Airgas®

Growing together...

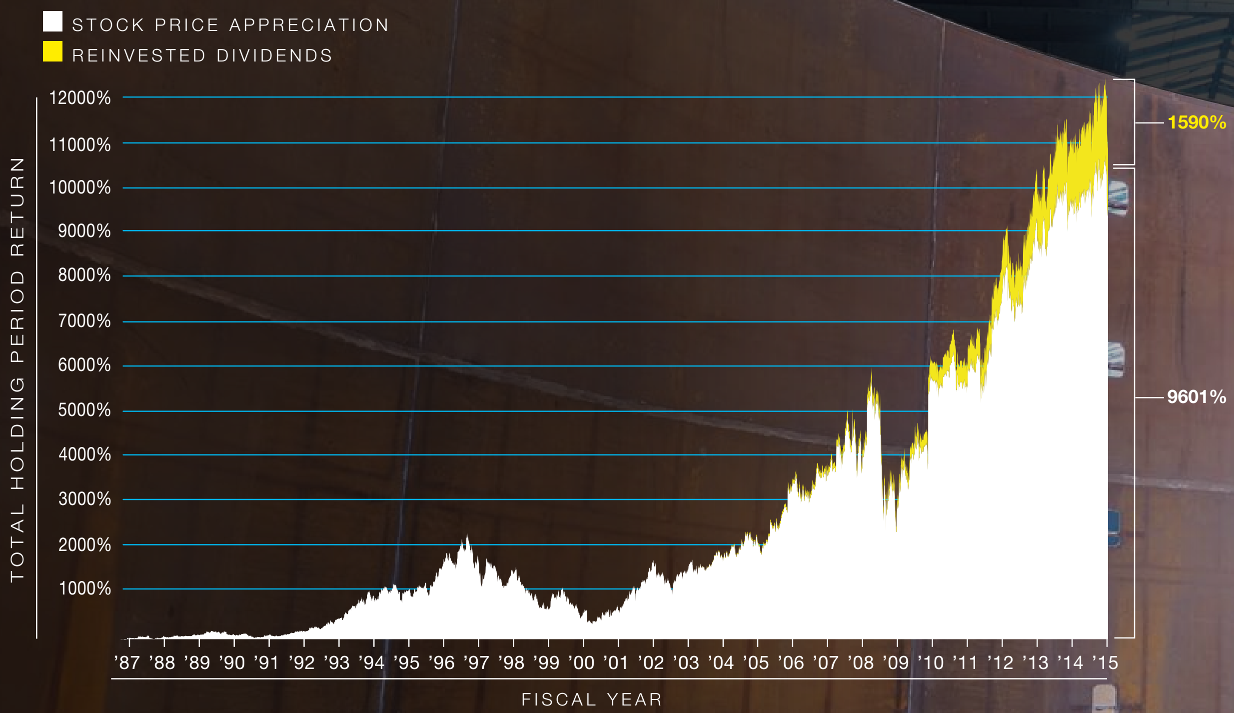
ANNUAL REPORT 2015

TOTAL RETURN TO SHAREHOLDERS SINCE 1986 INITIAL PUBLIC OFFERING

Airgas	**11,191%**
S&P 500	1,472%
Russell 2000	1,100%

Total Return to Shareholders calculated as share price (split-adjusted) plus dividends reinvested, measured from December 19, 1986 through March 31, 2015.

Contribution to 11,191% (18% CAGR)
Total Return to Shareholders Since 1986 IPO:



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to help our customers. . .

At Airgas, we have a million ways to measure success: our customers.

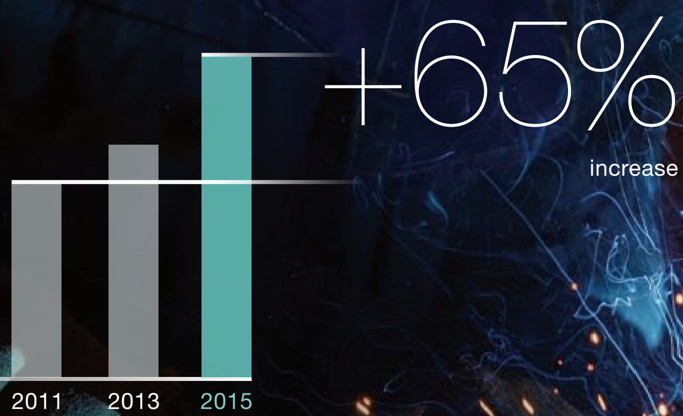
It's our goal to have each and every one of our million-plus customers see Airgas as a collaborator and trusted extension of their companies. We're getting closer every day. Through our more than three decades in business, we've grown to become the clear leader in the U.S. packaged gases and welding hardgoods industry by working closely with our customers to achieve their goals. In fiscal year 2015, we continued to make improvements and important strides forward for customers in all the markets we serve.

This past year, we increased our sales and earnings, expanded our footprint, strengthened our sales channels and supply chains, and became a better and stronger business for the long term. But most importantly, we continued to advance the Airgas culture of helping customers become the best businesses they can be.

