Management's Discussion and Analysis

AIRGAS, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS: 2014 COMPARED TO 2013

OVERVIEW

Airgas had net sales for the year ended March 31, 2014 ("fiscal 2014" or "current year") of $5.1 billion compared to $5.0 billion for the year ended March 31, 2013 ("fiscal 2013" or "prior year"), an increase of 2%. Total organic sales were flat compared to the prior year, with gas and rent up 1% and hardgoods down 2%. Acquisitions contributed 2% sales growth in the current year. The Company's organic sales growth reflected the impact of sluggish business conditions and persistent uncertainty in the U.S. industrial economy, which continued to challenge sales volumes to a greater degree than expected. The impact of price increases enacted in response to rising costs on multiple fronts, as well as the impact of more effective sales discount management, contributed 2% to total organic sales growth in the current year, which was offset by a negative 2% impact from volume declines. Pricing actions during the current year were designed to address rising product, labor and benefits costs, including costs related to regulatory compliance and supply and demand imbalances for certain products. These actions also support ongoing investments in the Company's infrastructure and technologies in order to more efficiently serve its customers and further ensure the reliability of its supply chain and safety practices.

The consolidated gross profit margin (excluding depreciation) in the current year was 55.7%, an increase of 80 basis points from the prior year, reflecting the impact of price increases, as well as the impact of more effective sales discount management, partially offset by the impacts of supplier price increases and rising internal production costs, significant margin pressure in the Company's refrigerants business, and a sales mix shift within gases to lower-margin fuel gases.

The Company's operating income margin increased to 12.4%, a 40 basis-point improvement over the prior year. The combination of a reduction in SAP implementation costs and the achievement of SAP-related benefits contributed favorably to operating income margin during the current year as compared to the prior year. However, these favorable impacts were mostly offset by a significant decline in operating income margin in the Company's refrigerants business, as well as by the impact of rising operating costs and the Company's continued investments in strategic long-term growth initiatives in the current low organic sales growth environment. Additionally, the prior year's operating income margin was burdened by 20 basis points of net restructuring and other special charges.

Net earnings per diluted share rose to $4.68 in the current year versus $4.35 in the prior year. Results for the current year included a loss of $0.08 per diluted share on the early extinguishment of the Company's 7.125% senior subordinated notes, which were originally due to mature in October 2018 but were redeemed in full on October 2, 2013, as well as $0.04 per diluted share of state income tax benefits. Net earnings per diluted share included SAP-related benefits, net of implementation costs and depreciation expense, of $0.47 per diluted share in the current year compared to $0.18 per diluted share of net expense in the prior year. The favorable impact of the Company's share repurchase program completed in the second half of fiscal 2013 on the Company's earnings growth in fiscal 2014 was more than offset by the negative year-over-year impact related to its refrigerants business, which posted record results in fiscal 2013.

For the prior year, the impact of special charges on diluted earnings per share was offset by the impact of special gains. Net special items in each year consisted of the following:

Effect on Diluted EPS Years Ended March 31,		2014		2013
State income tax benefits	$	0.04	$	—
Loss on the extinguishment of debt		(0.08)		—
Gain on sale of businesses		—		0.07
Restructuring and other special charges, net		—		(0.07)
Special items, net	$	(0.04)	$	—

The following discussion includes a more detailed review of items that significantly impacted the Company's financial results for the current year, as well as the outlook for fiscal 2015.

<u>Enterprise Information System</u>

As of March 2013, the Company had successfully converted its Safety telesales, hardgoods infrastructure, and regional distribution businesses to the SAP platform, representing over 90% of the Company's Distribution business segment. Each of its four Business Support Centers ("BSCs"), into which the regional company accounting and administrative functions were consolidated upon converting to SAP, is firmly in place. As with the implementation of any new enterprise information system, the Company has experienced distractions and disruptions as its associates learn the new system and processes, but they have not had a material impact on the Company's financial results or internal controls, and proficiency with the SAP system among the Company's associates continues to improve.

The Company previously quantified the economic benefits expected to be achieved through its implementation of SAP in three key areas: accelerated sales growth through expansion of the telesales platform, more effective management of pricing and discounting practices, and administrative and operating efficiencies. The Company began to realize meaningful SAP-related economic benefits from more effective management of pricing and discounting practices, as well as from the expansion of its telesales platform through Airgas Total Access, in the second half of fiscal 2013. These benefits continued to ramp-up in fiscal 2014. While the Company still expects to realize benefits from administrative and operating efficiencies, it has not realized such benefits to-date. The current year included $0.47 per diluted share of SAP-related benefits, net of implementation costs and depreciation expense, compared to $0.18 per diluted share of net expense in the prior year. By December 31, 2013, the Company had achieved its long-standing target of reaching an annual run-rate of $75 million in

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AIRGAS, INC. AND SUBSIDIARIES

SAP-enabled operating income benefits by the end of calendar year 2013. The Company expects to continue to leverage SAP's capabilities and the benefits of having a unified platform across its distribution operations to improve the way the Company manages its business for many years to come.

Refrigerants Business

On March 27, 2013, the EPA issued a ruling allowing for an increase in the production and import of R-22 in calendar years 2013 and 2014, rather than reaffirming the further reductions that much of the industry, including the Company, had been expecting based on a previously issued No Action Assurances letter from the EPA. R-22 has historically been one of the most commonly-used refrigerant gases in air conditioning systems in the U.S., and many of those systems are expected to remain operational for years to come. As production and imports of R-22 are phased out by the EPA in accordance with United States regulations adopted in response to the Montreal Protocol on Substances that Deplete the Ozone Layer (the "Montreal Protocol"), the gap between demand and supply is expected to be filled increasingly by reclaimed and recycled R-22. The Company believes that as a leading reclaimer, recycler and distributor of R-22, its refrigerants business is well-positioned to benefit from an expected increase in demand for reclaimed and recycled R-22, as well as from expected increases in market pricing of R-22 as the phase-out progresses. The regulations adopted in response to the Montreal Protocol currently require a more significant step down in R-22 production and imports in calendar year 2015, which should favorably impact the prevailing supply and demand imbalance of R-22.

During the current year, the EPA's ruling significantly pressured both volumes and pricing of R-22, as a greater-than-expected amount of virgin R-22 has been available in the marketplace. The year-over-year negative impact of the EPA's ruling on the Company's net earnings was approximately $0.20 per diluted share following the prior year's record performance in the refrigerants business, due in part to a previously issued No Action Assurances letter from the EPA. The industry is currently awaiting a final ruling from the EPA on the pace and magnitude of the reduction in allowable production of R-22 for the calendar year 2015 to 2019 time period, after which it must go to zero. The Company believes that once the EPA issues its final ruling, the industry will assess the implications and again migrate toward the use of reclaimed product. Although the Company cannot predict the timing and speed of this transition, its refrigerants business remains well-positioned to benefit from the anticipated production and import reductions as a leading reclaimer and recycler of R-22.

Financing

On October 1, 2013, the Company repaid $300 million of indebtedness associated with its 2.85% senior notes (the "2013 Notes") upon their maturity.

The Company had $215 million outstanding of 7.125% senior subordinated notes originally due to mature on October 1, 2018 (the "2018 Senior Subordinated Notes"). The 2018 Senior Subordinated Notes had a redemption provision which permitted the Company, at its option, to call the 2018 Senior Subordinated Notes at scheduled dates and prices beginning on October 1, 2013. On October 2, 2013, the 2018 Senior Subordinated Notes were redeemed in full at a price of 103.563%. A loss on the early extinguishment of the 2018 Senior Subordinated Notes of $9.1 million was recognized during the year ended March 31, 2014 related to the redemption premium and the write-off of unamortized debt issuance costs.

The Company has $400 million of long-term debt obligations maturing during fiscal 2015 related to its 4.5% senior notes. The Company believes it has sufficient liquidity to meet its financial commitment with respect to this obligation. The sources of that liquidity include cash from operations, availability under the Company's commercial paper program and revolving credit facilities, and potentially capital markets transactions.

Acquisitions

During the current year, the Company acquired eleven businesses with aggregate historical annual sales of approximately $82 million. The largest of these businesses was The Encompass Gas Group, Inc. ("Encompass"), headquartered in Rockford, Illinois. With eleven locations in Illinois, Wisconsin, and Iowa, Encompass was one of the largest privately-owned suppliers of industrial, medical, and specialty gases and related hardgoods in the United States, generating approximately $55 million in annual sales in calendar 2012.

Fiscal 2015 Outlook

The Company expects earnings per diluted share for fiscal 2015 in the range of $5.00 to $5.20. The Company estimates its organic sales growth rate for fiscal 2015 to be in the mid single digits, assuming a gradual increase in growth rates as the year progresses. The Company's fiscal 2015 guidance includes an estimated year-over-year negative impact of $0.11 to $0.16 per diluted share from variable compensation reset following a below-budget year. The Company currently expects the contribution from its refrigerants business to year-over-year earnings per diluted share growth in fiscal 2015 to be slightly favorable.

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AIRGAS, INC. AND SUBSIDIARIES

STATEMENT OF EARNINGS COMMENTARY — FISCAL YEAR ENDED MARCH 31, 2014 COMPARED TO FISCAL YEAR ENDED MARCH 31, 2013

Net Sales

Net sales increased 2% to $5.1 billion for the current year compared to the prior year, with flat organic sales growth and incremental sales of 2% contributed by acquisitions. Gas and rent organic sales increased 1% and hardgoods decreased 2%. The impact of price increases enacted in response to rising costs on multiple fronts, as well as the impact of more effective sales discount management, contributed 2% to total organic sales growth in the current year, which was offset by a negative 2% impact from volume declines.

Strategic products account for approximately 40% of net sales and include safety products, bulk, medical and specialty gases, as well as carbon dioxide ("CO_2") and dry ice. The Company has identified these products as strategic because it believes they have good long-term growth profiles relative to the Company's core industrial gas and welding products due to favorable end customer markets, application development, increasing environmental regulation, strong cross-selling opportunities or a combination thereof. For the current year, sales of strategic products increased 3% on an organic basis as compared to the prior year, with bulk and specialty gases outperforming the category overall.

