AIRGAS INC
Form DEFA14A
August 18, 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 x 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

x 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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(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:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 240.0-11 and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

It s All About Value (Updated)
It s All About Value (Updated)
August 18, 2010
August 18, 2010

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IMPORTANT INFORMATION
In connection with its 2010 Annual Meeting of Stockholders, Airgas, Inc. has filed a definitive proxy statement on Schedule 14A with the Securities and Exchange Commission (the SEC). INVESTORS AND STOCKHOLDERS OF AIRGAS ARE URGED TO READ THE PROXY STATEMENT

FOR THE 2010 ANNUAL MEETING IN ITS ENTIRETY BECAUSE IT CONTAINS IMPORTANT INFORMATION. In response to the tender offer proposed by Air Products and Chemicals, Inc. referred to in this communication, Airgas has filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9, as amended. STOCKHOLDERS OF AIRGAS ARE ADVISED

TO READ AIRGAS SOLICITATION/ RECOMMENDATION STATEMENT ON SCHEDULE 14D-9, AS AMENDED, IN ITS ENTIRETY BECAUSE IT CONTAINS IMPORTANT INFORMATION. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities of Air Products. Investors and stockholders will be able to obtain free copies of Airgas definitive proxy statement, the Solicitation/Recommendation Statement on Schedule 14D-9, any amendments or supplements to the proxy statement and/or the Schedule 14D-9, any other documents filed by Airgas in connection with the 2010 Annual Meeting and/or the tender offer by Air Products, and other documents filed with the

SEC by Airgas at the SEC s website at www.sec.gov. Free copies of the definitive proxy statement, the Solicitation/ Recommendation Statement on Schedule 14D-9, and any amendments and supplements to these documents are also available in the Investor Information section of the Company s website at www.airgas.com, or through the following web address: http://investor.shareholder.com/arg/airgascontent.cfm. Airgas and its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies in connection with its 2010 Annual Meeting. Detailed information regarding the names, affiliations and interests of Airgas directors and executive officers is available in the definitive proxy statement for the 2010 Annual Meeting, which was filed with the SEC on July 23, 2010. To the extent holdings of Airgas securities have changed, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC.

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 the words believes, 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 be regarded as 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 made in connection with a tender offer are not subject to the safe harbors created by the Private Securities Litigation Reform Act of 1995. The Company is

not
waiving
any
other
defenses
that
may
be
available
under
applicable
law.
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3
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 offe
(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.

4
4

Airgas
management has a proven track record of exceptional shareholder
value
creation

The Airgas Board unanimously believes that Air Products
offer grossly
undervalues Airgas and is not a sensible starting point for any discussions or negotiations

The Airgas Board has always been prepared to engage in discussions if and when it believes those conversations will result in an appropriate value for Airgas stockholders

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

Our Board Believes That Air Products
Our Board Believes That Air Products
Offer
Offer
Would Deprive Shareholders of Full Value
Would Deprive Shareholders of Full Value

We believe that Airgas is poised to deliver significant value driven by a material recovery in our earnings through 2012

5
5
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Time Has Provided Additional Value
Time Has Provided Additional Value
to Our Shareholders
to Our Shareholders
10-Year U.S. Treasury Yield
Source: Bloomberg market data as of August 13, 2010, public filings
Note: All data shown from February 5, 2010, the date of the announcement of the initial Air Products public offer, and August
* Represents quarterly Adjusted EPS. See attached reconciliations of non-GAAP measures.
(1) Shown indexed to close as of February 5, 2010, and denominated in local currencies.
Peer Stock Prices[1]
Our Earnings*
90%

100%
110%
120%
130%
Feb-2010
May-2010
Aug-2010
Air
Liquide:
18.4%
Praxair:
17.9%
Linde:
15.9%
$ 0.65
$ 0.69
$ 0.83
FQ3
2010
FQ4
2010
FQ1
2011
2.5%
3.0%
3.5%
4.0%
4.5%
Feb-2010
May-2010
Aug-2010
2.7 %

Additionally, from December 31, 2009 to August 13, 2010,
Airgas reduced adjusted debt by more than $230 million

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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
~900

Independents
50%
Airgas
25%
Praxair
Taiyo Nippon Sanso
Air Liquide
Linde
Packaged Gases
$6.5B+
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

The 100 largest
independents
account for nearly
25% of the
total market

8
8

Leader in the U.S. packaged gas market

Leading position in U.S. packaged industrial, medical, and specialty gas market

Significant position in U.S. bulk market

Leading platform for U.S. refrigerants, ammonia, and process chemicals markets

We also produce various gases

Fifth largest U.S. producer of atmospheric gases

Leading U.S. supplier of liquid CO_2 and dry ice

Largest U.S. producer of nitrous oxide

Leading supplier of hardgoods
in U.S.

