

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2000

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-9344

AIRGAS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
No.)

56-0732648
(I.R.S. Employer
Identification

259 North Radnor-Chester Road, Suite 100
Radnor, Pennsylvania
(Address of principal executive offices)

19087-5283
(Zip Code)

(610) 687-5253
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12 (b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$.01 per share Exchange	New York Stock

Securities registered pursuant to Section 12 (g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the 62,682,081 shares of voting stock held by non-affiliates of the Registrant was approximately \$337 million computed by reference to the closing price of such stock on the New York Stock Exchange on June 2, 2000. For purposes of this calculation, only executive officers and directors were deemed to be affiliates.

The number of shares of common stock outstanding as of June 2, 2000 was 65,963,656.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's Proxy Statement for the Annual Meeting of Stockholders to be held August 3, 2000 is partially incorporated by reference into Part III. Those portions of the Proxy Statement included in response to Item 402(k) and Item 402(l) of Regulation S-K are not incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS.

GENERAL

Airgas, Inc. and subsidiaries ("Airgas" or the "Company") is the largest distributor of industrial, medical and specialty gases (delivered in "packaged" or cylinder form) and related welding supplies and equipment, and the third largest distributor of safety products in the United States. Airgas also produces and distributes dry ice and liquid carbon dioxide in the United States. Airgas' distribution network consists of approximately 700 locations in 44 states, including branch locations, distribution centers, catalog operations, inbound call centers and outbound telemarketing operations. Sales were \$1.54 billion, \$1.56 billion and \$1.45 billion in fiscal years 2000, 1999 and 1998, respectively.

The Company's operating segments consist of Distribution and Gas Operations. Financial information by business segment can be found in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), "Financial Statements and Supplementary Data", and Note 22 to the Company's consolidated financial statements under Item 8. Descriptions of the operating segments are as follows:

DISTRIBUTION

The Distribution segment accounts for approximately 90% of consolidated sales and reflects the distribution of industrial, medical and specialty gases, safety products, and industrial tools and supplies. The Distribution segment also includes the equity in earnings from a joint venture with National Welders Supply Company, Inc., which is a producer and distributor of industrial, medical and specialty gases and related welding supplies and equipment.

Principal Products and Services

The Distribution segment's principal products and services include packaged and small bulk gases, gas cylinder and welding equipment rental and hardgoods. Gas sales include industrial, medical and specialty gases such as: nitrogen, oxygen, argon, helium, acetylene, carbon dioxide, nitrous oxide, hydrogen, welding gases, ultra high purity grades and special application blends. Rent is derived from gas cylinders, cryogenic liquid containers, bulk storage tanks and through the rental of welding equipment. Gas and rent represent approximately 42%, 40% and 40% of the Distribution segment's sales in each of the fiscal years 2000, 1999 and 1998, respectively. Hardgoods consist of welding supplies and equipment, safety products, and industrial tools and supplies, certain of which are considered as maintenance, repair and operations ("MRO") products. In each of the fiscal years 2000, 1999 and 1998, hardgoods sales represent approximately 58%, 60% and 60% of the Distribution segment's sales, respectively (see Note 22 of the Company's Consolidated Financial Statements for additional information regarding segment sales).

Principal Markets and Methods of Distribution

The Company believes the North American market for industrial, medical and specialty gases to be approximately \$9.5 billion annually. The industry has three principal modes of distribution: on-site supply, bulk or merchant supply and

([EDGAR](#) [EDGARpro](#) [EDGAR Online, Inc.](#)) packaged gas.) On-site supply accounts for approximately 74% of the gas volume delivered in North America. Bulk or merchant supply accounts for 23% of the volume, and packaged gas supply accounts for 3% of the volume delivered annually. However, the packaged gas supply mode accounts for 34% of the value, or

The Company estimates the United States market for hardgoods products, including welding supplies and equipment, safety products, and industrial tools and supplies, to be approximately \$55 billion annually. The market for hardgoods products is highly fragmented and is serviced through multiple distribution channels. Airgas offers its lines of hardgoods products through branch stores, direct sales representatives, telemarketing, e-commerce and catalogs. The Company believes its share of the hardgoods market is less than 2%. Competition at the local level consists primarily of small, branch-based distribution companies. At the national level, Airgas competes with large, branch-based and direct marketers, such as W.W. Grainger, Inc., Vallen Corporation and MSC Industrial Direct, Inc., as well as the large integrated gas producers.

Customer Base

The Company's customer base is broad and includes many major industries. The Company estimates the following industry segments account for the indicated percentages of the Company's total sales:

- Manufacturing (56%) - principally producers of fabricated metal products (16%), industrial and transportation equipment (9%), chemical products (8%), and primary metal products (6%);
- Service Sector (10%) - principally medical and health services (4%);
- Agriculture and Mining (8%);
- Construction (7%);
- Wholesale Trade (6%); and
- All Other (13%).

Suppliers

The Company purchases industrial, medical and specialty gases pursuant to requirements contracts from national and regional producers of industrial gases. The Company also manufactures certain gases, including acetylene, nitrous oxide, nitrogen, oxygen and argon. The Company believes that if a contractual arrangement with any supplier of gases or other raw materials was terminated, it would be able to locate alternative sources of supply without disruption of service. The Company purchases hardgoods from major manufacturers and suppliers. For certain products, the Company has negotiated national purchasing arrangements.

GAS OPERATIONS

The Gas Operations segment produces and distributes certain gas products, principally dry ice, carbon dioxide, specialty gases and nitrous oxide. The Company also operates two air separation plants that produce oxygen, nitrogen and argon which are sold to on-site customers and to the Distribution segment. A description of the businesses included in the Gas Operations segment is as follows:

Dry Ice

The Company is a producer and distributor of dry ice in the United States. Customers include food processors, wholesale trade and supermarkets. The dry ice business generally experiences a higher level of sales in the second and third quarters of the fiscal year due to weather-related demand. The Company's carbon dioxide requirements (dry ice is the solid form of carbon dioxide) come from internal sources with the balance purchased from the major producers of carbon dioxide.

Carbon Dioxide

The Company is a producer and distributor of liquid carbon dioxide. Carbon dioxide requirements are primarily obtained from carbon dioxide reserves owned by the Company and through a 50% joint venture. The joint venture also produces and sells liquid carbon dioxide to other producers of industrial gases. The Company operates carbon dioxide reserves and a related pipeline which are located in Mississippi and Louisiana. Carbon dioxide from the Company's reserves is also sold to competitors, including Praxair and BOC Gases. The Company believes the United States bulk supply market for liquid carbon dioxide is approximately \$400 million annually. The largest customer segments include food and beverage producers, chemical producers and oil and gas extraction. The Company primarily competes with three major carbon dioxide companies, Praxair, BOC Gases and Air Liquide, which produce over 80% of the United States merchant carbon dioxide volumes.

Specialty and Other Gases

The Company operates six "A" labs, full scale testing and blending facilities, which blend various special application gas mixes, ultra high purity grade gases, pure hydrocarbon mixtures, EPA protocol gases, and vehicle emission standard gases. Gas mixtures are used in process control, final product qualification and emissions monitoring. Specialty gases produced are primarily sold to the Distribution segment (see Note 22 of the Company's Consolidated Financial Statements for disclosure related to segment sales). The third-party customer base for these products consists primarily of research facilities and biotechnology, pharmaceutical, food processing and environmental-related businesses. Gas Operations also provides technical support to 32 "B" labs, limited scale testing and blending facilities, which are operated by the Distribution segment. The "A" and "B" labs perform testing and certification services for gas purity.

Nitrous Oxide

The Company is a manufacturer of nitrous oxide gas. Nitrous oxide is used as an anesthetic in the medical and dental fields, as a propellant in the packaged food business and is utilized in the manufacturing process of certain high technology electronics industries. The Company's market focus includes bulk customers as well as sales to the Distribution segment. The Company purchases the raw materials utilized in its nitrous oxide production pursuant to contracts with major manufacturers and suppliers.

The Company believes that if a contractual arrangement with any Gas Operations segment supplier was terminated, it would not have a material adverse effect on operations. However, two of the Company's 14 dry ice production facilities are located on property owned by BOC Gases. If the current arrangements with BOC Gases were terminated, the Company's dry ice production capabilities may be reduced.

AIRGAS GROWTH STRATEGIES

The Company's strategy is to focus on internal growth, supplemented by packaged gas distributor acquisitions. To enhance internal growth, the Company has selectively added complementary product offerings in order to leverage its distribution network.

The industrial gas distribution industry continues to undergo a consolidation, which Airgas believes will present opportunities to acquire industrial gas distributors. EDGAR
2002 Airgas believes that its competitive advantages in acquiring distributors are its extensive distribution network, its well-organized acquisition program, its flexibility in structuring acquisitions to meet sellers' needs and its ability to offer sellers and their employees a continuing role in the Company. In seeking

REGULATORY AND ENVIRONMENTAL MATTERS

The Company's subsidiaries are subject to federal and state laws and regulations adopted for the protection of the environment and the health and safety of employees and users of the Company's products. The Company has programs for the operation and design of its facilities to achieve compliance with applicable environmental regulations. The Company believes that it is in compliance, in all material respects, with such laws and regulations. Expenditures for environmental purposes during fiscal 2000 were not material.

INSURANCE

The Company has established insurance programs to cover workers' compensation, business automobile, general and product liability. These programs have self-insured retention of \$500,000 per occurrence. Estimated losses are accrued based upon the Company's experience for the aggregate liability for claims incurred and claims incurred but not reported. The Company believes its insurance reserves are adequate.

EMPLOYEES

On March 31, 2000, the Company employed approximately 8,000 employees of whom approximately 5% were covered by collective bargaining agreements. The Company believes it has good relations with its employees and has not experienced a significant strike or work stoppage.

PATENTS, TRADEMARKS AND LICENSES

The Company holds trademark registrations for "Airgas," "Carbonic Reserves," "Red-D-Arc," "RED-D-ARC WELDERENTAL," "Dyna-Switch," "Gold Gas," "Stainless Mix," "Steelmix" and "Alummix." The Company holds a patent registration for "Fluid Bed Air Cooling System," a method and apparatus for conveying dry ice. The Company believes that its businesses as a whole are not materially dependent upon any single patent, trademark or license.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company are as follows:

Name	Age	Position
Peter McCausland (1)	50	Chairman of the Board and Chief Executive Officer
William A. Rice, Jr.	53	President and Chief Operating Officer
Roger F. Millay	42	Senior Vice President and Chief Financial Officer
Alfred B. Crichton	52	Division President - West
John Musselman	51	Division President - East
Ted R. Schulte	49	Vice President - Gas Operations
Andrew R. Cichocki	37	Senior Vice President - Business Operations and Planning
Samuel H. Goldstein	41	Senior Vice President and Chief Information Officer
Gordon L. Keen, Jr.	55	Senior Vice President - Law and Corporate Development
Patrick M. Visintainer	36	Senior Vice President - Sales
Michael L. Molinini	49	Vice President - Hardgoods Operations

(1) Member of the Board of Directors

Mr. McCausland has been the Chairman of the Board and Chief Executive Officer of the Company since May 1987. Mr. McCausland has also served as President from June 1986 to August 1988, from April 1993 to November 1995, and from April 1997 to December 1998. In May 1997, Mr. McCausland was elected to the board of directors of Hercules Inc., a worldwide manufacturer of chemical specialty products. He also serves on the Board of Trustees of the Eisenhower Exchange Fellowships.

Mr. Rice has been President and Chief Operating Officer since January 1999. Prior to 1999, he served as Group President - Airgas Direct Industrial from April 1997 to December 1998 and Airgas' Division President - Industrial Distribution and Purchasing from April 1995 to March 1997.

Mr. Millay has been Senior Vice President and Chief Financial Officer since November 1999. Prior to joining Airgas, Mr. Millay served as Senior Vice President and Chief Financial Officer of Transport International Pool, a division of General Electric Capital Corporation, from May 1995 to October 1999. Prior to that, Mr. Millay served in various positions since joining General Electric Capital Corporation in July 1987.

Mr. Crichton has been Division President - West since February 1993.

Mr. Musselman has been Division President - East since April 1997. Prior to that, Mr. Musselman served as President of Northeast Airgas from January 1989 to March 1997.

Mr. Schulte has been Vice President - Gas Operations since November 1998. Prior to that, Mr. Schulte served as President of Airgas Carbonic from November 1997 to October 1998. Before October 1997, Mr. Schulte served as Senior Vice President of Energetic Solutions, the US subsidiary of ICI Explosives.

Mr. Cichocki has been Senior Vice President - Business Operations and Planning since January 1999. Prior to that, Mr. Cichocki served as Vice President - Corporate Development from April 1997 to December 1998 and as Assistant Vice President - Corporate Development from August 1992 to March 1997.

Mr. Goldstein has been Senior Vice President and Chief Information Officer since January 1999. Prior to that, Mr. Goldstein served as Vice President and Chief Information Officer from September 1996 to December 1998. He joined Airgas from KPMG LLP, where he served as a National Service Leader for the Consulting Division from June 1991 to September 1996.

Mr. Keen has been Senior Vice President - Law and Corporate Development since April 1997. Prior to that, Mr. Keen served as Vice President - Corporate Development from January 1992 to March 1997.

Mr. Visintainer has been Senior Vice President - Sales since January 1999. Prior to that, Mr. Visintainer served as Vice President - Sales and Marketing from February 1998 to December 1998 and as President of one of the Company's subsidiaries from April 1996 to January 1998. Until March 1996, he was employed by BOC Gases and served in various field positions including National Sales Manager - Industrial/Special Gases and National Accounts Manager.

Mr. Molinini has been Vice President - Hardgoods Operations since joining the Company in April 1997. Prior to that, Mr. Molinini served as Vice President of Marketing of National Welders Supply Company since 1991.

ITEM 2. PROPERTIES.

The principal executive offices of the Company are located in leased space in Radnor, Pennsylvania.

The Company's Distribution segment operates a network of approximately 560 branch stores, 32 "B grade" gas laboratories, 17 acetylene manufacturing facilities, five regional distribution centers, 100 cylinder fill plants and various customer call centers. The Distribution segment conducts business in 44 states. The Company owns approximately 25% of these facilities. The remaining facilities are primarily leased from third parties. Facilities leased from employees are on terms consistent with commercial rental rates prevailing in the surrounding rental market.

The Company's Gas Operations' segment consists of businesses, located throughout the United States, which operate approximately 60 branch locations, seven liquid carbon dioxide and 14 dry ice production facilities, five "A grade" gas laboratories, six nitrous oxide production facilities and a carbon dioxide pipeline. The Company owns approximately 50% of these facilities. The remaining facilities are leased from third parties.

During fiscal 2000, the Company's production facilities operated at approximately 75% of capacity.

The Company believes that its facilities are adequate for its present needs and that its properties are generally in good condition, well maintained and suitable for their intended use.

ITEM 3. LEGAL PROCEEDINGS.

In July 1996, Praxair, Inc. ("Praxair") filed suit against the Company in the Circuit Court of Mobile County, Alabama. The complaint alleged tortious interference with business or contractual relations with respect to Praxair's Right of First Refusal contract with the majority shareholders of National Welders Supply Company, Inc. ("National Welders") in connection with the Company's formation of a joint venture with National Welders. In June 1998, Praxair filed a motion to dismiss its own action in Alabama and commenced another action in the Superior Court of Mecklenburg County, North Carolina, alleging substantially the same tortious interference by the Company. The North Carolina action also alleges breach of contract against National Welders and certain shareholders of National Welders and unfair trade practices and conspiracy against all the defendants. In the North Carolina action Praxair seeks compensatory damages in excess of \$10 thousand, punitive damages and other unspecified relief. The Company believes that Praxair's North Carolina claims are without merit and intends to defend vigorously against such claims.

The Company is involved in various legal and regulatory proceedings that have arisen in the ordinary course of its business and have not been fully adjudicated. These actions, when ultimately concluded and determined, will not, in the opinion of management, have a material adverse effect upon the Company's consolidated financial condition, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

The Company's common stock (the "common stock") is listed on the New York Stock Exchange (ticker symbol: ARG). The following table sets forth, for each quarter during the last two fiscal years, the high and low closing price per share for the common stock as reported by the New York Stock Exchange:

	High	Low
Fiscal 2000		
First Quarter	\$12.31	\$ 8.31
Second Quarter	13.75	10.00
Third Quarter	11.50	8.44
Fourth Quarter	9.88	6.06
Fiscal 1999		
First Quarter	\$18.81	\$13.94
Second Quarter	14.25	11.50
Third Quarter	12.56	8.50
Fourth Quarter	10.13	8.13

The closing sale price of the Company's common stock as reported by the New York Stock Exchange on June 2, 2000, was \$5.38 per share. As of June 2, 2000, there were approximately 12,500 shareholders of record of the Company's common stock.

The present policy of the Company is to retain earnings to provide funds for the operation and expansion of its business and not to pay cash dividends on its common stock. Any payment of future dividends and the amounts thereof will depend upon the Company's earnings, financial condition, loan covenants, capital requirements and other factors deemed relevant by management and the Company's Board of Directors.

ITEM 6. SELECTED FINANCIAL DATA.

Selected financial data for the Company are presented in the table below and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 and the Company's consolidated financial statements included in Item 8 herein.

(In thousands, except per share amounts):

	Years Ended March 31,				
	2000 (1)	1999 (2)	1998 (3)	1997 (4)	1996
Operating Results:					
Net sales	\$1,542,334	\$1,561,218	\$1,447,990	\$1,158,894	\$ 838,144
Depreciation & amortization	89,308	87,926	76,670	62,491	45,762
Operating income	106,731	112,996	118,948	82,285	92,985
Interest expense, net	57,560	60,298	53,290	39,752	24,862
Income taxes	31,551	34,437	29,989	21,080	28,522
Net earnings	38,283	51,924	40,540	23,266	39,720
Basic earnings per share	\$.55	\$.74	\$.59	\$.35	\$.63
Diluted earnings per share	\$.54	\$.72	\$.57	\$.34	\$.60
Balance Sheet Data:					
Working capital	\$ 189,194	\$ 165,416	\$ 141,276	\$ 124,849	\$ 81,588
Total assets	1,739,331	1,698,472	1,641,474	1,291,031	883,642
Current portion of long-term debt	20,071	19,645	12,150	25,158	12,179
Long-term debt	857,422	847,841	830,845	629,931	385,832
Other non-current liabilities	28,998	23,585	36,842	29,601	34,490
Stockholders' equity (5)	\$ 472,507	\$ 470,945	\$ 426,873	\$ 336,657	\$ 236,209

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- (1) As discussed in Notes 1, 2 and 3 to the Company's consolidated financial statements, the results for fiscal 2000 include: (a) special charge recoveries of \$2.8 million (\$1.7 million after-tax) primarily consisting of an insurance settlement related to a fiscal 1997 loss, (b) non-recurring gains of \$14.9 million (\$7.8 million after-tax) relating to the divestiture of the Company's operations in Poland and Thailand and a \$2.6 million (\$800 thousand after-tax) gain from the divestiture of a non-core medical equipment distribution business, (c) other charges, including a litigation charge of \$7.5 million (\$4.8 million after-tax) that represents an estimate of the Company's overall costs associated with the defense and settlement of certain lawsuits, a \$3.8 million (\$2.2 million after-tax) inventory write-down related to certain specialty gases, and a \$590 thousand after-tax charge representing the cumulative effect of an accounting change.
- (2) As discussed in Notes 2 and 3 to the Company's consolidated financial statements, the results for fiscal 1999 include: (a) special charge recoveries of \$1.0 million (\$575 thousand after-tax) for reserve adjustments related to the divestiture of two non-core businesses, (b) non-recurring gains of \$25.5 million (\$15 million after-tax) relating to the divestiture of the Company's calcium carbide and carbon products operations, and (c) a \$1.8 million after-tax non-recurring gain relating to insurance proceeds recorded by an equity affiliate.

- (3) As discussed in Notes 2 and 3 to the Company's consolidated financial statements, the results for fiscal 1998 include: (a) fourth quarter special charges of \$22.4 million (\$14.3 million after-tax) which consisted of severance, exit costs for the closure of duplicate facilities, the impairment write-down of property, equipment and related goodwill and a write-down related to the divestiture of several non-core businesses, offset by a one-time net gain related to an acquisition break-up fee of \$3 million (\$1.9 million after-tax), (b) a non-recurring gain of \$14.5 million (\$9.4 million after-tax) from the partial recovery of refrigerant losses, and (c) a non-recurring gain on the sale of a non-core business.
- (4) In fiscal 1997, the Company recorded special charges totaling \$31.4 million (\$20.2 million after-tax) related to the fraudulent breach of contract by a third-party supplier of refrigerant gas and an after-tax loss on the sale of a non-core business.
- (5) The Company has not paid any dividends on its common stock.

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AIRGAS, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Item 7.

RESULTS OF OPERATIONS: 2000 COMPARED TO 1999

OVERVIEW

The Company's net sales for the fiscal year ended March 31, 2000 were \$1.54 billion compared to \$1.56 billion in the prior year. Net sales in fiscal 2000 were impacted by continued slowness in certain manufacturing and industrial markets served by the Company. The Company believes these markets hit a cyclical low in the first quarter of fiscal 2000. The Company has experienced improved same-store sales comparisons in each of the last three quarters. In the fiscal fourth quarter, year over year same-store sales improved by 1.8%. Net earnings for fiscal 2000 were \$38.3 million, or \$.54 per diluted share, compared to \$51.9 million, or \$.72 per diluted share, in fiscal 1999. Net earnings for fiscal years 2000 and 1999 were impacted by special charges, non-recurring gains and other charges as described below.

Fiscal 2000 includes:

- Special charge recoveries of \$2.8 million (\$1.7 million after-tax) primarily consisting of an insurance settlement related to a fiscal 1997 loss.
- Non-recurring gains of \$14.9 million (\$7.8 million after-tax) relating to the divestiture of the Company's operations in Poland and Thailand and a \$2.6 million (\$800 thousand after-tax) gain from the divestiture of a non-core medical equipment distribution business.
- Other charges, including a litigation charge of \$7.5 million (\$4.8 million after-tax) that represents an estimate of the Company's overall costs associated with the defense and settlement of certain lawsuits, a \$3.8 million (\$2.2 million after-tax) inventory write-down related to certain specialty gases, and a \$590 thousand after-tax charge representing the cumulative effect of an accounting change.

Excluding the effect of these items, net earnings were \$.52 per diluted share in fiscal 2000.

Fiscal 1999 includes:

- Special charge recoveries of \$1.0 million (\$575 thousand after-tax) for reserve adjustments related to the divestiture of two non-core businesses.
- Non-recurring gains of \$25.5 million (\$15 million after-tax) relating to the divestiture of the Company's calcium carbide and carbon products operations.
- A \$1.8 million after-tax non-recurring gain relating to insurance proceeds recorded by an equity affiliate.

Excluding the effect of these items, net earnings were \$.48 per diluted share in fiscal 1999.

During fiscal 2000, the Company completed the divestiture of its operations in Poland and Thailand. Through the date of disposition, the operations in Poland and Thailand had combined sales and operating losses in fiscal 2000 of \$12.7 million and \$550 thousand, respectively. The operations in Poland and Thailand were reported in the Gas Operations segment. The Company also expects to complete the divestiture of its equity investments in India during the first half of fiscal 2001. The divestiture of the Indian investments will complete the Company's Repositioning Plan as discussed on page 17.

During fiscal 2000, the Company acquired six distributors of industrial gas and related equipment with aggregate annual sales of approximately \$97 million, including the acquisition of Mallinckrodt Inc.'s Puritan-Bennett medical gas business. Puritan-Bennett, with historical annual sales of approximately \$70 million, distributes medical gases through a network of 36 locations with 390 employees in the United States and Canada.

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In March 1999, the Company's Board of Directors authorized the repurchase of up to seven million shares of the Company's outstanding common stock. During fiscal 2000 and through April 2000, the Company substantially completed the repurchase of shares under the authorization. At June 2, 2000, approximately 500 thousand shares may be repurchased under the current share repurchase authorization.