The Company's strategic accounts program, which represents approximately 25% of net sales, is designed to deliver superior product and service offerings to larger, multi-location customers, and presents the Company with strong cross-selling opportunities. Sales to strategic accounts grew 3%, with new account signings, expansion of locations served and product lines sold to existing accounts, and positive pricing more than offsetting the lower levels of activity in several areas, including mining and related equipment manufacturing, defense contractors and some pressure in the medical homecare market.

In the following table, the intercompany eliminations represent sales from the All Other Operations business segment to the Distribution business segment.

(In thousands)

Net Sales Years Ended March 31,	2014	2013	Increase/ (Decrease)	
Distribution	$ 4,558,790	$ 4,398,105	$ 160,685	4 %
All Other Operations	544,154	593,598	(49,444)	(8)%
Intercompany eliminations	(30,407)	(34,206)	3,799	
	$ 5,072,537	$ 4,957,497	$ 115,040	2 %

The Distribution business segment's principal products include industrial, medical and specialty gases, and process chemicals; cylinder and equipment rental; and hardgoods. Industrial, medical and specialty gases are distributed in cylinders and bulk containers. Rental fees are generally charged on cylinders, dewers (cryogenic liquid containers), bulk and micro-bulk tanks, tube trailers and certain welding equipment. Hardgoods generally consist of welding consumables and equipment, safety products, construction supplies, and maintenance, repair and operating supplies.

Distribution business segment sales increased 4% compared to the prior year, with an increase in organic sales of 1% and incremental sales of 3% contributed by current and prior year acquisitions. The impact of price increases as well as more effective sales discount management contributed 3% to organic sales growth in the Distribution business segment, more than offsetting the negative 2% impact from volume declines. Gas and rent organic sales in the Distribution business segment increased 3%, with pricing up 5% and volumes down 2%. Hardgoods organic sales within the Distribution business segment declined 1%, reflecting pricing increases of 1% and volume decreases of 2%.

Sales of strategic gas products sold through the Distribution business segment increased 4% in the current year from the prior year on an organic basis. Among strategic gas products, bulk gas sales were up 5% as the impact of higher pricing, volumes and new business was partially offset by moderation in industrial activity. Sales of medical gases were up 3% as a result of higher pricing and volumes across most medical segments and new customer signings, partially offset by weakness in the homecare segment. Sales of specialty gases were up 6%, with increases in both prices and volumes.

Sales of both Safety products and the Company's Radnor® private-label brand product line helped moderate the organic sales decline in hardgoods for the Distribution business segment. Safety product sales increased 2% in the current year, and the Company's Radnor® private-label line was up 2% for the current year. Both compared favorably to the 1% decline in hardgoods organic sales in the Distribution business segment but were weaker than expected.

The All Other Operations business segment consists of six business units. The primary products manufactured and/or distributed are CO_2, dry ice, nitrous oxide, ammonia and refrigerant gases.

The All Other Operations business segment sales decreased 8% in total and 9% on an organic basis compared to the prior year, with incremental sales of 1% contributed by current and prior year acquisitions. The organic sales decrease in the All Other Operations business segment during the current year, which decreased on both a volume and price basis, was primarily driven by the negative impact of the March 2013 EPA ruling on R-22 production and import allowances on the Company's refrigerants business, as well as declines in the Company's ammonia and CO_2 businesses during the current year.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

Gross Profits (Excluding Depreciation)

Gross profits (excluding depreciation) do not reflect deductions related to depreciation expense and distribution costs. The Company reflects distribution costs as an element of the line item "Selling, distribution and administrative expenses" and recognizes depreciation on all of its property, plant and equipment in the line item "Depreciation" in its consolidated statements of earnings. Other companies may report certain or all of these costs as elements of their cost of products sold and, as such, the Company's gross profits (excluding depreciation) may not be comparable to those of other businesses.

The Company reclassified $15 million out of selling, distribution and administrative expenses into cost of products sold (excluding depreciation) for the prior year to correct an error in the prior year classification. Consolidated operating income and net earnings for the prior year were not impacted by the correction, and the amount is not material to either of the impacted line items in the Company's consolidated statement of earnings for the prior year. The following commentary for the prior year has been updated to reflect the reclassification.

Consolidated gross profits (excluding depreciation) increased 4% in the current year compared to the prior year. The consolidated gross profit margin (excluding depreciation) in the current year increased 80 basis points to 55.7% compared to 54.9% in the prior year. The increase in the consolidated gross profit margin (excluding depreciation) primarily reflects the impact of price increases, as well as the impact of more effective sales discount management, partially offset by the impacts of supplier price increases and rising internal production costs, significant margin pressure in the Company's refrigerants business, and a sales mix shift within gases to lower-margin fuel gases. A sales mix shift toward higher-margin gas and rent also drove the higher consolidated gross profit margin (excluding depreciation) for the current year. Gas and rent represented 63.6% of the Company's sales mix in the current year, up from 63.2% in the prior year.

(In thousands)

Gross Profits (Excluding Depreciation) Years Ended March 31,	**2014**	**2013**	Increase/ (Decrease)	
Distribution	$ 2,562,725	$ 2,439,532	$ 123,193	5 %
All Other Operations	262,238	282,398	(20,160)	(7)%
	$ 2,824,963	$ 2,721,930	$ 103,033	4 %

The Distribution business segment's gross profits (excluding depreciation) increased 5% compared to the prior year. The Distribution business segment's gross profit margin (excluding depreciation) was 56.2% versus 55.5% in the prior year, an increase of 70 basis points. The increase in the Distribution business segment's gross profit margin (excluding depreciation) reflects the sales mix shift toward higher-margin gas and rent, and the impact of price increases as well as more effective sales discount management, partially offset by the impacts of supplier price increases and rising internal production costs, and a sales mix shift within gases to lower-margin fuel gases. As a percentage of the Distribution business segment's sales, gas and rent increased 100 basis points to 59.6% in the current year as compared to 58.6% in the prior year.

The All Other Operations business segment's gross profits (excluding depreciation) decreased 7% compared to the prior year, largely as a result of reduced gross profits (excluding depreciation) in the refrigerants business due to the EPA's ruling in late March 2013. The All Other Operations business segment's gross profit margin (excluding depreciation) increased 60 basis points to 48.2% in the current year from 47.6% in the prior year. The increase in the All Other Operations business segment's gross profit margin (excluding depreciation) was primarily the result of improvement in ammonia margins and less lower-margin refrigerants in the sales mix, partially offset by margin erosion in the refrigerants business.

Operating Expenses

Selling, Distribution and Administrative ("SD&A") Expenses

SD&A expenses consist of labor and overhead associated with the purchasing, marketing and distribution of the Company's products, as well as costs associated with a variety of administrative functions such as legal, treasury, accounting, tax and facility-related expenses. Although corporate operating expenses are generally allocated to each business segment based on sales dollars, the Company reports expenses (excluding depreciation) related to the implementation of its SAP system as part of SD&A expenses in the "Other" line item in the following SD&A expenses and operating income tables. Additionally, the Company's restructuring and other special charges, net are not allocated to the Company's business segments. These costs are captured in a separate line item on the Company's consolidated statements of earnings and are reflected in the "Other" line item in the following operating income tables.

Consolidated SD&A expenses increased $61 million, or 3%, in the current year as compared to the prior year. Contributing to the increase in SD&A expenses were approximately $25 million of incremental operating costs associated with acquired businesses. Also contributing to the increase in SD&A expenses were staffing, training, and other setup costs associated with the expansion of the Airgas Total Access telesales program, costs associated with the analysis and execution of the Company's strategic pricing initiative and enhancement of its e-Business platform, rising health care costs, and higher operating costs due to severe winter weather. The incremental expenses related to these strategic initiatives, health care costs and severe winter weather more than offset the favorable impact of the reduction in SAP implementation costs compared to the prior year. As a percentage of net sales, SD&A expenses increased to 37.2% in the current year from 36.9% in the prior year.

(In thousands)

SD&A Expenses Years Ended March 31,	**2014**	**2013**	Increase/ (Decrease)	
Distribution	$ 1,705,408	$ 1,620,651	$ 84,757	5%
All Other Operations	176,289	174,643	1,646	1%
Other	7,426	33,230	(25,804)	
	$ 1,889,123	$ 1,828,524	$ 60,599	3%

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AIRGAS, INC. AND SUBSIDIARIES

SD&A expenses in the Distribution and All Other Operations business segments increased 5% and 1%, respectively, in the current year. For the Distribution business segment, approximately 1.5% of the increase in SD&A costs was driven by incremental operating costs associated with acquired businesses of $24 million. Rising health care costs and expenses associated with the expansion of the Airgas Total Access telesales program, the Company's strategic pricing initiative and the enhancement of the Company's e-Business platform also contributed to the increase in SD&A expenses in the Distribution business segment. For the All Other Operations business segment, $1 million of the increase in SD&A costs was related to incremental operating costs associated with acquired businesses. As a percentage of Distribution business segment net sales, SD&A expenses in the Distribution business segment increased 60 basis points to 37.4% compared to 36.8% in the prior year, driven by the sales mix shift toward gas and rent, which carry higher operating costs than hardgoods, and moderating sales growth relative to the increase in expenses. As a percentage of All Other Operations business segment net sales, SD&A expenses in the All Other Operations business segment increased 300 basis points to 32.4% compared to 29.4% in the prior year, primarily due to sales declines in the Company's refrigerants, ammonia and CO_2 businesses.

SD&A Expenses — Other

Enterprise Information System

While the Company has successfully converted its Safety telesales and hardgoods infrastructure businesses, as well as all of its regional distribution businesses, to the SAP platform, the Company continued to incur some post-conversion support and training expenses related to the implementation of the new system through the end of the current year. SAP-related costs were $7.4 million for the current year as compared to $33.2 million in the prior year, and were recorded as SD&A expenses and not allocated to the Company's business segments.