Welding, safety and related MRO supplies

Red-D-Arc
®
rental welders

National platform supports multiple
sales channels:

Branch-based field sales

Retail stores

Strategic Accounts

Distributors
With an Unparalleled Distribution Platform
With an Unparalleled Distribution Platform
and Significant Production of Gases
and Significant Production of Gases

Telesales

Catalog

eBusiness
8
8

Known Locally Nationwide
Known Locally Nationwide
9
9
~1,100 Locations

875+ branches

325+ HP fill plants

16 ASU s

18 acetylene plants

6 liquid CO
2
production plants

63 regional spec gas labs

8 national spec gas labs

6 hardgoods distribution centers
14,000+ Associates

~1,500 sales people
(25% specialists)

5,000+ drivers
10M+ Cylinders
13,500+ Bulk Tanks
5,000+ Vehicles
Branch / Retail Store / Other
Air Separation Unit (ASU)
Hardgoods Distribution Center

10
10
Packaged Gases
Packaged Gases
Bulk Gases
Bulk Gases
Creating Value for Customers
Creating Value for Customers
Through the Right Supply Modes
Through the Right Supply Modes

Cylinders
Cylinders
Dewars
Dewars
MicroBulk
MicroBulk
Bulk,
Bulk,
Tube Trailers
Tube Trailers
Size of Supply Mode
Onsite,
Onsite,
Pipeline
Pipeline

Our full range of supply modes enables our customers to optimize their production processes and reduce total costs
10
10

11
11
Hardgoods
Hardgoods
Supply Modes
Supply Modes
6 national hardgoods
distribution centers

Drop-ship large and small order
quantities to end customers

1-2 day delivery to 95% of U.S.; next-
day delivery to 60% of U.S.
875+ regional company branches

Service walk-in customers with
inventory on-hand

Deliver to customers on truck routes
or via common carrier

Direct to customer from manufacturer

Vendor managed inventory (VMI)
11
11

Airgas 2000
Airgas 2000
Airgas 2010
Airgas 2010
Creating operating culture
Building out infrastructure
Repositioning company
(40+ hub companies)
Early stages of establishing

Strategic Products
Gas/Rent = ~50% of sales
Balance sheet leverage high
Operating culture firmly in place
Scalable infrastructure
12 regional operating companies form our
national distribution platform
11 strategically-aligned companies
complement our core business
Strategic Products established
(account for more than 40% of sales)
Gas/Rent = ~65% of sales
Operating efficiency programs
Significant Bulk capabilities
Spec Gas innovation & marketing
Ammonia and Refrigerants offerings
Tech expertise / Engineering capabilities
Demand planning / Buying Centers
Brand management / RADNOR
private label
Comfortable balance sheet leverage
12
12
We Are Stronger Than Ever...
We Are Stronger Than Ever...
12
12

Note: Dollars in millions.
13
13
$27
$41
$109
$196
$191
$190
$197
$236
$256

$314
$397
$489
$666
$746
$665
$50
$145
$139
$62
$38
$79
$194
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Fiscal Year Adjusted EBITDA
13
13
In the midst of the worst recession
since the Great Depression, FY 2010
was Airgas
only significant annual
EBITDA decline in 22 years
And Have Delivered Significant
And Have Delivered Significant
EBITDA Growth Over the Last 22 Years
EBITDA Growth Over the Last 22 Years

14
14
Track Record of Double-Digit Growth
Track Record of Double-Digit Growth
in Revenue, EBITDA and EPS
in Revenue, EBITDA and EPS
14
14
Revenue
2001-2009 CAGR
EBITDA *
2001-2009 CAGR
EBITDA *
Capex
2001-2009 CAGR
Diluted EPS
2001-2009 CAGR
Source: Financials based on company filings calendarized to December year end.
Note: CAGR = Compound Annual Growth Rate

* See attached reconciliation of non-GAAP measures.
Airgas
Air Products
11%
5%
Airgas
Air Products
17%
5%
Airgas
Air Products
15%
5%
Airgas
Air Products
20%
7%

15
15
Actual EPS vs. Consensus EPS Estimates
Source:
FactSet
and
consensus
Wall
Street
estimates

as
of
August
13,
2010.
15
15
Consistently Meeting or Exceeding
Consistently Meeting or Exceeding
Consensus Analyst Estimates
Consensus Analyst Estimates

Consensus Estimates
Actual
$0.00
$0.50
$1.00
$1.50
$2.00
$2.50
$3.00
$3.50
$4.00
Mar-01
Mar-02
Mar-03
Mar-04
Mar-05
Mar-06
Mar-07
Mar-08
Mar-09
Mar-10

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Moderate 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

Our goal of CY2012 EPS of $4.20+ reflects all of the costs of the SAP
implementation but none of the benefits
17
17
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.

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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

19
19
19
19
Source: Airgas Management and Wall Street research.
* See attached reconciliations of non-GAAP measures.
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
Recovery is Demonstrated
Recovery is Demonstrated
in Our 1Q FY2011 Earnings
in Our 1Q FY2011 Earnings

20
20
20
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20
20

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

20
20

Expected Earnings Growth and
Expected Earnings Growth and
Strong Cash Flow Are Projected to
Strong Cash Flow Are Projected to
Underpin Our Shareholder Value Creation
Underpin Our Shareholder Value Creation

21
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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
21
21
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
-
Tech IP

Non-Tech IP Growth Rate
ISM Index[1]
$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
22
22
22
22
22
22
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22
22
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22
22
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 [2]
22+%
6 %
10 %
7 %
6 %
(16)%
(20)%
(10)%
0 %
10 %
20 %
2003-2005 Avg
2006
2007
2008
2009
2010-2012 Avg
~**7%**

23
23
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23
23
23

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

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IV. Business Mix Improvement
IV. Business Mix Improvement
Produces Higher Margins
Produces 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
$1.7B
$3.9B
$3.9B
$5.2B+
$5.2B+
RADNOR Private Label
(% of Hardgoods
Sales)
~7%
~7%
7%
~12%
~12%
12%
12-15%
Atmospheric Gas Production
(% Total Atmos. Consumption)
10%
10%
60%+
60%+
65%+
65%+
EBITDA Margin*
14%

14%
17%
17%
18.0-18.5%
1
CY2002.
* See attached reconciliations of non-GAAP measures.