INCOME STATEMENT COMMENTARY

Net Sales

Net sales decreased 1.2% in fiscal 2000 compared to 1999.

(In thousands)	2000	1999		
Increase/(Decrease)				
Distribution	\$1,409,949	\$1,406,184	\$ 3,765	0.3%
Gas Operations	132,385	155,034	(22,649)	(14.6%)
	\$1,542,334	\$1,561,218	\$(18,884)	(1.2%)

The Distribution segment's principal products and services include industrial, medical and specialty gases; equipment rental and hardgoods. Industrial gases consist of packaged and small bulk gases. Equipment rental fees are generally charged on cylinders, cryogenic liquid containers, bulk tanks and welding equipment. Hardgoods consist of welding supplies and equipment, safety products, and industrial tools and supplies. For fiscal 2000, Distribution sales increased \$3.8 million as a result of net acquisition and divestiture activity of \$23.1 million, offset by a same-store sales decline of \$19.3 million (-1.7%). Fiscal 2000 sales increased \$37.3 million from seventeen distributor acquisitions since April 1, 1998, offset primarily by the divestiture of four businesses. The decrease in same-store sales resulted from a \$32.5 million (-4.2%) decline in hardgoods sales, partially offset by gas and rent same-store sales growth of \$13.2 million (1.9%). Lower sales of hardgoods resulted from general slowness in certain manufacturing and industrial markets served by the Company including: metal fabrication, oil exploration and extraction, agriculture, mining and shipbuilding. Gas and rent same-store sales growth was primarily attributable to the Company's expansion of its rental welder fleet and improvements in certain gas product sales including bulk, refrigerant and medical gases. The Distribution segment has experienced improving same-store sales comparisons in each of the last three quarters of fiscal 2000. In the fiscal fourth quarter, year over year same-store sales improved by 1.2%.

Gas Operations' sales primarily include dry ice and carbon dioxide that are used for cooling, the production of food and beverages, chemical products, and oil and gas extraction. In addition, the segment includes businesses that produce and distribute specialty gases and nitrous oxide. Sales decreased \$22.6 million in fiscal 2000 compared to the prior year as a result of the decrease in sales resulting from the net acquisition and divestiture activity of \$27.6 million, partially offset by same-store sales growth of \$5.0 million (3.5%). Sales decreased \$35.7 million primarily due to the divestiture of the Company's calcium carbide and carbon operations in December 1998 and the divestiture of operations in Poland and Thailand in August 1999. The decrease in sales resulting from divestitures was partially offset by the acquisition of four dry ice companies since April 1, 1998 which contributed sales of \$8.1 million in fiscal 2000. Gas Operations' same-store sales growth resulted from higher liquid carbon dioxide, dry ice and nitrous oxide volumes. Pricing in fiscal 2000 generally remained stable for these products compared to the prior year.

The Company estimates same-store sales based on a comparison of current period sales to prior period sales, adjusted for acquisitions and divestitures. Future same-store sales growth is dependent on the economy, competition and the Company's ability to implement price increases and sell additional products and services to existing and new customers. Gross Profits

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Gross profits increased 0.4% in fiscal 2000 compared to 1999.

(In thousands)	2000	1999		
Increase/(Decrease)				
Distribution	\$649,827	\$637,616	\$12,211	1.9%
Gas Operations	75,910	85,547	(9,637)	(11.3%)
	\$725,737	\$723,163	\$ 2,574	0.4%

Distribution gross profits increased \$12.2 million resulting from acquisitions, which contributed gross profits of \$20.9 million, partially offset by divestitures which had gross profits of \$7.8 million in the prior year. Same-store gross profits declined \$900 thousand (-0.5%) compared to the prior year. The decline in same-store gross profits consisted of a decrease in hardgoods gross profits of \$10.6 million (-5.0%), partially offset by gas and rent gross profit growth of \$9.7 million (1.9%). The decrease in hardgoods same-store gross profits resulted primarily from lower sales volumes in certain manufacturing and industrial markets. Same-store gross profits of gas and rent increased as a result of higher gas volumes and increased rent primarily from an expanded rental welder fleet. The overall Distribution gross profit margin of 46.1% in fiscal 2000 increased 80 basis points from 45.3% in the prior year primarily as a result of a shift in sales mix more heavily weighted towards higher margin gas and rental revenues. Gas and rent comprised 42.0% of distribution sales in fiscal 2000 compared to 40.5% in fiscal 1999. Although a competitive hardgoods environment has somewhat increased pricing pressures to the Company's customers, hardgoods margins have been helped by lower product costs resulting from centralized hardgoods purchasing initiatives and sales growth of higher margin private label products.

The decrease in Gas Operations gross profits of \$9.6 million resulted from divestitures and an inventory write-down, partially offset by acquisitions and same same-store gross profit growth. Gross profits decreased \$13.4 million from divestitures and \$3.8 million from an inventory write-down related to certain specialty gases. The gross profit decline was partially offset by the acquisition of four dry ice businesses that contributed \$5.0 million to fiscal 2000 gross profits and by same-store gross profit growth of \$2.6 million (2.9%). Gas Operations' gross profit margin, excluding the impact of divestitures, decreased to 57.5% in fiscal 2000 compared to 60.2% in fiscal 1999 primarily due to the inventory write-down and increased sales volume of lower margin liquid carbon dioxide.

Operating Expenses

Selling, distribution and administrative expenses ("operating expenses") consist of personnel and related costs, distribution and warehouse costs, occupancy expenses and other selling, general and administrative expenses. Operating expenses increased \$9.3 million (1.8%) compared to the prior fiscal year primarily from acquisitions with estimated operating expenses of \$17 million and a fiscal 2000 fourth quarter litigation charge of \$7.5 million, partially offset by divestitures with operating expenses of \$11 million in the prior year and the impact of cost reductions initiated during the third and fourth quarters of fiscal 1999. The litigation charge represents an estimate of the overall costs associated with the defense and settlement of certain lawsuits related to the Company's hazardous materials fees. Operating cost reductions related to such areas as headcount and administrative functions helped control operating costs and expenses during fiscal 2000. On a same-store basis, operating expenses decreased approximately \$4 million in fiscal 2000 as compared to fiscal 1999. Although cost control and reductions resulted in lower operating expenses on a same-store basis in fiscal 2000, the Company experienced higher operating expenses in the fourth quarter of fiscal 2000 primarily due to higher salary and wage costs, insurance and fuel costs. The Company intends to continue to focus on controlling operating costs and expenses. As a percentage of net sales, operating expenses, excluding the fourth quarter litigation charge, increased 50 basis points to 34% compared to fiscal 1999.

Depreciation and amortization totaled \$89.3 million in fiscal 2000 representing an increase of \$1.4 million (1.6%) compared to fiscal 1999. Depreciation and amortization expense increased primarily as a result of net acquisition and divestiture activity and capital projects completed during the previous 24 months, partially offset by a decrease from a change in depreciable lives of bulk gas storage tanks. Depreciation and amortization expense relative to sales was 5.8% for the current period compared to 5.6% in the prior year.

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Operating Income

Operating income, excluding special (charges) recoveries, decreased 7.2% in fiscal 2000 compared to 1999.

(In thousands)	2000	1999		
Increase/(Decrease)				
Distribution	\$ 94,671	\$ 98,447	\$ (3,776)	(3.8%)
Gas Operations	9,231	13,549	(4,318)	(31.9%)
Special (Charges) Recoveries	2,829	1,000	1,829	--
	\$106,731	\$112,996	\$ (6,265)	(5.5%)

The Distribution segment's operating income margin of 6.7% in fiscal 2000 decreased from 7.0% in fiscal 1999 primarily due to the fourth quarter litigation charge as discussed under "Operating Expenses." Excluding the litigation charge, the Distribution segment's operating income margin was 7.2% in fiscal 2000. Gas Operations' operating income margin of 7.0% in fiscal 2000 decreased from 8.7% in fiscal 1999 primarily due to divestitures with higher operating margins and the inventory write-down of certain specialty gases.

Special (charges) recoveries in fiscal 2000 consist of recoveries of \$2.8 million primarily consisting of an insurance settlement related to a fiscal 1997 loss. Special charges in fiscal 1999 include recoveries of \$1 million from adjustments to reflect differences between the original loss estimates and the actual losses related to the divestiture of two non-core businesses during fiscal 1999.

Interest Expense

Interest expense, net, totaled \$57.6 million and represents a decrease of \$2.7 million (-4.5%) compared to fiscal 1999. The decrease in interest expense was primarily attributable to lower average debt levels and lower average interest rates. The decrease in the average debt level in fiscal 2000 is primarily due to proceeds from divestitures and the sale-leaseback of certain equipment. In the fourth quarter of fiscal 2000, as a result of increasing market interest rates, the Company experienced higher interest costs. At March 31, 2000, the ratio of fixed to variable rate debt was 49% - 51%. As discussed in "Liquidity and Capital Resources" and in Item 7A "Quantitative and Qualitative Disclosures About Market Risk", the Company manages interest rate exposure of certain borrowings through participation in interest rate swap agreements.

Other Income, net

Other income, net, totaled \$17.8 million in fiscal 2000 compared to \$26.7 million in fiscal 1999. Fiscal 2000 includes a \$14.9 million gain from the divestitures of operations in Poland and Thailand. Fiscal 1999 includes a \$25.5 million gain from the divestiture of the Company's calcium carbide and carbon products operations.

Equity in Earnings of Unconsolidated Affiliates

Equity in earnings of unconsolidated affiliates of \$3.4 million decreased from \$7.0 million in fiscal 1999 primarily as a result of a \$1.8 million insurance gain recorded by National Welders Supply in fiscal 1999 and lower earnings at both National Welders Supply and the Company's liquid carbon dioxide joint venture.

Income Tax Expense

The effective income tax rate was 44.8% of pre-tax earnings in fiscal 2000 compared to 39.9% in 1999. Excluding the tax effect related to gains from divestitures and special charges in both periods, the effective income tax rate was 41.5% of pre-tax earnings in fiscal 2000 compared to 39.5% in 1999. The increase in the effective income tax rate was primarily from a decrease in earnings of unconsolidated equity affiliates and income tax from foreign divestitures.

Cumulative Effect of an Accounting Change

In fiscal 2000, the Company adopted Statement of Position 98-5, "Reporting on the Costs of Start-up Activities", resulting in a charge to net earnings of \$590 thousand. The charge primarily resulted from the write-off of start-up costs capitalized in connection with the Company's two air separation units constructed during fiscal 1998 and 1999.

Net Earnings

Net earnings in fiscal 2000 were \$38.3 million, or \$.54 per diluted share, compared to \$51.9 million, or \$.72 per diluted share, in fiscal 1999.

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AIRGAS, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 7.

RESULTS OF OPERATIONS: 1999 COMPARED TO 1998

OVERVIEW

The Company's net sales for the fiscal year ended March 31, 1999 increased 8% to a record \$1.56 billion, compared to \$1.45 billion in the prior year. Net earnings for fiscal 1999 were \$51.9 million, or \$.72 per diluted share, compared to \$40.5 million, or \$.57 per diluted share, in fiscal 1998. Net earnings were \$34.5 million, or \$.48 per diluted share, compared to \$42.6 million, or \$.60 per diluted share, in the prior year, excluding special charges and non-recurring gains recognized in both periods. Net earnings in fiscal 1999 were impacted by a general slowing in the manufacturing and industrial sectors and higher operating expenses, including expenses associated with the Company's Repositioning initiative.

Non-recurring gains in 1999 consist of a \$25.5 million (\$15.0 million after-tax) non-recurring gain related to the divestiture of the Company's calcium carbide and carbon products operations and non-recurring gains of \$2.8 million (\$2.4 million after-tax) related to other special items. Special charges and non-recurring gains in 1998 consist of special charges which totaled \$22.4 million (\$14.3 million after-tax) which included severance, exit costs for the closure of duplicate facilities, the impairment write-down of property, equipment and related goodwill and a write-down related to the divestiture of several non-core businesses, offset by non-recurring gains related to an acquisition break-up fee of \$3 million (\$1.9 million after-tax), and a \$14.5 million (\$9.4 million after-tax) partial recovery of refrigerant losses.

During the fourth quarter of fiscal 1998, the Company announced its "Repositioning Airgas for Growth" restructuring plan (the "Repositioning Plan"). During fiscal year 1999, the Company made substantial progress towards completing the goals and initiatives established in its Repositioning Plan. The Repositioning Plan included the consolidation of subsidiaries into larger regional companies, the standardizing of information systems, the implementation of a national information, procurement and logistics infrastructure and communications system, the consolidation of certain warehouse facilities into regional distribution centers and the divestiture of several non-core businesses. In addition, the Repositioning Plan included the sale, closure or downsizing of approximately 30 distribution locations and a reduction in the Company's workforce. Fiscal year 1998 special charges totaled \$22.4 million (\$14.3 million after-tax or \$.20 per diluted share) which consisted of an impairment write-down of property, equipment and goodwill of \$11.4 million, divestiture reserves of \$6.9 million, facility exit costs of \$2.6 million and severance of \$1.6 million. During fiscal year 1999, progress was made in the following areas:

- 34 businesses were merged into 15 regional companies; - computer systems were standardized and resulted in approximately 40 computer conversions;
- the Company completed three of its planned divestitures and, in January 1999, announced the signing of a letter of intent with Linde AG, for the sale of the Company's operations in Poland and Thailand. The transaction closed in the second quarter of fiscal 2000; - certain branches and distribution centers were closed and/or consolidated; and
- workforce reductions were made as planned.

In connection with changes in the business, primarily related to a slowing in the industrial and manufacturing sectors, the Company modified its plans related to exiting certain facilities and adjusted facility exit reserves by \$763 thousand. In addition, adjustments to divestiture reserves were made to reflect differences between previous estimates, amounts related to completed transactions and pending divestitures. The income statement effect of the adjustments to reserves for facility exit costs and divestitures was an increase in earnings of \$1 million (\$575 thousand after-tax) which was recorded in the quarter ended June 30, 1998.

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During fiscal 1999, the Company incurred approximately \$16.3 million of expenses associated with the Repositioning Plan, of which approximately 60% are expected to be ongoing in future periods in support of the established infrastructure. In response to a slowing

economy during 1999 and the increase in expenses associated with the Repositioning Plan, the Company embarked on a cost improvement program to control and reduce operating expenses. The cost improvements are expected to impact many areas of the Company's expense structure, including administrative cost reductions, consolidation of back offices, the closure of certain branch locations and lower interest costs through working capital improvements and reduced capital expenditures.

In December 1998, the Company completed the divestiture of its calcium carbide and carbon products operations to Elkem Metals Company L.P. ("Elkem"), a subsidiary of Elkem ASA. In conjunction with the sale, the Company and Elkem terminated the Elkem-American Carbide Company joint venture which marketed calcium carbide throughout the United States. The divestiture resulted in a non-recurring gain of \$25.5 million (\$15 million after-tax). The calcium carbide and carbon products operations generated annual sales of approximately \$30 million which are reflected in the Company's Gas Operations segment.

During fiscal 1999, the Company acquired 11 distributors of industrial gas and related equipment (Distribution segment) with aggregate annual sales of approximately \$31 million and four manufacturers and distributors of dry ice (Gas Operations segment) with annual sales of approximately \$20 million.

INCOME STATEMENT COMMENTARY

Net Sales

Net sales increased 8% in fiscal 1999 compared to 1998.

(In thousands)	1999	1998	Increase
Distribution 6.4%	\$1,406,184	\$1,321,958	\$ 84,226
Gas Operations 23.0%	155,034	126,032	29,002
7.8%	\$1,561,218	\$1,447,990	\$113,228

For fiscal 1999, Distribution sales increased approximately \$88 million as a result of 33 acquisitions since April 1, 1997 and approximately \$11.7 million from same-store sales growth. Offsetting the increase in sales were the divestitures of three businesses in fiscal 1999. Sales in fiscal 1999 and 1998 for these three businesses were approximately \$10.3 million and \$25.8 million, respectively. The increase in Distribution same-store sales of .8% resulted from growth in gas and rent of \$21.4 million (4%) and safety products of \$11.2 million (6.9%), offset by same-store sales declines of welding supplies and equipment of \$12.4 million (-2.1%) and industrial tools and supplies of \$8.5 million (-9.1%). Gas and rent sales growth was attributable to the Company's focus on national and regional accounts, expansion of its rental welder fleet, gas sales resulting from the Company's two air separation plants and higher small bulk and medical gas sales. Growth in gas sales was primarily attributable to increased volumes. Sales growth of safety products was driven by growth in national and regional accounts business, an expanded telemarketing sales force and selling initiatives that leverage the Distribution segment's customer base. Sales of welding supplies and equipment and industrial tools and supplies were negatively impacted during fiscal 1999 by a general slowing in certain manufacturing and industrial sectors including: metal fabrication, petrochemical, agriculture, pulp and paper, and mining.

Gas Operations' sales increased \$29 million as a result of \$38.6 million of carbon dioxide and dry ice acquisitions completed during fiscal 1998 and 1999, gas sales volume growth of \$1.4 million and a decrease of \$11.0 million as a result of the divestiture of the Company's calcium carbide and carbon products operations. Liquid carbon dioxide sales volumes, including pipeline volumes, increased during fiscal 1999; however, the increase was largely offset by lower prices due to increased industry production which exceeded growth in demand. Nitrous oxide sales declined approximately 4% in fiscal 1999 compared to the prior year due to the general slowing in the manufacturing and industrial sectors.

Gross Profits

Gross profits increased 8% in fiscal 1999 compared to 1998.

(In thousands)	1999	1998	Increase
Distribution	\$637,616	\$605,240	\$32,376
5.3%			
Gas Operations	85,547	63,212	22,335
35.3%			
	\$723,163	\$668,452	\$54,711
8.2%			

The increase in Distribution gross profits of approximately \$32.4 million resulted from acquisitions which contributed approximately \$35.1 million and same-store gross profit growth of approximately \$5.1 million (.8%), offset by the divestiture of three businesses which contributed gross profits of approximately \$7.8 million in the prior year. Same-store gross profit growth consisted of increases in gas and rent of \$13.3 million (3.3%) and safety products of \$4.4 million (12.5%), offset by same-store gross profit declines in welding supplies and equipment of \$7.7 million (-4.6%) and industrial tools and supplies of \$4.9 million (-14.5%). Same-store gross profits of gases and rent increased as a result of higher gas volumes, helped by the Company's two air separation plants and increased rent associated with welding equipment, cylinders and bulk tanks. Same-store gross profits for safety products increased primarily due to sales volume growth. Same-store gross profit declines in industrial tools and welding supplies and equipment resulted primarily from a general slowing in the manufacturing and industrial sectors during fiscal 1999 and from price reductions in certain regions to retain market share. Overall, gross margins of 45.3% in fiscal 1999 declined 50 basis points from 45.8% in fiscal 1998 due primarily to pricing pressures of hardgoods products. Gas margins were relatively consistent year-over-year. Acquisitions, which had an average gross margin of approximately 41% partially contributed to the gross margin decline.

The increase in Gas Operations gross profits of approximately \$22.3 million resulted primarily from acquisitions, partially offset by the divestiture of the Company's calcium carbide and carbon products operations. Gas Operations' gross margin increased to 55.2% in fiscal 1999 compared to 50.2% in the prior year. The increase was due to the divestiture of the lower margin calcium carbide and carbon products operations and the acquisitions of higher margin carbon dioxide and dry ice companies with an average gross margin of 62%.

Operating Expenses

Operating expenses increased approximately \$55 million compared to fiscal 1998 primarily as a result of acquisitions and higher operating expenses which included direct repositioning expenses. Repositioning expenses were estimated to total approximately \$16 million in fiscal 1999 as a result of computer conversions, relocation and other personnel expenses and facility-related costs. Ongoing costs which are included in the repositioning expense amounts total approximately \$10 million and are primarily related to the costs of operating a national computer center and communications system, regional distribution centers and additional salary expense related to new product line sales personnel. As a percentage of net sales, operating expenses increased 120 basis points to 33.5% in fiscal 1999 compared to the prior year.

Depreciation and amortization totaled \$87.9 million in fiscal 1999 and increased approximately \$11.3 million compared to the prior year primarily due to business acquisitions and capital projects completed during the previous 24 months. Consolidated depreciation and amortization as a percentage of sales increased 30 basis points as compared to fiscal 1998. For the Distribution and Gas Operations segments, depreciation and amortization relative to sales was 5.3% and 8.4%, respectively.

Operating Income

Operating income, excluding special charges, decreased 10% in fiscal 1999 compared to 1998. The decrease in operating income was primarily due to higher operating expenses, including repositioning-related expenses and lower gross profits from a decline in hardgoods sales.

(In thousands)	1999	1998		
Increase/(Decrease)				
Distribution	\$ 98,447	\$111,472	\$(13,025)	(11.7%)
Gas Operations	13,549	12,426	1,123	9.0%
Special (Charges) Recoveries	1,000	(4,950)	5,950	--
	\$112,996	\$118,948	\$(5,952)	(5.0%)

The Distribution segment's operating income margin decreased to 7% in fiscal 1999 compared to 8.4% in fiscal 1998. The decrease resulted primarily from higher operating expenses, including expenses associated with the Company's Repositioning Plan and higher selling expenses related to expansion of safety products, specialty gases and welder rentals. The Repositioning expenses primarily impacted the Company's Distribution segment.

The Gas Operations segment's operating margin decreased to 8.7% in fiscal 1999 compared to 9.9% in the prior year primarily as a result of carbon dioxide and dry ice acquisitions and related integration expenses.

Special (charges) recoveries in fiscal 1999 include income of \$1 million from adjustments to reflect differences between the original loss estimates and the actual losses related to the divestiture of two non-core businesses during fiscal 1999. Special charges in fiscal 1998 of \$4.9 million primarily include charges related to the Repositioning Plan, partially offset by a recovery related to a fiscal 1997 loss and an acquisition break-up fee.

Interest Expense

Interest expense, net, totaled \$60.3 million and increased \$7 million compared to fiscal 1998. The increase in interest expense was primarily attributable to increased debt associated with completing 43 acquisitions since April 1, 1997. Interest expense was also impacted by capital expenditures, an increase in working capital and the repurchase of common stock.

Equity in Earnings of Unconsolidated Affiliates

Equity in earnings of unconsolidated affiliates of \$7 million increased \$4.1 million compared to fiscal 1998 primarily as a result of a non-recurring insurance gain of \$1.8 million, an increase in earnings from the Company's liquid carbon dioxide joint venture which was included in the Company's results for a full year in fiscal 1999 and higher joint venture earnings of National Welders Supply. Earnings were helped at the Company's liquid carbon dioxide joint venture as a result of a plant expansion which came on-line in September 1997. National Welders Supply reported higher earnings as a result of increased spot sales of bulk liquid gases.

Income Tax Expense

The effective income tax rate was 39.9% of pre-tax earnings for fiscal 1999, compared to 42.5% in 1998. Excluding the tax effect of special charges and non-recurring gains, the effective income tax rate was 39.5% of pre-tax earnings for fiscal 1999, compared to 42.6% in 1998. The decrease in the effective income tax rate was primarily a result of an increase in earnings of unconsolidated equity affiliates and from the implementation of tax planning strategies.

Net Earnings

Net earnings for fiscal 1999 were \$51.9 million, or \$.72 per diluted share, compared to \$40.5 million, or \$.57 per diluted share, in fiscal 1998.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The Company has primarily financed its operations, capital expenditures, stock repurchases and acquisitions with borrowings, proceeds from divestitures, and funds provided by operating activities.