Restructuring and Other Special Charges, Net

The Company incurred no restructuring and other special charges for the current year. The following table presents the components of restructuring and other special charges, net for the prior year:

(In thousands)

Year Ended March 31,	**2013**
Restructuring costs (benefits), net	$ (2,177)
Other related costs	8,537
Asset impairment charges	1,729
Total restructuring and other special charges, net	$ 8,089

Restructuring and Other Related Costs

In May 2011, the Company announced the alignment of its then twelve regional distribution companies into four new divisions, and the consolidation of its regional company accounting and certain administrative functions into four newly created Business Support Centers ("BSCs"). Additionally, the Company initiated a related change in its legal entity structure on January 1, 2012 whereby each Airgas regional distribution company would merge, once converted to SAP, into a single limited liability company ("LLC") of which Airgas, Inc. is the sole member. Prior to conversion to SAP, each of the Company's twelve regional distribution companies operated its own accounting and administrative functions. Enabled by the Company's conversion to a single information platform across all of its regional distribution businesses as part of the SAP implementation, the restructuring allows Airgas to more effectively utilize its resources across its regional distribution businesses and form an operating structure to leverage the full benefits of its new SAP platform.

As of March 31, 2013, the divisional alignment was complete and all material costs related to the restructuring had been incurred.

During the prior year, the Company recorded $2.2 million in net restructuring benefits. In fiscal 2013, the Company re-evaluated its remaining severance liability related to the divisional realignment and, as a result of this analysis, reduced its severance liability by $3.7 million. The change in estimate was driven by fewer than expected individuals meeting the requirements to receive severance benefits. This reduction was due to both the retention of employees through relocation or acceptance of new positions, as well as former associates who chose not to remain with the Company through their designated separation dates. Offsetting the benefit from the reduction to the severance liability were additional restructuring costs of $1.5 million, primarily related to relocation and other costs. The Company also incurred $8.5 million of other costs in the prior year related to the divisional alignment and LLC formation. These costs primarily related to transition staffing for the BSCs, legal costs and other expenses associated with the Company's organizational and legal entity changes.

Asset Impairment

In June 2012, the Company re-evaluated the economic viability of a small hospital piping construction business. As a result of an impairment analysis performed on the long-lived assets at the associated reporting unit, the Company recorded a charge of $1.7 million related to certain of the other intangible assets associated with this business during the prior year.

Depreciation and Amortization

Depreciation expense increased $14 million, or 5%, to $275 million in the current year as compared to $262 million in the prior year. The increase primarily reflects the additional depreciation expense on capital investments in revenue generating assets to support customer demand (such as cylinders, rental welders and bulk tanks) and $3 million of additional depreciation expense on capital assets included in acquisitions. Amortization expense of $30 million in the current year was $3 million higher than the prior year, driven by acquisitions.

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Operating Income

Consolidated operating income of $631 million increased 6% in the current year compared to the prior year. The consolidated operating income margin increased 40 basis points to 12.4% from 12.0% in the prior year. The combination of a reduction in SAP implementation costs and the achievement of SAP-related benefits contributed favorably to operating income margin during the current year as compared to the prior year. However, these favorable impacts were mostly offset by a significant decline in operating income margin in the Company's refrigerants business, as well as by the impact of rising operating costs and the Company's continued investments in strategic long-term growth initiatives in the current low organic sales growth environment. Additionally, the prior year's operating income margin was burdened by 20 basis points of net restructuring and other special charges.

(In thousands)

Operating Income Years Ended March 31,	2014	2013	Increase/ (Decrease)	
Distribution	$ 579,476	$ 556,417	$ 23,059	4 %
All Other Operations	58,484	81,319	(22,835)	(28)%
Other	(7,426)	(41,319)	33,893	
	$ 630,534	$ 596,417	$ 34,117	6 %

Operating income in the Distribution business segment increased 4% in the current year. The Distribution business segment's operating income margin of 12.7% was consistent with that of the prior year. The Distribution business segment's operating income margin as compared to the prior year reflects the achievement of net SAP-related benefits in the current year, offset by the impact of rising operating costs and the Company's continued investments in strategic long-term growth initiatives in the current low organic sales growth environment.

Operating income in the All Other Operations business segment decreased 28% compared to the prior year, primarily driven by the decline in refrigerants sales. The All Other Operations business segment's operating income margin of 10.7% decreased by 300 basis points compared to the operating income margin of 13.7% in the prior year, primarily driven by margin compression in the refrigerants business.

Interest Expense, Net and Loss on the Extinguishment of Debt

Interest expense, net, was $74 million in the current year, representing an increase of $6 million, or 9%, compared to the prior year. The increase in interest expense, net was primarily driven by higher average borrowings related to the Company's $600 million share repurchase program, which was authorized and completed during the second half of the prior year. The increase in interest expense, net was partially offset by the retirements of the Company's 2013 Notes and 2018 Senior Subordinated Notes during the current year.

On October 2, 2013, the Company redeemed all $215 million of its outstanding 2018 Senior Subordinated Notes. A loss on the early extinguishment of debt of $9.1 million related to the redemption premium and write-off of unamortized debt issuance costs was recognized in the current year.

Income Tax Expense

The effective income tax rate was 36.4% of pre-tax earnings in the current year compared to 37.3% in the prior year. The decrease in the effective income tax rate was primarily the result of an aggregate $3.3 million in favorable state income tax items recognized in the current year. During the three months ended September 30, 2013, the Company recognized a $1.5 million tax benefit related to a change in a state income tax law, allowing the Company to utilize additional net operating loss carryforwards. During the three months ended March 31, 2014, the Company recognized an additional $1.8 million of tax benefits related to enacted changes in state income tax rates.

Net Earnings

Net earnings per diluted share increased by 8% to $4.68 in the current year compared to $4.35 per diluted share in the prior year. Net earnings were $351 million compared to $341 million in the prior year. The current year's diluted earnings per share included SAP-related benefits, net of implementation costs and depreciation expense, of $0.47, representing a favorable $0.65 year-over-year change from the $0.18 of net expense in the prior year. Net earnings per diluted share in the current year included net special charges of $0.04, while the prior year's earnings were not impacted on a net basis by special items.

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RESULTS OF OPERATIONS: 2013 COMPARED TO 2012

OVERVIEW

Airgas had net sales for fiscal 2013 of $5.0 billion compared to $4.7 billion for the year ended March 31, 2012 ("fiscal 2012"), an increase of 4%. Total organic sales increased 3%, with hardgoods up 1% and gas and rent up 5%. Acquisitions, net of a divestiture, contributed 1% sales growth in fiscal 2013. The Company's organic sales growth reflected the impact of continued economic uncertainty and moderation in business conditions on its diversified customer base. The impact of price increases enacted in response to rising costs on multiple fronts, as well as the impact of more effective sales discount management, contributed 4% to total organic sales growth in fiscal 2013, more than offsetting the negative 1% impact from volume declines. The pricing actions were designed to address rising product, operating and distribution costs, as well as to support ongoing investments in production and distribution capabilities and technologies in order to more efficiently and effectively meet the growing demands of the Company's customers while fulfilling the safety and security requirements of its industry.

The consolidated gross profit margin (excluding depreciation) in fiscal 2013 was 54.9%, an increase of 70 basis points from fiscal 2012, driven by a sales mix shift toward higher-margin gas and rent and by margin expansion on gases and hardgoods.

The Company's operating income margin increased to 12.0%, a 30 basis-point improvement over fiscal 2012. Additionally, operating income margins for fiscal 2013 and 2012 were burdened by 20 basis points and 50 basis points, respectively, of net special charges.

Net earnings per diluted share rose to $4.35 in fiscal 2013 versus $4.00 in fiscal 2012. In fiscal 2013, the impact of special charges on diluted earnings per share was offset by the impact of special gains, while earnings per diluted share in fiscal 2012 included net special charges of $0.11. Net special items in each year consisted of the following:

Effect on Diluted EPS Years Ended March 31,	2013	2012
Restructuring and other related costs, net	$ (0.06)	$ (0.15)
Impairment charges	(0.01)	(0.04)
Gain on sale of businesses	0.07	—
(Costs) benefits related to unsolicited takeover attempt	—	0.06
Multi-employer pension plan withdrawal charges	—	(0.04)
Income tax benefits	—	0.06
Special items, net	$ —	$ (0.11)

The following discussion includes a more detailed review of items that significantly impacted the Company's financial results for fiscal 2013.

Enterprise Information System

As of March 2013, the Company had successfully converted its Safety telesales, hardgoods infrastructure, and regional distribution businesses to the SAP platform, representing over 90% of the Company's Distribution business segment. The Company began to realize meaningful SAP-related economic benefits from more effective management of pricing and discounting practices, as well as from the expansion of its telesales platform through Airgas Total Access, in the second half of fiscal 2013. Total implementation costs and depreciation expense related to the SAP system were $0.18 per diluted share in fiscal 2013, net of benefits. The results for fiscal 2012 included $0.34 per diluted share of SAP implementation costs and depreciation expense.

New Divisional Alignment and LLC Formation

During fiscal 2013 and 2012, the Company recorded restructuring and other related costs of $6.4 million and $20.2 million, respectively, associated with the Company's organizational and legal entity changes. During fiscal 2013, the Company recorded restructuring and other related costs of $10.1 million related to transition staffing, legal and other costs associated with the divisional realignment and LLC formation. These costs were partially offset by a $3.7 million reduction to the severance liability associated with the realignment based on a change in estimate recorded during fiscal 2013. The $20.2 million of restructuring and other related costs recorded in fiscal 2012 consisted of a $13.3 million restructuring charge for severance benefits and other costs related to the divisional realignment and LLC formation.

Stock Repurchase Program

On October 23, 2012, the Company announced a program to repurchase up to $600 million of its outstanding shares of common stock. During the third and fourth quarters of fiscal 2013, the Company completed the program, repurchasing 6.29 million shares on the open market at an average price of $95.37.

Helium Supply Constraints and Challenges

During fiscal 2013 and 2012, the global industrial gas industry was challenged by supply constraints related to helium. Disruption in crude helium production overseas was the primary cause of the worldwide helium shortage, aggravated by outages and temporary shutdowns at the Federal Helium Reserve and shutdowns at a major private helium source. The Company procures helium from its primary suppliers under supply agreements. As a result of the helium shortage during this time, however, the Company's suppliers instituted helium volume allocations, which limited the Company's ability to supply helium to its own customers. These supply constraints also forced the Company to shed non-contract helium customers at times and allocate its limited helium supply to contract and critical need customers.