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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

26
26
26
26
26
26
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

27
27
27
27
27
27
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 -
$ 3.15

$ 3.05 -
$ 2.95
18-23% Increase
16% CAGR
$4.20+
$2.67
7 quarters between
7 quarters between
March 31, 2011 and
March 31, 2011 and
December 31, 2012
December 31, 2012
CY 2009
Actual
Original
FY11 Guidance
(12 Mos. Ended
March 2011)
Revised
FY11 Guidance
(12 Mos. Ended
March 2011)
CY 2012
Goal

28
28
28
28
28
28
* 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
Adj. EPS*
EPS
FY11
Guidance*
(Updated)

$3.30
$3.15

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29
* 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 Goals
Beating Our Mid-Term 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

30
30
30
30
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30
30
30
30
30
Note: Further benefits expected to be realized from ongoing SAP implementation.
In Addition, Returns from Significant Recent
In Addition, Returns from Significant Recent

Investments Have Yet to be Fully Realized...
Investments Have 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_2 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

31
31
31
31
31
31
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

32
32

Agenda
Agenda

I.
Historical average next-twelve-months (NTM) trading multiples of Airgas

Airgas
5-year median NTM multiple is 16.7x P/E[1], which includes negative impact of recession

Over the past 5 years, Airgas
NTM
P/E has averaged:
17.7x when GDP growth is between 0% and 3% (current 2011E consensus of 2.8%) [2]
17.0x when ISM Index is between 50 and 55 and 17.2x when ISM index is 55 or greater[2]
II.
Increase
in
peer
equity
values
and
trading
multiples
since
Air
Products
February
4
proposal

Peers
share prices have increased by 16% to 18%

Peers
multiples have increased by median of 8% on P/E and 9% on EV/EBITDA[3]
III.
We

believe
Airgas
shareholders
are
not
receiving
adequate
value
for
Air
Products
estimated
synergies

At
Air
Products
$250
million
announced
value,
synergies
are
worth
over
$20
per
Airgas
share
4

Prior to February 4 proposal, Air Products indicated to Airgas that $350 million of synergies could be achieved
IV.
Air Products can significantly increase its offer price while maintaining an accretive transaction post-synergies

At $63.50 offer, Air Products expects transaction to be immediately accretive to both GAAP and Cash EPS even though full synergies not expected until after year 2
V.
Airgas
strong future growth prospects and significant leverage to recovering economy
VI.
Airgas
scarcity value as the largest, most valuable packaged gas business and the only remaining independent packaged gas company of scale in the world
Building Blocks of Value
Building Blocks of Value
Why We Believe
Why We Believe

Air Products
Air Products
Offer Is Inadequate and Opportunistic
Offer Is Inadequate and Opportunistic
33
33
[1] Represents five-year median multiple as of February 4, 2010, prior to date of announcement of the Air Products offer, based
[2] Represents U.S. real quarterly GDP growth, ISM Purchasing Managers Index, and five-year average NTM consensus P/E mu
3
Based on CY2011 consensus estimates. Peer set comprises Praxair, Air Liquide, and Linde.
4
Refer to slide 42.
Source: FactSet consensus estimates, Bloomberg market data

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34
Wall Street Analysts View Our FY11 Guidance
Wall Street Analysts View Our FY11 Guidance
and Our $4.20+ EPS Goal in CY12 Favorably
and Our $4.20+ EPS Goal in CY12 Favorably

FY11 Consensus EPS = $3.26, within our FY11 Adjusted EPS* guidance range of $3.15 to $3.30

FY13 Consensus EPS = $4.25, growth of 14.8% over FY12 Consensus EPS of $3.70

Analysts generally don t include future acquisitions in estimates

Our FY13 encompasses three quarters of CY12

Management
also
reaffirmed
its
goal
of
achieving
CY 12
EPS
of
$4.20,
and
indicated
it
is
on
a
trajectory
to
meet
or
exceed

this even absent any M&A contribution. When this goal was first posited, acquisition was seen as a component of getting there, but margin/execution has made that moot.

BB&T Capital Markets, July 22, 2010

Including acquisitions, we believe earnings power for ARG could approach $4.50 per share by FY13. While we believe the company's internal goal of earnings of $4.20 per share in calendar 2012 is certainly attainable given significant leverage to volume recovery and ongoing productivity initiatives, it does not appear to be conservative to us given the need to generate high single-digit organic sales growth.

KeyBanc
Capital Markets, July 22, 2010

ARG s
CY12
EPS

guidance of $4.20 looks increasingly attainable. APD s recently raised $63.50/share hostile bid looks less attractive to ARG shareholders given the strong results and lower net debt.

First Analysis Securities, July 22, 2010

For FY12 we are forecasting EPS of $3.82 which management has not provided guidance for although they have expressed an EPS goal of $4.20 for CY12 which would include 4QFY12 and the following three quarters. An acceleration in end market recovery in the next year would produce upside to our estimate and management's guidance; we believe both reflect a steady albeit modest ongoing recovery. For FY12 we are looking for further top-line growth of 9% as the sales initiatives that are currently being implemented gain full traction.

Piper Jaffray & Co., July 22, 2010

Note: Permission to use quotations neither sought nor obtained.

* See attached non-GAAP reconciliations.