Cash flows from operating activities for fiscal 2000 totaled \$100.1 million compared to \$102.1 million in fiscal 1999. For fiscal 2000,

adjustments to reconcile net income to net cash provided by operating activities primarily included depreciation and amortization of \$89.3 million and deferred taxes of \$13.1 million from temporary differences, offset by gains from divestitures of \$17.7 million. Additionally, working capital components used \$17.6 million of cash primarily from an increase in trade receivables related to an acquisition and lower accounts payable related to the timing of payments to vendors. Accounts receivable days' sales outstanding increased to 48 from 47 days and hardgoods days' supply of inventory also increased to 80 from 77 days compared to March 31, 1999 levels. The increase in hardgoods days' supply of inventory is primarily due to an increase in safety and welding product inventories in connection with centralized purchasing and distribution initiatives. As the number of the Company's business units purchasing from centralized warehouses increases, the Company expects inventory levels will decline.

After-tax cash flow (net earnings, excluding special charges and non-recurring gains, plus depreciation, amortization and deferred income taxes) increased 2% to \$141.7 million in fiscal 2000 compared to \$138.3 million in the prior year.

Cash used by investing activities totaled \$65.5 million in fiscal 2000. Capital expenditures of \$65.2 million were 36% lower compared to fiscal 1999 resulting from an improvement in asset utilization and controlling capital spending. Capital expenditures in fiscal 2000 associated with the purchase of cylinders, bulk tanks, rental welders and machinery and equipment totaled approximately \$44 million or 68% of total capital spending. The Company paid \$99.2 million, net of cash acquired, for six distribution businesses, which had historical annual sales and EBITDA of \$97 million and \$20 million, respectively. Fixed asset sales provided cash of \$37.5 million and primarily included equipment sold in connection with a sale-leaseback transaction consummated during fiscal 2000. Proceeds from divestitures of certain foreign and other operations provided cash of \$55.6 million.

Financing activities used cash of \$34.6 million primarily for the repurchase of the Company's common stock. Debt financing provided net cash of \$8.9 million during fiscal 2000.

The Company will continue to look for appropriate acquisitions of distributors. Future acquisitions, capital expenditures and costs associated with e-commerce are expected to be funded through the use of cash flow from operations, debt, common stock for certain acquisition candidates, funds from the divestiture of certain businesses and other available sources. The Company believes that its sources of financing are adequate for its anticipated needs and should increase as the Company focuses on debt repayment in fiscal 2001. The Company also believes that it could arrange additional sources of financing for unanticipated requirements. The cost and terms of any future financing arrangement depend on the market conditions and the Company's financial position at that time.

The Company does not currently pay dividends.

Financial Instruments

The Company has unsecured revolving credit facilities totaling \$725 million and \$100 million Canadian (US\$67 million) under a credit agreement with a maturity date of December 5, 2002. The credit agreement contains covenants which include the maintenance of certain financial ratios, restrictions on additional borrowings and limitations on dividends. At March 31, 2000, the Company had borrowings under the agreement of approximately \$555 million and \$44 million Canadian (US\$29 million). The Company also had commitments under letters of credit supported by the agreement of approximately \$54 million. Based on restrictions related to cash flow to funded debt coverage, the Company had additional borrowing capacity under the credit facilities of approximately \$154 million at March 31, 2000. At March 31, 2000, the effective interest rate on borrowings under the credit facilities was 6.6% on U.S. borrowings and 5.5% on Canadian borrowings. In fiscal 2001, the Company anticipates that higher market interest rates will result in higher interest expense.

At March 31, 2000, the Company had the following long-term debt outstanding under medium-term notes: \$50 million of unsecured notes due September 2001 bearing interest at a fixed rate of 7.15%; \$75 million of unsecured notes due March 2004 at a fixed rate of 7.14%; and \$100 million of unsecured notes due September 2006 bearing interest at a fixed rate of 7.75%. Additionally, at March 31, 2000, long-term debt of the Company included acquisition notes and other long-term debt instruments of approximately \$69 million with interest rates ranging from 6.0% to 10.0%. The Company also has a shelf registration with a capacity of approximately \$175 million for the issuance of debt and other types of securities.

The Company manages its exposure to changes in market interest rates. At March 31, 2000, the Company was party to 21 interest rate swap agreements. The swap agreements are with major financial institutions and aggregate to \$543 million in notional principal amount at March 31, 2000. Sixteen swap agreements with approximately \$363 million in notional principal amount require fixed interest payments based on an average effective rate of 6.3% for remaining periods ranging between one and five years. Five swap agreements with approximately \$180 million in notional principal amount require variable interest payments based on an average effective rate of 6.2% at March 31, 2000. Under the terms of three swap agreements, the Company has elected to receive the discounted value of the counterparty's interest payments up-front. At March 31, 2000, approximately \$4.5 million of such payments

were included in other non-current liabilities. The Company monitors its positions and the credit ratings of its counterparties, and does not anticipate non-performance by the counterparties. At March 31, 2000, the ratio of fixed to variable rate debt was 49% to 51%.

Share Repurchase Programs

In March 1999, the Airgas Board of Directors authorized the repurchase of up to seven million shares of the Company's outstanding common stock. During fiscal 2000, the Company repurchased approximately 5.3 million shares at an average cost of \$8.71 per share, including 175 thousand shares to complete a previous repurchase program. Subsequent to March 31, 2000, the Company substantially completed its stock repurchase program with the repurchase of approximately 1.4 million shares for total consideration of \$11.2 million through June 2, 2000. At June 2, 2000, approximately 500 thousand shares may be repurchased under the current share repurchase authorization.

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Employee Benefits Trust

In March 1999, the Company established a grantor trust (the "Trust") to fund certain future obligations of the Company's employee benefit and compensation plans. The Company, pursuant to a common stock Purchase Agreement, may sell shares of common stock to the Trust. Such common stock consists of shares the Company has purchased or will purchase on the open market or in private transactions. The common stock may also consist of shares issued directly to the Trust. During fiscal 2000, the Trust purchased 4.2 million shares of common stock, previously held as treasury stock, from the Company, for \$35.4 million (based on the average market closing price for the five days preceding each transaction). The Company holds promissory notes from the Trust in the amount of each purchase. Shares held by the Trust serve as collateral for the promissory notes and are available to fund certain employee benefit plan obligations as the promissory notes are repaid. The shares held by the Trust are not considered outstanding for earnings per share purposes until they are released from serving as collateral for the promissory notes.

Approximately 230 thousand shares were issued from the Trust during fiscal 2000 for employee benefit programs. An independent third-party financial institution serves as the Trustee. The Trustee votes or tenders shares held by the Trust in accordance with instructions received from the participants in the employee benefit and compensation plans funded by the Trust. Subsequent to March 31, 2000, the Trust purchased approximately 2 million shares of common stock, previously held as treasury stock, from the Company for approximately \$11.3 million through June 2, 2000.

Inflation

While the U.S. inflation rate has been modest for several years, rising costs continue to affect the Company's business. The Company strives to minimize the effects of inflation through cost containment and price increases under highly competitive conditions.

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THE YEAR 2000 MATTER

The "Year 2000" matter related to whether computer hardware and software and equipment would properly recognize date sensitive information referring to the Year 2000. Prior to December 31, 1999, the Company undertook various remediation measures to address its state of readiness with regard to the Year 2000 issue. Such measures included evaluating and testing computer systems and equipment for Year 2000 compliance, contacting significant suppliers, customers and other critical business partners to assess their readiness plans, and developing contingency plans for key administrative and supply chain functions. To date during calendar year 2000, the Company has not experienced any significant Year 2000 problems with its information systems hardware, application software, equipment or operating systems. The Company also has not experienced any significant Year 2000 complications related to any of its key suppliers, customers or other business partners. Since latent Year 2000 related problems may arise in the future, the Company will continue to monitor the Year 2000 compliance of its operating systems and equipment.

OTHER

New Accounting Pronouncements

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). This statement standardizes the accounting for derivative instruments by requiring that an entity recognize those items as assets or liabilities in the statement of financial position and measure them at fair value. SFAS 133, as amended by SFAS 137, is effective for fiscal years beginning after June 15, 2000. Management has evaluated the impact of SFAS 133 in connection with the Company's use of derivatives in managing interest rate risk. The Company's exposure to derivatives is limited to interest rate swap agreements which are highly effective in managing the Company's interest rate exposure. A high correlation exists between the terms of the interest rate swaps and the underlying debt obligations of the Company. As such, fluctuations in the fair value

of the swaps are offset by an equal and opposite fluctuation in the carrying value of the underlying debt obligations. Consequentially, the implementation of SFAS 133 is not expected to have a material impact on the net earnings of the Company.

Forward-looking Statements

This report contains statements that are forward looking, as that term is defined by Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission in rules, regulations and releases. These statements include, but are not limited to, statements regarding:

same store-sales trends, gross profit trends, operating expense trends, completion of anticipated divestitures, lower inventory levels, future acquisitions, future debt repayment, future sources of financing, performance of counterparties under interest rate swap agreements, the level of competition and general economic conditions in the industrial markets served by the Company. Airgas intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors, and the making of such statements should not be regarded as a representation by Airgas or any other person that the results expressed therein will be achieved. Important factors that could cause actual results to differ materially from those contained in any forward-looking statement include, but are not limited to, underlying market conditions, growth and continued improvement in same-store sales, the Company's ability to reduce costs and control operating expenses, the potential impact of higher operating expenses in future periods, any potential problems relating to Year 2000 matters, the ability to manage interest rate exposure, the success of higher margin private label products, the success of centralized purchasing and distribution initiatives in reducing inventory levels and lowering product costs, the success and timing of intended divestitures, the effects of competition from independent distributors and vertically integrated gas producers on products and pricing, growth and acceptance of new product lines through the Company's sales and marketing programs, changes in product prices from gas producers and name-brand manufacturers and suppliers of hardgoods, the outcome and costs associated with the defense and settlement of lawsuits related to hazardous material fees, uncertainties regarding accidents or litigation which may arise in the ordinary course of business and the effects of, and changes, in the economy, monetary and fiscal policies, laws and regulations, inflation and monetary fluctuations and fluctuations in interest rates, both on a national and international basis. The Company does not undertake to update any forward-looking statement made herein or that may be made from time to time by or on behalf of the Company.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The Company manages its exposure to changes in market interest rates. The interest rate exposure arises primarily from the interest payment terms of the Company's borrowing agreements. Interest rate swap agreements are used to adjust the interest rate risk exposures that are inherent in its portfolio of funding sources. The Company has not, and will not establish any interest risk positions for purposes other than managing the risk associated with its portfolio of funding sources. The Company maintains the ratio of fixed to variable rate debt within parameters established by management under policies approved by the Board of Directors. At March 31, 2000, the ratio of fixed to variable rate debt was 49% to 51%. Counterparties to interest rate swap agreements are major financial institutions. The Company has established counterparty credit guidelines and only enters into transactions with financial institutions with long-term credit ratings of 'A' or better. In addition, the Company monitors its position and the credit ratings of its counterparties, thereby minimizing the risk of non-performance by the counterparties.

The table below summarizes the Company's market risks associated with long-term debt obligations and interest rate swaps as of March 31, 2000. For long-term debt obligations, the table presents cash flows related to payments of principal and interest by expected fiscal year of maturity. For interest rate swaps, the table presents the notional amounts underlying the interest rate swaps by year of maturity. The notional amounts are used to calculate contractual payments to be exchanged and are not actually paid or received. Fair values were computed using market quotes, if available, or based on discounted cash flows using market interest rates as of the end of the period.

(In millions)	Expected Fiscal Year of Maturity						Total	Fair Value
	2001	2002	2003	2004	2005	Thereafter		
Fixed Rate Debt:								
Medium-term notes	\$ --	\$ 50	\$ --	\$ 75	\$ --	\$100	\$225	\$186
Interest expense	\$ 17	\$ 15	\$ 13	\$ 13	\$ 8	\$ 11	\$ 77	
Average interest rate	7.41%	7.42%	7.49%	7.49%	7.75%	7.75%		
Acquisition notes	\$ 19	\$ 15	\$ 1	\$ 20	\$ --	\$ 3	\$ 58	\$ 51
Interest expense	\$ 1	\$ 1	\$ --	\$ 2	\$ --	\$ --	\$ 4	
Average interest rate	7.45%	7.45%	7.45%	7.45%	\$ --	7.45%		
Other notes	\$ 1	\$ 1	\$ 1	\$ --	\$ --	\$ --	\$ 3	\$ 3
Average interest rate	7.55%	7.55%	7.55%					
Variable Rate Debt:								
Revolving credit facilities	\$ --	\$ --	\$584	\$ --	\$ --	\$ --	\$584	\$584
Interest expense	\$ 39	\$ 39	\$ 39	\$ --	\$ --	\$ --	\$117	
Interest rate (a)	6.56%	6.56%	6.56%					
Other notes	\$ --	\$ 7	\$ --	\$ --	\$ 1	\$ --	\$ 8	\$ 8
Average interest rate		10.00%			7.27%			

(a) The variable rate of long-term debt obligations is based on the London Interbank Offered Rate ("LIBOR") as of March 31, 2000. For future periods, the variable interest rate is assumed to remain at 6.6% with the principal balance of long-term debt obligations held constant at \$584 million. However, the variable rate and borrowing levels of long-term debt may fluctuate materially from those presented above.

(In millions)	Expected Fiscal Year of Maturity						Total	Fair Value
	2001	2002	2003	2004	2005	Thereafter		
Interest Rate Swaps:								
US \$ denominated Swaps:								
14 Swaps Receive								
Variable/Pay Fixed	\$ 63	\$ 177	\$ 78	\$ --	\$ 40	\$ --	\$ 358	\$ (3)
Variable Receive rate (3 month LIBOR) = 6.10%								
Weighted average Pay rate = 6.30%								
5 Swaps Receive								
Fixed/Pay Variable	\$ 50	\$ 50	\$ --	\$ 30	\$ --	\$ 50	\$ 180	\$ --
Weighted average Receive rate = 6.74%								
Variable pay rate (6 month LIBOR) = 6.22%								
Canadian \$ denominated Swaps:								
2 Swaps Receive								
Variable/Pay Fixed	\$ 3	\$ 2	\$ --	\$ --	\$ --	\$ --	\$ 5	\$ --
(3 month CAD BA (b)) = 5.11%								
Weighted average Pay rate = 7.11%								
Other LIBOR based agreements:								
Operating leases with trust	\$ 2	\$ 1	\$ 1	\$ 43	\$ --	\$ --	\$ 47	\$ 47
Variable rate (3 month LIBOR plus 130 Basis points) = 7.40%								

(b) The variable receive rate for Canadian dollar denominated interest rate swaps is the rate on Canadian Bankers' acceptances ("CAD BA").

Limitations of the tabular presentation

As the table incorporates only those interest rate risk exposures that exist as of March 31, 2000, it does not consider those exposures or positions that could arise after that date. In addition, actual cash flows of financial instruments in future periods may differ materially from prospective cash flows presented in the table due to future fluctuations in variable interest rates and Company debt levels.

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Foreign Currency Rate Risk

Canadian subsidiaries of the Company are funded in part with local currency debt. The Company does not otherwise hedge its exposure to translation gains and losses relating to foreign currency net asset exposures. The Company considers its exposure to foreign currency exchange fluctuations to be immaterial to its consolidated results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements, supplementary information and financial statement schedule of the Company are set forth at pages F-1 to F-40 of the report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY.

The biographical information relating to the Company's directors appearing in the Proxy Statement relating to the Company's 2000 Annual Meeting of Stockholders is incorporated herein by reference. Biographical information relating to the Company's executive officers set forth in Item 1 of Part I of this Form 10-K Report is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information under "Board of Directors and Committees," "Executive Compensation" and "Certain Transactions" appearing in the Proxy Statement relating to the Company's 2000 Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is set forth in the section headed "Security Ownership" appearing in the Company's Proxy Statement relating to the Company's 2000 Annual Meeting of Stockholders and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information under "Certain Transactions" appearing in the Proxy Statement relating to the Company's 2000 Annual Meeting of Stockholders is incorporated herein by reference.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a)(1) and (2):

The response to this portion of Item 14 is submitted as a separate section of this report beginning on page F-1. All other schedules have been omitted as inapplicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

(a)(3) Exhibits.

The exhibits required to be filed as part of this annual report on Form 10-K are listed in the attached Index to Exhibits.

(b) Reports on Form 8-K.

On January 28, 2000, the Company filed a current report on Form 8-K pursuant to Item 5, reporting its earnings for the third quarter and nine months ended December 31, 1999. The current report on Form 8-K also included an announcement of the completion of the Company's acquisition of Mallinckrodt, Inc.'s Puritan-Bennett medical gas business on January 21, 2000.

(c) Index to Exhibits and Exhibits filed as a part of this report.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Airgas, Inc. dated as of August 7, 1995 (Incorporated by reference to Exhibit 3.1 to the Company's September 30, 1995 Quarterly Report on Form 10-Q).
3.2	Airgas, Inc. By-Laws Amended and Restated through August 2, 1999. (Incorporated by reference to Exhibit 3 to the Company's September 30, 1999 Report on Form 10-Q).
4.1	Ninth Amended and Restated Credit Agreement dated as of December 5, 1997 among Airgas, Inc., Airgas Canada, Inc., Red-D-Arc Limited and Airgas Ontario Inc., Nationsbank, N.A. as U.S. Agent and Canadian Imperial Bank of Commerce as Canadian Agent. (Incorporated by reference to Exhibit 4.1 to the Company's December 31, 1997 Quarterly Report on Form 10-Q).
4.2	First Amendment, dated April 13, 1998, to the Ninth Amended and Restated Credit Agreement dated as of December 5, 1997 among Airgas, Inc., Airgas Canada, Inc., Red-D-Arc Limited and Airgas Ontario Inc., Nationsbank, N.A. as U.S. Agent and Canadian Imperial Bank of Commerce as Canadian Agent. (Incorporated by reference to Exhibit 4.1 to the Company's June 30, 1998
Quarterly	Report on Form 10-Q).

Exhibit No.	Description
4.3	Indenture dated as of August 1, 1996 of Airgas, Inc. to Bank of New York, Trustee. (Incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-4 No. 333-23651 dated March 20, 1997).
4.4	Form of Airgas, Inc. Medium-Term Note (Fixed Rate). (Incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-4 No. 333-23651 dated March 20, 1997).
4.5	Form of Airgas, Inc. Medium-Term Note (Floating Rate). (Incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-4 No. 333-23651 dated March 20, 1997).
	There are no other instruments with respect to long-term debt of the Company that involve indebtedness or securities authorized thereunder exceeding 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to file a copy of any instrument or agreement defining the rights of holders of long-term debt of the Company upon request of the Securities and Exchange Commission.
4.6	Rights Agreement, dated as of April 1, 1997, between Airgas, Inc. and The Bank of New York, N.A., as Rights Agent, which includes as Exhibit B thereto the Form of Right Certificate. (Incorporated by reference to Exhibit 1.1 to the Company's Form 8-A filed on April 28, 1997).
4.7	First Amendment, dated November 12, 1998, to the Rights Agreement dated as of April 1, 1997, between Airgas, Inc. and The Bank of New York. (Incorporated by reference to Exhibit 4 to the Company's December 31, 1998 Quarterly Report on Form 10-Q).

* 10.1 Agreement between the Company and Peter McCausland, dated January 8, 1991, and form of Common Stock Purchase Warrant. (Incorporated by reference to Exhibit 10.16 to the Company's March 31, 1992 report on Form 10-K).

* 10.2 Amended and Restated 1984 Stock Option Plan, as amended effective May 22, 1995. (Incorporated by reference to Exhibit 10.1 to the Company's September 30, 1995 Quarterly Report on Form 10-Q).

* 10.3 1989 Non-Qualified Stock Option Plan for Directors (Non-Employees), as amended. (Incorporated by reference to Exhibit 10.7 to the Company's March 31, 1992 report on Form 10-K).

* 10.4 Amendment to the 1989 Non-Qualified Stock Option Plan for Directors (Non-Employees) as amended through August 7, 1995 (Incorporated by reference to Exhibit 10.2 to the Company's September 30, 1995 Quarterly Report on Form 10-Q).

* 10.5 1994 Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.19 to the Company's March 31, 1993 Report on Form 10-K).

* 10.6 1998 Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 No. 333-60999 dated August 7, 1998).

- * 10.7 Airgas, Inc. Management Incentive Plan (Incorporated by reference to Exhibit 10.3 to the Company's September 30, 1995 Quarterly Report on Form 10-Q).
- * 10.8 Joint Venture Agreement dated June 28, 1996 between Airgas, Inc. and National Welders Supply Company, Inc. and J.A. Turner, III, and Linerieux B. Turner and Molo Limited Partnership, Turner (1996) Limited partnership, Charitable Remainder Unitrust for James A. Turner, Jr. and Foundation for the Carolinas (Incorporated by reference to Exhibit 2.1 to the Company's June 28, 1996 Report on Form 8-K).
- * 10.9 Letter dated July 24, 1992 between Airgas, Inc. (on behalf of the Nominating and Compensation Committee) and Peter McCausland regarding the severance agreement between the Company and Peter McCausland.
- * 10.10 1997 Stock Option Plan (Incorporated by reference to Exhibit 10.1 to the Company's September 30, 1997 Quarterly Report on Form 10-Q).
- * 10.11 1997 Directors' Stock Option Plan (Incorporated by reference to Exhibit 10.2 to the Company's September 30, 1997 Quarterly Report on Form 10-Q).
- * 10.12 Employee Benefits Trust Agreement, dated March 30, 1999, between Airgas, Inc. and First Union National Bank, as Trustee, which includes as Exhibit 1 thereto the Common Stock Purchase Agreement, dated March 30, 1999, between Airgas, Inc. and First Union National Bank, as Trustee, and Exhibit 2 thereto the Promissory Note, dated March 31, 1999, between Airgas, Inc. and First Union National Bank, as Trustee. (Incorporated by reference to Exhibit 10.12 to the Company's March 31, 1999 Report on Form 10-K).
- *10.13 Employee Benefits Trust Amendment Letter, dated March 7, 2000, between Airgas, Inc. and First Union National Bank, as Trustee.
- *10.14 Change of Control Agreement between Airgas, Inc. and William A. Rice, Jr. dated March 17, 1999. Nine other Executive Officers, including Peter McCausland, are parties to substantially identical agreements. (Incorporated by reference to Exhibit 10.13 to the Company's March 31, 1999 Report on Form 10-K).
- *10.15 Change of Control Agreement between Airgas, Inc. and Roger F. Millay dated January 3, 2000.
- *10.16 2000 Management Incentive Plan for Corporate Employees dated April 1, 1999. (Incorporated by reference to Exhibit 10.14 to the Company's March 31, 1999 Report on Form 10-K).
- *10.17 2000 Management Incentive Plan for Business Unit Employees dated April 1, 1999. (Incorporated by reference to Exhibit 10.15 to the Company's March 31, 1999 Report on Form 10-K).
- *10.18 2001 Management Incentive Plan for Business Unit Employees dated May 23, 2000.
- *10.19 2001 Management Incentive Plan for Corporate Office Employees dated May 23, 2000.

(11) Statement re: computation of earnings per share.

(21) Subsidiaries of the Company.

(23.1) Consent of KPMG LLP.

(27) Financial data schedule - March 31, 2000 * A management contract or compensatory plan required to be filed by Item 14(c) of this Report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 8, 2000

Airgas, Inc.

