 and 2001	—	—
Common stock, par value \$.01 per share, 200,000 shares authorized, 75,193 and 74,361 shares issued in 2002 and 2001, respectively.	752	744
Capital in excess of par value	198,500	188,629
Retained earnings	345,181	355,596
Accumulated other comprehensive loss	(4,401)	(1,153)
Treasury stock, 547 and 516 common shares at cost in 2002 and 2001, respectively	(4,289)	(3,982)
Employee benefits trust, 4,331 and 5,701 common shares at cost in 2002 and 2001, respectively	(32,657)	(42,985)
Total stockholders' equity	503,086	496,849
Total liabilities and stockholders' equity	\$ 1,717,057	\$ 1,581,290

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Airgas, Inc. and Subsidiaries

(In thousands)	Years Ended March 31, 2002, 2001 and 2000						
	Shares of Common Stock \$.01 Par Value	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock	Employee Benefits Trust
Balance – March 31, 1999	72,023.7	\$ 720	\$ 190,175	\$ 289,090	\$ (910)	\$ (1,129)	\$ (7,001)
Net earnings				38,283			
Foreign currency translation adjustment					314		
Purchase of treasury stock (Note 13)						(45,996)	
Reissuance of treasury stock for stock options exercised (Note 13)			(247)			424	
Shares issued in connection with stock options exercised (Note 14)	544.4	5	1,429				
Tax benefit associated with exercise of stock options (Note 17)			1,638				
Shares issued in connection with Employee Stock Purchase Plan (Note 14)	575.7	6	4,080				
Shares issued from Employee Benefits Trust for Employee Stock Purchase Plan (Note 13)			(348)				1,976
Shares of treasury stock sold to Employee Benefits Trust (Note 13)			(2,834)			38,266	(35,434)
Balance – March 31, 2000	73,143.8	\$ 731	\$ 193,893	\$ 327,373	\$ (596)	\$ (8,435)	\$ (40,459)
Net earnings				28,223			
Foreign currency translation adjustment					(557)		
Purchase of treasury stock (Note 13)						(11,214)	
Shares issued in connection with a prior year acquisition agreement	787.6	8	(8)				
Shares issued in connection with stock options exercised (Note 14)	429.5	5	1,455				
Tax benefit associated with exercise of stock options (Note 17)			800				
Shares issued from Employee Benefits Trust for Employee Stock Purchase Plan (Note 13)			(3,107)				8,737
Shares of treasury stock sold to Employee Benefits Trust (Note 13)			(4,404)			15,667	(11,263)
Balance – March 31, 2001	74,360.9	\$ 744	\$ 188,629	\$ 355,596	\$ (1,153)	\$ (3,982)	\$ (42,985)
Net loss				(10,415)			
Foreign currency translation adjustment					(1)		
Purchase of treasury stock (Note 13)						(307)	
Shares issued in connection with stock options exercised (Note 14)	832.0	8	5,547				1,885
Tax benefit associated with exercise of stock options (Note 17)			4,330				
Shares issued from Employee Benefits Trust for Employee Stock Purchase Plan (Note 13)			(1,074)				8,443
Issuance of warrants			1,068				
Cumulative effect of a change in accounting principle					(6,664)		
Net change in fair value of interest rate swap agreements					1,740		
Net tax benefit of comprehensive income items					1,677		
Balance – March 31, 2002	75,192.9	\$ 752	\$ 198,500	\$ 345,181	\$ (4,401)	\$ (4,289)	\$ (32,657)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Airgas, Inc. and Subsidiaries

(In thousands)

Years Ended March 31,	2002	2001	2000
Cash Flows From Operating Activities			
Net earnings (loss)	\$ (10,415)	\$ 28,223	\$ 38,283
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	72,945	86,754	89,308
Deferred income taxes	34,578	5,152	13,123
Equity in earnings of unconsolidated affiliates	(3,835)	(2,260)	(3,391)
Gains on divestitures	(1,916)	(1,173)	(17,712)
(Gain)/loss on sale of plant and equipment	405	502	(915)
Stock issued for employee stock purchase plan	7,369	5,630	5,715
Cumulative effect of a change in accounting principle	59,000	—	590
Other non-cash charges	1,068	2,281	458
Changes in assets and liabilities, excluding effects of business acquisitions and divestitures:			
Securitization of trade receivables	60,800	73,200	—
Trade receivables, net	9,111	(4,122)	(14,480)
Inventories, net	12,614	4,531	1,392
Prepaid expenses and other current assets	(24,743)	(1,757)	(5,954)
Accounts payable, trade	6,148	(2,005)	(7,966)
Accrued expenses and other current liabilities	18,300	10,337	9,434
Other assets and liabilities, net	7,952	(6,288)	(7,793)
Net cash provided by operating activities	249,381	199,005	100,092
Cash Flows From Investing Activities			
Capital expenditures	(58,297)	(65,910)	(65,211)
Proceeds from sale of plant and equipment	3,216	2,854	37,454
Proceeds from divestitures	10,200	49,629	55,596
Business acquisitions, net of cash acquired	(252,538)	(1,006)	(99,204)
Business acquisitions, holdback and other settlements	(5,018)	(4,752)	(2,289)
Investment in unconsolidated affiliates	—	—	(30)
Dividends and fees from unconsolidated affiliates	2,583	3,668	3,973
Other, net	5,153	4,665	4,250
Net cash used in investing activities	(294,701)	(10,852)	(65,461)
Cash Flows From Financing Activities			
Proceeds from borrowings	680,144	157,238	168,569
Repayment of debt	(612,779)	(341,122)	(159,638)
Financing costs	(12,461)	—	—
Purchase of treasury stock	—	(11,214)	(47,125)
Exercise of stock options	7,442	1,460	1,562
Cash overdraft	(17,026)	5,485	2,001
Net cash provided by (used in) financing activities	45,320	(188,153)	(34,631)
Change In Cash	\$ —	\$ —	\$ —
Cash – Beginning of year	—	—	—
Cash – End of year	\$ —	\$ —	\$ —

*For supplemental cash flow disclosures see Note 22.
See accompanying notes to consolidated financial statements.*