5 x
10 x
15 x
20 x
25 x

Feb-2000
Feb-2001
Feb-2002
Feb-2003
Feb-2004
Feb-2005
Feb-2006
Feb-2007
Feb-2008
Feb-2009
Feb-2010
Median P/E
2/2000 - 2002
15.1
x
2003 - 2005
16.9
x
2006 - 2008
17.5
x
2009 - 2/2010
14.8
x
Last 5 Years
16.7
x
35
35
35
35
35
35
35
35
35
35
35
35
35
35
35
35
Airgas
Next
Twelve
Months
P/E
Multiple
for

10
Years
Before
Air
Products
Unsolicited
Proposal
Source: Bloomberg market data as of February 4, 2010, consensus analyst estimates
Timing Matters: Our Trading History
Timing Matters: Our Trading History
Demonstrates Air Products
Demonstrates Air Products
Opportunism
Opportunism
Airgas
Stock
Price
for
10
Years
Before
Air
Products
Unsolicited
Proposal
$43.53
$ 0
$ 15
$ 30
$ 45
$ 60
$ 75
Feb-2000
Feb-2001
Feb-2002
Feb-2003
Feb-2004
Feb-2005
Feb-2006
Feb-2007
Feb-2008
Feb-2009
Feb-2010

36
36
36
36
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36
36
36
Source: Bloomberg consensus estimates as of August 13, 2010.
[1]
Data indexed to January 2006.

Timing Matters:
Timing Matters:
U.S. Economic Recovery is Just Beginning
U.S. Economic Recovery is Just Beginning
2.7 %
1.9 %
0.0 %
(2.6)%
3.0 %
2.8 %
3.1 %
2006
2007
2008
2009
2010E
2011E
2012E
U.S. GDP Growth
2.9 %
2.7 %
0.5 %
(4.1)%
1.2 %
1.3 %
1.6 %
2006
2007
2008
2009
2010E
2011E
2012E
European GDP Growth
50
60
70
80
90
100
110
120
Jan-06
Feb-07
Apr-08
May-09
Jul-10
U.S. Industrial Indicators Since 2006[1]
ISM Manufacturing Index
Non-Tech Industrial Production

4.6 %
4.6 %
5.8 %
9.3 %
9.6 %
9.1 %
8.1 %
2006
2007
2008
2009
2010E
2011E
2012E
U.S. Unemployment

37
37
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37
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37
37
37

37
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37
37
and Our Multiple Strengthens in Periods of
and Our Multiple Strengthens in Periods of
Economic Growth -
Economic Growth -
GDP
GDP
37
37
EV / NTM EBITDA
Price / NTM EPS
Q-o-Q GDP Growth
Airgas Multiple
37
37
3.0x
6.0x
9.0x
12.0x
Feb-05
Jan-06
Dec-06
Nov-07
Oct-08
Sep-09
Aug-10
(8.0%)
(4.0%)
0.0%
4.0%
8.0%
6.0x
12.0x
18.0x
24.0x
Feb-05
Jan-06
Dec-06
Nov-07
Oct-08
Sep-09
Aug-10
(8.0%)
(4.0%)
0.0%

4.0%
8.0%
8.5x
8.4x
7.5x
7.0x
(3%) or
less
(3%) -
0%
0% -
3%
3% or
greater
12.4x
14.4x
17.7x
17.8x
(3%) or
less
(3%) -
0%
0% -
3%
3% or
greater
Average
Multiple
(1)
Average
Multiple
(1)
Source:
FactSet
estimates
as
of
August
13,
2010.
Gross
Domestic
Product,
Real
%
Change
P/P

United
States

Quarterly.
(1) Represents 5 years of data prior to February 4, 2010.
February 4, 2010
Proposal
February 4, 2010
Proposal

38
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38

38
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38
38
EV / NTM EBITDA
Price / NTM EPS
ISM Index
Airgas Multiple
and Our Multiple Strengthens in Periods of
and Our Multiple Strengthens in Periods of
Economic Growth -
Economic Growth -
ISM
ISM
38
38
3.0x
6.0x
9.0x
12.0x
Feb-05
Jan-06
Dec-06
Nov-07
Oct-08
Sep-09
Aug-10
30
40
50
60
70
6.0x
12.0x
18.0x
24.0x
Feb-05
Jan-06
Dec-06
Nov-07
Oct-08
Sep-09
Aug-10
30
40
50

60
70
80
8.2x
8.1x
8.0x
6.5x
40 or
less
40-50
50-55
55 or
greater
11.1x
15.8x
17.0x
17.2x
40 or
less
40-50
50-55
55 or
greater
Average
Multiple
(1)
Average
Multiple
(1)
February 4, 2010
Proposal
February 4, 2010
Proposal
Source: FactSet estimates as of August 13, 2010. ISM Manufacturing, Purchasing Managers Index- United States.
(1) Represents 5 years of data prior to February 4, 2010.