(Registrant)

By: /s/ Peter McCausland

Peter McCausland
Chairman and Chief Executive
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<i>Signature</i>	<i>Title</i>	<i>Date</i>
<i>/s/ Peter McCausland</i> <i>2000</i> _____ <i>(Peter McCausland)</i>	<i>Director, Chairman of the Board,</i> <i>and Chief Executive Officer</i>	<i>June 8,</i>
<i>/s/ Roger F. Millay</i> <i>2000</i> _____ <i>(Roger F. Millay)</i>	<i>Senior Vice President and Chief</i> <i>Financial Officer</i> <i>(Principal Financial Officer)</i>	<i>June 8,</i>
<i>/s/ Jeffrey P. Cornwell</i> <i>2000</i> _____ <i>(Jeffrey P. Cornwell)</i>	<i>Vice President and Corporate</i> <i>Controller</i> <i>(Principal Accounting Officer)</i>	<i>June 8,</i>
<i>/s/ W. Thacher Brown</i> <i>2000</i> _____ <i>(W. Thacher Brown)</i>	<i>Director</i>	<i>June 8,</i>
<i>/s/ Frank B. Foster, III</i> <i>2000</i> _____ <i>(Frank B. Foster, III)</i>	<i>Director</i>	<i>June 8,</i>
<i>/s/ James W. Hovey</i> <i>2000</i> _____ <i>(James W. Hovey)</i>	<i>Director</i>	<i>June 8,</i>
<i>/s/ John A.H. Shober</i> <i>2000</i> _____ <i>(John A.H. Shober)</i>	<i>Director</i>	<i>June 8,</i>

<i>/s/ Paula A. Sneed</i> 2000	<i>Director</i>	<i>June 8,</i>
<hr/>		
<i>(Paula A. Sneed)</i>		
<i>/s/ David M. Stout</i> 2000	<i>Director</i>	<i>June 8,</i>
<hr/>		
<i>(David M. Stout)</i>		
<i>/s/ Lee M. Thomas</i> 2000	<i>Director</i>	<i>June 4,</i>
<hr/>		
<i>(Lee M. Thomas)</i>		
<i>/s/ Robert L. Yohe</i> 2000	<i>Director</i>	<i>June 8,</i>
<hr/>		
<i>(Robert L. Yohe)</i>		

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AIRGAS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

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All other schedules for which provision is made in the applicable accounting regulations promulgated by the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Airgas, Inc.:

We have audited the consolidated financial statements of Airgas, Inc. and subsidiaries listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in the accompanying index. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Airgas, Inc. and subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

LLP

Philadelphia, Pennsylvania
May 9, 2000

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STATEMENT OF MANAGEMENT'S FINANCIAL RESPONSIBILITY

Management has prepared and is responsible for the integrity and objectivity of the consolidated financial statements and related financial information in this Annual Report on Form 10-K. The statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements reflect management's informed judgment and estimation as to the effect of events and transactions that are accounted for or disclosed.

Management maintains a system of internal control at each business unit. This system is designed to provide reasonable assurance that assets are safeguarded and records properly reflect transactions executed in accordance with management's authorization. The Company also maintains a staff of internal auditors who review and evaluate the system of internal control. In determining the extent of the system of internal control, management recognizes that the cost should not exceed the benefits derived. The evaluation of these factors requires estimates and judgment by management.

The Company's financial statements have been audited by KPMG LLP, independent auditors. Their Independent Auditors' Report, which is based on an audit made in accordance with auditing standards generally accepted in the United States of America, is presented on the previous page. In performing their audit, KPMG LLP considers the Company's internal control structure to the extent they deem necessary in order to plan their audit, determine the nature, timing and extent of tests to be performed and issue their report on the consolidated financial statements.

The Audit Committee of the Board of Directors meets with the independent auditors, the internal auditors and management to satisfy itself that they are properly discharging their responsibilities. The auditors have direct access to the Audit Committee.

Airgas, Inc.

/s/ Roger F. Millay

/s/ Peter McCausland

Roger F. Millay
Senior Vice President and
Chief Financial Officer
Officer

Peter McCausland
Chairman and
Chief Executive

May 9, 2000

AIRGAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)	March 31,	
	2000	1999
ASSETS		
Current Assets		
Trade receivables, less allowances for doubtful accounts of \$6,194 in 2000 and \$6,092 in 1999.....	\$ 211,989	\$ 195,708
Inventories, net (Note 5).....	159,438	154,424
Deferred income tax asset, net (Note 15).....	13,752	7,549
Prepaid expenses and other current assets.....	23,611	21,161
Total current assets.....	408,790	378,842
 Plant and equipment, at cost (Note 6).....	 1,074,365	 993,496
Less accumulated depreciation..... (275,637)	(320,597)	
Plant and equipment, net.....	753,768	717,859
Goodwill, net of accumulated amortization of \$68,471 in 2000 and \$54,986 in 1999.....	445,498	428,349
Other non-current assets (Note 7).....	131,275	173,422
 Total assets	 \$1,739,331	 \$1,698,472
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable, trade.....	\$ 78,276	\$ 85,486
Accrued expenses and other current liabilities (Note 8)	121,249	108,295
Current portion of long-term debt (Note 9).....	20,071	19,645
Total current liabilities.....	219,596	213,426
 Long-term debt, excluding current portion (Note 9)....	 857,422	 847,841
Deferred income tax liability, net (Note 15).....	160,808	142,675
Other non-current liabilities.....	28,998	23,585
Commitments and contingencies (Notes 18 and 19).....	--	--
 Stockholders' Equity (Note 11)		
Preferred stock, no par value, 20,000 shares authorized, no shares issued or outstanding in 2000 and 1999.....	--	--
Common stock, par value \$.01 per share, 200,000 shares authorized, 73,144 and 72,024 shares issued in 2000 and 1999, respectively.....	731	720
Capital in excess of par value.....	193,893	190,175
Retained earnings.....	327,373	289,090
Accumulated other comprehensive loss..... (910)	(596)	
Treasury stock, 1,126 and 130 common shares at cost in 2000 and 1999, respectively..... (1,129)	(8,435)	
Employee benefits trust, 4,822 and 826 common shares at cost in 2000 and 1999, respectively..... (7,001)	(40,459)	
Total stockholders' equity.....	472,507	470,945
 Total liabilities and stockholders' equity.....	 \$1,739,331	 \$1,698,472

See accompanying notes to consolidated financial statements.

AIRGAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share amounts)	Years Ended March 31,		
	2000	1999	1998
Net Sales			
Distribution.....	\$1,409,949	\$1,406,184	\$1,321,958
Gas Operations.....	132,385	155,034	126,032
Total net sales.....	1,542,334	1,561,218	1,447,990
Costs and Expenses			
Cost of products sold (excluding depreciation and amortization)			
Distribution.....	760,122	768,568	716,718
Gas Operations.....	56,475	69,487	62,820
Selling, distribution and administrative... expenses.....	532,527	523,241	467,884
Depreciation and amortization.....	89,308	87,926	76,670
Special charges (recoveries), net (Note 3)..	(2,829)	(1,000)	4,950
Total costs and expenses.....	1,435,603	1,448,222	1,329,042
Operating Income			
Distribution.....	94,671	98,447	111,472
Gas Operations.....	9,231	13,549	12,426
Special (charges) recoveries, net (Note 3)..	2,829	1,000	(4,950)
Total operating income.....	106,731	112,996	118,948
Interest expense, net (Note 14).....	(57,560)	(60,298)	(53,290)
Other income, net (Note 2).....	17,811	26,714	2,813
Equity in earnings of unconsolidated affiliates (Note 13).....	3,391	7,042	2,931
Minority interest (Note 21).....	51	(93)	(873)
Earnings before income taxes and the cumulative effect of an accounting change	70,424	86,361	70,529
Income taxes (Note 15).....	31,551	34,437	29,989
Earnings before the cumulative effect of an accounting change.....	38,873	51,924	40,540
Cumulative effect of an accounting change, net of taxes.....	(590)	--	--
Net Earnings.....	\$ 38,283	\$ 51,924	\$ 40,540
Basic earnings per share:			
Earnings per share before the cumulative effect of an accounting change.....	\$.56	\$.74	\$.59
Cumulative effect per share of an accounting change.....	(.01)	--	--
Net earnings per share.....	\$.55	\$.74	\$.59
Diluted earnings per share:			
Earnings per share before the cumulative effect of an accounting change.....	\$.55	\$.72	\$.57
Cumulative effect per share of an accounting change.....	(.01)	--	--
Net earnings per share.....	\$.54	\$.72	\$.57
Weighted average shares outstanding:			
Basic (Note 4).....	69,200	70,000	68,700
Diluted (Note 4).....	70,600	71,700	70,800
Comprehensive income.....	\$ 38,597	\$ 51,793	\$ 40,229

See accompanying notes to consolidated financial statements.

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AIRGAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY

Years Ended March 31, 2000, 1999 and 1998

(In thousands)	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, 1997.....	68,761.6	\$688	\$155,543	\$196,626	\$(468)	\$(15,732)	\$ --
Net earnings.....				40,540			
Foreign currency translation adjustment.....					(311)		
Purchase of treasury stock (Note 11)...						(33,120)	
Reissuance of treasury stock (Note 11)			5,207			46,266	
Issuance of stock in connection with acquisitions (Note 2).....	1,440.0	14	18,524				
Shares issued in connection with stock options exercised (Note 12).....	704.5	7	3,329				
Tax benefit associated with exercise of stock options (Note 15).....			3,807				
Shares issued in connection with Employee Stock Purchase Plan (Note 12)	450.7	5	5,948				
Balance - March 31, 1998.....	71,356.8	\$714	\$192,358	\$237,166	\$(779)	\$(2,586)	\$ --
Net earnings.....				51,924			
Foreign currency translation adjustment					(131)		
Purchase of treasury stock (Note 11)...						(16,579)	
Issuance of stock in connection with acquisitions.....	53.2		(425)				
Reissuance of treasury stock for stock options exercised (Note 11).....			(5,877)			7,798	
Tax benefit associated with exercise of stock options (Note 15).....			1,648				
Shares issued in connection with Employee Stock Purchase Plan (Note 12)	613.7	6	5,708				
Shares of treasury stock sold to Employee Benefits Trust (Note 11).....			(3,237)			10,238	(7,001)
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 11)...						(45,996)	
Reissuance of treasury stock for stock options exercised (Note 11).....			(247)			424	
Shares issued in connection with stock options exercised (Note 12).....	544.4	5	1,429				
Tax benefit associated with exercise of stock options (Note 15).....			1,638				
Shares issued in connection with Employee Stock Purchase Plan (Note 12)	575.7	6	4,080				
Shares issued from Employee Benefits Trust for Employee Stock Purchase Plan (Note 11).....			(348)				1,976
Shares of treasury stock sold to Employee Benefits Trust (Note 11).....			(2,834)			38,266	(35,434)
Balance - March 31, 2000.....	73,143.8	\$731	\$193,893	\$327,373	\$(596)	\$(8,435)	\$(40,459)

See accompanying notes to consolidated financial statements.

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AIRGAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended March 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings.....	\$ 38,283	\$ 51,924	\$ 40,540
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization, including special charges in 1998.....	89,308	87,926	88,092
Deferred income taxes.....	13,123	16,045	10,649
Equity in earnings of unconsolidated affiliates.....	(3,391)	(7,911)	
(4,409)			
Gains on divestitures.....	(17,712)	(25,468)	
(1,452)			
Gain/loss on sale of plant and equipment.....	(915)	(222)	
(504)			
Minority interest in earnings.....	(51)	93	873
Stock issued for employee stock purchase plan....	5,715	5,750	5,953
Other non-cash charges.....	458	(1,000)	--
Changes in assets and liabilities, excluding effects of business acquisitions and divestitures:			
Trade receivables, net.....	(14,480)	(10,477)	
(8,108)			
Inventories, net.....	1,392	(3,829)	
(7,336)			
Prepaid expenses and other current assets.....	(5,954)	(2,236)	637
Accounts payable, trade.....	(7,966)	1,052	
(7,072)			
Accrued expenses and other current liabilities...	9,434	5,607	19,761
Other assets and liabilities, net.....	(7,152)	(15,191)	
(3,224)			
Net cash provided by operating activities.....	100,092	102,063	134,400
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures.....	(65,211)	(101,638)	
(124,725)			
Proceeds from sale of plant and equipment.....	37,454	3,279	3,534
Proceeds from divestitures.....	55,596	53,682	4,000
Business acquisitions, net of cash acquired.....	(99,204)	(47,246)	
(154,395)			
Business acquisitions, holdback settlements.....	(2,289)	(4,839)	
(6,750)			
Investment in unconsolidated affiliates.....	(30)	(3,180)	
(25,220)			
Dividends from unconsolidated affiliates.....	3,973	4,533	4,165
Other, net.....	4,250	(1,467)	3,957
Net cash used by investing activities.....	(65,461)	(96,876)	
(295,434)			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings.....	168,569	449,833	450,051
Repayment of debt.....	(159,638)	(426,995)	
(275,450)			
Purchase of treasury stock.....	(47,125)	(15,285)	
(34,433)			
Exercise of stock options.....	1,562	1,943	4,360
Cash overdraft.....	2,001	(14,662)	16,875
Other financing activities.....	--	(21)	
(369)			
Net cash provided/(used) by financing activities..	(34,631)	(5,187)	161,034
CHANGE IN CASH	\$ --	\$ --	\$ --
Cash - Beginning of year.....	--	--	--
Cash - End of year.....	\$ --	\$ --	\$ --

AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements include the accounts of Airgas, Inc. and subsidiaries (the "Company"). Unconsolidated affiliates are accounted for on the equity method and generally consist of 20-50% owned operations where control does not exist or is considered temporary. The excess of the cost of these affiliates over the Company's share of their net assets at the acquisition date is being amortized primarily over 40 years. Intercompany accounts and transactions are eliminated in consolidation.

The Company has made estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(b) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method for approximately 86% and 85% of the inventories at March 31, 2000 and 1999, respectively. Cost for the remainder of inventories is determined using the last-in, first-out (LIFO) method.

(c) Plant and Equipment

Plant and equipment are stated at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets.

(d) Goodwill

Goodwill represents costs in excess of net assets of businesses acquired and is amortized on a straight-line basis over the expected periods to be benefited, which is principally 40 years. The Company assesses the recoverability of goodwill in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of" ("SFAS 121"). The Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through projected undiscounted future cash flows.

In making such determination with respect to goodwill, the Company evaluates the performance of underlying businesses which give rise to such assets. The assets acquired in connection with these acquisitions continue to generate a significant portion of the Company's net sales, total operating income and cash flow.

AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(e) Other Intangible Assets

Costs related to the issuance of long-term debt are deferred and amortized over the term of the related debt. Costs and payments pursuant to non-competition arrangements entered into in connection with business acquisitions are amortized over the terms of the arrangements which are principally over five years. The Company assesses the recoverability of non-competition arrangements by determining whether the amortization of the asset balance can be recovered through projected undiscounted future cash flows of the related business over its remaining life.

(f) Commitments and Contingencies

The Company's policy is to accrue legal fees associated with outstanding litigation. Liabilities for loss contingencies arising from

claims, assessments, litigation, and other sources are recorded when it is probable that a liability has been incurred and the amount of the claim, assessment or damages can be reasonably estimated.

(g) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(h) Foreign-Currency Translation

The functional currency of the Company's foreign operations is the applicable local currency. The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using average exchange rates during each reporting period. The gains or losses, net of applicable deferred income taxes, resulting from such translations are included in stockholders' equity as a component of "Accumulated other comprehensive income (loss)." Gains and losses arising from foreign currency transactions are reflected in the consolidated statements of earnings as incurred.

(i) Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. Concentrations of credit risk are limited due to the Company's large number of customers and their dispersion across many industries throughout North America. Credit terms granted to customers are generally net 30 days.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(j) Financial Instruments

In managing interest rate risk exposure, the Company enters into interest rate swap agreements. An interest rate swap is a contractual exchange of interest payments between two parties. A standard interest rate swap involves the payment of a fixed rate times a notional amount by one party in exchange for a floating rate times the same notional amount from another party. As interest rates change, the difference to be paid or received is accrued and recognized as interest expense over the life of the agreement. These instruments are not entered into for trading purposes and the Company has the ability and intent to hold these instruments to maturity. The fair value of the interest rate swap agreements is not recognized in the financial statements. Counterparties to the Company's interest rate swap agreements are major financial institutions.

The carrying amounts for accounts receivable and accounts payable approximate fair value because of the short-term maturity of these financial instruments.

(k) Employee Benefits Trust

The Company established a grantor trust (the "Trust") to fund future obligations of the Company's employee benefit and compensation plans. Shares are purchased by the Trust from the Company at fair market value and are reflected as a reduction of stockholders' equity in the Company's Consolidated Balance Sheets under the caption "Employee benefits trust." Shares are transferred from the Trust to fund compensation and employee benefit obligations based on the original cost of the shares to the Trust. The satisfaction of compensation and employee benefit plan obligations is based on the fair value of shares transferred. Differences between the original cost of the shares to the Trust and the fair market value of shares transferred is charged or credited to capital in excess of par value.

(l) Revenue Recognition

Revenue is recognized when product is shipped to customers. Rental fees on cylinders, bulk gas storage tanks and other equipment are recognized when earned.

(m) Accounting and Disclosure Changes

The Company adopted Statement of Position 98-5 "Reporting on the Costs of Start-up Activities" ("SOP 98-5"), as required, in the first quarter of fiscal year 2000 resulting in a charge to net earnings of \$590 thousand, or \$.01 per diluted share. In accordance with SOP 98-5, the charge has been reflected on a separate line entitled "Cumulative effect of an accounting change, net of taxes", on the consolidated statement of earnings. The charge primarily resulted from the write-off of start-up costs capitalized in connection with the Company's two air separation units constructed during fiscal 1998 and 1999.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) ACQUISITIONS & DIVESTITURES

(a) Acquisitions

Acquisitions have been recorded using the purchase method of accounting, and, accordingly, results of their operations have been included in the Company's consolidated financial statements since the effective dates of the respective acquisitions. Also, as discussed in Note 21, the Company has accounted for the acquisition of subsidiary minority interests in fiscal 1998 using the purchase method of accounting.

2000 - During fiscal 2000, the Company purchased six businesses. The largest of these acquisitions and their effective dates included Brown Welding Supply, LLC. (July 1, 1999), Oxygen Sales & Service, Inc. (August 1, 1999) and Puritan- Bennett Corporation (January 21, 2000). The aggregate purchase price for these acquisitions amounted to approximately \$105 million. The purchase price for the remaining 3 businesses amounted to approximately \$4 million.

1999 - During fiscal 1999, the Company purchased 15 businesses. The largest of these acquisitions and their effective dates included Abel Carbonic Products, Inc. (May 1, 1998), Gas House Welding Supply, Inc. (July 1, 1998), Carbonic Products, Inc. (September 1, 1998) and Pacific Dry Ice, Inc. (September 1, 1998). The aggregate purchase price for these acquisitions amounted to approximately \$49 million. The purchase price for the remaining 11 businesses amounted to approximately \$17 million.

1998 - During fiscal 1998, the Company purchased 28 businesses. The largest of these acquisitions and their effective dates included Carbonic Industries Corporation (June 5, 1997), Lyons Safety, Inc. (July 1, 1997), Industrial Gas Products & Supply, Inc. (October 1, 1997), Carbonic Reserves, Inc. (October 14, 1997), JWS Technologies, Inc. (November 1, 1997) and The Hoprich Company (February 1, 1998). The aggregate purchase price for these acquisitions amounted to approximately \$224 million. The purchase price for the remaining 22 businesses amounted to approximately \$59 million.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) ACQUISITIONS & DIVESTITURES - (Continued)

In connection with the above acquisitions, the total purchase price, cash paid and liabilities assumed were as follows:

(In thousands)	Years Ended March 31,		
	2000	1999	1998
Cash paid.....	\$ 99,204	\$47,246	
\$154,395			
Issuance of common stock.....	--	--	
55,608			
Notes issued to sellers.....	1,399	2,361	
17,781			
Notes payable and capital leases			
assumed.....	561	553	
5,947			
Other liabilities assumed and accrued			
acquisition costs.....	7,762	15,475	
49,407			
Total purchase price.....	\$108,926	\$65,635	
\$283,138			

Included in the fiscal 1998 aggregate purchase price is the issuance of approximately 3.4 million shares of the Company's common stock (including approximately 2 million shares which were issued out of treasury stock), issued in connection with the acquisitions of Carbonic Industries Corporation, Kendeco Supply Company and Industrial Gas Products.

In connection with a previous acquisition, the Company is required to issue additional shares of common stock if the average market value of the Company's common stock for the ten business days ended October 1, 2000 is less than \$13.10 per share. At March 31, 2000, approximately 800 thousand shares were contingently issuable. Common stock subsequently issued in connection with such a contingency reduces capital in excess of par value and increases common stock for the par value of the additional shares issued.

The purchase price for business acquisitions and minority interests was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Such allocations have been based on preliminary estimates of fair value at the date of acquisition, which may be revised at a later date. Costs in excess of net assets acquired (goodwill) for fiscal 2000, 1999 and 1998 amounted to \$33 million, \$29.3 million and \$130.6 million, respectively.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) ACQUISITIONS & DIVESTITURES - (Continued)

The following presents unaudited estimated pro forma operating results as if the fiscal 2000 and 1999 acquisitions had been consummated on April 1, 1998. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of April 1, 1998 or of results which may occur in the future.

(In thousands, except per share amounts)	Years Ended March 31,	
	2000	1999
Net sales.....	\$1,604,838	
\$1,668,210		
Net earnings.....	42,136	
56,398		
Diluted earnings per share.....	.60	
.79		

(b) Divestitures

During fiscal 2000, the Company completed the sale of its operations in Poland and Thailand and sold a non-core medical equipment distribution business. Proceeds from the sales amounted to \$55.6 million and resulted in a gain of \$17.7 million which was recognized

in "Other income, net".

During fiscal 1999, the Company sold certain beverage service operations, its eastern Canadian industrial gas distribution business and its calcium carbide and carbon products operations. Proceeds from the sales amounted to \$53.7 million. The beverage service and Canadian operations were sold at a loss which was provided for in the 1998 Special Charges (Note 3). The Company's calcium carbide and carbon products operations were sold for a gain of \$25.5 million included in "Other income, net". The following table sets forth selected financial data related to the fiscal 2000 and 1999 divested operations:

(In thousands)	Years Ended March 31,	
	2000	1999
1998		
Sales.....	\$17,997	\$62,444
\$71,414		
Gross profits.....	11,906	29,991
28,226		
Depreciation and amortization...	1,396	3,944
3,803		
Operating income.....	474	5,602
1,468		

In April 2000, the Company agreed to sell its equity investment in Superior Air Products Limited, a regional industrial gas producer located in India. The agreement is subject to the approval of a public offering and certain other approvals by the Indian government. The transaction is expected to close in the first half of fiscal 2001. Additionally in May 2000, the Company completed the sale of its equity investment in Boruka Gases Ltd., also located in India.

During fiscal 1998, the Company recorded a gain, included in "Other income, net," of \$1.5 million related to the sale of a non-core business.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) SPECIAL CHARGES

(a) 1998 Special Charges

During the fourth quarter of fiscal 1998, the Company announced its "Repositioning Airgas for Growth" restructuring plan (the "Repositioning Plan"). In connection with the Repositioning Plan, the Company recorded special charges in 1998 totaling \$22.4 million (\$14.3 million after-tax). The Repositioning Plan included the consolidation of subsidiaries into larger regional companies; the consolidation of certain warehouse facilities into regional distribution centers; the standardization and integration of information systems; the building of a national information, procurement and logistics infrastructure to support expanded product lines and distribution channels; and the divestiture of several non-core businesses. The major components of the fiscal 1998 Special Charges were as follows:

(In thousands)	1998
Impairment write-down of plant, equipment and goodwill (1).....	\$ 11,423
Divestiture charges (2).....	6,851
Facility exit costs (3).....	2,577
Severance costs (3).....	1,578
Special Charges.....	22,429
Refrigerant recovery (4).....	(14,500)
Acquisition break-up fee, net (4)...	(2,979)
Special Charges, net.....	\$ 4,950

- (1) Certain plant, equipment and related goodwill were written down to fair value, less the cost to dispose, by \$11.4 million. Fair value was based on the estimated future undiscounted cash flows to be generated from the sale of such assets.
- (2) Estimated reserves of \$6.9 million were established in connection with the planned divestiture of certain non-core businesses. The write-down was based on an evaluation of the estimated fair value of these assets which indicated that these assets were impaired. Fair value was based on the estimated future undiscounted cash flows to be generated from the sale of these assets.
- (3) Reserves were established for facility exit costs of \$2.6 million and severance of \$1.6 million. Estimated reserves were related to the closure of facilities and a workforce reduction of approximately 200 employees.
- (4) The fiscal 1998 Special Charges were offset by a non-recurring gain of \$14.5 million (\$9.4 million after-tax) from a partial recovery of refrigerant losses related to the 1997 fraudulent breach of contract by a third-party supplier and a net gain of \$3 million (\$1.9 million after-tax) related to an acquisition break-up fee.

