

Consolidated Statements of Earnings

Airgas, Inc. and Subsidiaries

(In thousands, except per share amounts)

Years Ended March 31,	2004	2003	2002
Net Sales	\$ 1,895,468	\$ 1,786,964	\$ 1,636,047
Costs and Expenses			
Cost of products sold (excluding depreciation expense)	908,681	850,316	818,753
Selling, distribution and administrative expenses	731,827	698,228	619,316
Depreciation	82,567	73,482	64,785
Amortization (Note 8)	5,389	6,362	8,160
Special charges (recoveries), net (Note 4)	(776)	2,694	—
Total costs and expenses	1,727,688	1,631,082	1,511,014
Operating Income	167,780	155,882	125,033
Interest expense, net (Note 17)	(42,357)	(46,375)	(47,013)
Discount on securitization of trade receivables (Note 13)	(3,264)	(3,326)	(4,846)
Other income (expense), net (Note 3)	625	(645)	1,382
Equity in earnings of unconsolidated affiliates (Note 16)	5,213	3,768	3,835
Minority interest (Note 16)	(291)	—	—
Earnings before income taxes and the cumulative effect of a change in accounting principle	127,706	109,304	78,391
Income taxes (Note 18)	47,514	41,199	29,806
Earnings before the cumulative effect of a change in accounting principle	80,192	68,105	48,585
Cumulative effect of a change in accounting principle (Note 2)	—	—	(59,000)
Net Earnings (Loss)	\$ 80,192	\$ 68,105	\$ (10,415)
Basic earnings (loss) per share:			
Earnings per share before the cumulative effect of a change in accounting principle	\$ 1.10	\$.97	\$.71
Cumulative effect per share of a change in accounting principle	—	—	(.86)
Net earnings (loss) per share	\$ 1.10	\$.97	\$ (.15)
Diluted earnings (loss) per share:			
Earnings per share before the cumulative effect of a change in accounting principle	\$ 1.07	\$.94	\$.69
Cumulative effect per share of a change in accounting principle	—	—	(.84)
Net earnings (loss) per share	\$ 1.07	\$.94	\$ (.15)
Weighted average shares outstanding:			
Basic (Note 5)	72,800	70,500	68,100
Diluted (Note 5)	74,700	72,300	69,900
Comprehensive income (loss)	\$ 82,488	\$ 69,204	\$ (13,663)

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Airgas, Inc. and Subsidiaries

(In thousands)

March 31,	2004	2003
Assets		
Current Assets		
Trade receivables, less allowances for doubtful accounts of \$7,294 in 2004 and \$8,514 in 2003 (Note 13)	\$ 107,013	\$ 71,346
Inventories, net (Note 6)	170,300	151,405
Deferred income tax asset, net (Note 18)	21,054	17,688
Prepaid expenses and other current assets	28,463	30,143
Total current assets	326,830	270,582
Plant and equipment at cost (Note 7)	1,654,187	1,345,783
Less accumulated depreciation	(620,261)	(476,291)
Plant and equipment, net	1,033,926	869,492
Goodwill (Note 8)	504,207	437,709
Other intangible assets, net (Note 8)	19,733	19,832
Investments in unconsolidated affiliates (Note 16)	6,292	65,957
Other non-current assets	40,091	36,671
Total assets	\$ 1,931,079	\$ 1,700,243
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	\$ 114,303	\$ 85,375
Accrued expenses and other current liabilities (Note 9)	122,026	121,292
Current portion of long-term debt (Note 10)	6,140	2,229
Total current liabilities	242,469	208,896
Long-term debt, excluding current portion (Note 10)	682,698	658,031
Deferred income tax liability, net (Note 18)	257,031	209,140
Other non-current liabilities	20,789	27,243
Minority interest in subsidiary (Note 16)	36,191	—
Commitments and contingencies (Note 22)		
Stockholders' Equity (Note 14)		
Preferred stock, no par value, 20,000 shares authorized, no shares issued or outstanding in 2004 and 2003	—	—
Common stock, par value \$.01 per share, 200,000 shares authorized, 77,159 and 76,373 shares issued in 2004 and 2003, respectively	772	764
Capital in excess of par value	233,574	216,275
Retained earnings	481,677	413,286
Accumulated other comprehensive loss	(2,566)	(3,302)
Treasury stock, 1,470 and 547 common shares at cost in 2004 and 2003, respectively	(4,658)	(4,289)
Employee benefits trust, 2,241 and 3,421 common shares at cost in 2004 and 2003, respectively	(16,898)	(25,801)
Total stockholders' equity	691,901	596,933
Total liabilities and stockholders' equity	\$ 1,931,079	\$ 1,700,243

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Airgas, Inc. and Subsidiaries