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AIRGAS, INC. AND SUBSIDIARIES

STATEMENT OF EARNINGS COMMENTARY — FISCAL YEAR ENDED MARCH 31, 2013 COMPARED TO FISCAL YEAR ENDED MARCH 31, 2012

Net Sales

Net sales increased 4% to $5.0 billion for fiscal 2013 compared to fiscal 2012, driven by organic sales growth of 3% and incremental sales of 1% contributed by acquisitions, net of a divestiture. Gas and rent organic sales increased 5% and hardgoods increased 1%. The impact of price increases enacted in response to rising costs on multiple fronts, as well as the impact of more effective sales discount management, contributed 4% to organic sales growth in fiscal 2013, more than offsetting the negative 1% impact from volume declines.

For fiscal 2013, sales of strategic products increased 4% on an organic basis as compared to fiscal 2012. Sales to strategic accounts also grew 4%, driven by new business gains and higher activity in the majority of the Company's customer segments, most notably in the metal fabrication, energy, oil and gas and chemicals segments. Strategic account sales in the Company's retail customer segment experienced a substantial decline from fiscal 2012 due to the helium supply disruption. Excluding this impact, strategic accounts grew 5% from fiscal 2012.

In the following table, the intercompany eliminations represent sales from the All Other Operations business segment to the Distribution business segment.

(In thousands)

Net Sales **Years Ended March 31,**	**2013**	**2012**	Increase	
Distribution	$ 4,398,105	$ 4,234,869	$ 163,236	4%
All Other Operations	593,598	549,213	44,385	8%
Intercompany eliminations	(34,206)	(37,799)	3,593	
	$ 4,957,497	$ 4,746,283	$ 211,214	4%

Distribution business segment sales increased 4% compared to fiscal 2012 with an increase in organic sales of 3% and incremental sales of 1% contributed by acquisitions, net of a divestiture. Higher pricing contributed 4% to organic sales growth in the Distribution business segment, more than offsetting the negative 1% impact from volume declines. The Distribution business segment's gas and rent organic sales increased 4%, with pricing up 5% and volumes down 1%. Hardgoods organic sales increased 1%, with pricing up 3% and volumes down 2%. The decline in sales volumes was broad-based, reflecting an overall slower pace of activity in the industrial economy.

Sales of strategic gas products sold through the Distribution business segment in fiscal 2013 increased 4% from fiscal 2012. Among strategic gas products, bulk gas sales were up 5% as the impact of higher pricing and new business in the food and core industrial sectors was partially offset by broad-based industrial slowing. Sales of medical gases were up 5% as a result of higher pricing, new business signings and modestly stronger demand across most medical segments. Sales of specialty gases were up 3%, as the impact of higher pricing was partially offset by lower volumes in core specialty gases.

Contributing to the rise in the Distribution business segment's hardgoods organic sales were increases in both safety products and the Company's Radnor® private-label brand product line. Safety product sales increased 4% in fiscal 2013, comparing favorably to the 1% increase in total hardgoods organic sales for the Distribution business segment and reflecting broad-based improvement in the core safety business, particularly in large industrial production and strategic account customers. Sales of the Company's Radnor® private-label line were up 3% for fiscal 2013.

Revenues from the Company's rental welder business experienced an 18% increase in organic sales during fiscal 2013 as compared to fiscal 2012 due to increased rental demand, reflecting strength in outage work in the oil, gas and chemicals industry, including refineries, and in the power industry.

The All Other Operations business segment sales increased 8% in total and 7% on an organic basis compared to fiscal 2012, with incremental sales of 1% contributed by acquisitions. The organic sales increase was primarily driven by an increase in refrigerants, CO_2 and ammonia sales, which increased on both a volume and price basis.

Gross Profits (Excluding Depreciation)

Consolidated gross profits (excluding depreciation) increased 6% compared to fiscal 2012, principally due to the organic sales increase for fiscal 2013, a sales mix shift to higher-margin gas and rent and margin improvements on gases and hardgoods. The consolidated gross profit margin (excluding depreciation) for fiscal 2013 increased 70 basis points to 54.9% compared to 54.2% in fiscal 2012. The increase in consolidated gross profit margin (excluding depreciation) for fiscal 2013 reflects margin expansion in gases and hardgoods and a sales mix shift toward higher-margin gas and rent, partially offset by supplier price and internal production cost increases as well as sales mix shifts within both gases and hardgoods to lower margin products. Gas and rent represented 63.2% of the Company's sales mix in fiscal 2013, up from 62.5% in fiscal 2012.

(In thousands)

Gross Profits (Excluding Depreciation) **Years Ended March 31,**	**2013**	**2012**	Increase	
Distribution	$ 2,439,532	$ 2,316,761	$ 122,771	5%
All Other Operations	282,398	254,092	28,306	11%
	$ 2,721,930	$ 2,570,853	$ 151,077	6%

The Distribution business segment's gross profits (excluding depreciation) increased 5% compared to fiscal 2012. The Distribution business segment's gross profit margin (excluding depreciation) was 55.5% versus 54.7% in fiscal 2012, an increase of 80 basis points. The increase in the Distribution business segment's gross profit margin (excluding depreciation) reflects a sales mix shift toward higher-margin gas and rent as well as underlying margin expansion on gases and hardgoods. The margin expansion was partially offset by supplier price and internal production cost increases as well as sales mix shifts

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AIRGAS, INC. AND SUBSIDIARIES

within both gases and hardgoods to lower margin products. As a percentage of the Distribution business segment's sales, gas and rent increased 50 basis points to 58.6% in fiscal 2013 as compared to 58.1% in fiscal 2012.

The All Other Operations business segment's gross profits (excluding depreciation) increased 11% compared to fiscal 2012. The All Other Operations business segment's gross profit margin (excluding depreciation) increased 130 basis points to 47.6% in fiscal 2013 from 46.3% in fiscal 2012. The increase in the All Other Operations business segment's gross profit margin (excluding depreciation) was primarily driven by higher margins in the refrigerants, CO_2 and ammonia businesses.

Operating Expenses

SD&A Expenses

Consolidated SD&A expenses increased $101 million, or 6%, in fiscal 2013 as compared to fiscal 2012. Contributing to the increase in SD&A expenses were $79 million of normal inflationary increases plus higher variable costs associated with higher sales, such as sales commissions, salaries, production overtime and distribution costs and approximately $22 million of incremental operating costs associated with acquired businesses, net of a divestiture. Also contributing to the increase in the Distribution business segment's SD&A expenses were staffing, training, and other setup costs associated with the expansion of the Airgas Total Access telesales program and costs associated with the analysis and execution of the Company's strategic pricing initiative. As a percentage of net sales, SD&A expenses increased to 36.9% in fiscal 2013 from 36.4% in fiscal 2012.

(In thousands)

SD&A Expenses Years Ended March 31,	**2013**	**2012**	Increase/ (Decrease)	
Distribution	$ 1,620,651	$ 1,528,215	$ 92,436	6%
All Other Operations	174,643	162,205	12,438	8%
Other	33,230	37,349	(4,119)	
	$ 1,828,524	$ 1,727,769	$ 100,755	6%

SD&A expenses in the Distribution and All Other Operations business segments increased 6% and 8%, respectively, in fiscal 2013. For both business segments, the increases in SD&A costs were driven by normal inflationary increases plus higher variable costs on sales growth, including sales commissions, salaries, production overtime and distribution costs, and incremental operating costs associated with acquired businesses, net of a divestiture, of $19 million for the Distribution business segment and $3 million for the All Other Operations business segment. As a percentage of Distribution business segment net sales, SD&A expenses in the Distribution business segment increased 70 basis points to 36.8% compared to 36.1% in fiscal 2012. As a percentage of All Other Operations business segment net sales, SD&A expenses in the All Other Operations business segment decreased 10 basis points to 29.4% compared to 29.5% in fiscal 2012.

SD&A Expenses — Other

Enterprise Information System

SAP implementation costs for fiscal 2013 were $33.2 million as compared to $33.0 million in fiscal 2012. SAP costs incurred by the Company included pre-implementation data conversion and training costs as well as post-implementation monitoring, training and operating activities related to the business unit rollouts. These costs were recorded as SD&A expenses and were not allocated to the Company's business segments. SAP-related benefits realized were primarily reflected in the Company's higher sales and gross margins for fiscal 2013 as compared to fiscal 2012.

Multi-employer Pension Plan Withdrawals

As collective bargaining agreements ("CBAs") came up for renewal, the Company actively negotiated the withdrawal from multi-employer defined benefit pension plans ("MEPPs"), replacing those retirement plans for CBA employees with defined contribution plans. During fiscal 2012, the Company incurred MEPP withdrawal charges of $4.3 million, primarily related to the final withdrawal and assessment from its last remaining MEPP. These charges are reflected in SD&A expenses. The Company successfully negotiated its withdrawal from all MEPPs in which it previously participated and fully accrued for the related withdrawal assessments.

Restructuring and Other Special Charges, Net

The following table presents the components of restructuring and other special charges, net for fiscal years 2013 and 2012:

(In thousands)

Years Ended March 31,	**2013**	**2012**
Restructuring costs (benefits), net	$ (2,177)	$ 14,473
Other related costs	8,537	5,725
Asset impairment charges	1,729	4,250
Total restructuring and other special charges, net	$ 8,089	$ 24,448

Restructuring and Other Related Costs

During fiscal 2012, the Company recorded $14.5 million in restructuring costs, including a restructuring charge of $13.3 million for severance benefits expected to be paid under the Airgas, Inc. Severance Pay Plan to employees whose jobs were eliminated as a result of the realignment and an additional $1.2 million in restructuring costs, primarily related to exit costs for the early termination of a lease obligation. Also during the fiscal 2012, the Company incurred $5.7 million of other costs related to the divisional realignment. These costs primarily related to transition staffing for the BSCs and legal costs associated with the realignment.

During fiscal 2013, the Company recorded a net $2.2 million benefit in restructuring costs related to certain lower than previously expected restructuring charges. The net benefit consisted of a reduction in estimated severance payments of $3.7 million, partially offset by additional restructuring costs of $1.5 million. The Company also incurred $8.5 million of other costs related to the divisional realignment and LLC formation in fiscal 2013.