During fiscal 2000, the Company recognized an additional \$2.3 million in refrigerant loss recoveries as "Special charges (recoveries), net" on the Consolidated Statements of Earnings.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1998 Special Charges Accrued Liabilities:

(In thousands)	Divestitures	Facility exit costs	Severance costs	Total
March 31, 1998 liability...	\$ 6,851	\$ 2,292	\$ 1,286	\$ 10,429
Cash payments..... (1,804)	--	(590)	(1,214)	
Incurring losses..... (2,538)	(2,538)	--	--	
Change in estimates..... (1,000)	(237)	(763)	--	
March 31, 1999 liability...	\$ 4,076	\$ 939	\$ 72	\$ 5,087
Cash payments..... (638)	(474)	(92)	(72)	
Incurring losses..... (79)	(79)	--	--	
Change in estimates..... (577)	(74)	(503)	--	
March 31, 2000 liability...	\$ 3,449	\$ 344	\$ --	\$ 3,793

Changes in estimates to the divestiture reserve to reflect differences between the original loss estimate and the actual loss incurred totaled \$74 thousand and \$237 thousand in fiscal 2000 and 1999, respectively. The adjustments were reflected as recoveries in "Special charges (recoveries), net" on the Consolidated Statements of Earnings.

The remaining divestiture reserve at March 31, 2000 primarily relates to the divestiture of the Company's equity investments in India. As described in Note 2, the divestiture of these equity investments is expected to close during the first half of fiscal 2001.

Facility closure plans were modified in response to closure plans completed. Changes in estimates to the facility exit costs reserves of \$503 thousand and \$763 thousand in fiscal 2000 and 1999, respectively, were reflected as recoveries in "Special charges (recoveries), net" on the Consolidated Statements of Earnings. The remaining facility exit cost reserve at March 31, 2000 reflects a non-cancelable lease obligation.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net earnings by the weighted average number of shares of the Company's common stock outstanding during the period. Diluted earnings per share is calculated by dividing net earnings by the weighted average common shares outstanding adjusted for the dilutive effect of common stock equivalents related to stock options and contingently issuable shares.

The table below reconciles basic weighted average common shares outstanding to diluted weighted average common shares outstanding for the three years ended March 31, 2000, 1999 and 1998:

(In thousands)	Years Ended March 31,		
	2000	1999	1998
Weighted average common shares outstanding:			
Basic.....	69,200	70,000	
68,700			
Stock options.....	1,000	1,400	
2,100			
Contingently issuable shares..	400	300	
--			
Diluted.....	70,600	71,700	
70,800			

(5) INVENTORIES

Inventories consist of:

(In thousands)	March 31,	
	2000	1999
Finished goods.....	\$158,549	
\$153,571		
Raw materials.....	889	
853		
	\$159,438	
\$154,424		

Net inventories determined by the LIFO inventory method totaled \$22.6 million and \$23.2 million at March 31, 2000 and March 31, 1999, respectively. If the FIFO inventory method had been used for these inventories, they would have been \$1.4 million higher at March 31, 2000 and \$1.6 million higher at March 31, 1999.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) PLANT AND EQUIPMENT

The major classes of plant and equipment, at cost, are as follows:

(In thousands)	Depreciable Lives (Yrs)	March 31,	
		2000	1999
Land and land improvements.....	--	\$ 25,099	\$
23,965			
Buildings and leasehold improvements..	25	101,606	
92,943			
Cylinders.....	30	475,144	
422,560			
Machinery and equipment, including			
bulk tanks.....	7 to 30	337,684	
329,619			
Computers and furniture and fixtures..	3 to 10	72,192	
64,961			
Transportation equipment.....	3 to 15	55,528	
50,923			
Construction in progress.....	--	7,112	
8,525			
		\$1,074,365	
\$993,496			

(7) OTHER NON-CURRENT ASSETS

Other non-current assets include:

(In thousands)	March 31,	
	2000	1999
Investments in unconsolidated affiliates (Note 13)...	\$ 72,959	
\$100,834		
Non-compete agreements and other intangible assets, at cost, net of accumulated amortization of \$97.5 million in 2000 and \$85.5 million in 1999.....	48,136	
55,894		
Other assets.....	10,180	
16,694		
	\$131,275	
\$173,422		

(8) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities include:

(In thousands)	March 31,	
	2000	1999
Cash overdraft.....	\$ 18,960	\$
16,959		
Restructuring reserves.....	3,793	
5,087		
Insurance reserves.....	11,475	
9,584		
Accrued payroll and employee benefits.	24,441	
21,245		
Customer cylinder deposits.....	7,998	
8,233		
Accrued interest.....	8,969	
8,190		
Other accrued expenses and current liabilities.....	45,613	
38,997		
	\$121,249	
\$108,295		

The cash overdraft is attributable to the float of the Company's outstanding checks.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) INDEBTEDNESS

(a) Long-term Debt

Long-term debt consists of:

(In thousands)	March 31,	
	2000	1999
Revolving credit borrowings.....	\$583,700	\$554,954
Medium-term notes.....	225,000	225,000
Acquisition notes.....	57,463	72,577
All other notes, at various rates and maturities.	11,330	14,955
Total long-term debt.....	877,493	867,486
Less current portion of long-term debt.....	(20,071)	
(19,645)		
Long-term debt, excluding current portion.....	\$857,422	\$847,841

The Company has unsecured revolving credit facilities totaling \$725 million and \$100 million Canadian (US\$67 million). The Company may borrow under these facilities until the maturity date of December 5, 2002. The agreement contains covenants which include the maintenance of a minimum equity level, maintenance of certain financial ratios, restrictions on additional borrowings and limitations on dividends. At March 31, 2000, the Company had borrowings under the agreement of \$555 million and \$44 million Canadian (US\$29 million). The Company also had commitments under letters of credit supported by the agreement of approximately \$54 million. Based on restrictions related to cash flow to funded debt coverage, the Company had additional borrowing capacity under the agreement of approximately \$154 million. At March 31, 2000, the effective interest rates related to outstanding borrowings under the lines were approximately 6.6% on U.S. borrowings and 5.5% on Canadian borrowings.

At March 31, 2000, the Company had the following long-term debt outstanding under medium-term notes: \$50 million of unsecured notes due September 2001 bearing interest at a fixed rate of 7.15%; \$75 million of unsecured notes due March 2004 at a fixed rate of 7.14%; and, \$100 million of unsecured notes due September 2006 bearing interest at a fixed rate of 7.75%. The Company also has a shelf registration with a capacity of approximately \$175 million for the issuance of debt and other types of securities.

Acquisition notes represent notes issued to sellers of businesses acquired and are repayable in periodic installments including interest at an average effective rate of 7.5%.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) INDEBTEDNESS - (Continued)

The aggregate maturities of long-term debt are as follows:

(In thousands)

Years Ending March 31,	Aggregate Maturity
2001.....	\$ 20,071
2002.....	73,397
2003.....	585,079
2004.....	95,482
2005.....	506
Thereafter.....	102,958
	\$877,493

(b) Swap Agreements

In managing interest rate exposure, the Company participates in 21 interest rate swap agreements with a total notional principal amount of \$543 million at March 31, 2000. Counterparties to the interest rate swap agreements are major financial institutions. The Company monitors its positions and the credit ratings of its counterparties, and does not anticipate nonperformance by the counterparties.

Sixteen swap agreements with approximately \$363 million in notional principal amount require fixed interest payments based on an average effective rate of 6.3% for remaining periods ranging between one and five years. Five swap agreements with approximately \$180 million in notional principal amount require variable interest payments based on an average effective rate of 6.2% at March 31, 2000. Under the terms of three of the swap agreements, the Company has elected to receive the discounted value of the counterparty's interest payments up front. At March 31, 2000, approximately \$4.5 million of such payments were included in other non-current liabilities. The effect of the swap agreements was to increase interest expense \$3.2 million, \$1.1 million and \$1.0 million in 2000, 1999 and 1998, respectively.

The aggregate maturities of the Company's interest rate swaps by type of swap for the five years ending March 31, 2005 and thereafter are as follows:

(In thousands)

Notional Principal Amounts

Years Ending March 31, Receive-Fixed	Pay-Fixed	
2001.....	\$ 65,950	\$ 50,000
2002.....	179,225	50,000
2003.....	77,500	--
2004.....	--	30,000
2005.....	40,000	--
Thereafter.....	--	50,000
	\$362,675	\$180,000

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) FAIR VALUE OF FINANCIAL INSTRUMENTS

Summarized below are the carrying and fair values of the Company's financial instruments at March 31, 2000 and 1999.

The fair value of the Company's debt and interest rate swap agreements is based on estimates using standard pricing models that take into account the present value of future cash flows as of the balance sheet date. The computation of fair values of these instruments is generally performed by the Company. The carrying amounts reported in the balance sheet for trade receivables and payables, accrued liabilities, accrued income taxes, and short-term borrowings approximate fair value due to the short-term nature of these instruments. Accordingly, these items have been excluded from the table below.

(In thousands)	2000 Carrying Value	2000 Fair Value	1999 Carrying Value	1999 Fair Value
Financial Instruments				
Revolving credit borrowings...	\$583,700	\$583,700	\$554,954	\$554,954
Medium-term notes.....	225,000	185,931	225,000	214,257
Acquisition notes.....	57,463	51,275	72,577	70,063
All other notes.....	11,330	11,330	14,955	14,955
Prepaid interest rate swap agreements.....	4,519	5,573	8,687	10,121
Interest rate swap agreements. (1,958)	--	(2,322)	--	--
Operating leases with trust...	--	46,956	--	15,162

(11) STOCKHOLDERS' EQUITY

(a) Common Stock

The Company is authorized to issue up to 200 million shares of common stock with a par value of \$.01 per share. At March 31, 2000, the number of shares of common stock outstanding was 67,196,376, excluding 1.1 million shares of common stock held as treasury stock and 4.8 million shares of common stock held in a grantor trust as described under Note 11(d).

(b) Preferred Stock and Redeemable Preferred Stock

The Company is authorized to issue up to 20 million shares of preferred stock. Of the 20 million shares authorized, 200 thousand shares have been designated as Series A Junior Participating Preferred Stock and 200 thousand shares have been designated as Series

B Junior Participating Preferred Stock (see Note 11(e) for further discussion). At March 31, 2000 and 1999, no shares of the preferred stock were outstanding. The preferred stock may be issued from time to time by the Board of Directors in one or more series. The Board of Directors is authorized to fix the dividend rights and terms, conversion rights, voting rights, rights and terms of redemption, liquidation preferences, and any other rights, preferences, privileges and restrictions of any series of preferred stock, and the number of shares constituting each such series and designation thereof.

Additionally, the Company is authorized to issue 30 thousand shares of redeemable preferred stock. At March 31, 2000 and 1999, no shares were outstanding.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Treasury Stock

In March 1999, the Company's Board of Directors authorized the repurchase of up to seven million shares, or approximately 10%, of the Company's outstanding common stock. The shares may be repurchased in the open market or in privately negotiated transactions depending on market conditions and other factors. In accordance with existing and previous share repurchase authorizations, the Company acquired 5.3 million, 1.4 million, and 2.2 million shares of common stock in fiscal 2000, 1999 and 1998, respectively. In fiscal 2000, the Company reissued 4.2 million shares of common stock to the Company's Employee Benefits Trust (the "Trust"), as discussed in Note 11(d), and 48 thousand shares for stock option exercises. In fiscal 1999, the Company reissued 826 thousand shares of common stock to the Trust and 598 thousand shares for stock option exercises. In fiscal 1998, the Company reissued approximately 2 million shares in connection with its acquisition program, 707 thousand shares related to the purchase of subsidiary minority interests as described in Note 21, and 209 thousand shares for stock option exercises. As of March 31, 2000, the total remaining shares authorized for repurchase totaled approximately 1.9 million shares. When treasury shares are reissued, the Company uses an average cost method and the excess of the repurchase cost over the reissuance price is treated as a charge to capital in excess of par value. Subsequent to March 31, 2000, the Company repurchased approximately 1.4 million shares of common stock for total consideration of \$11.2 million.

(d) Shares in Employee Benefits Trust

In March 1999, the Company established a grantor trust (the "Trust") to fund certain future obligations of the Company's employee benefit and compensation plans. The Company, pursuant to a common stock Purchase Agreement, may sell shares of common stock to the Trust. Such common stock consists of shares the Company has purchased or will purchase on the open market or in private transactions. The common stock may also consist of shares issued directly to the Trust. The Company holds promissory notes from the Trust in the amount of each purchase. Shares held by the Trust serve as collateral for the promissory notes and are available to fund employee benefit plan obligations as the promissory notes are repaid. The shares held by the Trust are not considered outstanding for earnings per share purposes until they are released from serving as collateral for the promissory notes. An independent third-party financial institution serves as the Trustee. The Trustee votes or tenders shares held by the Trust in accordance with instructions received from the participants in the employee benefit and compensation plans to be funded by the Trust. In fiscal 2000 and 1999, the Trust purchased 4.2 million and 826 thousand shares of common stock, previously held as treasury stock, from the Company, for approximately \$35 million and \$7 million, respectively. During 2000, approximately 230 thousand shares were issued from the Trust for employee benefit programs. Subsequent to March 31, 2000, the Trust purchased approximately 2 million shares of common stock, previously held as treasury stock, from the Company for approximately \$11.3 million.

(e) Stockholder Rights Plan

Effective April 1, 1997, the Company's Board of Directors adopted a new stockholder rights plan (the "1997 Rights Plan"). Pursuant to the 1997 Rights Plan, the Board of Directors declared a dividend distribution of one right for each share of common stock. Each right entitles the holder to purchase from the Company one one-thousandth of a share Series B Junior Participating Preferred Stock at an initial exercise price of \$100 per share.

Rights become exercisable only following the acquisition by a person or group of 15 percent (or 20 percent in the case of the Chairman and certain of his affiliates) or more of the Company's common stock or after the announcement of a tender offer or exchange offer to acquire 15 percent

(or 20 percent in the case of the Chairman and certain of his affiliates)

or more of the outstanding common stock. If such a person or group acquires 15 percent or more (or 20 percent or more, as the case may be) of the common stock, each right (other than such person's or group's rights, which will become void) will entitle the holder to purchase, at the exercise price, common stock having a market value equal to twice the exercise price. In certain circumstances, the

rights may be redeemed by the Company. If not redeemed, they will expire on April 1, 2007.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) STOCK-BASED COMPENSATION

The Company has elected to continue to account for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued", as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Accordingly, no compensation expense has been recognized for its stock option plans and its stock purchase plan. However, pro forma information regarding net earnings and earnings per share is required. Had compensation expense for the Company's stock-based compensation plans been determined based on the fair value at the grant date, the Company's pro forma net earnings and earnings per share for 2000, 1999 and 1998 would be as follows:

		Years Ended March 31,		
(In thousands, except per share amounts)		2000	1999	1998
Net earnings	As reported..	\$38,283	\$51,924	
\$40,540				
	Pro forma....	\$32,602	\$46,636	
\$36,240				
Diluted earnings per share	As reported..	\$.54	\$.72	\$
.57				
	Pro forma....	\$.46	\$.65	\$
.51				

The pro forma impact only takes into account options granted since April 1, 1995 and is likely to increase in future years as additional options are granted and amortized ratably over the vesting period.

The Company's stock-based compensation plans are described below.

(a) Employee Stock Option Plans

The Company has a stock plan under which officers and key employees may be granted options. In May 1997, the Company adopted the 1997 Stock Option Plan (the "1997 Plan"). The 1997 Plan contains essentially the same terms and conditions as the Company's previous 1984 Stock Option Plan (the "1984 Plan"). The 1984 Plan was terminated upon approval of the 1997 Plan by the Company's stockholders. Under the 1984 Plan, 948,855 options were granted in fiscal 1998 with an exercise price equal to the market price at the date of grant. Options under the 1984 Plan vest 25% annually and have a maximum term of ten years.

Under the 1997 Plan, at March 31, 2000, 1999 and 1998, 5,369,499, 6,309,368 and 7,900,850 options, respectively, were available for issuance. In fiscal 2000, 1999 and 1998, 1,126,845, 1,665,007 and 99,150 options, respectively, were granted with an exercise price equal to market price at the date of grant. Options under the 1997 Plan are generally granted in May of each year, vest 25% annually and have a maximum term of ten years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for fiscal 2000, 1999 and 1998 option grants, respectively: expected volatility of 44.2%, 42.6% and 39.9%, risk-free interest rate of 5.56%, 5.54% and 6.48%, and expected life of 4.91, 4.81 and 4.47 years. The weighted average fair value of the options granted during fiscal 2000, 1999 and 1998 was \$5.19, \$5.82 and \$6.55, respectively.

In connection with the fiscal 1998 acquisition of Carbonic Industries Corporation ("CIC"), the Company assumed the Carbonic Industries Corporation 1994 Stock Option Plan (the "CIC Plan"). The CIC Plan provided grants to certain key officers and employees of CIC. At the date of acquisition, 196,572 options were exercisable to purchase Company common stock. The fair value of these options was recorded at the date of acquisition.

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AIRGAS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the activity of the employee stock option plans during the three years ended March 31, 2000:

	Number of Shares	Exercise Price Per Share
March 31, 1998		
Outstanding, beginning of year.....	6,281,675	\$ 1.83 - \$23.25
Granted.....	1,244,577	13.50 - 17.38
Exercised.....	(897,358)	1.83 - 14.82
Expired.....	(269,787)	10.69 - 22.00
March 31, 1999		
Outstanding, beginning of year.....	6,359,107	1.83 - 23.25
Granted.....	1,665,007	8.13 - 15.94
Exercised.....	(557,647)	1.83 - 15.63
Expired.....	(256,947)	6.31 - 22.00
March 31, 2000		
Outstanding, beginning of year.....	7,209,520	1.83 - 23.25
Granted.....	1,126,845	6.06 - 12.50
Exercised.....	(576,772)	1.83 - 11.32
Expired.....	(489,932)	6.31 - 22.00
Outstanding, end of year.....	7,269,661	1.83 - 23.25

Options for 4,554,991, 4,439,900 and 4,266,095 shares were exercisable at March 31, 2000, 1999 and 1998, respectively.

(b) Board of Directors Stock Option Plans

The Company also maintains stock option plans covering directors who are not employees. In May 1997, the Company adopted the 1997 Directors' Stock Option Plan (the "1997 Directors' Plan"). The 1997 Directors' Plan reserved 500 thousand shares for issuance. Options under the 1997 Directors' Plan are exercisable in full on the date of grant.

Under the 1997 Directors' Plan, at March 31, 2000, 353,500 options were available for issuance. During fiscal 2000, 1999 and 1998, 62,500, 48,000 and 36,000 options, respectively, were granted with an exercise price equal to the market price at the date of grant and have a maximum term of ten years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for fiscal 2000, 1999 and 1998 option grants, respectively: expected volatility of 44.8%, 42.2% and 39.5%, risk-free interest rate of 5.79%, 5.52% and 6.12%, and expected life of 5.44, 5.48 and 5.35 years. The weighted average fair value of the stock options granted during fiscal 2000, 1999 and 1998 was \$6.01, \$6.36 and \$8.68, respectively.

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AIRGAS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) STOCK-BASED COMPENSATION - (Continued)

The following table summarizes the activity of the Board of Directors stock option plans during the three years ended March 31, 2000:

	Number of Shares	Exercise Price Per Share
March 31, 1998		
Outstanding, beginning of year.....	286,000	\$2.09 - \$19.25
Granted.....	36,000	\$19.00
Exercised.....	(16,000)	2.09 - 2.14
March 31, 1999		
Outstanding, beginning of year.....	306,000	2.09 - 19.25
Granted.....	48,000	13.50
Exercised.....	(40,000)	2.09 - 4.16
March 31, 2000		
Outstanding, beginning of year.....	314,000	2.09 - 19.25
Granted.....	62,500	12.25
Exercised.....	(16,000)	2.20
Outstanding, end of year.....	360,500	2.09 - 19.25

Options for 360,500, 314,000 and 306,000 shares were exercisable at March 31, 2000, 1999 and 1998, respectively.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) STOCK-BASED COMPENSATION - (Continued)

The following table summarizes information about options outstanding and exercisable for the employee, CIC and Board of Directors stock option plans at March 31, 2000:

Options Outstanding

Weighted Average Remaining Life-Years	Number Outstanding	Exercise Price Per Share
1.60	1,166,553	\$ 1.83 - \$
3.30		
3.52	772,769	3.48 -
6.31		
7.53	820,260	6.32 -
8.50		
4.21	424,860	8.56 -
11.44		
9.13	1,017,325	11.50 -
11.50		
5.13	993,455	12.25 -
14.71		
7.19	773,260	14.81 -
15.63		
8.12	821,626	15.94 -
15.94		
5.96	822,253	16.63 -
22.00		
6.43	17,800	22.87 -
23.25		
5.79	7,630,161	\$ 1.83
\$23.25		

Options Exercisable

Number of Options Exercisable Share	Weighted Average Exercise Price Per Share
1,166,553	\$ 2.74
752,769	6.05
348,314	8.10
410,660	11.00
952,455	13.72
375,328	15.61
209,637	15.94
686,424	20.09
13,351	23.24
4,915,491	\$10.47

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Employee Stock Purchase Plans

In August 1998, the Company established the Airgas, Inc. 1998 Employee Stock Purchase Plan (the "1998 Plan") to encourage and assist employees in acquiring an equity interest in the Company. The 1998 Plan is authorized to issue up to 3 million shares of

common stock. Effective January 1, 1999, eligible employees may elect to have up to 15% of their annual gross earnings withheld to purchase common stock at 85% of the market value. Market value under the 1998 Plan is defined as either the closing share price on the New York Stock Exchange as of the employees' enrollment date or the closing price on the last business day of a fiscal quarter, whichever is lower. An employee may lock-in a purchase price for up to 27 months. The 1998 Plan is designed to comply with the requirements of Sections 421 and 423 of the Internal Revenue Code. The 1998 Plan replaces the previous 1994 Employee Stock Purchase Plan. During fiscal 2000, the Company issued 806 thousand shares from the Employee Benefits Trust and treasury stock for the 1998 Plan at an average purchase price of \$7.09 per share.

The Company established the 1994 Employee Stock Purchase Plan (the "1994 Plan") to encourage and assist employees in acquiring an equity interest in the Company. The 1994 Plan was authorized to issue up to 2 million shares of common stock at terms generally consistent with the 1998 Plan. The Company issued 614 thousand shares and 451 thousand shares under the 1994 Plan at an average purchase price of \$9.30 and \$13.20 per share during fiscal 1999 and 1998, respectively. During fiscal 2000, the Company terminated the 1994 Plan.

Compensation expense under SFAS 123 is estimated for the fair value of the employees' option to purchase shares of common stock, which was estimated using the Black-Scholes model with the following assumptions for fiscal 2000, 1999 and 1998, respectively: expected volatility of 51%, 46% and 38% risk-free interest rate of 6.0%, 4.8% and 5.8%, and expected term of 27 months for each period. The weighted average fair value of the purchase options granted in fiscal 2000, 1999 and 1998 was \$3.94, \$4.79 and \$6.55, respectively.

(13) INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The Company's investments in unconsolidated affiliates totaled approximately \$73 million at March 31, 2000, and \$101 million at March 31, 1999. The Company's investments include a 47% joint venture interest in the voting capital stock of National Welders Supply Company, Inc. ("National Welders"). National Welders is a distributor of industrial, medical and specialty gases and related equipment based in Charlotte, North Carolina. The investment in National Welders totaled approximately \$55 million at March 31, 2000 and 1999. The Company's other investments in unconsolidated affiliates totaled approximately \$18 million at March 31, 2000 and \$46 million at March 31, 1999. The decrease compared to March 31, 1999 primarily relates to the August 1999 divestiture of the Company's investments in Poland and Thailand.

