

Consolidated Statements of Earnings

AIRGAS, INC. AND SUBSIDIARIES

(In thousands, except per share amounts)

Years Ended March 31,	2014	2013	2012
Net Sales	\$ 5,072,537	\$ 4,957,497	\$ 4,746,283
Costs and Expenses:			
Cost of products sold (excluding depreciation)	2,247,574	2,235,567	2,175,430
Selling, distribution and administrative expenses	1,889,123	1,828,524	1,727,769
Restructuring and other special charges, net (Notes 22 and 23)	—	8,089	24,448
Costs (benefits) related to unsolicited takeover attempt (Note 25)	—	—	(7,870)
Depreciation	275,461	261,622	245,076
Amortization (Note 7)	29,845	27,278	25,209
Total costs and expenses	4,442,003	4,361,080	4,190,062
Operating Income	630,534	596,417	556,221
Interest expense, net (Note 14)	(73,698)	(67,494)	(66,337)
Loss on the extinguishment of debt (Note 9)	(9,150)	—	—
Other income, net	4,219	14,494	2,282
Earnings before income taxes	551,905	543,417	492,166
Income taxes (Note 5)	(201,121)	(202,543)	(178,792)
Net Earnings	\$ 350,784	\$ 340,874	\$ 313,374
Net Earnings Per Common Share (Note 15):			
Basic earnings per share	\$ 4.76	\$ 4.45	\$ 4.09
Diluted earnings per share	\$ 4.68	\$ 4.35	\$ 4.00
Weighted Average Shares Outstanding:			
Basic	73,623	76,651	76,586
Diluted	74,910	78,307	78,324

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

AIRGAS, INC. AND SUBSIDIARIES

(In thousands)

Years Ended March 31,	2014	2013	2012
Net earnings	\$ 350,784	\$ 340,874	\$ 313,374
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustments	(4,235)	(1,274)	(2,520)
Reclassification of hedging loss included in net earnings (Note 10)	517	517	517
Other comprehensive income (loss), before tax	(3,718)	(757)	(2,003)
Net tax expense of other comprehensive income items	(191)	(191)	(191)
Other comprehensive income (loss), net of tax	(3,909)	(948)	(2,194)
Comprehensive income	\$ 346,875	\$ 339,926	\$ 311,180

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

AIRGAS, INC. AND SUBSIDIARIES

(In thousands, except per share amounts)

March 31,	2014	2013
Assets		
Current Assets		
Cash	\$ 69,561	\$ 86,386
Trade receivables, less allowances for doubtful accounts of \$31,757 and \$28,650 at March 31, 2014 and 2013, respectively	701,060	710,740
Inventories, net (Note 4)	478,149	474,821
Deferred income tax asset, net (Note 5)	57,961	53,562
Prepaid expenses and other current assets	92,356	138,321
Total current assets	1,399,087	1,463,830
Plant and equipment at cost (Note 6)	4,931,064	4,585,933
Less accumulated depreciation	(2,128,649)	(1,899,628)
Plant and equipment, net	2,802,415	2,686,305
Goodwill (Note 7)	1,289,896	1,195,613
Other intangible assets, net (Note 7)	258,836	226,824
Other non-current assets	43,080	45,653
Total assets	\$ 5,793,314	\$ 5,618,225
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	\$ 196,911	\$ 183,258
Accrued expenses and other current liabilities (Note 8)	345,676	374,883
Short-term debt (Note 9)	387,866	—
Current portion of long-term debt (Note 9)	400,322	303,573
Total current liabilities	1,330,775	861,714
Long-term debt, excluding current portion (Note 9)	1,706,774	2,304,245
Deferred income tax liability, net (Note 5)	825,897	825,612
Other non-current liabilities	89,219	89,671
Commitments and contingencies (Notes 16 and 17)		
Stockholders' Equity (Note 12)		
Preferred stock, 20,030 shares authorized, no shares issued or outstanding at March 31, 2014 and 2013	—	—
Common stock, par value \$0.01 per share, 200,000 shares authorized, 87,353 and 87,135 shares issued at March 31, 2014 and 2013, respectively	874	871
Capital in excess of par value	789,789	729,850
Retained earnings	2,047,843	1,861,395
Accumulated other comprehensive income	529	4,438
Treasury stock, 13,264 and 14,077 shares at cost at March 31, 2014 and 2013, respectively	(998,386)	(1,059,571)
Total stockholders' equity	1,840,649	1,536,983
Total liabilities and stockholders' equity	\$ 5,793,314	\$ 5,618,225