Source: Factset
and company filings.
Note: Current multiples as of August 13, 2010.
(1) Next Twelve Months
(2) Represents median multiple of an equally-weighted index comprising Praxair, Air Liquide, and Linde.
Although Lagging Pre-Recession Levels, Sector Trading
Although Lagging Pre-Recession Levels, Sector Trading
Multiples Have Significantly Increased Since Air Products
Multiples Have Significantly Increased Since Air Products
February 4 Proposal

February 4 Proposal
Calendar 2010E EV / EBITDA
39
39
Calendar 2011E EV / EBITDA
Calendar 2012E EV / EBITDA
Calendar 2010E P / EPS
Calendar 2011E P / EPS
Calendar 2012E P / EPS
Current Median: 9.0x
2/4/10 Median: 8.4x
Current Median: 8.4x
2/4/10 Median: 7.7x
Current Median: 7.7x
2/4/10 Median: 7.3x
Current Median: 17.0x
2/4/10 Median: 15.9x
Current Median: 15.5x
2/4/10 Median: 14.4x
Current Median: 14.0x
2/4/10 Median: 13.4x
Multiple as of February 4, 2010
Current Multiple
39
39
8%
9%
5%
7%
8%
5%
10.6x
9.0x
8.1x
8.0x
8.4x
9.4x
PX
AL
LIN
9.8x
8.4x
7.6x
8.5x
7.7x
7.4x
PX
AL
LIN
9.1x

7.7x
7.1x
7.8x
7.3x
7.1x
PX
AL
LIN
18.6x
17.0x
15.6x
16.1x
15.9x
14.9x
PX
AL
LIN
16.5x
15.5x
13.9x
14.3x
14.4x
13.0x
PX
AL
LIN
15.0x
14.0x
12.2x
12.8x
13.4x
12.0x
PX
AL
LIN
3-Year Median
NTM[1]
P / EPS
Pre-Lehman Filing
on Sep. 15, 2008
Peers[2]: 17.8x
3-Year Median
NTM[1]
EV / EBITDA
Pre-Lehman Filing
on Sep. 15, 2008
Peers[2]: 9.1x

$20
$30
$40
$50
$60
$70
$80
Aug-09
Sep-09
Oct-09

Nov-09
Dec-09
Jan-10
Feb-10
Air Products
Air Products
February 4 Proposal Followed a
February 4 Proposal Followed a
Temporary Market Anomaly
Temporary Market Anomaly
Source: Bloomberg market data as of February 4, 2010
Airgas Stock Price
January 15
February 4
(14)%
(12)%
(10)%
(8)%
(6)%
(4)%
(2)%
0%
2%
15-Jan
22-Jan
29-Jan
January 28, 2010
Airgas announces
Q3 FY 2010
earnings
miss guidance by
just 2 cents (3.0%),
stock falls 10%
(10)
$43.53
40
40
40
40

Source: Bloomberg market data as of August 13, 2010
Note:
Share
price
changes
of
Praxair,
Air
Liquide,
and
Linde
taken
between
February

5, 2010, the date Air Products $60 proposal was made public, and August 13, 2010. Share price changes denominated in the local currencies.

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.
41
41
41
41
Air Products
Air Products
Offer Premium
Offer Premium
Does Not Adequately Reflect the
Does Not Adequately Reflect the
Growth in Peer Equity Values
Growth in Peer Equity Values
Price
Change
Since
Air
Products
Initial
Public
Proposal
2.4%
5.8%
11.7%
15.9%
17.9%
18.4%
Increase in APD
Proposal from $62 to
$63.50
Increase in APD
Proposal from $60 to
$63.50

Peer Equity Growth
(as of $63.50 offer date)[1]
Linde
Praxair
Air Liquide

42
42
42
42
42
42
42
42

We Believe Airgas Shareholders Are
We Believe Airgas Shareholders Are
Not Being Adequately Compensated for
Not Being Adequately Compensated for
the Value of Air Products
the Value of Air Products
Estimated Synergies
Estimated Synergies

Air Products has stated that an acquisition of Airgas would have substantial cost synergies yielding $250 million run-rate by the end of year two

However, prior to February 4 proposal, Air Products indicated to Airgas that $350 million of synergies could be achieved

Air Products has also publicly estimated cash costs of implementing synergies to be somewhere in the $350 million to $400 million range

$250M of annual synergies and $400M implementation costs implies a value of synergies in excess of $20 per Airgas share[1]

Source: Air Products

Offer to Acquire Airgas
presentation dated February 5, 2010, and associated transcript
1

Assumes that synergies are capitalized at median peer EV / CY2010E EBITDA multiple of 9.0x. 9.0 x $250M in annual syner
implement, equals $1.85B, divided by total diluted share count based on the most recent Air Products offer price of $63.50 per

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The Industrial Gas Sector
The Industrial Gas Sector
has Steadily Consolidated
has Steadily 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	33
Linde	29
Air Products	20
Airgas	7
Taiyo Nippon Sanso	6

Major Industrial Gas Players in 2010
Source: Bloomberg market data as of August 13, 2010, public filings

44
44
44
44
44
44
44
44

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

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Agenda
Agenda

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46
46
46
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46
46

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
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...

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47
47
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47
47

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. Ill

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 Febru
announcement of the Air Products offer. Returns are split-adjusted and are measured since the later of the director s start date
Airgas
Airgas
Nominees Are Keenly Aware
Nominees Are Keenly Aware
of Their Fiduciary Duties
of Their 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

48
48
48
48
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48
48

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 shareholders vote for Air Products
bylaw proposals, they could reduce Airgas
ability to create stockholder value and determine strategic direction
We recommend that you discard any Gold proxy cards
you receive and promptly vote the WHITE proxy card
FOR
the three highly qualified Airgas Directors and
AGAINST
Air Products
proposed By-Law amendments
We Believe Air Products
We Believe Air Products
Nominees and
Nominees and
Proposals Would Deprive Airgas
Proposals Would Deprive Airgas
Shareholders of Full Value
Shareholders of Full Value