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AIRGAS, INC. AND SUBSIDIARIES

The activity in the accrued liability balances associated with the restructuring plan was as follows for fiscal years 2013 and 2012:

(In thousands)	Severance Costs	Facility Exit and Other Costs	Total
Balance at March 31, 2011	$ —	$ —	$ —
Restructuring charges	13,330	1,143	14,473
Cash payments and other adjustments	(192)	(153)	(345)
Balance at March 31, 2012	$ 13,138	$ 990	$ 14,128
Restructuring charges	—	1,523	1,523
Cash payments	(4,756)	(2,199)	(6,955)
Other adjustments	(3,700)	—	(3,700)
Balance at March 31, 2013	$ 4,682	$ 314	$ 4,996

As of March 31, 2013, the divisional alignment was complete and all material costs related to the restructuring had been incurred.

Asset Impairments

In June 2012, the Company re-evaluated the economic viability of a small hospital piping construction business. As a result of an impairment analysis performed on the long-lived assets at the associated reporting unit, the Company recorded a charge of $1.7 million related to certain of the other intangible assets associated with this business during fiscal 2013.

In August 2011, the Company received 24 months notice that a supplier's hydrogen plant, which generated carbon dioxide as a by-product that served as the feedstock for the Company's co-located liquid CO_2 plant, would cease operations in calendar year 2013. The hydrogen plant continued to supply the feedstock for its liquid CO_2 plant during the intervening period, and many of the assets at the Company's liquid CO_2 plant were transferred to a newly constructed facility to replace its production of liquid CO_2 in the region. As a result of an impairment analysis performed on the assets at this location, the Company recorded a charge of $2.5 million during fiscal 2012.

Additionally, in March 2012, the Company re-evaluated its plan for the operation of one of its smaller and less efficient air separation units over the long-term. As a result of an impairment analysis performed on the assets at this location, the Company recorded a charge of $1.8 million during fiscal 2012, resulting in total asset impairment charges for fiscal 2012 of $4.3 million.

Unsolicited Takeover Attempt

On February 11, 2010, Air Products initiated an unsolicited tender offer for all of the Company's outstanding shares of common stock. In connection with this unsolicited tender offer, Air Products filed an action against the Company and members of its Board in the Delaware Court of Chancery. On February 15, 2011, the Delaware Court of Chancery denied in their entirety all requests for relief by Air Products and dismissed with prejudice all claims asserted against the Company and its directors. Air Products promptly terminated its unsolicited tender offer and no appeal of the Court's decision was filed. In connection with the unsolicited tender offer and related litigation, the Company incurred on a cumulative basis a net $60.0 million of legal and professional fees and other costs. The Company recognized benefits of $7.9 million during fiscal 2012 from lower than previously estimated net costs related to the unsolicited takeover attempt.

Depreciation and Amortization

Depreciation expense increased $17 million or 7%, to $262 million in fiscal 2013 as compared to $245 million in fiscal 2012. The increase primarily reflects the additional depreciation expense on capital investments in revenue generating assets to support customer demand (such as rental welding equipment, cylinders and bulk tanks) and $2 million of additional depreciation expense on capital assets included in acquisitions. Amortization expense of $27 million in fiscal 2013 was $2 million higher than fiscal 2012, consistent with additional amortization expense related to intangible assets acquired during fiscal 2013.

Operating Income

Consolidated operating income of $596 million increased 7% in fiscal 2013 driven by gross margin expansion and operating leverage on organic sales growth. The consolidated operating income margin increased 30 basis points to 12.0% from 11.7% in fiscal 2012, reflecting the impact of these items.

(In thousands)

Operating Income Years Ended March 31,	2013	2012	Increase	
Distribution	$ 556,417	$ 542,684	$ 13,733	3%
All Other Operations	81,319	67,464	13,855	21%
Other	(41,319)	(53,927)	12,608	
	$ 596,417	$ 556,221	$ 40,196	7%

Operating income in the Distribution business segment increased 3% in fiscal 2013. The Distribution business segment's operating income margin decreased 10 basis points to 12.7% from 12.8% in fiscal 2012. The operating income margin decrease was driven by moderating sales growth relative to the increase in expenses and the year-over-year decline in helium sales due to supply constraints.

Operating income in the All Other Operations business segment increased 21% compared to fiscal 2012. The All Other Operations business segment's operating income margin of 13.7% increased by 140 basis points compared to the

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AIRGAS, INC. AND SUBSIDIARIES

operating income margin of 12.3% in fiscal 2012, primarily driven by margin improvements in the refrigerants, CO_2 and ammonia businesses.

Interest Expense, Net

Interest expense, net, for fiscal 2013 was relatively consistent with fiscal 2012. Interest expense, net, was $67 million in fiscal 2013, representing an increase of $1 million, or 2%, compared to fiscal 2012.

Income Tax Expense

The effective income tax rate was 37.3% of pre-tax earnings in fiscal 2013 compared to 36.3% in fiscal 2012. The increase in the effective income tax rate was due in part to the Company's recognition of a $4.9 million tax benefit (which reduced the effective income tax rate by approximately 1%) related to the LLC reorganization as well as a true-up of its foreign tax liabilities in fiscal 2012. As a result of the Company's operating realignment into four divisions, the Company initiated a related change in its legal entity structure in fiscal 2012 in which the majority of Airgas' distribution businesses merged, upon conversion to SAP, into a single LLC, leading to the realization of certain state tax benefits that previously required a valuation allowance.

Net Earnings

Net earnings per diluted share increased by 9% to $4.35 in fiscal 2013 compared to $4.00 per diluted share in fiscal 2012. Net earnings were $341 million compared to $313 million in fiscal 2012. In fiscal 2013, the impact of special charges on diluted earnings per share was offset by the impact of special gains, while earnings per diluted share in fiscal 2012 included net special charges of $0.11.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities was $745 million in fiscal 2014 compared to $550 million in fiscal 2013 and $506 million in fiscal 2012.

The following table provides a summary of the major items affecting the Company's cash flows from operating activities for the years presented:

(In thousands) **Years Ended March 31,**	**2014**	**2013**	**2012**
Net earnings	$ 350,784	$ 340,874	$ 313,374
Non-cash and non-operating activities(1)	335,284	345,618	368,942
Changes in working capital	63,998	(130,234)	(179,562)
Other operating activities	(5,206)	(5,990)	3,652
Net cash provided by operating activities	$ 744,860	$ 550,268	$ 506,406

(1) Includes depreciation, amortization, asset impairment charges, deferred income taxes, gains and losses on sales of plant, equipment and businesses, stock-based compensation expense, and losses on the extinguishment of debt.

The cash inflow related to working capital in the current year was primarily driven by a lower required investment in working capital, reflecting a low organic sales growth environment, improved accounts receivable management and the timing of income tax payments. The prior year cash outflow for working capital reflected an increased year-over-year investment in inventory related to the Company's expanded telesales program and the higher cost of refrigerants inventory. The use of cash for working capital in fiscal 2012 was primarily driven by significant cash outflows for payments related to the unsolicited takeover attempt and the Company's final MEPP withdrawal assessments, as well as investments in working capital to support sales growth.

Net earnings plus non-cash and non-operating activities provided cash of $686 million in fiscal 2014 versus $686 million in fiscal 2013 and $682 million in fiscal 2012.

As of March 31, 2014, $20 million of the Company's $70 million cash balance was held by foreign subsidiaries. The Company does not believe it will be necessary to repatriate cash held outside of the U.S. and anticipates its domestic liquidity needs will be met through other funding sources such as cash flows generated from operating activities and external financing arrangements. Accordingly, the Company intends to permanently reinvest the cash in its foreign operations to support working capital needs, investing and financing activities, and future business development. Were the Company's intention to change, the amounts held within its foreign operations could be repatriated to the U.S., although any repatriations under current U.S. tax laws would be subject to income taxes, net of applicable foreign tax credits.

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The following table provides a summary of the major items affecting the Company's cash flows from investing activities for the years presented:

(In thousands) Years Ended March 31,	2014	2013	2012
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 investing activities	(951)	(1,286)	(1,830)
Net cash used in investing activities	$ (543,584)	$ (392,859)	$ (502,094)

Capital expenditures as a percent of sales were 7.0%, 6.6% and 7.5%, respectively, for fiscal years 2014, 2013 and 2012. The increase in capital expenditures in the current year compared to the prior year reflects higher investments in revenue generating assets, such as rental welding equipment, cylinders and bulk tanks to support sales growth, as well as investments in infrastructure to support the Company's e-Commerce and strategic pricing initiatives, partially offset by capital expenditures related to the purchase of a new hardgoods distribution center in Bristol, Pennsylvania in the prior year. The lower level of capital expenditures in the prior year compared to fiscal 2012 reflects the construction of an air separation unit in Clarksville, Tennessee, the expansion of a hardgoods distribution center in Duluth, Georgia and multiple plant and branch expansions and consolidations in fiscal 2012. In fiscal 2014, the company paid $204 million to acquire eleven businesses and to settle holdback liabilities, which excludes cash paid related to certain contingent consideration arrangements that are reflected as financing activities. Additionally, during the prior year, the Company sold five branch locations in western Canada and received incremental proceeds of $16 million in addition to proceeds from sales of other plant and equipment.

Free cash flow* in fiscal 2014 was $441 million, compared to $298 million in fiscal 2013 and $262 million in fiscal 2012.

The following table provides a summary of the major items affecting the Company's cash flows from financing activities for the years presented:

(In thousands) Years Ended March 31,	2014	2013	2012
Net cash borrowings (repayments)	$ (113,374)	$ 452,952	$ 305,788
Purchase of treasury stock	(8,127)	(591,873)	(300,000)
Dividends paid to stockholders	(141,461)	(122,202)	(95,323)
Other financing activities	44,861	145,437	72,668
Net cash used in financing activities	$ (218,101)	$ (115,686)	$ (16,867)

In fiscal 2014, net financing activities used cash of $218 million. Net cash repayments on debt obligations were $113 million, primarily related to the early redemption of the Company's 2018 Senior Subordinated Notes and repayment of its 2013 Notes upon their maturity in October 2013. The note repayments were financed with proceeds from the Company's commercial paper program, excess cash and borrowings under its trade receivables securitization facility. Other financing activities, primarily comprised of proceeds and excess tax benefits related to the exercise of stock options and stock issued for the employee stock purchase plan, generated cash of $45 million during the current year.