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

AIRGAS, INC. AND SUBSIDIARIES

	Years Ended March 31, 2014, 2013 and 2012							
	Shares of Common Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Shares of Treasury Stock	Treasury Stock	Total Stockholders' Equity
(In thousands, except per share amounts)								
Balance—April 1, 2011	86,591	\$ 866	\$ 607,593	\$ 1,504,758	\$ 7,580	(6,995)	\$ (379,885)	\$ 1,740,912
Net earnings				313,374				313,374
Foreign currency translation adjustments					(2,520)			(2,520)
Reclassification of hedging loss included in net earnings (Note 10)					517			517
Net tax expense of other comprehensive income items					(191)			(191)
Treasury stock reissuances in connection with stock options exercised (Note 13)			(14,909)	(21,331)		1,253	72,859	36,619
Dividends paid on common stock (\$1.25 per share) (Note 12)				(95,323)				(95,323)
Excess tax benefit associated with the exercise of stock options			16,006					16,006
Shares issued in connection with the Employee Stock Purchase Plan (Note 13)	283	3	15,253					15,256
Stock-based compensation expense (Note 13)			25,608					25,608
Purchase of treasury stock (Note 12)						(4,465)	(300,000)	(300,000)
Balance—March 31, 2012	86,874	\$ 869	\$ 649,551	\$ 1,701,478	\$ 5,386	(10,207)	\$ (607,026)	\$ 1,750,258
Net earnings				340,874				340,874
Foreign currency translation adjustments					(1,274)			(1,274)
Reclassification of hedging loss included in net earnings (Note 10)					517			517
Net tax expense of other comprehensive income items					(191)			(191)
Treasury stock reissuances in connection with stock options exercised (Note 13)			—	(58,755)		2,421	147,455	88,700
Dividends paid on common stock (\$1.60 per share) (Note 12)				(122,202)				(122,202)
Excess tax benefit associated with the exercise of stock options			36,160					36,160
Shares issued in connection with the Employee Stock Purchase Plan (Note 13)	261	2	17,086					17,088
Stock-based compensation expense (Note 13)			27,053					27,053
Purchase of treasury stock (Note 12)						(6,291)	(600,000)	(600,000)
Balance—March 31, 2013	87,135	\$ 871	\$ 729,850	\$ 1,861,395	\$ 4,438	(14,077)	\$ (1,059,571)	\$ 1,536,983
Net earnings				350,784				350,784
Foreign currency translation adjustments					(4,235)			(4,235)
Reclassification of hedging loss included in net earnings (Note 10)					517			517
Net tax expense of other comprehensive income items					(191)			(191)
Treasury stock reissuances in connection with stock options exercised (Note 13)			—	(22,875)		813	61,185	38,310
Dividends paid on common stock (\$1.92 per share) (Note 12)				(141,461)				(141,461)
Excess tax benefit associated with the exercise of stock options			13,668					13,668
Shares issued in connection with the Employee Stock Purchase Plan (Note 13)	218	3	17,310					17,313
Stock-based compensation expense (Note 13)			28,961					28,961
Balance—March 31, 2014	87,353	\$ 874	\$ 789,789	\$ 2,047,843	\$ 529	(13,264)	\$ (998,386)	\$ 1,840,649

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

AIRGAS, INC. AND SUBSIDIARIES

(In thousands)

Years Ended March 31,

	2014	2013	2012
Cash Flows from Operating Activities			
Net earnings	\$ 350,784	\$ 340,874	\$ 313,374
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	275,461	261,622	245,076
Amortization	29,845	27,278	25,209
Impairment	—	1,729	4,250
Deferred income taxes	(6,869)	36,309	68,552
Loss (gain) on sales of plant and equipment	(1,264)	(1,551)	247
Gain on sale of businesses	—	(6,822)	—
Stock-based compensation expense	28,961	27,053	25,608
Loss on the extinguishment of debt	9,150	—	—
Changes in assets and liabilities, excluding effects of business acquisitions and divestitures:			
Trade receivables, net	20,030	(42,485)	(89,976)
Inventories, net	2,291	(62,317)	(29,307)
Prepaid expenses and other current assets	41,408	(14,706)	(14,965)
Accounts payable, trade	4,732	(2,636)	9,980
Accrued expenses and other current liabilities	(4,463)	(8,090)	(55,294)
Other, net	(5,206)	(5,990)	3,652
Net cash provided by operating activities	<u>744,860</u>	<u>550,268</u>	<u>506,406</u>
Cash Flows from Investing Activities			
Capital expenditures	(354,587)	(325,465)	(356,514)
Proceeds from sales of plant, equipment and businesses	15,483	31,413	16,365
Business acquisitions and holdback settlements	(203,529)	(97,521)	(160,115)
Other, net	(951)	(1,286)	(1,830)
Net cash used in investing activities	<u>(543,584)</u>	<u>(392,859)</u>	<u>(502,094)</u>
Cash Flows from Financing Activities			
Net increase (decrease) in short-term debt	387,352	(388,452)	388,368
Proceeds from borrowings of long-term debt	135,861	862,832	1,066,526
Repayment of long-term debt	(636,587)	(21,428)	(1,149,106)
Financing costs	—	(6,697)	(4,567)
Premium paid on redemption of senior subordinated notes	(7,676)	—	—
Purchase of treasury stock	(8,127)	(591,873)	(300,000)
Proceeds from the exercise of stock options	38,310	88,700	36,619
Stock issued for the Employee Stock Purchase Plan	17,313	17,088	15,256
Excess tax benefit realized from the exercise of stock options	13,668	36,160	17,516
Dividends paid to stockholders	(141,461)	(122,202)	(95,323)
Change in cash overdraft and other	(16,754)	10,186	7,844
Net cash used in financing activities	<u>(218,101)</u>	<u>(115,686)</u>	<u>(16,867)</u>
Change in cash	\$ (16,825)	\$ 41,723	\$ (12,555)
Cash — Beginning of period	86,386	44,663	57,218
Cash — End of period	<u>\$ 69,561</u>	<u>\$ 86,386</u>	<u>\$ 44,663</u>

For supplemental cash flow disclosures, see Note 20.

See accompanying notes to consolidated financial statements.