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49
Agenda
Agenda
Slide
Slide

Airgas
Airgas
Acquisition History vs. Non-Tech IP
Acquisition History vs. Non-Tech IP
1988-Present
1988-Present
50
50
$0

$100
$200
$300
$400
$500
$600
-10%
-9%
-8%
-7%
-6%
-5%
-4%
-3%
-2%
-1%
0%
1%
2%
3%
4%
5%
6%
FY88
FY89
FY90
FY91
FY92
FY93
FY94
FY95
FY96
FY97
FY98
FY99
FY00
FY01
FY02
FY03
FY04
FY05
FY06
FY07
FY08
FY09
FY10
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G
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o
w
t
h
Sales Acquired
Non-Tech IP
Refron
BOC Packaged
Linde
Bulk
Linde

Packaged
Air Products Packaged

51
51
Airgas
Airgas
Superior Track Record
Superior Track Record
in Executing Acquisitions
in Executing Acquisitions
51
51
Since 2000
Airgas
Air Products
Number of Acquisitions
91

21
Total Disclosed Value of
Acquisitions
$2,210 million
$1,765 million
Acquisition and Restructuring
Related Charges ($mm)
$21 million
$393 million (1)
Acquisition Value Leakage (2)
1%
22%
Source: Company public filings through January 2010
(1) Includes impairment charge on sale of U.S. Healthcare operations in 2009 and HPPC Business in 2007. Excludes charges a related to aborted BOC transaction.
(2) Defined as acquisition and restructuring related charges as percentage of total disclosed value of acquisitions.

52
52
52
52
Total Shareholder Returns outperforming
the S&P 500
Since
1/1/1987,
#26
highest
out
of

500
(Top
5%)
(b)
3-year returns +22%
5-year returns +89%
10-year returns +516%
Officer and Director compensation
practices favorable to peers
Incentive and equity based comp for officers
Equity component to Director comp
No repricing
of options
Officer and Director stock beneficial
ownership
11.9% (#28 highest out of S&P 500)
Employee compensation leveraged,
consistent
Simple options; gainsharing
plans
Incentive-based components at all levels
Clean balance sheet
No material legacy liabilities
No material contingent liabilities
Strong cash flow
Free
Cash
Flow
(c)
$411
million
in
FY10
Cash
from
Operations
(c)
$648
million
in
FY10
(20% CAGR since FY01)
Note:
Market
data
as
of
February
4,
2010

(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)
See
attached
reconciliations
of
non-GAAP
measures.
A History of Value Creation
A History of Value Creation
and Alignment with Shareholders
and Alignment with Shareholders

53
53
53
53
Strong Cash Flow
Strong Cash Flow
Drives Shareholder Value Creation
Drives Shareholder Value Creation
Strong Cash Flow from Operations*

Funds growth / maint. capex
Returns cash to stockholders through
Funds acquisitions
dividends and share repurchases
Accelerates debt paydown
* See attached reconciliations of non-GAAP measures
Note: CAGR
= Compound Annual Growth Rate
$0
$100
$200
$300
$400
$500
$600
$700
FY01
FY02
FY03
FY04
FY05
FY06
FY07
FY08
FY09
FY10
Maint. Capex
(~3%
of Sales)
Growth Capex
Free
Cash
Flow
Cash from
Operations*
Total Capex*
$411M
$66M
20% CAGR
in
Cash from
Operations*

54
54
54
54
54
54
54
54
(in millions)
2009
2001
CAGR
Net earnings (loss)
213
$
(18)

$
Cumulative effect of change in accounting principle
-

59

Earnings before the cumulative effect of a change
in accounting principle
213

41

Plus:
Income Taxes
136

26

Equity in earnings of unconsolidated subsidiary
-

(3)

Interest expense, net
70

48

Discount on securitization of trade receivables
6

5

Loss on the extinguishment of debt
9

-

Other (income) expense, net
(1)

(1)

Depreciation
210

62

Amortization
22

12

Multi-employer pension plan withdrawal charge
7

-

Adjusted EBITDA
672

190

17%
Capital expenditures
(261)

(59)

Adjustments to capital expenditures:
Proceeds from the sale of plant and equipment
11

3

Operating lease buyouts
2

-

Adjusted Capital Expenditures
(248)

(56)

Adjusted EBITDA less Adjusted Capital Expenditures
424
$
134
$
15%
Twelve Months Ended
December 31,
The Company believes this presentation of the cumulative average growth rates ("CAGR") of adjusted EBITDA and adjusted EBITDA less adjusted capital expenditures helps investors better assess the Company's growth. Non-GAAP metrics should be read in conjunction with GAAP financial measures, as non GAAP metrics are merely a supplement to, and not a replacement f GAAP financial measures. It should be noted as well that our adjusted EBITDA and adjusted capital expenditures metrics may different from adjusted EBITDA and adjusted capital expenditures metrics provided by other companies.
Non-GAAP Reconciliations:
Non-GAAP Reconciliations:

Adjusted EBITDA and Adjusted EBITDA Less Capital Expenditures
Adjusted EBITDA and Adjusted EBITDA Less Capital Expenditures

55
55
55
55
55
55
55
55
55
55
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
$
Adjusting Operating Margin

8.8%

The Company believes the above adjusted operating income and adjusted operating margin computations help investors assess the Company s operating performance without the impact of charges associated with the integration of major acquisitions. Non-GAAP metrics 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 metrics may be different from the adjusted operating income and adjusted operating margin metrics provided by other companies.