In fiscal 2013, net financing activities used cash of $116 million. Net cash borrowings were a source of $453 million, primarily related to the issuance of $325 million of 1.65% senior notes maturing on February 15, 2018, $275 million of 2.375% senior notes maturing on February 15, 2020 and $250 million of 2.90% senior notes maturing on November 15, 2022, offset by the pay down of $388 million of commercial paper. Proceeds from the senior notes were primarily used to fund acquisitions and share repurchases and to pay down the balance on the commercial paper program. As a result, there were no outstanding borrowings under the commercial paper program at March 31, 2013. On October 23, 2012, the Company announced a $600 million share repurchase program. By March 31, 2013, the Company had completed the program, repurchasing 6.29 million shares on the open market at an average price of $95.37. Due to the settlement timing of the last repurchase, $8.1 million of these repurchases were reflected as a cash outflow in the first quarter of fiscal 2014. Other financing activities, primarily comprised of proceeds and excess tax benefits related to the exercise of stock options and stock issued for the employee stock purchase plan, generated cash of $145 million driven by higher levels of stock option exercise activity and the associated excess tax benefits.

In fiscal 2012, net financing activities used cash of $17 million. Net cash borrowings were a source of $306 million, primarily related to the issuance of $250 million of 2.95% senior notes maturing on June 15, 2016. The Company authorized and completed a share repurchase program during fiscal 2012, purchasing 4.46 million shares of treasury stock for $300 million. Other financing activities, primarily comprised of proceeds and excess tax benefits related to the exercise of stock options and stock issued for the employee stock purchase plan, generated cash of $73 million.

Dividends

In fiscal 2014, the Company paid its stockholders $141 million in dividends or $0.48 per share in all four quarters. During fiscal 2013, the Company paid dividends of $122 million or $0.40 per share in all four quarters. During fiscal 2012, the Company paid its stockholders $95 million in dividends or $0.29 per share in the first quarter and $0.32 per share in the second, third and fourth quarters. Future dividend declarations and associated amounts paid will depend upon

* See non-GAAP reconciliation and components of free cash flow on page 73.

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the Company's earnings, financial condition, loan covenants, capital requirements and other factors deemed relevant by management and the Company's Board of Directors.

Financial Instruments

Money Market Loans

The Company has an agreement with a financial institution to provide access to short-term advances not to exceed $35 million that was extended in November 2013 and now expires on December 30, 2014. The agreement may be further extended subject to renewal provisions contained in the agreement. The advances may be for one to six months with rates at a fixed spread over the corresponding LIBOR. At March 31, 2014, there were no advances outstanding under the agreement.

The Company also has an agreement with another financial institution that provides access to additional short-term advances not to exceed $35 million that expires on July 31, 2014. The agreement may be extended subject to renewal provisions contained in the agreement. The advances are generally overnight or for up to seven days. The amount, term and interest rate of an advance are established through mutual agreement with the financial institution when the Company requests such an advance. At March 31, 2014, there were no advances outstanding under the agreement.

Commercial Paper

The Company participates in a $750 million commercial paper program supported by its $750 million revolving credit facility (see below). This program allows the Company to obtain favorable short-term borrowing rates with maturities that vary, but will generally not exceed 90 days from the date of issue, and is classified as short-term debt. At maturity, the commercial paper balances are often rolled over rather than repaid or refinanced, depending on the Company's cash and liquidity positions. The Company has used proceeds from the commercial paper issuances for general corporate purposes. At March 31, 2014, $388 million was outstanding under the commercial paper program and the average interest rate on these borrowings was 0.35%.

Trade Receivables Securitization

The Company participates in a securitization agreement with three commercial bank conduits to which it sells qualifying trade receivables on a revolving basis (the "Securitization Agreement"). The Company's sale of qualified trade receivables is accounted for as a secured borrowing under which qualified trade receivables collateralize amounts borrowed from the commercial bank conduits. Trade receivables that collateralize the Securitization Agreement are held in a bankruptcy-remote special purpose entity, which is consolidated for financial reporting purposes and represents the Company's only variable interest entity. Qualified trade receivables in the amount of the outstanding borrowing under the Securitization Agreement are not available to the general creditors of the Company. The maximum amount available under the Securitization Agreement is $295 million, with the outstanding borrowings bearing interest at a rate of approximately LIBOR plus 75 basis points.

On December 5, 2013, the Company entered into the Fourth Amendment to the Securitization Agreement, which extended the expiration date of the Securitization Agreement from December 4, 2015 to December 5, 2016. At March 31, 2014, the amount of outstanding borrowing under the Securitization Agreement was $295 million. Amounts borrowed under the Securitization Agreement could fluctuate monthly based on the Company's funding requirements and the level of qualified trade receivables available to collateralize the Securitization Agreement. The Securitization Agreement contains customary events of termination, including standard cross-default provisions with respect to outstanding debt.

Senior Credit Facility

The Company participates in a $750 million Amended and Restated Credit Facility (the "Credit Facility"). The Credit Facility consists of a $650 million U.S. dollar revolving credit line, with a $65 million letter of credit sublimit and a $50 million swingline sublimit, and a $100 million (U.S. dollar equivalent) multi-currency revolving credit line. The maturity date of the Credit Facility is July 19, 2016. Under circumstances described in the Credit Facility, the revolving credit line may be increased by an additional $325 million, provided that the multi-currency revolving credit line may not be increased by more than an additional $50 million.

As of March 31, 2014, the Company had $54 million of borrowings under the Credit Facility, all of which were under the multi-currency revolver. There were no borrowings under the U.S. dollar revolver at March 31, 2014. The Company also had outstanding U.S. letters of credit of $51 million issued under the Credit Facility. U.S. dollar revolver borrowings bear interest at the LIBOR plus 125 basis points. The multi-currency revolver bears interest based on a rate of 125 basis points over the Euro currency rate applicable to each foreign currency borrowing. As of March 31, 2014, the average interest rate on the multi-currency revolver was 1.75%. In addition to the borrowing spread of 125 basis points for U.S. dollar and multi-currency revolver borrowings, the Company pays a commitment (or unused) fee on the undrawn portion of the Credit Facility equal to 20 basis points per annum.

At March 31, 2014, the financial covenant of the Credit Facility did not restrict the Company's ability to borrow on the unused portion of the Credit Facility. The Credit Facility contains customary events of default, including, without limitation, failure to make payments, a cross-default to certain other debt, breaches of covenants, breaches of representations and warranties, certain monetary judgments and bankruptcy and ERISA events. At March 31, 2014, the Company was in

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compliance with all covenants under all of its debt agreements. In the event of default, repayment of borrowings under the Credit Facility may be accelerated. As of March 31, 2014, $257 million remained available under the Company's Credit Facility, after giving effect to the borrowings under the commercial paper program backstopped by the Credit Facility, the outstanding U.S. letters of credit and the borrowings under the multi-currency revolver.

The Company also maintains a committed revolving line of credit of up to €8.0 million (U.S. $11.0 million) to fund its operations in France. These revolving credit borrowings are outside of the Company's Credit Facility. At March 31, 2014, these revolving credit borrowings were €5.8 million (U.S. $8.1 million). The variable interest rates on the French revolving credit borrowings are based on the Euro currency rate plus 125 basis points. As of March 31, 2014, the interest rate on the French revolving credit borrowings was 1.47%. This line of credit matures on July 19, 2016.

Total Borrowing Capacity

The Company believes that it has sufficient liquidity to meet its working capital, capital expenditure and other financial commitments, including its $400 million of 4.5% senior notes maturing on September 15, 2014. The sources of that liquidity include cash from operations, availability under the Company's commercial paper program and revolving credit facilities, and potentially capital markets transactions. The financial covenant under the Company's Credit Facility requires the Company to maintain a leverage ratio not higher than 3.5. The leverage ratio is a contractually defined amount principally reflecting debt and, historically, the amounts outstanding under the Securitization Agreement, divided by a contractually defined Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") financial measure for the trailing twelve-month period with pro forma adjustments for acquisitions. The financial covenant calculations of the Credit Facility include the pro forma results of acquired businesses. Therefore, total borrowing capacity is not reduced dollar-for-dollar with acquisition financing. The leverage ratio measures the Company's ability to meet current and future obligations. At March 31, 2014, the Company's leverage ratio was 2.6 and $257 million remained available under the Company's Credit Facility, after giving effect to the commercial paper program backstopped by the Credit Facility, the outstanding U.S. letters of credit and the borrowings under the multi-currency revolver.

The Company continually evaluates alternative financing arrangements and believes that it can obtain financing on reasonable terms. The terms of any future financing arrangements depend on market conditions and the Company's financial position at that time. At March 31, 2014, the Company was in compliance with all covenants under all of its debt agreements.

Senior Notes

At March 31, 2014, the Company had $400 million outstanding of 4.5% senior notes maturing on September 15, 2014 (the "2014 Notes"). The 2014 Notes were issued at a discount with a yield of 4.527%. Interest on the 2014 Notes is payable semi-annually on March 15 and September 15 of each year. The 2014 Notes are included within the "Current portion of long-term debt" line item on the Company's consolidated balance sheet based on the maturity date.

At March 31, 2014, the Company had $250 million outstanding of 3.25% senior notes maturing on October 1, 2015 (the "2015 Notes"). The 2015 Notes were issued at a discount with a yield of 3.283%. Interest on the 2015 Notes is payable semi-annually on April 1 and October 1 of each year.

At March 31, 2014, the Company had $250 million outstanding of 2.95% senior notes maturing on June 15, 2016 (the "2016 Notes"). The 2016 Notes were issued at a discount with a yield of 2.980%. Interest on the 2016 Notes is payable semi-annually on June 15 and December 15 of each year.

At March 31, 2014, the Company had $325 million outstanding of 1.65% senior notes maturing on February 15, 2018 (the "2018 Notes"). The 2018 Notes were issued at a discount with a yield of 1.685%. Interest on the 2018 Notes is payable semi-annually on February 15 and August 15 of each year.

