Airgas®

Acquisition Strategy

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Acquisitions have Formed the Foundation of our Business

- Acquired businesses and their associates formed the foundation of Airgas
  - Most of our 14,000+ associates, including the majority of Airgas leaders, have come to us through acquisition
- A consistent investment strategy through all phases of the business cycle
  - Acquisitions
  - Assets
  - People
- Gas distribution is our primary focus
- Acquisitions will continue to be a significant contributor to our growth

Foundational Strength for Airgas

- In-house Corporate Development team continually scouting opportunities:
  - Core acquisitions
  - Product and service adjacencies
  - Geographic expansion
- "Extended" team includes
  - Operating company resources – leveraged to identify opportunities, support due diligence, manage integration
  - Functional resources – leveraged to support due diligence and integration
- Once the transaction is completed, we have established models to communicate effectively and successfully integrate

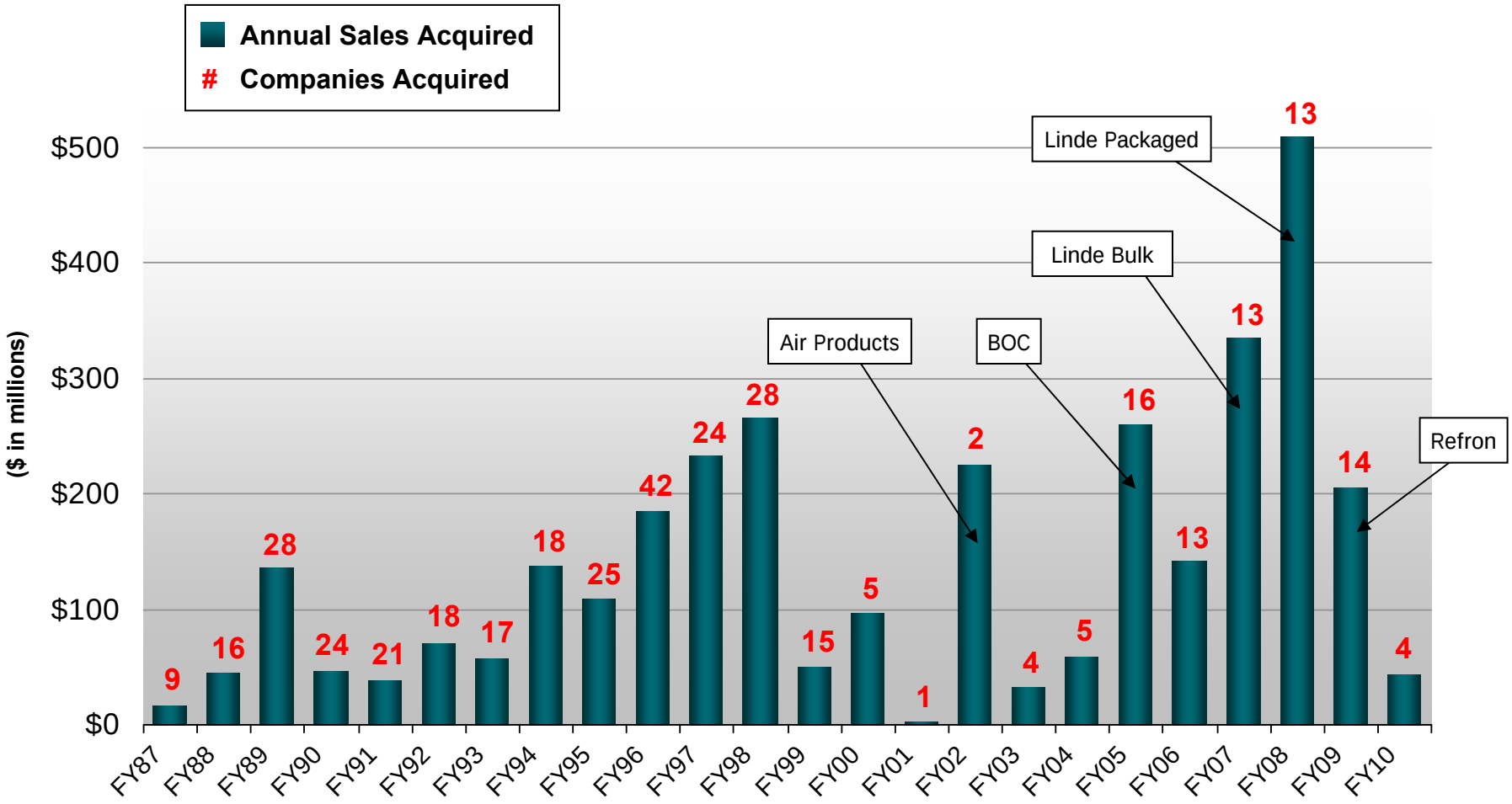
A Rational Approach Provides Opportunity