The Company's other investments primarily consist of a 25.5% interest in Bhoruka Gases, Ltd. (India), a 51% interest in Superior Air Products, Ltd.

(India), a 50% joint venture interest in AC Industries (U.S.) and other investments. As described in Note 2(b), the divestiture of the Indian investments is expected to be completed in the first half of fiscal 2001.

On December 31, 1998, the Company divested its calcium carbide and carbon products manufacturing operations to Elkem Metals Company L.P. ("Elkem"), a subsidiary of Elkem ASA. In conjunction with the sale, the Company terminated its 55% interest in a joint venture which marketed calcium carbide throughout the United States.

The Company accounts for investments in unconsolidated affiliates by the equity method of accounting. The Company's share of earnings from all unconsolidated affiliates was \$3.4 million, \$7.9 million and \$4.4 million for the years ended March 31, 2000, 1999 and 1998, respectively. Equity in earnings from Elkem of \$900 thousand and \$1.5 million in 1999 and 1998 are included in Gas Operations net sales. The investments in unconsolidated affiliates include goodwill of approximately \$29 million as of March 31, 2000, which is primarily being amortized to earnings over 40 years.

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AIRGAS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of unaudited financial information for investments in unconsolidated affiliates for the years ended March 31, 2000 and 1999 were as follows:

(In thousands)	March 31,	
	2000	1999
Current assets.....	\$ 52,828	\$ 47,221
Non-current assets.....	142,461	138,344
Total assets.....	\$195,289	\$185,565
Current liabilities.....	\$ 31,431	\$ 27,557
Non-current liabilities.....	105,945	86,066
Mandatory redeemable preferred stock.....	57,577	57,577
Stockholders' equity.....	336	14,365
Total liabilities and stockholders' equity.....	\$195,289	\$185,565

(In thousands)	Years Ended March 31,		
	2000	1999	1998
Net sales.....	\$193,335	\$200,017	\$188,640
Cost of sales.....	126,249	137,406	113,793
Gross profit.....	67,086	62,611	74,847
Operating income.....	15,182	16,995	20,243
Earnings before taxes.....	13,571	17,266	14,493
Net earnings.....	9,428	13,463	11,339
Preferred stock dividends and equity adjustments.....	(6,037)	(5,553)	(6,937)
Equity in earnings of Elkem JV. (1,471)	--	(868)	
Equity in earnings of unconsolidated affiliates.....	\$ 3,391	\$ 7,042	\$ 2,931

(14) INTEREST EXPENSE, NET

Interest expense, net, consists of:

(In thousands)	Years Ended March 31,		
	2000	1999	1998
Interest expense.....	\$58,712	\$62,588	\$55,403
Interest and finance charge income....	(1,152)	(2,290)	(2,113)
	\$57,560	\$60,298	\$53,290

AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) INCOME TAXES

Pre-tax earnings (losses) were derived from the following sources:

(In thousands)	Years Ended March 31,		
	2000	1999	1998
United States.....	\$69,028	\$83,548	\$71,810
Foreign.....	1,396	2,813	(1,281)
	\$70,424	\$86,361	\$70,529

Income tax expense (benefit) consists of:

(In thousands)	Years Ended March 31,		
	2000	1999	1998
Current:			
Federal.....	\$16,554	\$15,220	\$16,025
Foreign.....	408	599	385
State.....	1,466	2,573	2,930
	18,428	18,392	19,340
Deferred:			
Federal.....	10,325	13,870	10,748
Foreign.....	847	446	
(260)			
State.....	1,951	1,729	161
	13,123	16,045	10,649
	\$31,551	\$34,437	\$29,989

AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) INCOME TAXES - (Continued)

Significant differences between taxes computed at the federal statutory rate and the provision for income taxes were:

	Years Ended March 31,		
	2000	1999	1998
Taxes at U.S. federal statutory rate.....	35.0%	35.0%	35.0%
Increase in income taxes resulting from:			
State income taxes, net of federal benefit.....	2.1%	2.3%	3.4%
Amortization of non-deductible goodwill.....	4.7%	4.6%	3.6%
Special charges (Note 3).....	--	--	0.7%
Divestitures.....	2.6%	0.4%	0.6%
Equity accounting for unconsolidated affiliates. (1.6%)	(1.1%)	(3.1%)	
Other, net.....	1.5%	0.7%	0.8%
	44.8%	39.9%	42.5%

The tax effects of cumulative temporary differences that gave rise to the significant portions of the deferred tax assets and liabilities were as follows:

(In thousands)	March 31,	
	2000	1999
Deferred Tax Assets:		
Inventories.....	\$ 5,912	\$ 4,720
Accounts receivable.....	1,088	414
Deferred rental income.....	385	481
Insurance reserves.....	3,567	3,245
Special charges (Note 3).....	4,011	3,790
Divestiture of non-core businesses	--	705
Litigation settlement reserve.....	2,385	--
Other reserves.....	1,963	2,238
Intangible assets.....	649	1,382
Other.....	7,638	6,760
Valuation allowance.....	(1,840)	(1,672)
	25,758	22,063
Deferred Tax Liabilities:		
Plant and equipment.....	(156,320)	(139,329)
Other.....	(16,494)	(17,860)
	(172,814)	(157,189)
Net deferred tax liability.....	\$(147,056)	\$(135,126)

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) INCOME TAXES - (Continued)

Current tax assets and current tax liabilities have been netted for presentation purposes. Non-current tax assets and non-current tax liabilities have also been netted. Deferred tax assets and liabilities are reflected in the Company's consolidated balance sheets as follows:

(In thousands)	March 31,	
	2000	1999
Current deferred tax assets, net.....	\$ 13,752	\$ 7,549
Non-current deferred tax liability, net... (142,675)	(160,808)	
Net deferred tax liability.....	\$(147,056)	
	\$(135,126)	

The Company has recorded tax benefits amounting to \$1.6 million, \$1.6 million and \$3.8 million in fiscal 2000, 1999 and 1998, respectively, resulting from the exercise of stock options and warrants. This benefit has been recorded in capital in excess of par value.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances, at March 31, 2000. Valuation allowances primarily relate to state tax net operating loss carry forwards.

(16) BENEFIT PLANS

The Company has a defined contribution 401(k) plan (the "plan") covering substantially all full-time employees. Under the terms of the plan, the Company makes matching contributions up to two percent of participants' wages plus additional discretionary profit sharing contributions based upon the profitability of the Company. Amounts expensed under the plan for fiscal 2000, 1999 and 1998 were \$5.9 million, \$4.7 million and \$6.4 million, respectively.

Certain subsidiaries of the Company participate in multi-employer pension and post-retirement plans which provide defined benefits to union employees. Contributions are made to the plans in accordance with negotiated labor contracts. The Company has not taken any action to terminate or withdraw from these plans. Management believes that the Company's liability, if any, for multi-employer plan withdrawal liability will not have a material effect on the Company's financial condition, results of operations or liquidity. Amounts expensed under the pension plans for fiscal 2000, 1999 and 1998 were \$526 thousand, \$611 thousand and \$660 thousand, respectively.

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AIRGAS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(17) RELATED PARTIES

During the years ended March 31, 2000, 1999 and 1998, National Welders, an unconsolidated equity affiliate, paid \$3.5 million, \$1.4 million and \$1.7 million, respectively, to the Company for gas products, hardgoods and services. In addition, National Welders sold gas products and hardgoods to the Company in the amounts of \$330 thousand, \$552 thousand and \$390 thousand in fiscal 2000, 1999 and 1998, respectively.

The Company paid \$9.1million, \$8.4 million and \$5.9 million to AC Industries, an unconsolidated equity affiliate, for the purchase of liquid carbon dioxide during the years ended March 31, 2000, 1999 and 1998, respectively. In addition, the Company had a net payable balance to AC Industries totaling \$695 thousand, \$1.3 million and \$1.2 million, at March 31, 2000, 1999 and 1998, respectively.

(18) LEASES

The Company leases certain distribution facilities and equipment under long-term operating leases with varying terms. Most leases contain renewal options and in some instances, purchase options. Rentals under these long-term leases for the years ended March 31, 2000, 1999 and 1998, amounted to \$38.5 million, \$35.4 million and \$30.4 million, respectively. Certain operating facilities are leased at market rates from employees of the Company who were previous owners of businesses acquired. The Company also has several

capital leases assumed as part of prior acquisitions. Outstanding lease obligations and the related capital assets are not material to the consolidated balance sheets at March 31, 2000 and 1999.

In October 1999, the Company renewed a lease of real estate with a trust established by a commercial bank. The lease was amended to include the sale-leaseback of certain equipment. The trust holds title to the properties and equipment included in the leases. The rental payments are based on LIBOR plus an applicable margin and the cost of the property acquired by the trust. The appraised value of the real estate and equipment under the lease totaled approximately \$46 million. The lease has a five-year term and has been accounted for as an operating lease. The Company has guaranteed a residual value of the real estate and the equipment at the end of the lease term of approximately \$31 million. A gain of approximately \$12 million on the equipment portion of the transaction has been deferred until the expiration of the Company's guarantee of the residual value. Cash proceeds received from the transaction were used to repay debt outstanding under the Company's revolving credit facility.

At March 31, 2000, future minimum lease payments under noncancelable operating leases are as follows:

(In thousands)	
2001.....	\$ 30,729
2002.....	24,584
2003.....	19,714
2004.....	14,987
2005.....	51,069
Thereafter.....	17,077
	\$158,160

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(19) COMMITMENTS AND CONTINGENCIES

(a) Legal

In July 1996, Praxair, Inc. ("Praxair") filed suit against the Company in the Circuit Court of Mobile County, Alabama. The complaint alleged tortious interference with business or contractual relations with respect to Praxair's Right of First Refusal contract with the majority shareholders of National Welders Supply Company, Inc. ("National Welders") in connection with the Company's formation of a joint venture with National Welders. In June 1998, Praxair filed a motion to dismiss its own action in Alabama and commenced another action in the Superior Court of Mecklenburg County, North Carolina, alleging substantially the same tortious interference by the Company. The North Carolina action also alleges breach of contract against National Welders and certain shareholders of National Welders and unfair trade practices and conspiracy against all the defendants. In the North Carolina action Praxair seeks compensatory damages in excess of \$10 thousand, punitive damages and other unspecified relief. The Company believes that Praxair's North Carolina claims are without merit and intends to defend vigorously against such claims.

Airgas is a defendant in related class-action lawsuits in four states in which the Company has been falsely accused of misleading customers into believing that its hazardous materials charges were required by governmental laws or regulations. The Company has denied the allegations and believes that the hazardous materials charges are lawful and have been properly disclosed. In one suit, an Oklahoma State court certified a nationwide class. In another, in California, the Company is in the midst of a trial. In view of the uncertainties of litigation, the costs to defend lawsuits in multiple jurisdictions and the Company's desire to focus on its business, the Company has preliminarily settled all of the lawsuits. The Company believes that the \$7.5 million charge which was recorded in the fourth quarter of fiscal 2000 represents an estimate of the overall costs associated with the defense and settlement of these claims.

The Company is involved in various legal and regulatory proceedings that have arisen in the ordinary course of its business and have not been finally adjudicated. These actions, when ultimately concluded and determined, will not, in the opinion of management, have a material adverse effect upon the Company's consolidated financial condition, results or operations or liquidity.

(b) Insurance Coverage

The Company has established insurance programs to cover workers' compensation, business automobile, general and products liability. These programs have self-insured retention of \$500 thousand per occurrence. Estimated losses are accrued based upon the Company's experience for the aggregate liability for claims incurred and claims incurred but not reported. The Company believes its insurance reserves are adequate.

The nature of the Company's business may subject it to product and general liability lawsuits. To the extent that the Company is subject to claims that exceed its liability insurance coverage of \$100 million, such suits could have a material adverse effect on the Company's financial position, results of operations or liquidity.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(20) SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest expense and income taxes was as follows:

(In thousands)	Years Ended March 31,		
	2000	1999	1998
Interest.....	\$57,934	\$63,316	\$51,910
Income taxes (net of refunds).	16,269	10,452	15,099

Significant non-cash transactions were as follows:

(In thousands)	Years Ended March 31,		
	2000	1999	1998
Acquisition related transactions (also see Note 2):			
Debt assumed.....	\$ 561	\$ 553	\$ 5,486
Liabilities assumed.....	7,762	15,475	49,407
Debt issued.....	1,399	2,361	17,781
Common stock issued.....	--	--	55,608
Capital lease additions.....	--	--	461
Capitalized interest.....	191	271	1,200

The Company capitalized interest primarily in connection with the construction of facilities.

(21) MINORITY INTEREST IN SUBSIDIARIES

Minority interests in subsidiaries represent the minority shareholders' proportionate share of the equity and the results of operations of the domestic and foreign subsidiaries. The Company sold minority interests in its domestic subsidiaries to employees based on the estimated fair market value of the subsidiary shares. These sales of subsidiary shares were accounted for as capital transactions and, therefore, no gain or loss was recorded.

In December 1997, the Board of Directors approved a Mandatory Exchange in accordance with the exchange rights agreements between the Company and the domestic minority shareholders. The number of shares issued from treasury stock was determined based upon the valuation of the minority interest and the price of the Company's common stock as of February 28, 1998. The market price on February 28, 1998, was \$17.94 per share. The Mandatory Exchange required that all domestic minority shareholders exchange their

minority interests for an aggregate of 707 thousand shares of common stock. The acquisition of these minority interests under the Mandatory Exchange was recorded using the purchase method of accounting.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(22) SUMMARY BY BUSINESS SEGMENT

The Company aggregates its operations, based on products and services, into two reportable segments, Distribution and Gas Operations. The Distribution segment accounts for approximately 90% of consolidated sales. The segment's principal products and services are packaged gases, equipment rental and hardgoods. Gas sales include industrial, medical and specialty gases such as: nitrogen, oxygen, argon, helium, acetylene, carbon dioxide, nitrous oxide, hydrogen, welding gases, ultra high purity grades and special application blends. Rent is derived primarily from compressed gas cylinders, cryogenic liquid containers and bulk storage tanks rented to customers and through welding equipment rentals. Hardgoods consist of welding supplies, equipment, safety products, and industrial tools and supplies.

The segment entitled Gas Operations consists of certain domestic operating companies, principally dry ice and carbon dioxide, and, until their divestiture in August 1999, the Company's operations in Poland and Thailand. The products and services of this segment consist of the production of dry ice and liquid carbon dioxide, the operation of specialty gas laboratories and the manufacture of nitrous oxide. Until the December 1998 divestiture, Gas Operations also manufactured calcium carbide and carbon products.

The Company's operations are principally in North America. The Company's customer base is diverse and sales are not dependent on a single or small group of customers.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies (Note 1). Additionally, Corporate operating results are allocated to each segment pro rata based on sales dollars; Corporate assets have been allocated to the Distribution segment; intercompany sales are recorded on the same basis as sales to third parties; intercompany transactions are eliminated in consolidation; and special charges are not allocated to the business segments.

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(22) SUMMARY BY BUSINESS SEGMENT - (Continued)

(In thousands) Fiscal 2000	Distribution	Gas Operations	Combined
Gas and rent.....	\$ 592,449	\$ 128,703	\$ 721,152
Hardgoods.....	817,500	3,682	821,182
Total net sales.....	1,409,949	132,385	1,542,334
Intersegment sales.....	--	18,253	18,253
Gross profit.....	649,827	75,910	725,737
Gross profit margin.....	46.1%	57.3%	47.1%
Depreciation and amortization expense.....	76,483	12,825	89,308
Operating income, excluding special (charges) recoveries.....	94,671	9,231	103,902
Interest expense.....	46,484	12,228	58,712
Interest income and finance charges.....	337	815	1,152
Equity earnings of unconsolidated affiliates	1,658	1,733	3,391
Earnings before income taxes, excluding special (charges) recoveries and cumulative effect of an accounting change.	48,882	18,713	67,595
Assets.....	1,512,666	226,665	1,739,331
Investment in equity method investees.....	57,339	15,620	72,959
Capital expenditures, excluding acquisitions	56,361	8,850	65,211
Other significant non-cash transactions:			
Acquisitions.....	9,722	--	9,722
Capitalized interest.....	114	77	191

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(22) SUMMARY BY BUSINESS SEGMENT - (Continued)

(In thousands) Fiscal 1999	Distribution	Gas Operations	Combined
Gas and rent.....	\$ 569,406	\$ 128,740	\$ 698,146
Hardgoods.....	836,778	4,227	841,005
Other.....	--	22,067	22,067
Total net sales.....	1,406,184	155,034	1,561,218
Intersegment sales.....	--	14,656	14,656
Gross profit.....	637,616	85,547	723,163
Gross profit margin.....	45.3%	55.2%	46.3%
Depreciation and amortization expense.....	74,958	12,968	87,926
Operating income, excluding special (charges) recoveries.....	98,447	13,549	111,996
Interest expense.....	49,995	12,593	62,588
Interest income and finance charges.....	1,339	951	2,290
Equity earnings of unconsolidated affiliates	4,525	2,517	7,042
Earnings before income taxes, excluding special (charges) recoveries.....	53,455	31,906	85,361
Assets.....	1,451,792	246,680	1,698,472
Investment in equity method investees.....	57,680	43,154	100,834
Capital expenditures, excluding acquisitions	86,114	15,524	101,638
Other significant non-cash transactions:			
Acquisitions.....	6,762	11,627	18,389
Capitalized interest.....	271	--	271

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(22) SUMMARY BY BUSINESS SEGMENT - (Continued)

(In thousands)	Distribution	Gas Operations	Combined
Fiscal 1998			
Gas and rent.....	\$ 531,166	\$ 91,315	\$ 622,481
Hardgoods.....	790,792	1,649	792,441
Other.....	--	33,068	33,068
Total net sales.....	1,321,958	126,032	1,447,990
Intersegment sales.....	--	9,494	9,494
Gross profit.....	605,240	63,212	668,452
Gross profit margin.....	45.8%	50.2%	46.2%
Depreciation and amortization expense.....	67,418	9,252	76,670
Operating income, excluding special (charges) recoveries.....	111,472	12,426	123,898
Interest expense.....	45,081	10,322	55,403
Interest income and finance charges.....	1,460	653	2,113
Equity earnings of unconsolidated affiliates	1,581	1,350	2,931
Earnings before income taxes, excluding special (charges) recoveries.....	69,525	5,954	75,479
Assets.....	1,396,906	244,568	1,641,474
Investment in equity method investees.....	52,918	45,604	98,522
Capital expenditures, excluding acquisitions	79,741	44,984	124,725
Other significant non-cash transactions:			
Acquisitions.....	78,137	50,606	128,743
Capitalized interest.....	--	1,200	1,200

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AIRGAS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(22) SUMMARY BY BUSINESS SEGMENT - (Continued)

A reconciliation of the combined operating segments to the applicable line items on the consolidated financial statements follows:

(In thousands)	Years Ended March 31,		
	2000	1999	1998
Segment operating income.....	\$ 103,902	\$ 111,996	\$ 123,898
Special (charges) recoveries..... (4,950)	2,829	1,000	
Operating income.....	\$ 106,731	\$ 112,996	\$ 118,948
Segment earnings before income taxes and cumulative effect of an accounting change.	\$ 67,595	\$ 85,361	\$ 75,479
Special (charges) recoveries..... (4,950)	2,829	1,000	
Earnings before income taxes.....	\$ 70,424	\$ 86,361	\$ 70,529

(23) SUPPLEMENTARY INFORMATION (UNAUDITED)

This table summarizes the unaudited results of operations for each quarter of fiscal 2000 and 1999:

(In thousands, except per share amounts)	First	Second	Third	Fourth
2000				
Net sales.....	\$379,493	\$387,289	\$369,434	
\$406,118				
Operating income.....	29,099	32,304	29,004	
16,324				
Net earnings.....	9,085	18,912	9,760	
526				
Basic earnings per share (a),(b).....	\$.13	\$.27	\$.14	\$
.01				
Diluted earnings per share (a),(b).....	\$.13	\$.27	\$.14	\$
.01				
1999				
Net sales.....	\$400,773	\$396,592	\$380,323	
\$383,530				
Operating income.....	33,429	31,791	25,173	
22,603				
Net earnings.....	11,275	10,480	22,088	
8,081				
Basic earnings per share (a),(c).....	\$.16	\$.15	\$.32	\$
.12				
Diluted earnings per share (a),(c).....	\$.16	\$.15	\$.31	\$
.11				

- (a) Earnings per share calculations for each of the quarters are based on the weighted average number of shares outstanding in each period. Therefore, the sum of the quarters do not necessarily equal the full year earnings per share.
- (b) As discussed in Notes 1, 2 and 3 to the Company's consolidated financial statements, the results for fiscal 2000 include: (1) a first quarter after-tax charge of \$590 thousand, or \$.01 per diluted share, from the cumulative effect of an accounting change, (2) a second quarter \$7.8 million after-tax, or \$.11 per diluted share, net gain from the divestiture of operations in Poland and Thailand, (3) a third quarter \$1.7 million after-tax, or \$.02 per diluted share, special charge recovery primarily consisting of an insurance settlement related to a fiscal 1997 loss and a \$2.2 million after-tax, or \$.03 per diluted share, inventory write-down related to certain specialty gases, and (4) a fourth quarter \$4.8 million after-tax, or \$.07 per diluted share, litigation charge and an \$800 thousand after-tax, or \$.01 per diluted share, gain from the divestiture of a non-core medical equipment distribution business.

(c) As discussed in Notes 2 and 3 to the Company's consolidated financial statements, the results for fiscal 1999 include: (1) a \$575 thousand after-tax adjustment related to the first quarter divestiture of two non-core businesses, (2) a \$14.1 million after-tax non-recurring gain, or \$.20 per diluted share, related to the third quarter divestiture of its calcium carbide and carbon products operations, (3) a fourth quarter \$922 thousand after-tax non-recurring gain, or \$.01 per diluted share, from a settlement of certain matters related to the December 1998 divestiture of the Company's calcium carbide and carbon products operations, and (4) a \$1.8 million non-recurring gain, or \$.03 per diluted share, from insurance proceeds recorded by an equity affiliate in the third quarter.

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SCHEDULE II

AIRGAS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended March 31, 2000, 1999 and 1998
(In thousands of dollars)

Description	Column A	Column B		Column C	Column D	Column E
	Balance at Beginning of Period	Additions		Charged (Credited) to Other Accounts	Deductions	Balance at End of Period
2000						
Accounts receivable - allowances for doubtful accounts.....	\$ 6,092	\$ 6,303	\$ 1,078 (1)	\$ (7,279)	\$ 6,194	
Inventory reserves.....	6,207	885	227	--	7,319	
Insurance reserves.....	9,584	44,492	--	(42,601) (3)	11,475	
Restructuring reserves.....	5,087	(577) (4)	--	(717)	3,793	
Deferred tax asset valuation allowance.....	1,672	168	--	--	1,840	
Litigation settlement reserve.....	--	7,500	--	--	7,500	
1999						
Accounts receivable - allowances for doubtful accounts.....	\$ 5,676	\$ 5,850	\$ 1,071 (1)	\$ (6,505) (2)	\$ 6,092	
Inventory reserves.....	8,354	--	14	(2,161)	6,207	
Insurance reserves.....	7,248	36,155	245	(34,064) (3)	9,584	
Restructuring reserves.....	10,429	(1,000)	--	(4,342)	5,087	
Deferred tax asset valuation allowance.....	1,329	343	--	--	1,672	
1998						
Accounts receivable - allowances for doubtful accounts.....	\$ 4,443	\$ 5,311	\$ 1,418 (1)	\$ (5,496) (2)	\$ 5,676	
Inventory reserves.....	7,633	(188)	909	--	8,354	
Insurance reserves.....	5,224	33,217	(802)	(30,391) (3)	7,248	
Restructuring reserves.....	--	11,006	--	(577)	10,429	
Deferred tax asset valuation allowance.....	491	838	--	--	1,329	

- (1) Includes collections on accounts previously written-off and allowances for doubtful accounts of businesses acquired less the allowance for doubtful accounts of businesses sold.
- (2) Write-off of uncollectible accounts.
- (3) Payments of insurance premiums and claims.
- (4) Represents a change in estimate.