Non-GAAP Reconciliations:
Non-GAAP Reconciliations:
Adjusted
Adjusted
Operating
Operating
Income
Income
and
and
Adjusted
Adjusted
Operating
Operating
Margin
Margin

FY2005
FY2005

56
56
56
56
56
56
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,
The Company believes this return on capital computation helps investors assess how effectively the Company uses the capital i
its operations. Our management uses return on capital as one of the metrics for determining employee compensation. Non-GA
should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a rep
GAAP financial measures. It should be noted as well that our return on capital computation information may be different from
capital computations provided by other companies.
56
56
Non-GAAP Reconciliation:
Non-GAAP Reconciliation:
Return on Capital
Return on Capital

57
57
57
57
57
57
57
57
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
$
(Updated Guidance)
Fiscal Year Ending March 31, 2011
Calendar Year
The Company believes that the adjusted earnings per diluted share above provide investors meaningful insight into the Compar
charges, multi-employer pension plan withdrawal charges, the settlement of material litigation, restructuring charges, insurance
employee separation costs, hurricane losses, and losses from discontinued operations. Non-GAAP metrics should be read in co
are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our adjusted
earnings per diluted share metrics provided by other companies.
Non-GAAP Reconciliation:
Non-GAAP Reconciliation:
Adjusted Earnings Per Diluted Share
Adjusted Earnings Per Diluted Share

58
58
58
58
58
58
58
58
Three Months Ended
Six Months Ended
(in thousands)
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
The Company believes the above adjusted EBITDA margin computations help investors assess the Company s operating perf
amortization and charges associated with the Company s withdrawal from multi-employer pension plans, costs related to Air
settlements and restructuring charges. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as n
a replacement for, GAAP financial measures. It should be noted as well that our Adjusted EBITDA metric may be different fr
Non-GAAP Reconciliation:
Non-GAAP Reconciliation:
Adjusted EBITDA Margin
Adjusted EBITDA Margin

59
59
59
59
59
59
59
59
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 separation 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

The Company believes that using adjusted EBITDA in its percentage of adjusted EBITDA fall through metric provides investo
adjusted EBITDA for every dollar of increased sales without the impact of costs related to the unsolicited takeover attempt, mu
restructuring charges, fire losses, significant acquisition integration costs, employee separation costs and hurricane losses. Nor
GAAP financial measures, as non-GAAP measures are merely a supplement to, and not a replacement for, GAAP financial me
adjusted EBITDA fall through metric may be different from similar metrics provided by other companies.

Non-GAAP Reconciliation:

Non-GAAP Reconciliation:

Adjusted EBITDA Fall Through

Adjusted EBITDA Fall Through

Non-GAAP Reconciliations:
Non-GAAP Reconciliations:
Adjusted Debt and Adjusted EBITDA
Adjusted Debt and Adjusted EBITDA
Quarterly
Quarterly
60
60

Non-GAAP Reconciliation:
Non-GAAP Reconciliation:
Adjusted
Adjusted
EBITDA
EBITDA
FY89-FY10
FY89-FY10
61
61
(In thousands)
FY89
FY90

FY91
FY92
FY93
FY94
FY95
FY96
FY97
FY98
FY99
Operating income
15,958
$
23,221
$
17,286
$
26,316
$
34,367
$
48,667
$
72,600
$
92,987
$
80,480
$
111,709
$
112,607
$
Add:
Depreciation & amortization
11,147
17,387
21,158
23,420
28,042
30,571
36,868
45,762
64,428
82,227
83,839
Costs related to unsolicited takeover attempt
-
-
-
-

-
-
-
-
-
-
-
Multi-employer pension plan withdrawal charges
-
-
-
-
-
-
-
-
-
-
-
Adjusted EBITDA
27,105
40,608
38,444
49,736
62,409
79,238
109,468
138,749
144,908
193,936
196,446
(Uses)/sources of cash excluded from adjusted
EBITDA, included in cash from operations:
Interest expense, net
(12,245)
(16,198)
(15,179)
(12,838)
(11,403)
(12,486)
(17,625)
(24,862)
(39,367)
(52,603)
(59,677)
Discount on securitization of receivables
-
-
-
-

-
-
-
-
-
-
-
Current income taxes
404
1,700
(599)
(3,591)
(5,653)
(7,838)
(12,345)
(17,654)
(20,012)
(16,502)
(17,244)
Other income (expense)
215
157
870
214
546
453
1,607
781
1,695
9,811
29,491
Equity in earnings of Elkem
joint venture
1,415
1,435
2,009
2,019
(897)
(1,258)
(840)
(1,428)
(1,356)
(1,478)
(869)
(Gains)/losses on divestitures
-
-
-
-
-

-
(560)
-
-
(1,452)
(25,468)
(Gain)/losses on sale of PP&E
(32)
2
(715)
(76)
(292)
(63)
110
(12)
616
(504)
(222)
Stock-based compensation expense
-
-
-
-
-
-
-
-
-
-
-
Income/(loss) on discontinued operations
-
-
-
-
-
-
-
-
478
(635)
(871)
Costs related to unsolicited takeover attempt
-
-
-
-
-
-
-

-
-
-
-
Multi-employer pension plan withdrawal charges
-
-
-
-
-
-
-
-
-
-
-
Other non-cash charges
260
308
252
250
-
-
-
-
3,930
11,422
-
Cash provided by (used in)
changes in assets and liabilities
4,379
702
6,712
15,968
13,608
6,752
(2,030)
(6,948)
(14,801)
(13,548)
(25,273)
Net cash provided by operating activities
21,501
$
28,714
$
31,794
$
51,682
$