- Consistent discipline is applied to every evaluation
  - Proven cash flow model
  - Conservative assumptions
  - Return metrics aligned with company goals
  - Operating Company management team
    - Participates in developing operating assumptions
    - Compensation is aligned with projections
  - Rigorous approach to due diligence
  - Adherence to strict risk management philosophy
    - Most transactions are asset purchases
    - Minimize legacy liabilities
- Provides the opportunity to create value

Effective Integration Creates Value

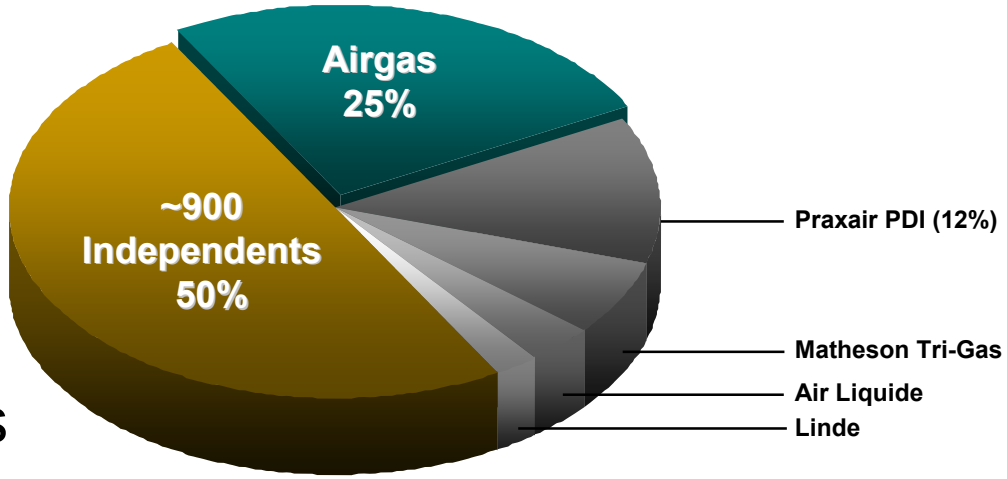
- Integration is a core competency
  - Detailed project plans are tailored to specific projects
  - Integration is driven by the operating company's management team
  - Supported by corporate functional groups
    - HR, Legal, Finance, etc.
  - Ability to coordinate large integrations across multiple business units
  - Progress is rigorously monitored
- Post acquisition reviews to measure success

Acquisition History, 1987-Present



Core Acquisition Opportunities

- Focused on the core U.S. packaged gas and welding hardgoods business
- Highly fragmented, more than 900 packaged gas distributors



- Independent distributors account for about 50%, half of which is comprised of the largest 100 independents
  - 100 largest average $30mm annual revenue
  - Balance averages $4.5mm annual revenue each
- Local, service-intensive business, compete in geographic radius of about 50 – 75 miles

Significant Capacity to Acquire

- Ample capital resources
  - Internally generated funds
  - Capital markets
  - Redundant assets
- Considerable synergies provide edge in competitive situations
- Decentralized structure facilitates multiple integrations
  - 12 Regional Companies
  - 11 product line companies
    - Each business unit has the capacity to integrate several businesses per year

Small Distributor Acquisitions

- Large population of potential targets
- Small distributors make attractive acquisition candidates
  - Fill holes, add to local density
  - Ability to rationalize asset base
  - Lack scale – sizable synergy opportunity
  - Provide high service level to their customers
    - Typically have a large number of small but profitable customers
      - Direct sales effort targeting small customer segment is inefficient
  - Narrower product/service offering
    - Customer penetration opportunity
  - Attractive valuations

Other Opportunities

- Adjacent Businesses
  - Safety Products
  - Refrigerants
  - CO_2
  - Dry Ice
  - Ammonia
  - Red-D-Arc® rental extensions
- Product Line and Services
  - Alignment with our core customers needs
  - Can be handled by our existing infrastructure
- Geographic Expansion
  - We continue to cautiously evaluate international opportunities

Growth & Expansion

- Acquisitions have helped drive growth and expand our product offering
- 400+ acquisitions in 27 years
- Proven ability to buy and build

Business Unit	*Sales Acquired*	*Date*		*Performance Today*
Airgas Safety	**$169M**	’96/’97	→	**$540M+** profitable platform w/ double-digit growth
Red-D-Arc® Welderentals	**$15M**	’96	→	**$140M+** revenue w/ above average profitability
Airgas Puritan Medical	**$70M**	’00	→	**$300M+** revenue w/ product & platform expansions
Ammonia	**$65M**	’06	→	**$90M+** revenue as part of Airgas Specialty Products
Airgas Merchant Gases	**$176M**	’07	→	Significant enhancement to bulk capabilities; more than doubled bulk gas business
Refrigerants	**$113M**	’07/’09	→	National distribution network and reclamation capabilities

Acquisition Strategy Enhancing Value

- Ample opportunity
- Sufficient resources
- Organizational alignment
- Strategically positioned as preferred acquirer
- Activity likely to increase as economy recovers