Amendment Letter

Trust Agreement between the Company and First Union National Bank

WHEREAS, the Board of Directors of Airgas, Inc. (the "Board") pursuant to its resolution of March 7, 2000 (the "Resolution"), approved an increase, from 5% to 10%, in the number of the outstanding shares of common stock, par value \$0.1 per share (the "Company Stock"), of Airgas, Inc. (the "Company") that may be held in the trust ("the "Trust") established pursuant to the Trust Agreement between the Company and First Union National Bank (the "Trustee"), effective as of March 30, 1999 (the "Trust Agreement") pursuant to the authority to effect such an amendment as set forth in Section 9.1 of the Trust Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. Amendment of Trust Section 2.1 of the Trust Agreement is hereby amended to increase the number of shares of Company Stock that may be held by the Trust from 5% to 10% of the Company's outstanding Shares;
2. Related Agreements. The parties shall into the a new Common Stock Purchase Agreement and Promissory Note substantially in the same form as entered in to in connection with the initial funding of the Trust in 1999, subject to any necessary changes in the number of shares in common stock and interest rates and each party shall perform its obligations thereunder.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement on the date and year first above written.

AIRGAS, INC.

*By: /s/ Roger F. Millay
Name: Roger F. Millay
Title: Senior Vice President
&
Chief Financial
Officer*

FIRST UNION NATIONAL BANK

*By: /s/ George Rayzis
Name: George Rayzis
Title: Vice
President*

CHANGE OF CONTROL AGREEMENT

This is a CHANGE OF CONTROL AGREEMENT ("Agreement") dated January 3, 2000, between Airgas, Inc., a Delaware corporation (the "Company"), and Roger F. Millay (the "Executive").

BACKGROUND

Executive is the current Chief Financial Officer of the Company. The Board of Directors of the Company (the "Board") has determined it is in the Company's best interest to assure that the Company will have the continued dedication of Executive, notwithstanding the possibility, threat or occurrence of a Change of Control of the Company, as will be defined below. To diminish the

inevitable distraction to Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control, to encourage Executive's full attention and dedication to the Company currently and in the event of any Change of Control, and to provide Executive with compensation arrangements upon a Change of Control that provide Executive financial security and that are competitive with peer corporations of the Company, the Company and Executive desire to enter into this Agreement that is in the best interests of the Company and Executive.

NOW, THEREFORE, intending to be legally bound, and in consideration of the mutual promises and representations set forth in this Agreement, the Company and Executive agree as follows:

ARTICLE I - TERM OF AGREEMENT

Term. The term of this Agreement shall commence as of the date hereof, and shall terminate upon the earlier of (i) Executive's termination of employment with the Company for any reason, or (ii) the later of (A) date which is three years following the date on which a Change of Control, as defined in Section 2.2, occurred; or (B) the date as of which funding is required under 3.5.2 following a Standstill Agreement provided, however, that the Agreement shall remain in effect until Executive (or Executive's beneficiary if Executive is not alive) has received any and all amounts to which Executive is entitled under Article III, if any.

ARTICLE II - TERMINATION OF EXECUTIVE'S EMPLOYMENT

Change of Control Required. No amounts or benefits shall be paid or become payable to Executive under this Agreement unless a Change of Control, as defined in Section 2.2, occurs.

Certain Definitions. For purposes of this Agreement:

A "Change of Control" shall mean any one or more of the following:

As a result of a tender offer, stock purchase, other stock acquisition, merger, consolidation, recapitalization, reverse split, sale or transfer of any asset or other transaction any person or group (as such terms are used in and under Section 13(d) of the Securities Exchange Act of 1934 (the "Exchange Act")) other than the Company, any affiliate, or any employee benefit plan of the Company or an affiliate, shall become the beneficial owner (as defined in Rule 13-d under the Exchange Act) directly or indirectly of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities; providing, however, that this provision shall not apply to Peter McCausland ("McCausland"), unless and until McCausland, together with all affiliates and associates, becomes the beneficial owner of 30% or more of the combined voting power of the Company's then outstanding securities; Stockholders approve the consummation of any merger of the Company or any sale or other disposition of all or substantially all of its assets, if the Company's stockholders immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than 50% of the voting power of the surviving or acquiring corporation; or

A change in the majority of the individuals who constitute the Board occurs during any period of two years for any reason without the approval of at least a majority of directors in office at the beginning of such period.

A "Potential Change of Control" shall be deemed to have occurred if:

The Company enters into an agreement, the consummation of which would result in the occurrence of a Change of Control of the Company;

Any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change of Control of the Company;

Any person, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's then outstanding securities, increases his beneficial ownership of such securities by 5% or more of the combined voting power of the Company's then outstanding securities on the effective date of this Agreement; provided, that this Section 2.2.2.3 shall not apply to an increase in ownership by McCausland; or

The Board adopts a resolution to the effect that, for purposes of this Agreement, a "Potential Change of Control" has occurred.

A "Triggering Event" means a Potential Change of Control or a Change of Control.

Termination of Executive's Employment Entitling Executive to Benefits. A termination of Executive's employment In Connection With a Change of Control (as hereinafter defined), for any reason set forth in this Section 2.3 shall entitle Executive to the amounts and benefits set forth in Section 3.1. Such termination shall be considered "In Connection With a Change of Control" if such termination occurs (i) within three years following a Change of Control or (ii) following a Potential Change of Control but before an actual Change of Control, provided the Potential Change of Control results in a Change of Control within one year following the Potential Change of Control.

Voluntary Termination for Good Reason. Executive may notify the Company of Executive's intention to terminate employment with the Company for Good Reason, as hereinafter defined, In Connection With a Change of Control. The Company shall have 30 days to cure the defects stated in such notice that would give rise to a termination for Good Reason. If the Company has not cured all such defects at the end of that 30-day period, Executive may terminate employment with the Company effective, for purposes of this Agreement, as of the date that Executive provided notice to the Company pursuant to the first sentence of this Section 2.3.1, and Executive shall be entitled to the amounts and benefits set forth in Section 3.1. For purposes of this Agreement, "Good Reason" shall mean any of the following:

Any change in Executive's total compensation and benefits package from the Company that, in the aggregate, materially decreases Executive's total compensation. Such changes include, but are not limited to, a decrease in Executive's annual base salary, a decrease in any incentive compensation opportunity, a decrease in any material benefit plan, program or policy in which Executive is participating at the time of a Triggering Event, or the taking of any action by the Company that would adversely affect Executive's participation in or materially reduce Executive's opportunity to receive benefits under any such benefit plan, program or policy or that would deprive Executive of any material fringe benefit enjoyed by Executive at the time of a Triggering Event; provided, however, that no single decrease shall be determinative, but rather the aggregate of all such decreases and any increases in compensation or benefits shall determine whether there has been a material decrease in Executive's total compensation and benefits package; or

Executive's relocation to any location more than 35 miles from the location at which Executive performed his duties prior to a Triggering Event, except for required travel by Executive on the Company's business to an extent substantially consistent with Executive's business travel obligations prior to a Triggering Event.

Involuntary Termination Other Than for Cause. If the Company terminates Executive's employment other than for Cause, as defined in Section 2.4, In Connection With a Change of Control, Executive shall be entitled to the amounts and benefits set forth in Section 3.1.

Cause Defined. Executive's termination of employment with the Company shall be for "Cause" if one or more of the following events occur:

Executive's willful misconduct or gross negligence in the performance of Executive's duties;

Executive's commission of any act of fraud or embezzlement against the Company or Executive's commission of a felony or any other offense involving moral turpitude; or

Executive's unauthorized dissemination of confidential information, observations, and data concerning the business plans, financial data, customer lists, trade secrets and acquisitions strategies of the Company and its subsidiaries which has a material adverse effect on the Company or its subsidiaries.

No Other Amounts Payable. Except as provided in Section 2.3, no amounts or benefits shall be paid or become payable to Executive under this Agreement.

ARTICLE III - BENEFITS

Benefits. If Executive's employment with the Company terminates in a manner described in Section 2.3, the Company shall pay Executive the following amounts and provide to Executive the following benefits, subject to Sections 3.3:

Cash Payment. As soon as practicable, but not later than 60 days following the later of (i) Executive's termination of employment, or (ii) the Change of Control, the Company shall make a lump sum payment to Executive equal to three times the sum of (x) and (y), as described immediately hereafter. For this purpose, (x) equals the greater of Executive's annual base salary as in effect (a) immediately prior to Executive's termination, or (b) at the time a Triggering Event occurred, and (y) equals the potential bonus amount determined for Executive under the Company's bonus plan for the fiscal year of the Company in which a Triggering Event occurred (or, if no such bonus amount has been determined for any such fiscal year, the immediately preceding fiscal year of the Company) as if 100% of plan established pursuant to such bonus plan were achieved and the maximum level of the discretionary portion were achieved.

Health and Welfare Benefits. For a period of three years following Executive's termination of employment, the Company shall continue to provide Executive with medical, dental, prescription drug, life, accidental death, and disability (short-term and long-term) insurance benefits at the same level and cost to Executive as were in effect immediately prior to Executive's termination. If the Executive's employment terminates after a Potential Change of Control and no Change of Control occurs within one year of the Potential Change of Control, such benefits shall continue only until the expiration of such one-year period. However, the above benefits shall terminate if Executive is entitled to comparable coverage from a subsequent employer, to the extent permitted under Code section 4980B. The Executive and his dependents shall continue to receive or be eligible for benefits under the Company's Scholarship and Tuition Reimbursement Programs as if the Executive remained employed by the Company for the remainder of the relevant academic year(s) in which the Executive's employment terminates.

Stock Options and Restricted Stock. All stock options and restricted stock grants awarded to Executive under any stock option or stock grant plans of the Company shall become fully vested upon a Change of Control and, notwithstanding any provision of any such option plan to the contrary, any stock option shall remain exercisable until that option's expiration date, determined without regard to Executive's termination of employment.

Reduction of Benefits.

Reduced Payment. If any payment or benefit provided to Executive by the Company pursuant to this Agreement or otherwise (the "Payment") shall be determined to be an "Excess Parachute Payment," (as defined in Code section 280G(b)(1)), that would be subject to the excise tax imposed by Code Section 4999, then the aggregate present value of amounts or benefits payable to Executive pursuant to this Agreement (the "Agreement Payments") shall be reduced (but not below zero) to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value that maximizes the aggregate present value of Agreement Payments without causing any payments or benefits hereunder to be an Excess Parachute Payment. Anything to the contrary notwithstanding, if the Reduced Amount is zero and it is determined further that any payment from the Company to Executive that is not an Agreement Payment would nevertheless be an Excess Parachute Payment, then the aggregate present value of Payments that are not Agreement Payments shall also be reduced (but not below zero) to an amount, if any, if the present value of such lesser amount maximizes the aggregate present value of Payments to Executive on an after-tax basis, taking into account income and excise taxes under section 1 and section 4999 of the Code. For purposes of this Section 3.2 present value shall be determined in accordance with section 280G(d)(4) of the Code.

Determination of Agreement Payments. All determinations required under this Section 3.2 shall be made by a national accounting firm retained by the Company at its own expense. The accounting firm shall provide the Company and the Executive with a report and supporting calculations within 15 business days of the date Executive's employment with the Company terminates or such earlier time as is requested by the Company. In addition, the accounting firm shall provide an opinion to Executive that the Executive has substantial authority not to report any excise tax on Executive's federal income tax return with respect to the Agreement Payments. Any such determination by the accounting firm shall be binding upon the Company and Executive. Executive shall determine which and how much of the Agreement Payments or Payments, as the case may be, shall be eliminated or reduced consistent with the requirements of this Section

3.2, provided that, if Executive does not make such determination within 10 business days of the receipt of the calculations from the accounting firm, the Company shall elect which and how much of the Agreement Payments or Payments, as the case may be, shall be eliminated or reduced consistent with the requirements of this Section

3.2 and shall notify Executive promptly of such election. Within 10 business days thereafter, the Company shall pay to or distribute to or for the benefit of Executive such amounts are then due to Executive under this Agreement.

Deferral of Benefits. If the Company, based on written advice of reputable counsel, a copy of which shall be provided to Executive, determines that in the aggregate any benefit or payment under this Agreement and under any other arrangement or agreement between the Company and Executive would not be deductible for federal income taxes by the Company solely as a result of the application of section 162(m) of the Code, the payment of any amounts otherwise payable under this Agreement in the then current year shall be reduced, but not below zero, by the amount of any such non-deductible amounts. The Company shall pay the entire non-deductible amount to Executive at the earliest possible time or times that such amounts (or portions thereof) may be paid to Executive without such amounts being non-deductible under Code section 162(m), along with interest accrued on such amounts since the date they would have been payable but for this

Section 3.3 calculated at the applicable federal short-term rate. If any other agreement between the Company and Executive provides for the deferral of payments from the Company to Executive solely as a result of the application of Code section 162(m), the deferral provisions in this Agreement shall prevail and all deferrals shall be made from amounts payable under Section 3.1 of this Agreement before any amounts may be deferred under any other arrangements solely as a result of the application of Code section 162(m).

Withholding Taxes. The Company shall withhold from any payments or benefits made under this Agreement all applicable federal, state and local income and employment taxes, as well as any other amounts required to be withheld under any law.

Funding.

Required Funding. The Company shall not be required to fund in advance the amounts and benefits payable under this Agreement until a Triggering Event occurs. Upon the occurrence of a Triggering Event, the Company shall immediately contribute an amount to an irrevocable grantor trust, of which Executive is the beneficiary and a third-party is the trustee (a "Trust"), equal to 120% of the amounts that could become payable to Executive under this Agreement.

Standstill Agreements. Notwithstanding Section 3.5.1, if a transaction is approved by the Board, including one that would constitute a Change of Control, and the transaction is accompanied by a Board approved standstill agreement that provides for (i) no further acquisition of Company securities by the shareholder(s) entering into the agreement and (ii) management autonomy for the Company's management at the time the agreement is executed (a "Standstill Agreement"), the Board shall determine whether to contribute amounts to a Trust to fund benefits payable under this Agreement at the time the Standstill Agreement is executed. The Company shall fund such a Trust, however, if after such a transaction and the execution of a Standstill Agreement (i) the terms of the Standstill Agreement, including the management autonomy provision, are violated or (ii) the Company terminates any of its executive officers without Cause, as defined in Section 2.4. If a Trust is to be funded under this Section 3.5.2, the Company shall immediately contribute an amount to the Trust equal to 120% of the amounts that could become payable to Executive under this Agreement.

Payments from Trust and Reversions. To the extent any provision of this Agreement provides for a payment from the Company to Executive, the Company may direct the trustee of a Trust created pursuant to this

Section 3.5 to make such payment to the extent that any remaining assets in the Trust are reasonably expected to be sufficient for any additional amounts or benefits that may be due Executive from the Company under this Agreement. No amount in a Trust may revert to the Company until 90 days after the expiration of the Term of this Agreement. Notwithstanding the above, (i) if the Triggering Event causing a Trust to be funded under Section 3.5.1 is a Potential Change of Control and no Change of Control occurs within one year of the Potential Change of Control, amounts in the Trust may revert to the Company at the expiration of such one-year period, and (ii) if Executive has brought a lawsuit against the Company claiming amounts or benefits under this Agreement, no amounts from the Trust shall revert to the Company while such claim is pending.

Legal Expenses. If Executive determines in good faith to retain legal counsel and/or to incur other reasonable costs or expenses in order to enforce any or all of Executive's rights under this Agreement, the Company shall pay all such attorneys' fees, costs and expenses incurred in connection with non-frivolous applications to interpret or enforce Executive's rights. In addition, during the pendency of any such controversy or claim, the Company will continue to pay Executive, with the customary frequency, the greater of Executive's base pay as in effect immediately prior to the Triggering Event or immediately prior to Executive's termination of employment, and, to the extent permitted under law, to provide the Executive with the same benefits Executive was receiving immediately prior to the Triggering Event until the controversy or claim finally is resolved. These payments and the provision of benefits hereunder shall be in addition to, and not in derogation or mitigation of any other payment or benefit due Executive under this Agreement.

No Duty of Mitigation. The Executive shall have no duty to seek new employment after his employment with the Company terminates or to take any other actions which could reduce the amounts the Company is obligated to pay or reduce the benefits the Company is required to provide under this Agreement.

ARTICLE IV - MISCELLANEOUS

Modification of This Agreement. Executive acknowledges and agrees that no one employed by or representing the Company has any authority to make oral statements which modify, waive or discharge, in any manner, any provision of this Agreement. Executive further acknowledges and agrees that no provision of this Agreement may be modified, waived or discharged unless agreed to in writing, and signed and executed by Executive and the Board, or its delegate. Executive acknowledges and agrees that in executing this Agreement Executive has not relied upon any representation or statement made by the Company or its representatives, other than those specifically stated in this Agreement.

Notices. All notices required or permitted hereunder shall be made in writing by hand-delivery, certified or registered first-class mail, facsimile transmission or air courier guaranteeing overnight delivery to the other party at the following addresses:

To Company: Airgas, Inc.
259 N. Radnor-Chester Road
Radnor, PA 19087-8675
Attention: Corporate
Secretary

To Executive: Roger F. Millay
1323 Shadow Oak Drive
Malvern, PA 19355

or to such other address as either of such parties may designate in a written notice served upon the other party in the manner provided herein. All notices required or permitted hereunder shall be deemed duly given and received when delivered by hand, if personally delivered; on the fifth day next succeeding the date of mailing if sent by certified or registered first-class mail, when received if sent by facsimile transmission, and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Employment Status. Unless an agreement between the Company and the Executive provides otherwise, the Company and Executive acknowledge that, notwithstanding this Agreement, the employment of Executive by the Company is "at will," and the Company may terminate Executive's employment with the Company at any time, although certain terminations as specified in Article II will entitle Executive to amounts and benefits from the Company.

Other Arrangements Not Affected. Except as otherwise provided herein, this Agreement shall not have any effect on any other benefit plan, arrangement or agreement under which Executive currently participates, has in the past participated, or may in the future participate.

Applicable Law. The parties have agreed that this Agreement shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to conflict of law principles.

Headings. The headings used throughout this Agreement have been used for convenience only and do not constitute matter to be considered in interpreting this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the dates indicated below:

Roger F. Millay AIRGAS, INC.

<i>Signature: /s/ Roger F. Millay</i>	<i>By: /s/ Peter</i>
<i>McCausland</i>	<i>Peter McCausland</i>
<i>Roger F. Millay</i>	

Date: 1/4/00 Title: Chairman and Chief Executive Officer

Date: 1/14/00

To: Bonus Eligible Associates
From: Bill Rice
Date: May 23, 2000
Subject: Fiscal Year 2001 Bonus Plan

Executive Summary

I am pleased to announce the Airgas Fiscal Year 2001 Bonus Plan. The plan is similar to the Fiscal Year 2000 plan, but with some modifications.

The changes to the plan have resulted in a plan that better aligns the bonus program with our strategic plans and the emphasis placed on the need to grow sales in general and sales of Radnor brand products in particular.

After reviewing the plan, please sign the last page, the "Associate Acknowledgment," and return it to your Human Resources Department. This acknowledgment is required for your participation in the plan.

What's Different

1. What We Are Eliminating:

- O Cap on bonus plan payouts - this now means that your bonus plan payout is only limited by your achievements and that of your company and Airgas as a whole.
- O Requirement that FY '01 EPS exceed that of FY '00 before a payout can be made.
- O The 120% achievement cap placed on debt repayment.

2. What We Are Changing:

- O Increasing the emphasis placed on achieving your company's business plan financial goals and reducing the emphasis placed on Airgas consolidated results.
- O Airgas Consolidated Financial Factor is being changed to one measurement, Earnings Per Share (EPS). This is being done to simplify the bonus plan and to focus on one critical measurement.
- O How debt repayment achievement is calculated.
- O Weightings for Company Financial Factors. They will now be EBITDA - 55% (PBT had been 60%), Debt Repayment - 25% (had been 30%) and Sales Growth - 20% (Gross Profit Dollar Growth had been 10%).
- O The "One Airgas" factors to those that are critical to our success in FY '01. These factors will now be incorporated into Accountabilities and will no longer be a separate portion of the Plan. Therefore, the weightings for the Accountabilities portion of the Plan have increased.
- O The bonus payout schedule. It only applies to region company performance. Additionally, we have changed the schedule to smooth out the curve. The minimum payout will now be at 70% achievement rather than 71%.
- O Participation criteria. You must be an active associate at time of payment to be eligible for a bonus. For this past year, the participation criteria was to be an active associate as of the end of the fiscal year.
- O Sales associates who participate in the Management Bonus Plan will no longer participate in this Plan. They will have a separate plan that places more emphasis on sales growth.

See the applicable section of the Bonus Plan for details about these changes.

The Plan

How much can I earn? How does the plan actually work?

Based on your position, a bonus eligible associate has the opportunity to earn a percentage of his or her annual base salary (called your "targeted bonus opportunity"). This bonus is based upon the extent to which you, your company and Airgas achieve certain results by the end of the fiscal year. Depending on the combined performance of these three, your bonus can be more or less than your targeted bonus opportunity. Any bonus earned is paid annually and is paid no later than 75 days following the end of the fiscal year.

Financial calculations are done using year-end data and taking into account acquisitions, divestitures and other unusual non-recurring events that occur during the fiscal year.

The following sections explain the three bonus categories (Airgas Consolidated Financials, Company Financials and Accountabilities). See Exhibit I for additional administration information about the plan. If you have questions after reading about the plan, please talk to your Manager.

Airgas Consolidated Financials

Overall Weighting - 30% of Your Bonus Opportunity

The weighting of this portion of the Plan has been reduced from 40% in FY '00 to 30% in FY '01. This was done to better reward you in those areas where your efforts have the biggest direct impact, your company. We changed this factor to one measurement, Earnings Per Share (EPS). This was done so that all our efforts are focused on the measurement that has the greatest impact on our stock price. Additionally, it simplifies this portion of the plan since we now have only one measurement whereas in the past we had three.

The factor measured under this portion of the plan and its weightings is:

Factor Weighting ----- -----	
EPS	100%

How do I calculate my bonus under this portion of the plan?

Achievement of this portion of the plan will be based on EPS (after bonus accruals). The following chart shows the percentage of your bonus you earn based on different EPS amounts achieved.

EPS Payout	%
less than \$0.53	0%
\$0.53 - \$0.54	10%
\$0.55 - \$0.56	15%
\$0.57 - \$0.58	25%
\$0.59	50%
\$0.60	100%
\$0.61	105%
\$0.62	110%
\$0.63	120%
\$0.64	130%
\$0.65	140%
\$0.66	150%

For each penny of EPS above \$0.66, the bonus payout will increase 10%.

Assume the associate has a targeted bonus opportunity of \$5,000 and EPS at the end of the fiscal year is \$0.60, then

\$0.60 EPS = 100% Achievement Percentage

30% x \$5,000 x 100% = \$1,500 (Bonus payment for this factor) Company Financials

Overall Weighting - 30% of Your Bonus Opportunity

The weighting under this portion of the Plan have increased from 25% in FY '00 to 30% in FY '01. This was done to better reward you where your efforts have the greatest impact. The factors measured under this portion of the plan and their weightings are:

Factor Weighting ----- -----	
Earnings Before Interest , Taxes, Depreciation and Amortization (EBITDA)	55%
Debt Repayment	25%

Sales Growth 20%

How do I calculate my bonus under this portion of the plan?

