

Consolidated Statements of Earnings

Airgas, Inc. and Subsidiaries

(In thousands, except per share amounts)

Years Ended March 31,	2003	2002	2001
Net Sales	\$ 1,786,964	\$ 1,636,047	\$ 1,628,901
Costs and Expenses			
Cost of products sold (excluding depreciation expense)	850,316	818,753	847,200
Selling, distribution and administrative expenses	698,228	619,316	583,355
Depreciation	73,482	64,785	62,938
Amortization (Note 7)	6,362	8,160	23,816
Special charges, net (Note 3)	2,694	—	3,643
Total costs and expenses	1,631,082	1,511,014	1,520,952
Operating Income	155,882	125,033	107,949
Interest expense, net (Note 16)	(46,375)	(47,013)	(60,207)
Discount on securitization of trade receivables (Note 12)	(3,326)	(4,846)	(1,303)
Other income (expense), net (Note 2)	(645)	1,382	242
Equity in earnings of unconsolidated affiliates (Note 15)	3,768	3,835	2,260
Earnings before income taxes and the cumulative effect of a change in accounting principle	109,304	78,391	48,941
Income taxes (Note 17)	41,199	29,806	20,718
Earnings before the cumulative effect of a change in accounting principle	68,105	48,585	28,223
Cumulative effect of a change in accounting principle (Note 1)	—	(59,000)	—
Net Earnings (Loss)	\$ 68,105	\$ (10,415)	\$ 28,223
Basic earnings (loss) per share:			
Earnings per share before the cumulative effect of a change in accounting principle	\$.97	\$.71	\$.43
Cumulative effect per share of a change in accounting principle	—	(.86)	—
Net earnings (loss) per share	\$.97	\$ (.15)	\$.43
Diluted earnings (loss) per share:			
Earnings per share before the cumulative effect of a change in accounting principle	\$.94	\$.69	\$.42
Cumulative effect per share of a change in accounting principle	—	(.84)	—
Net earnings (loss) per share	\$.94	\$ (.15)	\$.42
Weighted average shares outstanding:			
Basic (Note 4)	70,500	68,100	66,000
Diluted (Note 4)	72,300	69,900	67,200
Comprehensive income (loss)	\$ 69,204	\$ (13,663)	\$ 27,666

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)

March 31,

2003

2002

Assets

Current Assets

Trade receivables, less allowances for doubtful accounts
of \$8,514 in 2003 and \$8,176 in 2002 (Note 12)

\$ 71,346 \$ 88,634

Inventories, net (Note 5)

151,405 154,045

Deferred income tax asset, net (Note 17)

17,688 13,210

Prepaid expenses and other current assets

30,143 47,654

Total current assets

270,582 303,543

Plant and equipment at cost (Note 6)

1,345,783 1,309,001

Less accumulated depreciation

(476,291) (415,986)

Plant and equipment, net

869,492 893,015

Goodwill (Note 7)

437,709 406,548

Other intangible assets, net (Note 7)

19,832 25,718

Investments in unconsolidated affiliates (Note 15)

65,957 64,626

Other non-current assets

36,671 23,607

Total assets

\$ 1,700,243 \$ 1,717,057

Liabilities and Stockholders' Equity

Current Liabilities

Accounts payable, trade

\$ 85,375 \$ 82,485

Accrued expenses and other current liabilities (Note 8)

121,292 136,390

Current portion of long-term debt (Note 9)

2,229 2,456

Total current liabilities

208,896 221,331

Long-term debt, excluding current portion (Note 9)

658,031 764,124

Deferred income tax liability, net (Note 17)

209,140 198,173

Other non-current liabilities

27,243 30,343

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 2003 and 2002

— —

Common stock, par value \$.01 per share, 200,000 shares authorized,
76,373 and 75,193 shares issued in 2003 and 2002, respectively

764 752

Capital in excess of par value

216,275 198,500

Retained earnings

413,286 345,181

Accumulated other comprehensive loss

(3,302) (4,401)

Treasury stock, 547 common shares at cost in 2003 and 2002

(4,289) (4,289)

Employee benefits trust, 3,421 and 4,331 common shares at cost in 2003
and 2002, respectively

(25,801) (32,657)