58,318
$
64,798
$
77,785
$
88,626
$
76,091
$
128,447
$
96,313
$
(In thousands)
FY00
FY01
FY02
FY03
FY04
FY05
FY06
FY07
FY08
FY09
FY10
Operating income
105,461
$
106,728
$
124,938
$
156,336
$
168,544
$
202,454
$
269,142
$
341,497
$
475,824
$
524,868
$
399,598
$
Add:

Depreciation & amortization
85,262
82,796
71,757
79,279
87,447
111,078
127,542
147,343
189,775
220,795
234,949
Costs related to unsolicited takeover attempt
-
-
-
-
-
-
-
-
-
-
23,435
Multi-employer pension plan withdrawal charges
-
-
-
-
-
-
-
-
-
-
6,650
Adjusted EBITDA
190,723
189,524
196,695
235,615
255,991
313,532
396,684
488,840
665,599
745,663
664,632
(Uses)/sources of cash excluded from adjusted
EBITDA, included in cash from operations:

Interest expense, net
(56,879)
(59,550)
(46,775)
(46,374)
(42,357)
(51,245)
(54,145)
(60,180)
(89,485)
(84,395)
(63,310)
Discount on securitization of receivables
-
(1,303)
(4,846)
(3,326)
(3,264)
(4,711)
(9,371)
(13,630)
(17,031)
(10,738)
(5,651)
Current income taxes
(16,902)
(13,402)
4,546
(33,174)
(24,623)
(22,622)
(30,718)
(47,972)
(69,459)
(64,985)
(51,634)
Other income (expense)
18,625
1,324
5,987
2,132
1,472
1,129
2,411
1,556
1,454
(382)
1,332
Equity in earnings of Elkem
joint venture

-
-
-
-
-
-
-
-
-
-
-
(Gains)/losses on divestitures
(17,712)
(1,173)
(5,548)
241
-
(360)
1,900
-
-
-
-
(Gain)/losses on sale of PP&E
(915)
502
405
(257)
(837)
(321)
(1,330)
39
714
(964)
3,014
Stock-based compensation expense
-
-
-
-
-
-
-
15,445
16,629
20,635
22,868
Income/(loss) on discontinued operations
(335)
(400)

(3,529)
(1,776)
(457)
464
(1,424)
-
-
-
-
Costs related to unsolicited takeover attempt
-
-
-
-
-
-
-
-
-
-
(23,435)
Multi-employer pension plan withdrawal charges
-
-
-
-
-
-
-
-
-
-
(6,650)
Other non-cash charges
458
2,281
1,068
-
-
-
-
-
-
-
-
Cash provided by (used in)
changes in assets and liabilities
(22,686)
78,329
95,691

33,931
17,865
(23,456)
42,038
(57,755)
41,505
(22,067)
58,881
Net cash provided by operating activities
94,377
$
196,132
$
243,694
$
187,012
$
203,790
$
212,410
$
346,045
$
326,343
$
549,926
$
582,767
$
600,047
$
The Company believes adjusted EBITDA provides investors meaningful insight into the Company's ability to generate cash fro
conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GA
provided by other companies. Certain reclassifications have been made to prior period financial statements to conform to the c

Non-GAAP Reconciliations:
Non-GAAP Reconciliations:
Adjusted Cash from Operations,
Adjusted Cash from Operations,
Adjusted Capital Expenditures & Free Cash Flow
Adjusted Capital Expenditures & Free Cash Flow
62
62
($ in millions)
FY10
FY09
FY08
FY07
FY06
FY05
FY04
FY03
FY02

FY01
Net cash provided by operating activities
600
$
583
$
550
$
326
$
346
$
212
$
204
$
187
$
244
$
196
$
Adjustments to cash provided by operating activities:
Cash used (provided) by the
securitization of trade receivables
16
49
(96)
(20)
(54)
(27)
(4)
(25)
(61)
(73)
Stock issued for employee stock purchase plan
15
17
14
12
11
10
7
9
7
6
Tax benefit realized from exercise of stock options
15
12
13

9
-
-
-
-
-
-
Adjusted cash from operations
648
$
660
$
482
$
327
$
302
$
195
$
207
$
171
$
190
$
129
$
Capital expenditures
(253)
$
(352)
$
(267)
$
(238)
$
(209)
$
(168)
$
(94)
$
(68)
$
(58)
$
(66)
$
Adjustments to capital expenditures:

Proceeds from sales of plant and equipment
14
14
9
9
8
5
5
4
3
3
Operating lease buyouts
2
6
1
10
15
24
4
-
-
-
Adjusted capital expenditures
(237)
$
(332)
$
(257)
$
(220)
$
(186)
$
(139)
$
(84)
$
(64)
$
(55)
$
(63)
$
Free Cash Flow
411
$
328
$
225
$

107
$
116
$
57
$
123
$
107
$
135
$
66
$
Adjusted Cash from Operations
CAGR FY01-FY10
20%

The Company believes that free cash flow and adjusted cash from operations provide investors meaningful insight into the Cor
for servicing debt obligations and for the execution of its business strategy, including acquisitions, the prepayment of debt, the
activities. Non-GAAP metrics should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely
measures. It should be noted as well that our free cash flow and adjusted cash from operations metrics may be different from fr
other companies.