At March 31, 2014, the Company had $275 million outstanding of 2.375% senior notes maturing on February 15, 2020 (the "2020 Notes"). The 2020 Notes were issued at a discount with a yield of 2.392%. Interest on the 2020 Notes is payable semi-annually on February 15 and August 15 of each year.

At March 31, 2014, the Company had $250 million outstanding of 2.90% senior notes maturing on November 15, 2022 (the "2022 Notes"). The 2022 Notes were issued at a discount with a yield of 2.913%. Interest on the 2022 Notes is payable semi-annually on May 15 and November 15 of each year.

On October 1, 2013, the Company repaid $300 million of indebtedness associated with its 2013 Notes upon their maturity.

The 2014, 2015, 2016, 2018, 2020 and 2022 Notes (collectively, the "Senior Notes") contain covenants that could restrict the incurrence of liens and limit sale and leaseback transactions. Additionally, the Company has the option to redeem the Senior Notes prior to their maturity, in whole or in part, at 100% of the principal plus any accrued but unpaid interest and applicable make-whole payments.

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Senior Subordinated Notes

The Company had $215 million outstanding of its 2018 Senior Subordinated Notes originally due to mature on October 1, 2018. The 2018 Senior Subordinated Notes had a redemption provision which permitted the Company, at its option, to call the 2018 Senior Subordinated Notes at scheduled dates and prices beginning on October 1, 2013. On October 2, 2013, the 2018 Senior Subordinated Notes were redeemed in full at a price of 103.563%. A loss on the early extinguishment of the 2018 Senior Subordinated Notes of $9.1 million was recognized during the year ended March 31, 2014 related to the redemption premium and the write-off of unamortized debt issuance costs.

Other Long-term Debt

The Company's other long-term debt primarily consists of capitalized lease obligations and notes issued to sellers of businesses acquired, which are repayable in periodic installments. At March 31, 2014, other long-term debt totaled $1.0 million with an average interest rate of approximately 6.5% and an average maturity of approximately two years.

Interest Rate Derivatives

The Company may use derivative instruments to manage its exposure to changes in market interest rates. At March 31, 2014, the Company had no derivative instruments outstanding.

Interest Expense

A majority of the Company's variable rate debt is based on a spread over LIBOR. Based on the Company's fixed to variable interest rate ratio, for every 25 basis-point increase in LIBOR, the Company estimates that its annual interest expense would increase by approximately $1.9 million.

OTHER

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Note 1 to the consolidated financial statements describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. Estimates are used for, but not limited to, determining the net carrying value of trade receivables, inventories, goodwill, business insurance reserves and deferred income tax assets. Uncertainties about future events make these estimates susceptible to change. Management evaluates these estimates regularly and believes they are the best estimates, appropriately made, given the known facts and circumstances. For the three years ended March 31, 2014, there were no material changes in the valuation methods or assumptions used by management. However, actual results could differ from these estimates under different assumptions and circumstances. The Company believes the following accounting estimates are critical due to the subjectivity and judgment necessary to account for these matters, their susceptibility to change and the potential impact that different assumptions could have on operating performance.

Trade Receivables

The Company maintains an allowance for doubtful accounts, which includes sales returns, sales allowances and bad debts. The allowance adjusts the carrying value of trade receivables for the estimate of accounts that will ultimately not be collected. An allowance for doubtful accounts is generally established as trade receivables age beyond their due dates, whether as bad debts or as sales returns and allowances. As past due balances age, higher valuation allowances are established, thereby lowering the net carrying value of receivables. The amount of valuation allowance established for each past-due period reflects the Company's historical collections experience, including that related to sales returns and allowances, as well as current economic conditions and trends. The Company also qualitatively establishes valuation allowances for specific problem accounts and bankruptcies, and other accounts that the Company deems relevant for specifically identified allowances. The amounts ultimately collected on past due trade receivables are subject to numerous factors including general economic conditions, the condition of the receivable portfolios assumed in acquisitions, the financial condition of individual customers and the terms of reorganization for accounts exiting bankruptcy. Changes in these conditions impact the Company's collection experience and may result in the recognition of higher or lower valuation allowances. Management evaluates the allowance for doubtful accounts monthly. Historically, bad

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debt expense reflected in the Company's financial results has generally been in the range of 0.3% to 0.5% of net sales. The Company has a low concentration of credit risk due to its broad and diversified customer base across multiple industries and geographic locations, and its relatively low average order size. The Company's largest customer accounts for approximately 0.5% of total net sales.

Inventories

The Company's inventories are stated at the lower of cost or market. The majority of the products the Company carries in inventory have long shelf lives and are not subject to technological obsolescence. The Company writes its inventory down to its estimated market value when it believes the market value is below cost. The Company estimates its ability to recover the costs of items in inventory by product type based on factors including the age of the products, the rate at which the product line is turning in inventory, the products' physical condition and assumptions about future demand and market conditions. The ability of the Company to recover the cost of products in inventory can be affected by factors such as future customer demand, general market conditions and the Company's relationships with significant suppliers. Management evaluates the recoverability of its inventory at least quarterly. In aggregate, inventory turns four-to-five times per year on average.

Goodwill

The Company is required to test goodwill associated with each of its reporting units for impairment at least annually and whenever events or circumstances indicate that it is more likely than not that goodwill may be impaired. The Company performs its annual goodwill impairment test as of October 31 of each year.

Goodwill is tested for impairment at the reporting unit level. The Company has determined that its reporting units for goodwill impairment testing purposes are equivalent to the operating segments used in the Company's segment reporting (see Note 21 to the consolidated financial statements). In performing tests for goodwill impairment, the Company is permitted to first perform a qualitative assessment about the likelihood of the carrying value of a reporting unit exceeding its fair value. If an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount based on the qualitative assessment, it is required to perform the two-step goodwill impairment test described below to identify the potential goodwill impairment and measure the amount of the goodwill impairment loss, if any, to be recognized for that reporting unit. However, if an entity concludes otherwise based on the qualitative assessment, the two-step goodwill impairment test is not required. The option to perform the qualitative assessment can be utilized at the Company's discretion, and the qualitative assessment need not be applied to all reporting units in a given goodwill impairment test. For an individual reporting unit, if the Company elects not to perform the qualitative assessment, or if the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company must perform the two-step goodwill impairment test for the reporting unit.

In applying the two-step process, the first step used to identify potential impairment involves comparing the reporting unit's estimated fair value to its carrying value, including goodwill. For this purpose, the Company uses a discounted cash flow approach to develop the estimated fair value of each reporting unit. Management judgment is required in developing the assumptions for the discounted cash flow model. These assumptions include revenue growth rates, profit margins, future capital expenditures, working capital needs, discount rates and perpetual growth rates. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is not impaired. If the carrying value exceeds the estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment, if any.

The second step of the process involves the calculation of an implied fair value of goodwill for each reporting unit for which step one indicated potential impairment. The implied fair value of goodwill is determined in a manner similar to how goodwill is calculated in a business combination. That is, the estimated fair value of the reporting unit, as calculated in step one, is allocated to the individual assets and liabilities as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded to write down the carrying value. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit and the loss establishes a new basis in the goodwill. Subsequent reversal of an impairment loss is not permitted.

The discount rate, sales growth and profitability assumptions, and perpetual growth rate are the material assumptions utilized in the discounted cash flow model used to estimate the fair value of each reporting unit. The Company's discount rate reflects a weighted average cost of capital ("WACC") for a peer group of companies in the chemical manufacturing industry with an equity size premium added, as applicable, for each reporting unit. The WACC is calculated based on observable market data. Some of this data (such as the risk-free or Treasury rate and the pre-tax cost of debt) are based on market data at a point in time. Other data (such as beta and the equity risk premium) are based upon market data over time.

The discounted cash flow analysis requires estimates, assumptions and judgments about future events. The Company's analysis uses internally generated budgets and long-range forecasts. The Company's discounted cash flow analysis uses the assumptions in these budgets and forecasts about sales trends, inflation, working capital needs and forecasted capital expenditures along with an estimate of the reporting unit's terminal value (the value of the reporting unit at the end of the forecast period) to determine the fair value of each reporting unit. The Company's assumptions about working capital needs and capital expenditures are based on historical experience. The perpetual growth rate assumed in

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the discounted cash flow model is consistent with the long-term growth rate as measured by the U.S. Gross Domestic Product and the industry's long-term rate of growth.

The Company's methodology used for valuing its reporting units for the purpose of its goodwill impairment test is consistent with the prior year. The Company believes the assumptions used in its discounted cash flow analysis are appropriate and result in reasonable estimates of the fair value of each reporting unit. However, the Company may not meet its sales growth and profitability targets, working capital needs and capital expenditures may be higher than forecast, changes in credit markets may result in changes to the Company's discount rate and general business conditions may result in changes to the Company's terminal value assumptions for its reporting units.

In performing the October 31, 2013 annual goodwill impairment test, the Company elected to utilize the qualitative assessment for all of its reporting units with the exception of two of its reporting units in the All Other Operations business segment, namely its refrigerants business and a small medical systems business, for which the Company proceeded directly to performing the first step of the two-step goodwill impairment test. The assessment for all reporting units did not indicate that any of the reporting units' goodwill was potentially impaired. See Note 7 to the Company's consolidated financial statements for details of the annual goodwill impairment test.

Business Insurance Reserves
The Company has established insurance programs to cover workers' compensation, business automobile and general liability claims. During fiscal years 2014, 2013 and 2012, these programs had deductible limits of $1 million per occurrence. For fiscal 2015, the deductible limits are expected to remain at $1 million per occurrence. The Company reserves for its deductible based on individual claim evaluations, establishing loss estimates for known claims based on the current facts and circumstances. These known claims are then "developed" through actuarial computations to reflect the expected ultimate loss for the known claims as well as incurred but not reported claims. Actuarial computations use the Company's specific loss history, payment patterns and insurance coverage, plus industry trends and other factors to estimate the required reserve for all open claims by policy year and loss type. Reserves for the Company's deductible are evaluated monthly. Semi-annually, the Company obtains a third-party actuarial report to validate that the computations and assumptions used are consistent with actuarial standards. Certain assumptions used in the actuarial computations are susceptible to change. Loss development factors are influenced by items such as medical inflation, changes in workers' compensation laws and changes in the Company's loss payment patterns, all of which can have a significant influence on the estimated ultimate loss related to the Company's deductible. Accordingly, the ultimate resolution of open claims may be for amounts that differ from the reserve balances. The Company's operations are spread across a significant number of locations, which helps to mitigate the potential impact of any given event that could give rise to an insurance-related loss. Over the last three years, business insurance expense has been approximately 0.5% of net sales.

