Airgas Site Visit
Delivering Airgas Synergies

Pascal Vinet, VP, CEO Airgas

Levittown Distribution Center, 21 March 2017
Historic Airgas - Key Industrial Merchant Player in the U.S.

- Major player in the U.S. market
  - Leader in packaged gas
  - Major supplier of hardgoods

- Multi-channel distribution network with unmatched reach
  - Largest footprint and asset base in the U.S.
  - Coupled with best-in-class e-commerce platform

- Solid track record of value creation
  - Unparalleled sales growth since 1982
  - Proven operational excellence

- Unrivalled customer base
  - >1 million customers
  - Resilient profile with diversified customer segments
Airgas and Air Liquide: Strong Business Fit

- Air Liquide: focus on upstream
- Airgas: focus on downstream
- Highly complementary businesses
- Implied synergies
- Improved customer reach

➤ U.S. operations merged October 1st, 2016
First Airgas Synergies Delivered in 2016

Cost Synergies on track

- 18 site closures
- Logistics optimization
- Elimination of redundancies
- Sourcing
- Primary production
- Logistics optimization
- Business & administrative process review
- Procurement
- Leverage on IT
- Shared services
- Delisting
- Management
What’s in Cylinder Operations Synergies?

Elimination of redundancies

Streamline production: increase plant loading
- Eliminate overlaps between assets: filling plants, depots,…
- Concentrate resources on the most efficient sites

Logistics optimization

Reduce number of miles per delivered cylinders
- Merge maps of Air Liquide - Airgas delivery points and assets
- Optimize routings
  - Truck loading
  - Frequency of delivery
Example: Elimination of Redundancies

- In Dallas area, 4 plants consolidated into 2
  - 1 plant in Fort Worth
  - 2 plants in Dallas
  - 1 plant in Grand Prairie

- Elimination of fixed costs
- Increased capacity: +20% to >100k/month
  - Upgraded automated filing system
  - Combined best technology

➤ Increased efficiencies and added capacity
Example: Logistics Optimization, Florida Re-routing

Pre-integration: Air Liquide

Post-integration: ➢ 250k miles less/year
What’s in Bulk Operations Synergies?

Internal sourcing
- Internalize progressively 3rd party sourcing
  - Pre-acquisition, ~40% of gas needs outsourced
  - When relevant
  - At contract termination

Plant loading
- Increase loading factor
  - Consolidate insourced volumes
  - Increase utilization rate

Logistics optimization
- Reduce number of miles per delivery
  - Merge maps of Air Liquide - Airgas delivery points and assets
  - Optimize routings
    - Trucks / rail cars loading
    - Frequency of delivery

21 March 2017
The world leader in gases, technologies and services for Industry and Health
Example: Internal Sourcing and Asset Optimization

**Progressive replacement by in-house sourcing**

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<tr>
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<th>Capacities available on Large Industries plants</th>
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<td>#1 source in the U.S. &gt;100 rail cars for transport</td>
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<td>Strong production capability &gt;200 rail cars for transport</td>
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<td>Global sources Distribution assets</td>
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- Third-party margins re-internalized
- Increased plant loading
- Backup capabilities
- Transport efficiencies
What’s in Process & Procurement Synergies?

Review business and administrative processes
- Implement best practices from the 2 organizations
  - Paperless deliveries
  - Cylinder tracking
- Benefit from economy of scale
  - Airgas invoicing processes (2M invoices/month!)
  - Hardgoods logistics

Take advantage of economy of scale
- Airgas providing large U.S. footprint
  - Healthcare, diesel, uniforms…
- Air Liquide leveraging on global presence
  - Costs: insurance, travel, IT, bank fees, ...
  - Capex: cylinders, tanks, trucks, ...
What’s in Back Office Synergies?

**Optimize Back Office structure**
- Merge operations leveraging the large Airgas structure
  - Accounting, IT, support, administration, HR
  - Optimize headcount & office space
  - Eliminate redundancies
- Implement shared capabilities
  - Share resources with LI and EL: finance, treasury, audit, IP

**Leverage on the best tools of the 2 organizations**
- SAP, routing optimization tool

**Reduce costs**
- Delisting from NYSE
- Much lighter Board costs/ Lean executive management
- Legal, Audit...

Delivering synergies | The world leader in gases, technologies and services for Industry and Health
What’s in Revenue Synergies?

Industrial Merchant and Healthcare

- Enlarged offer
  - Scope: HG, Safety, Dry Ice, He Technology (ex. Medical cylinder)
  - On-sites
- Geographical expansion
  - Mexico, Canada

- Enlarged secured sourcing
- Airgas customer reach

- Air Liquide portfolio
- R&D support
## Cross Selling Scope

- Enlarged offer to broader customer portfolio
- Bulk and Large Industries customers
- Hardgoods and Cylinders
- Deployment of Air Liquide technology
- Small Industrial Merchant on-site technology
- Customer reach through multi-channel distribution network
- Geographical expansion
- Local presence in 80 countries
- Mid-size customers with international development

> **Multiple opportunities for cross selling**
Example: Cross Selling, On-Site Offer

• **Targeted customers:**
  - Current Airgas bulk customers
  - Large gas volumes with long-term perspective of business

• **Advantages for the Group:**
  - Free up distribution resources and assets
  - Secure customers with 10-15 year contract
  - Expanded sales coverage (vs AL’s prior footprint)

➢ **Most adequate supply mode for large volumes**
Example: Cross Selling, Intelli-Ox

- Primarily hospital customers
  - Leveraging Airgas footprint
- Digital gauge, ease-of-use for nurses
- Lightweight, ergonomic handle

➢ Easiest way to increase patient safety, optimize time & save money
Cross Selling: North American Offer

Value added for Airgas customers with operations in Canada or Mexico: new ability to follow strategic accounts throughout North America

➤ International supplier for international customers
Product Availability

- Security of supply
- Larger volumes available
- Increased confidence of sales team

➢ Enriched value of Airgas offer
Gas Applications

Industrial Merchant

• Alphagaz™ for specialty gases
• Arcal™ welding shielding gases
• Aligal™ for Food
• Smart TOPS

Healthcare

• Smart cylinders – Intelli-Ox
• Extended services (e.g. TGM at hospitals)

➢ Enriched offer portfolio
2016-2019: EBITDA Synergies > US$300m Confirmed

Cost Synergies

- CYLINDER OPERATIONS
- BULK OPERATIONS
- PROCESS & PROCUREMENT
- BACK OFFICE

Revenue Synergies

- Cross-selling
- Product availability
- Gas applications

Timeline for delivery of synergies

2016

US$45m

>US$130m

2017

>US$60m

2018

>US$65m

2019

Delivering synergies

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Contributing to NEOS

- **Customer-centric focus**
- **Delivering synergies**
  - Full cost synergies by end 2018
  - Revenue synergies by end 2019

- Active part in **NEOS Industrial Merchant** 3 objectives...
  - +7 to +10% CAGR sales*
  - OIR margin +250 bps

- ...as well as **NEOS Healthcare** objectives
  - +6% to +8% CAGR sales*

*Including Airgas scope effect in 2017 contributing +5% to the CAGR for IM and +1% for HC