Your company's actual EBITDA is taken as a percentage of planned EBITDA as stated in your company's Fiscal Year 2001 Business Plan. This percentage is then multiplied by its weighting of 55%.

For debt repayment, actual debt repayment is taken as a percentage of planned debt repayment until achievement reaches 100%. For incremental achievement over 100%, achievement will be measured by the difference between actual and planned debt repayment divided by beginning debt plus total shareholder's equity ("equity"). This achievement percentage is then multiplied by its weighting of 25%.

For sales growth, we will be looking at the improvement in sales from Fiscal Year 2000 to Fiscal Year 2001 as compared to Plan. This achievement is then multiplied by its weighting of 20%.

All calculations are done using a same-store sales basis.

The following shows how the calculations are done:

For EBITDA, assume:

Actual FY '01 EBITDA = \$2.1 million

Planned FY '01 EBITDA = \$2 million

Actual EBITDA 2.1

----- = ----- = 105% achievement Planned EBITDA 2

105% achievement x 55% weighting = 58%

For Debt Repayment:

If achievement is less than 100% of plan, assume:

Actual FY '01 Debt Repayment = \$7 million Planned FY '01 Debt Repayment = \$8 million

Actual Debt Repayment 7

----- = ----- = 88% achievement Planned Debt Repayment 8

88% achievement x 25% weighting = 22%

Alternatively, if achievement is greater than 100% of plan, assume:

Actual FY '01 Debt Repayment = \$10 million Planned FY '01 Debt Repayment = \$8 million Beginning Debt + Equity = \$200 million

$$1 + \frac{\text{Actual} - \text{Planned Debt Repayment}}{\text{Beginning Debt} + \text{Equity}} = 1 + \frac{10 - 8}{200} = 101\%$$

101% achievement x 25% weighting = 25%

For sales growth, assume:

Actual FY '00 Sales = 80 million

Actual FY '01 Sales = \$84.3 million

Planned FY '01 Sales = \$84 million

Actual Sales Growth (84.3 - 80)

----- = ----- = 108% achievement Planned Sales Growth (84 - 80)

108% achievement x 20% weighting = 22%

After doing the calculations, the result from each of the factors is added together. This sum (Achievement Percentage) is then compared against the Bonus Potential as shown on Exhibit II. The Bonus Potential (from Exhibit II) that corresponds to the Achievement Percentage is multiplied by 30% (weighting for this category) of your targeted bonus opportunity to determine the bonus to be paid.

Continuing with our above example (using the above-plan debt repayment example), assume the associate has a targeted bonus opportunity of \$5,000:

$58\% + 25\% + 22\% = 105\%$ Achievement Percentage $112.5\% =$ Bonus Potential as shown on Exhibit II $30\% \times \$5,000 \times 112.5\% = \$1,688$ (Bonus payment for this factor)

Accountabilities

Overall Weighting - 40% of Your Bonus Opportunity

The weighting for this portion of the Plan has increased from 25% in FY '00 to 40% in FY '01 since the "One Airgas" portion of the plan (introduced in FY '00) has been merged into this section.

Your manager will meet with you to develop a list of measurable objectives that you and he or she agree are important to your personal development needs and/or support our goal of becoming "One Airgas."

You must have the following two "One Airgas" Accountabilities included in this portion of the plan:

- O Radnor brand product sales must be at least 10% of your company's total hardgood sales for fourth quarter FY '01.
- O All required vendor code and part number standardization must be completed and approved within the time frames specified for your company.

When discussing your accountabilities with your manager, you and your manager will agree upon a weighting for each accountability. No accountability can be given a weighting of less than 20%. Therefore, the maximum number of Accountabilities you can have is five. The total of the weightings must equal 100%. All accountabilities should be clearly measurable and should represent "stretch" goals that are attainable yet challenging.

Included as Exhibit III [not filed] is an Accountabilities template. The template includes the worksheet used to document your Accountabilities.

How do I calculate my bonus under this portion of the plan? Radnor brand product sales must account for at least 10% of your company's total hardgoods sales in the fourth quarter of FY '01. If sales are at least 10%, then 100% achievement for this factor will be met. (This is an all-or-nothing component; there will be no payout under this factor if Radnor brand product sales do not reach the 10% threshold.)

Vendor code and part number standardization achievement will also be an all or nothing measurement. There will be no payout unless all required vendor code and part number standardization is fully completed and done on time.

For any other Accountabilities you may have under this portion of the plan, your manager will determine the degree to which you accomplished each of your accountabilities based on the measurement criteria established with you at the beginning of the fiscal year.

The extent to which you achieved/completed your first Accountability is then multiplied by its weighting. This is repeated for the remaining Accountabilities. The product (results) from each Accountability is added together. This sum is then multiplied by 40% of the associate's target bonus opportunity to determine the bonus earned under this portion of the plan.

The maximum achievement percentage for your Accountabilities, individually or as group, is 100%.

For example, assume an associate has been assigned the following Accountabilities:

Accountability I: All vendor codes and hardgood part numbers must be standardized in CU and approved by December 30, 2000.

Weighting: 40%

Accountability II: Radnor brand products must be at least 10% of the company's hardgood sales for fourth quarter FY '01. Weighting: 40%

Accountability III: Will prominently display and sell spools of Radnor brand solid wire as the store brand. This will be evidenced by Radnor brands solid wire sales accounting for at least 10% of total solid wire sales by March 30, 2001. Weighting: 20%

At the end of the year, assume the company and associate have achieved:

Accountability I = 100% x 40% (weighting) = 40%
Accountability II = 100% x 40% (weighting) = 40%
Accountability III = 80% x 20% (weighting) = 16%
40% + 40% + 16% = 96%

Assume that the associate has a target bonus opportunity of \$5,000:

40% x \$5,000 x 96% = \$1,920 (Bonus payment for this factor)

What happens if the "One Airgas" factors do not apply to my position?

Your manager will then replace one or both of these factors (depending on which factors do not apply to you) and replace them with objective, measurable Accountabilities that apply to everyone in your department.

How It All Works

If you have any questions about the Plan, please talk to your Manager. He or she will be happy to answer your questions.

EXHIBIT I

Administration

O An associate must be hired by December 31 of the current fiscal year (i.e., December 31, 2000) to be eligible to participate in this plan for the current fiscal year. A new hire's bonus opportunity will be pro-rated to reflect the number of months he or she was an associate of Airgas during the current fiscal year.

O An associate must be an active employee at time of payment to be eligible for a bonus. This payment will be made no later than 75 days following the end of the fiscal year.

O If an associate transfers from one Airgas company to another, his or her bonus calculation is based on the pro-rated time spent with each company. All calculations are done using year-end financial data. Accountabilities must be established by each company and performance measured against each group of accountabilities separately.

O If an associate is promoted during the fiscal year, new Accountabilities must be established to reflect the new position.

O If an associate is moved from a bonus eligible position to a non- bonus eligible position (or vice versa), the bonus calculation is pro-rated to represent the time worked by the associate as a bonus eligible employee. All calculations are done using year-end financial data.

O Bonus calculations are based on an associate's annual salary as of the last day of the fiscal year. However, if the associate is promoted (or demoted and the associate has had a reduction in salary) during the fiscal year, the calculation is done to reflect the pro-rated time spent in each position. All calculations are done using year-end financial data.

O If an associate is on a leave of absence at the end of the fiscal year, he or she will be eligible for a bonus provided that he or she returns to work as an active employee for at least one month within 13 weeks of the end of the fiscal year. Any bonus paid will be pro-rated based upon the length of time an associate was an active employee during the fiscal year. The calculation will be made using year-end financial data. The bonus payment will be made in the next regularly scheduled payroll cycle at the end of the associate's first month of employment following his or her leave of absence. O If an associate is on a leave of absence during the fiscal year and returns to active status during the year, he or she will be eligible for a bonus. Any bonus paid will be pro-rated based upon the length of time an associate was an active employee during the fiscal year. The calculation will be made using year-end financial data.

O Accountabilities (individually or as a group) cannot have an achievement greater than 100%.

O Those eligible for participation are listed below. However, for those below the level of Company President (or the equivalent), actual participation is determined by the associate's Company President; the Vice President, Gas Operations; the Vice President, Hardgoods; or the Vice President, Marketing, as applicable. (Sales management associates are not eligible to participate in this Plan. They are eligible to participate in the Sales Management Bonus Plan.)

O Company Presidents and their direct reports, O Those designated by their Company President for participation, O The Vice President, Gas Operations and his or her direct reports,

O The direct reports of those reporting to Vice President, Gas Operations,

O President, Eastern and Western Divisions, O Eastern and Western Division staff, O Vice President, Marketing and his or her direct reports and O Those designated by the Vice President, Gas Operations; and Vice President, Marketing.

O Participants may be given the opportunity to elect to receive their bonus in stock, in lieu of cash. (If this option is made available at a later date, participants will receive additional information.)

O Nothing in this bonus plan changes an associate's at-will employment status.

O The Company reserves the right to modify or terminate this bonus plan or any of its components at its discretion.

O The Nominating and Compensation Committee, or its designate, is responsible for the administration of this plan.

EXHIBIT II

Bonus Payout Schedule

This chart is used for the Company Financials portion of the bonus plan. The bonus potential is multiplied by the weighting for each factor. Note: For each 1% achievement over 120%, the payout will be an additional 2.5%.

Achievement Percentage Potential	Bonus
70%	20%
71%	22%
72%	24%
73%	26%
74%	28%
75%	30%
76%	32%
77%	34%
78%	36%
79%	38%
80%	40%
81%	42%
82%	44%
83%	46%
84%	48%
85%	50%
86%	54%
87%	58%
88%	62%
89%	66%
90%	70%
91%	74%
92%	78%
93%	82%

Achievement Percentage Potential	Bonus
94%	86%
95%	90%
96%	92%
97%	94%
98%	96%
99%	98%
100%	100%
101%	102.5%
102%	105%
103%	107.5%
104%	110%
105%	112.5%
106%	117%
107%	119.5%
108%	121%
109%	123.5%
110%	126%
111%	128.5%
112%	131%
113%	133.5%
114%	136%
115%	138.5%
116%	141%
117%	143.5%
118%	147%
119%	148.5%
120%	150%

Exhibit III - Accountabilities template [not filed]

ASSOCIATE ACKNOWLEDGMENT

I acknowledge that I have received a copy of the Fiscal Year 2001 Bonus Plan. I further acknowledge that I understand that any Fiscal Year 2001 bonus I may be eligible for will be determined by the provisions of this bonus plan.

 Associate Printed Name

Date

 Associate Signature

Airgas Company

To: Corporate Office Bonus Eligible Associates From: Bill Rice
 Date: May 23, 2000
 Subject: Fiscal Year 2001 Bonus Plan

Executive Summary

I am pleased to announce the Airgas Fiscal Year 2001 Bonus Plan. The plan is similar to the Fiscal Year 2000 plan, but with some modifications.

The changes to the plan have resulted in a plan that better aligns the bonus program with our strategic plans and the emphasis placed

on the need to grow sales in general and sales of Radnor brand products in particular.

After reviewing the plan, please sign the last page, the "Associate Acknowledgment," and return it to your Human Resources Department. This acknowledgment is required for your participation in the plan.

What's Different From Last Year's Plan

3. What We Are Eliminating:

- O Cap on bonus plan payouts - this now means that your bonus plan payout is only limited by your achievements and that of Airgas.
- O Requirement that FY '01 EPS exceed that of FY '00 before a payout can be made.
- O The 120% achievement cap placed on debt repayment.

4. What We Are Changing:

O Airgas Consolidated Financial Factor to one measurement, Earnings Per Share (EPS). This is being done to simplify the bonus plan and to focus on one critical measurement. O The "One Airgas" factors to those that are critical to our success in FY '01. These factors will now be incorporated into Accountabilities and will no longer be a separate portion of the Plan. This also means that the Accountabilities portion of the bonus plan will have a weighting of 45% (it had been 35% during FY '00). O Participation criteria. You must be an active associate at time of payment to be eligible for a bonus. For this past year, the participation criteria was to be an active associate as of the end of the fiscal year.

See the applicable section of the Bonus Plan for details about these changes.

The Plan

How much can I earn? How does the plan actually work?

Based on your position, a bonus eligible associate has the opportunity to earn a percentage of his or her annual base salary (called your "targeted bonus opportunity"). This bonus is based upon the extent to which you and Airgas achieve certain results by the end of the fiscal year. Depending on the combined performance of these two, your bonus can be more or less than your targeted bonus opportunity. Any bonus earned is paid annually and is paid no later than 75 days following the end of the fiscal year.

Financial calculations are done using year-end data and taking into account acquisitions, divestitures and other unusual non-recurring events that occur during the fiscal year.

The following sections explain the two bonus categories (Airgas Consolidated Financials and Accountabilities). See Exhibit I for additional administration information about the plan. If you have questions after reading about the plan, please talk to your Manager.

Airgas Consolidated Financials

Overall Weighting - 55% of Your Bonus Opportunity

The factor measured under this portion of the plan and its weightings is:

Factor	Weighting
-----	-----
EPS	100%

How do I calculate my bonus under this portion of the bonus plan?

Achievement of this portion of the plan will be based on EPS (after bonus accruals). The following chart shows the percentage of your bonus you earn based on different EPS amounts achieved.

We changed this factor to one measurement, Earnings Per Share (EPS). This was done so that all of our efforts are focused on the measurement that has the greatest impact on our stock price. Additionally, it simplifies this portion of the plan since we now have only one measurement whereas in the past we had three.

EPS Payout	%
less than \$0.53	
\$0.53 - \$0.54	0%
\$0.55 - \$0.56	10%
\$0.57 - \$0.58	15%
\$0.59	25%
\$0.60	50%
\$0.61	100%
\$0.62	105%
\$0.63	110%
\$0.64	120%
\$0.65	130%
\$0.66	140%
	150%

For each penny of EPS above \$0.66, the bonus payout will increase 10%.

Assume the associate has a targeted bonus opportunity of \$5,000 and EPS at the end of the fiscal year is \$0.60, then

\$0.60 EPS = 100% Achievement Percentage
 $55\% \times \$5,000 \times 100\% = \$2,750$ (Bonus payment for this factor)

Accountabilities
 Overall Weighting - 45% of Your Bonus Opportunity

The weighting for this portion of the Plan has increased from 35% in FY '00 to 45% in FY '01 since the "One Airgas" category has been merged into this section.

Your manager will meet with you to develop a list of measurable objectives that you and he or she agree are important to your personal development needs and/or support our goal of becoming "One Airgas."

All participants in this plan who can effect (either directly or indirectly) the achievement of the following "One Airgas" initiatives must have them included as part of their Accountabilities:

O Radnor brand product sales must be at least 10% of the Company's total hardgood sales for fourth quarter FY '01. O All required vendor code and part number standardization must be completed and approved within the time frames specified.

When discussing your accountabilities with your manager, you and your manager will agree upon a weighting for each Accountability. Each Accountability must be given a weighting of at least 20%. Therefore, you can have no more than five Accountabilities. The total of all weightings must equal 100%. All accountabilities should be clearly measurable and should represent "stretch" goals that are attainable yet challenging.

Included as Exhibit II is an Accountabilities template [not filed]. The template includes the worksheet used to document your Accountabilities.

What happens if the "One Airgas" factors do not apply to my position?

Your manager will then replace one or both of these factors (depending on which factors do not apply to you) and replace them with objective, measurable Accountabilities that will apply to everyone in your department.

How do I calculate my bonus under this portion of the plan?

Your manager will determine the degree to which you accomplished each of your Accountabilities based on the measurement criteria established with you at the beginning of the fiscal year. For the "One Airgas" factors, achievement will be based on whether or not Radnor brand sales are at least 10% of Airgas' hardgood sales for the fourth quarter in FY '01.

The maximum achievement percentage for any Accountability, either individually or as a group, is 100%. The extent to which you achieved/completed your first Accountability is then multiplied by its weighting. This is repeated for the remaining Accountabilities. The product (results) from each Accountability is added together. This sum is then multiplied by 45% of your target bonus opportunity to determine the bonus earned under this portion of the plan.

For example, assume an associate has been assigned the following Accountabilities:

Accountability I: All required vendor code and part number standardization must be completed and approved within the time frames specified.

Weighting: 40%

Accountability II: Radnor brand products must be at least 10% of the company's hardgood sales for fourth quarter FY '01.

Weighting: 30%

Accountability III: Will develop a model to improve the pricing and profitability analysis on potential new business by December 30, 2000.

Weighting: 30%

At the end of the year, assume the associate has achieved:

Accountability I = 100% x 40% (weighting) = 40% Accountability II = 80% x 30% (weighting) = 24% Accountability III = 100% x 30% (weighting) = 30%

40% + 24% + 30% = 94%

Assume that the associate has a target bonus opportunity of \$5,000:

45% x \$5,000 x 94% = \$2,115 (Bonus payment for this factor)

How It All Works

If you have any questions about the Plan, please talk to your Manager. He or she will be happy to answer your questions.

EXHIBIT I

Administration

O An associate must be hired by December 31 of the current fiscal year (i.e., December 31, 2000) to be eligible to participate in this plan for the current fiscal year. A new hire's bonus opportunity will be pro-rated to reflect the number of months he or she was an associate of Airgas during the current fiscal year.

O An associate must be an active employee at time of payment to be eligible for a bonus. Payments will be made no later than 75 days following the end of the fiscal year.

- O If an associate transfers from one Airgas company to another, his or her bonus calculation is based on the pro-rated time spent with each company. All calculations are done using year-end financial data. Accountabilities must be established by each company and performance will be measured against each group of accountabilities separately.
- O If an associate is promoted during the fiscal year, new Accountabilities must be established to reflect the new position.
- O If an associate is moved from a bonus eligible position to a non-bonus eligible position (or vice versa), the bonus calculation is pro-rated to represent the time worked by the associate as a bonus eligible employee. All calculations are done using year-end financial data.
- O Bonus calculations are based on an associate's annual salary as of the last day of the fiscal year. However, if the associate is promoted (or demoted and the associate has had a reduction in salary) during the fiscal year, the calculation is done to reflect the pro-rated time spent in each position. All calculations are done using year-end financial data.
- O If an associate is on a leave of absence at the end of the fiscal year, he or she will be eligible for a bonus provided that he or she returns to work as an active employee for at least one month within 13 weeks of the end of the fiscal year. Any bonus paid will be pro-rated based upon the length of time an associate was an active employee during the fiscal year. The calculation will be made using year-end financial data. The bonus payment will be made in the next regularly scheduled payroll cycle at the end of the associate's first month of employment following his or her leave of absence.
- O If an associate is on a leave of absence during the fiscal year and returns to active status during the year, he or she will be eligible for a bonus. Any bonus paid will be pro-rated based upon the length of time an associate was an active employee during the fiscal year. The calculation will be made using year-end financial data.
- O Accountabilities (individually or as a group) cannot have an achievement greater than 100%.
- O Eligibility for participation is determined by the function manager (e.g., CFO; CIO; Senior Vice President, Legal and Corporate Development).
- O Participants may be given the opportunity to elect to receive their bonus in stock, in lieu of cash. (If this option is made available at a later date, participants will receive additional information.)
- O Nothing in this bonus plan changes an associate's at-will employment status.
- O The Company reserves the right to modify or terminate this bonus plan or any of its components at its discretion.
- O The Nominating and Compensation Committee, or its designate, is responsible for the administration of this plan. Exhibit II -- Accountabilities template [not filed]

ASSOCIATE ACKNOWLEDGMENT

I acknowledge that I have received a copy of the Fiscal Year 2001 Bonus Plan. I further acknowledge that I understand that any Fiscal Year 2001 bonus I may be eligible for will be determined by the provisions of this bonus plan.

 Associate Printed Name

Date

 Associate Signature

Airgas Company

Exhibit 11
 AIRGAS, INC. AND SUBSIDIARIES
 EARNINGS PER SHARE CALCULATIONS
 For the Years Ended March 31, 2000, 1999 and 1998

	Years Ended March 31,		
	2000	1999	1998
Weighted Average Share Outstanding:			
Basic shares outstanding 68,700,000	69,200,000	70,000,000	
Net common stock equivalents 2,100,000	1,400,000	1,700,000	
Diluted shares outstanding 70,800,000	70,600,000	71,700,000	
Net earnings \$40,540,000	\$38,283,000	\$51,924,000	
Basic earnings per share .59	\$.55	\$.74	\$
Diluted earnings per share .57	\$.54	\$.72	\$

Exhibit 21

Airgas, Inc. and Subsidiaries

Corporation Name	Domicile
Airgas- Gulf States, Inc.	DE
Airgas- Intermountain, Inc.	DE
Airgas- Michigan, Inc.	DE
Airgas- Mid America, Inc.	DE
Airgas- Mid Atlantic, Inc.	DE
Airgas- Mid South, Inc.	DE
Airgas- Mountain States, Inc.	DE
Airgas- Nor Pac, Inc.	DE
Airgas- North Central, Inc.	DE
Airgas- Northeast, Inc.	DE
Airgas- Northern California & Nevada, Inc.	DE
Airgas- South, Inc.	DE
Airgas- Southwest, Inc.	DE
Airgas- West, Inc.	CA
Airgas Canada, Inc.	Canada
Airgas Carbonic Enterprises, Inc.	DE
Airgas Carbonic, Inc.	DE
Airgas Data, LLC.	DE
Airgas Direct Industrial Vessel, LLC.	DE
Airgas Direct Industrial, Inc.	DE
Airgas International, Inc.	VI
Airgas Lyons, Inc.	DE
Airgas Management (Indian) Pvt. Ltd.	India
Airgas New England Real Estate, Inc.	DE
Airgas Realty, Inc.	DE
Airgas Safety, Inc.	DE
Airgas Specialty Gases, Inc.	TX
AMI Equipment, LLC.	PA
ATNL, Inc.	DE
Cylinder Leasing Corp.	DE
FORAIR, Inc.	DE
Forgas, Inc.	DE
JWS Airgas, Inc.	NJ
Mauritius Industrial Gases, Inc.	
Mauritius	
NEJD Pipeline Co., Inc.	DE
Nitrous Oxide Corp.	DE
Red-D-Arc, Inc.	NV
Red-D-Arc Limited	Canada
RSCI, Inc.	DE
Rutland Tool & Supply Co., Inc.	CA

Exhibit 23

Consent of Independent Auditors

The Board of Directors
Airgas, Inc.:

We consent to incorporation by reference in the Registration Statements (Nos. 33-39433, 33-48388, 33-57893, 33-61301, 33-61899, 33-63201, 33-64633, 333-08113, 333-37863, 333-46739, 333-60995 and 333-61989) on Form S-3 and (Nos. 33-21780, 33-25419, 33-33954, 33-64056, 33-64058, 33-64112, 333- 28261, 333-42023 and 333-60999) on Form S-8 of Airgas, Inc. of our report dated May 9, 2000, relating to the consolidated balance sheets of Airgas, Inc. and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2000, and the related schedule, which report is included in the March 31, 2000, Annual Report on Form 10-K of Airgas, Inc.

/s/ KPMG LLP

Philadelphia,
PA
June 8, 2000

ARTICLE 5

MULTIPLIER: 1000
PERIOD TYPE: 12 MOS

FISCAL YEAR END	MAR 31 2000
PERIOD END	MAR 31 2000
CASH	0
SECURITIES	0
RECEIVABLES	218,183
ALLOWANCES	6,194
INVENTORY	159,438
CURRENT ASSETS	408,790
PP&E	1,074,365
DEPRECIATION	(320,597)
TOTAL ASSETS	1,739,331
CURRENT LIABILITIES	219,596
BONDS	857,422
COMMON	731
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	471,776
TOTAL LIABILITY ANDEQUITY	1,739,331
SALES	1,542,334
TOTAL REVENUES	1,542,334
CGS	816,597
TOTAL COSTS	1,435,603
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	57,560
INCOME PRETAX	70,424
INCOME TAX	31,551
INCOME CONTINUING	38,873
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	(590)
NET INCOME	38,283
EPS BASIC	.55
EPS DILUTED	.54

End of Filing