Income Taxes
At March 31, 2014, the Company had deferred tax assets of $133 million (net of an immaterial valuation allowance), deferred tax liabilities of $901 million and $18 million of unrecognized income tax benefits associated with uncertain tax positions (see Note 5 to the consolidated financial statements).

The Company estimates income taxes based on diverse legislative and regulatory structures that exist in various jurisdictions where the Company conducts business. 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 carryforwards. The Company evaluates deferred tax assets each period to ensure that estimated future taxable income will be sufficient in character (e.g., capital gain versus ordinary income treatment), amount and timing to result in their recovery. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Considerable judgments are required in establishing deferred tax valuation allowances and in assessing exposures related to tax matters. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and carryforward deferred tax assets become deductible or utilized. Management considers the reversal of taxable temporary differences and projected future taxable income in making this assessment. As events and circumstances change, related reserves and valuation allowances are adjusted to income at that time. Based upon the level of historical taxable income and projections for future taxable income over the periods during which the deferred tax assets reverse, at March 31, 2014, 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.

Unrecognized income tax benefits represent income tax positions taken on income tax returns that have not been recognized in the consolidated financial statements. The Company recognizes the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit is recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Additionally, the Company accrues interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws. Interest and penalties are classified as income tax expense in the consolidated statements of earnings. The Company does not anticipate significant changes in the amount of unrecognized income tax benefits over the next year.

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Contractual Obligations

The following table presents the Company's contractual obligations as of March 31, 2014[c]:

(In thousands)		Payments Due or Commitment Expiration by Period			
Contractual Obligations[b]	**Total**	**Less Than 1 Year[a]**	**1 to 3 Years[a]**	**4 to 5 Years[a]**	**More than 5 Years[a]**
Long-term debt [(1)]	$ 2,108,322	$ 400,370	$ 857,857	$ 325,095	$ 525,000
Estimated interest payments on long-term debt [(2)]	168,141	46,687	57,200	32,258	31,996
Non-compete agreements [(3)]	18,496	5,695	10,932	1,751	118
Letters of credit [(4)]	51,052	51,052	—	—	—
Operating leases [(5)]	377,501	94,426	145,036	80,023	58,016
Purchase obligations:					
Liquid bulk gas supply agreements [(6)]	416,475	125,902	212,434	74,986	3,153
Liquid carbon dioxide supply agreements [(7)]	182,523	22,201	30,927	21,357	108,038
Other purchase commitments [(8)]	28,564	28,564	—	—	—
Total Contractual Obligations	**$ 3,351,074**	**$ 774,897**	**$ 1,314,386**	**$ 535,470**	**$ 726,321**

(a) The "Less Than 1 Year" column relates to obligations due in the fiscal year ending March 31, 2015. The "1 to 3 Years" column relates to obligations due in fiscal years ending March 31, 2016 and 2017. The "4 to 5 Years" column relates to obligations due in fiscal years ending March 31, 2018 and 2019. The "More than 5 Years" column relates to obligations due beyond March 31, 2019.

(b) At March 31, 2014, the Company had $23 million related to unrecognized income tax benefits, including accrued interest and penalties. These liabilities are not included in the above table, as the Company cannot make reasonable estimates with respect to the timing of their ultimate resolution. See Note 5 to the Company's consolidated financial statements for further information on the Company's unrecognized income tax benefits.

(c) The Company's contractual obligations presented in the above table are based on obligations which existed at March 31, 2014. Subsequent to March 31, 2014, the Company signed a long-term agreement with a customer to construct an on-site air separation unit in Calvert City, KY. Estimated construction commitments related to this project include approximately $20 million in the fiscal year ending March 31, 2015 and $19 million in the fiscal year ending March 31, 2016.

(1) Aggregate long-term debt instruments are reflected in the consolidated balance sheet as of March 31, 2014. The Senior Notes are presented at their maturity values rather than their carrying values, which are net of aggregate discounts of $1.2 million at March 31, 2014. Long-term debt includes capital lease obligations, which were not material and therefore, did not warrant separate disclosure.

(2) The future interest payments on the Company's long-term debt obligations were estimated based on the current outstanding principal reduced by scheduled maturities in each period presented and interest rates as of March 31, 2014. The actual interest payments may differ materially from those presented above based on actual amounts of long-term debt outstanding and actual interest rates in future periods.

(3) Non-compete agreements are obligations of the Company to make scheduled future payments, generally to former owners of acquired businesses, contingent upon their compliance with the covenants of the non-compete agreements.

(4) Letters of credit are guarantees of payment to third parties. The Company's letters of credit principally back obligations associated with the Company's deductible on workers' compensation, business automobile and general liability claims. The letters of credit are supported by the Company's Credit Facility.

(5) The Company's operating leases at March 31, 2014 include approximately $242 million in fleet vehicles under long-term operating leases. The Company guarantees a residual value of $25 million related to its leased vehicles.

(6) In addition to the gas volumes supplied by Airgas Merchant Gases, the Company purchases industrial, medical and specialty gases pursuant to requirements under contracts from national and regional producers of industrial gases. The Company is a party to a take-or-pay supply agreement, in effect through 2017, under which Air Products will supply the Company with bulk nitrogen, oxygen, argon, hydrogen and helium. The Company is committed to purchase a minimum of approximately $52 million annually in bulk gases under the Air Products supply agreement. The Company also has take-or-pay supply agreements with Linde to purchase oxygen, nitrogen, argon and helium. The agreements expire at various dates through 2019 and represent approximately $45 million in minimum annual bulk gas purchases. Additionally, the Company has take-or-pay supply agreements to purchase oxygen, nitrogen, argon and helium from other major producers. Minimum annual purchases under these contracts are approximately $29 million and they expire at various dates through 2024.

The purchase commitments for future periods contained in the table above reflect estimates based on fiscal 2014 purchases. The supply agreements noted above contain periodic pricing adjustments, most of which are based on certain economic indices and market analysis. The Company believes the minimum product purchases under the agreements are within the Company's normal product purchases. Actual purchases in future periods under the supply agreements could differ materially from those presented in the table due to fluctuations in demand requirements related to varying sales levels as well as changes in economic conditions.

(7) The Company is a party to take-or-pay supply agreements for the purchase of liquid carbon dioxide with ten suppliers that expire at various dates through 2044 and represent minimum annual purchases of approximately $22 million. The purchase commitments for future periods contained in the table above reflect estimates based on fiscal 2014 purchases. The Company believes the minimum product purchases under the agreements are within the Company's normal product purchases. Actual purchases in future periods under the liquid carbon dioxide supply agreements could differ materially from those presented in the table due to fluctuations in demand requirements related to varying sales levels as well as changes in economic conditions. Certain of the liquid carbon dioxide supply agreements contain market pricing subject to certain economic indices.

(8) Other purchase commitments primarily include property, plant and equipment expenditures and take-or-pay obligations on ammonia purchases.

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AIRGAS, INC. AND SUBSIDIARIES

Accounting Pronouncements Issued But Not Yet Adopted
See Note 2 to the Company's consolidated financial statements for information concerning new accounting guidance and the potential impact on the Company's financial statements.

Forward-looking Statements
This report contains statements that are forward looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, the Company's expectations regarding its 2015 fiscal year organic sales growth and earnings per diluted share; the Company's belief as to the future demand for, and sales of, its reclaimed and recycled R-22; the Company's belief that it will not be necessary to repatriate cash held outside of the U.S. by its foreign subsidiaries; the Company's belief that it has sufficient liquidity from cash from operations and under its revolving credit facilities to meet its working capital, capital expenditure and other financial commitments; the Company's belief that it can obtain financing on reasonable terms; the Company's future dividend declarations; the Company's ability to manage its exposure to interest rate risk through the use of interest rate derivatives; the Company's estimate that for every 25 basis-point increase in LIBOR, annual interest expense will increase by approximately $1.9 million; the estimate of future interest payments on the Company's long-term debt obligations; and the Company's exposure to foreign currency exchange fluctuations.

Forward-looking statements also include any statement that is not based on historical fact, including statements containing the words "believes," "may," "plans," "will," "could," "should," "estimates," "continues," "anticipates," "intends," "expects," and similar expressions. The Company 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 should not be regarded as a representation by the Company or any other person that the results expressed therein will be achieved. Airgas assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law. Important factors that could cause actual results to differ materially from those contained in any forward-looking statement include: adverse changes in customer buying patterns or weakening in the operating and financial performance of the Company's customers, any of which could negatively impact the Company's sales and ability to collect its accounts receivable; postponement of projects due to economic conditions; customer acceptance of price increases; increases in energy costs and other operating expenses at a faster rate than the Company's ability to increase prices; changes in customer demand resulting in the Company's inability to meet minimum product purchase requirements under supply agreements and the inability to negotiate alternative supply arrangements; supply cost pressures; shortages and/or disruptions in the supply chain of certain gases; EPA rulings and the pace and manner of U.S. compliance with the Montreal Protocol as they relate to the production and import of R-22; higher than expected expenses associated with the expansion of the Company's telesales business, its strategic pricing initiative and other strategic growth initiatives; increased industry competition; our ability to successfully identify, consummate, and integrate acquisitions; the Company's ability to achieve anticipated acquisition synergies; operating costs associated with acquired businesses; the Company's continued ability to access credit markets on satisfactory terms; significant fluctuations in interest rates; the impact of changes in credit market conditions on the Company's customers; the Company's ability to effectively leverage its new SAP system to improve the operating and financial performance of its business; changes in tax and fiscal policies and laws; increased expenditures relating to compliance with environmental and other regulatory initiatives; the impact of new environmental, healthcare, tax, accounting, and other regulations; the extent and duration of sluggish conditions in the U.S. economy, including in particular, the U.S. industrial economy; the economic recovery in the U.S.; catastrophic events and/or severe weather conditions; and political and economic uncertainties associated with current world events.