Total stockholders' equity

596,933 503,086

Total liabilities and stockholders' equity

\$ 1,700,243 \$ 1,717,057

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Airgas, Inc. and Subsidiaries

(In thousands)	Years Ended March 31, 2003, 2002 and 2001							
	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	Comprehensive Income/ (Loss)
Balance – March 31, 2000	73,143.8	\$ 731	\$ 193,893	\$ 327,373	\$ (596)	\$ (8,435)	\$ (40,459)	\$ —
Net earnings				28,223				28,223
Foreign currency translation adjustment					(557)			(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)	\$ 27,666
Net loss				(10,415)				(10,415)
Foreign currency translation adjustment					(1)			(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 (Note 13)			1,068					
Cumulative effect of a change in accounting principle (Note 1)					(6,664)			(6,664)
Net change in fair value of interest rate swap agreements (Note 11)					1,740			1,740
Net tax benefit of comprehensive income items					1,677			1,677
Balance – March 31, 2002	75,192.9	\$ 752	\$ 198,500	\$ 345,181	\$ (4,401)	\$ (4,289)	\$ (32,657)	\$ (13,663)
Net earnings				68,105				68,105
Foreign currency translation adjustment					715			715
Shares issued in connection with stock options exercised (Note 14)	1,180.1	12	9,081				754	
Tax benefit associated with exercise of stock options (Note 17)			5,845					
Shares issued from Employee Benefits Trust for Employee Stock Purchase Plan (Note 13)			2,849				6,102	
Net change in fair value of interest rate swap agreements (Note 11)					565			565
Net tax expense of comprehensive income items					(181)			(181)
Balance – March 31, 2003	76,373.0	\$ 764	\$ 216,275	\$ 413,286	\$ (3,302)	\$ (4,289)	\$ (25,801)	\$ 69,204

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Airgas, Inc. and Subsidiaries

(In thousands)

Years Ended March 31,	2003	2002	2001
Cash Flows From Operating Activities			
Net earnings (loss)	\$ 68,105	\$ (10,415)	\$ 28,223
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation	73,482	64,785	62,938
Amortization	6,362	8,160	23,816
Deferred income taxes	8,655	34,578	5,152
Equity in earnings of unconsolidated affiliates	(3,768)	(3,835)	(2,260)
(Gain)/loss on divestitures	241	(1,916)	(1,173)
(Gain)/loss on sale of plant and equipment	(257)	405	502
Stock issued for employee stock purchase plan	8,951	7,369	5,630
Cumulative effect of a change in accounting principle	—	59,000	—
Other non-cash charges	—	1,068	2,281
Changes in assets and liabilities, excluding effects of business acquisitions and divestitures:			
Securitization of trade receivables	24,900	60,800	73,200
Trade receivables, net	(8,316)	9,111	(4,122)
Inventories, net	4,675	12,614	4,531
Prepaid expenses and other current assets	17,718	(24,743)	(1,757)
Accounts payable, trade	2,884	6,148	(2,005)
Accrued expenses and other current liabilities	(8,021)	18,300	10,337
Other long-term assets	2,068	5,081	366
Other long-term liabilities	(3,280)	2,871	(6,654)
Net cash provided by operating activities	194,399	249,381	199,005
Cash Flows From Investing Activities			
Capital expenditures	(67,969)	(58,297)	(65,910)
Proceeds from sale of plant and equipment	4,260	3,216	2,854
Proceeds from divestitures	3,167	10,200	49,629
Business acquisitions, net of cash acquired	(21,179)	(252,538)	(1,006)
Business acquisition holdbacks and other settlements	(6,037)	(5,018)	(4,752)
Dividends and fees from unconsolidated affiliates	2,507	2,583	3,668
Other, net	(1,719)	5,153	4,665
Net cash used in investing activities	(86,970)	(294,701)	(10,852)
Cash Flows From Financing Activities			
Proceeds from borrowings	248,961	680,144	157,238
Repayment of debt	(367,356)	(612,779)	(341,122)
Financing costs	—	(12,461)	—
Purchase of treasury stock	—	—	(11,214)
Exercise of stock options	9,847	7,442	1,460
Cash overdraft	1,119	(17,026)	5,485
Net cash provided by (used in) financing activities	(107,429)	45,320	(188,153)
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.