(In thousands)	Years Ended March 31, 2004, 2003 and 2002							
	Shares of Common Stock \$0.01 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, 2001	74,360.9	\$ 744	\$ 188,629	\$ 355,596	\$ (1,153)	\$ (3,982)	\$ (42,985)	
Net loss				(10,415)				\$(10,415)
Foreign currency translation adjustment					(1)			(1)
Purchase of treasury stock						(307)		
Shares issued in connection with stock options exercised (Note 15)	832.0	8	5,547				1,885	
Tax benefit associated with exercise of stock options (Note 18)			4,330					
Shares issued from Employee Benefits Trust for Employee Stock Purchase Plan (Note 14)			(1,074)				8,443	
Issuance of warrants (Note 14)			1,068					
Cumulative effect of a change in accounting principle (Note 2)					(6,664)			(6,664)
Net change in fair value of interest rate swap agreements (Note 12)					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 15)	1,180.1	12	9,081				754	
Tax benefit associated with exercise of stock options (Note 18)			5,845					
Shares issued from Employee Benefits Trust for Employee Stock Purchase Plan (Note 14)			2,849				6,102	
Net change in fair value of interest rate swap agreements (Note 12)					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
Net earnings				80,192				80,192
Foreign currency translation adjustment					1,573			1,573
Shares issued in connection with stock options exercised (Note 15)	786.0	8	8,395				4,728	
Airgas common shares owned by National Welders (Note 14)						(369)		
Dividends paid on common stock (\$0.16 per share) (Note 14)				(11,801)				
Tax benefit associated with exercise of stock options (Note 18)			6,190					
Shares issued from Employee Benefits Trust for Employee Stock Purchase Plan (Note 14)			2,714				4,175	
Net change in fair value of interest rate swap agreements (Note 12)					1,964			1,964
Consolidation of National Welders' interest rate swap agreement, net of cumulative tax benefit					(1,560)			
Net tax expense of comprehensive income items					(1,241)			(1,241)
Balance – March 31, 2004	77,159.0	\$ 772	\$ 233,574	\$ 481,677	\$ (2,566)	\$ (4,658)	\$ (16,898)	\$ 82,488

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Airgas, Inc. and Subsidiaries

(In thousands)

Years Ended March 31,	2004	2003	2002
Cash Flows From Operating Activities			
Net earnings (loss)	\$ 80,192	\$ 68,105	\$ (10,415)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation	82,567	73,482	64,785
Amortization	5,389	6,362	8,160
Deferred income taxes	23,172	8,655	34,578
Equity in earnings of unconsolidated affiliates	(5,213)	(3,768)	(3,835)
(Gain)/loss on divestitures	—	241	(1,916)
(Gain)/loss on sale of plant and equipment	(837)	(257)	405
Minority interest in earnings	291	—	—
Stock issued for employee stock purchase plan	6,889	8,951	7,369
Cumulative effect of a change in accounting principle	—	—	59,000
Other non-cash charges	—	—	1,068
Changes in assets and liabilities, excluding effects of business acquisitions and divestitures:			
Securitization of trade receivables	3,700	24,900	60,800
Trade receivables, net	(15,901)	(8,316)	9,111
Inventories, net	(5,586)	4,675	12,614
Prepaid expenses and other current assets	10,146	17,718	(24,743)
Accounts payable, trade	20,845	2,884	6,148
Accrued expenses and other current liabilities	4,687	(8,021)	18,300
Other long-term assets	1,179	2,068	5,081
Other long-term liabilities	(2,425)	(3,280)	2,871
Net cash provided by operating activities	209,095	194,399	249,381
Cash Flows From Investing Activities			
Capital expenditures	(93,749)	(67,969)	(58,297)
Proceeds from sale of plant and equipment	5,347	4,260	3,216
Proceeds from divestitures	—	3,167	10,200
Business acquisitions, holdbacks, and other settlements of acquisition related liabilities	(34,907)	(27,216)	(257,556)
Dividends and fees from unconsolidated affiliates	2,147	2,507	2,583
Other, net	(1,369)	(1,719)	5,153
Net cash used in investing activities	(122,531)	(86,970)	(294,701)
Cash Flows From Financing Activities			
Proceeds from borrowings	414,297	248,961	680,144
Repayment of debt	(485,004)	(367,356)	(612,779)
Financing costs	(2,737)	—	(12,461)
Minority interest	(291)	—	—
Exercise of stock options	13,130	9,847	7,442
Dividends paid to stockholders	(11,801)	—	—
Cash overdraft	(14,158)	1,119	(17,026)
Net cash provided by (used in) financing activities	(86,564)	(107,429)	45,320
Change In Cash	\$ —	\$ —	\$ —
Cash – Beginning of year	—	—	—
Cash – End of year	\$ —	\$ —	\$ —

For supplemental cash flow disclosures see Note 23.
See accompanying notes to consolidated financial statements.