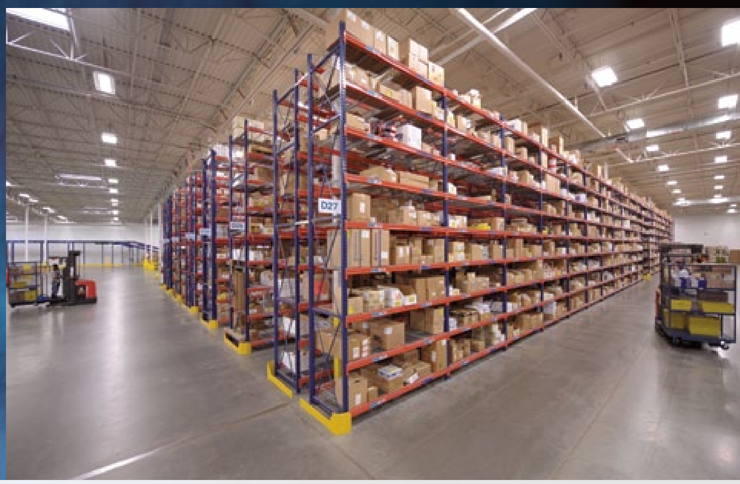
manufacture and fabricate

Product manufacturing companies and the fabricators that cut, shape and mold metal to create components or finished goods contribute more than $2 trillion to the U.S. economy. Their handiwork is part of the American fabric. They build our trains, planes, cars, trucks and construction equipment … produce steel, metals and cement for our infrastructure … make the machines that work our mines and farms … and bring us chemicals and pharmaceuticals. These “makers” are Airgas’ largest customer segment.

Increase in Number of Airgas Certified Welding Specialists



One of our many certified welding process specialists visited this rail car manufacturing site to collect customer data used to conduct a welding efficiency analysis. Based on the analysis and Airgas’ recommendations, this customer was able to increase operator productivity by more than 50 percent, increasing efficiency and production output—while also strengthening the customer's partnership with Airgas.



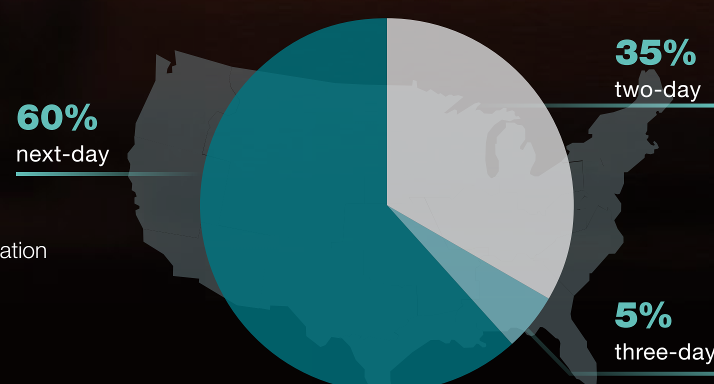
Growing Together with Our Manufacturing and Metal Fab Customers

American manufacturers and metal fabricators are the most productive in the world, and Airgas is a part of the reason why. We provide a broad range of products to these customers, from an extensive gas selection to welding hardgoods to personal protective equipment. In the past four years, we increased our number of on-site welding process specialists by 65 percent, an Airgas investment to help more customers operate at peak efficiency. And last year, we enhanced our distribution center infrastructure so that our customers receive the products they need quickly and efficiently no matter where they are located.

Fast Hardgoods Delivery From Six Distribution Centers

Next-day delivery to 60% of U.S. population

Two-day delivery to 95% of U.S. population

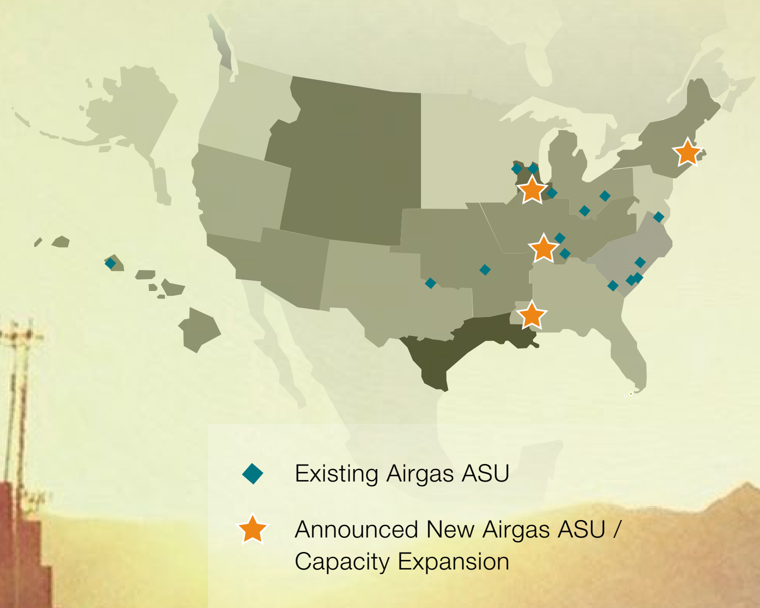


build and maintain

Non-residential construction—or building America's infrastructure and energy utilities—is expected to grow by more than 5 percent annually during the next few years, and Airgas is positioned to meet the needs of the many different types of customers that operate in this market segment. From the construction and maintenance of bridges and roads … to refineries and power plants … to pipelines and steel structures, Airgas will be a central part of the customer projects that change the American landscape and keep our economic engine running at high levels.

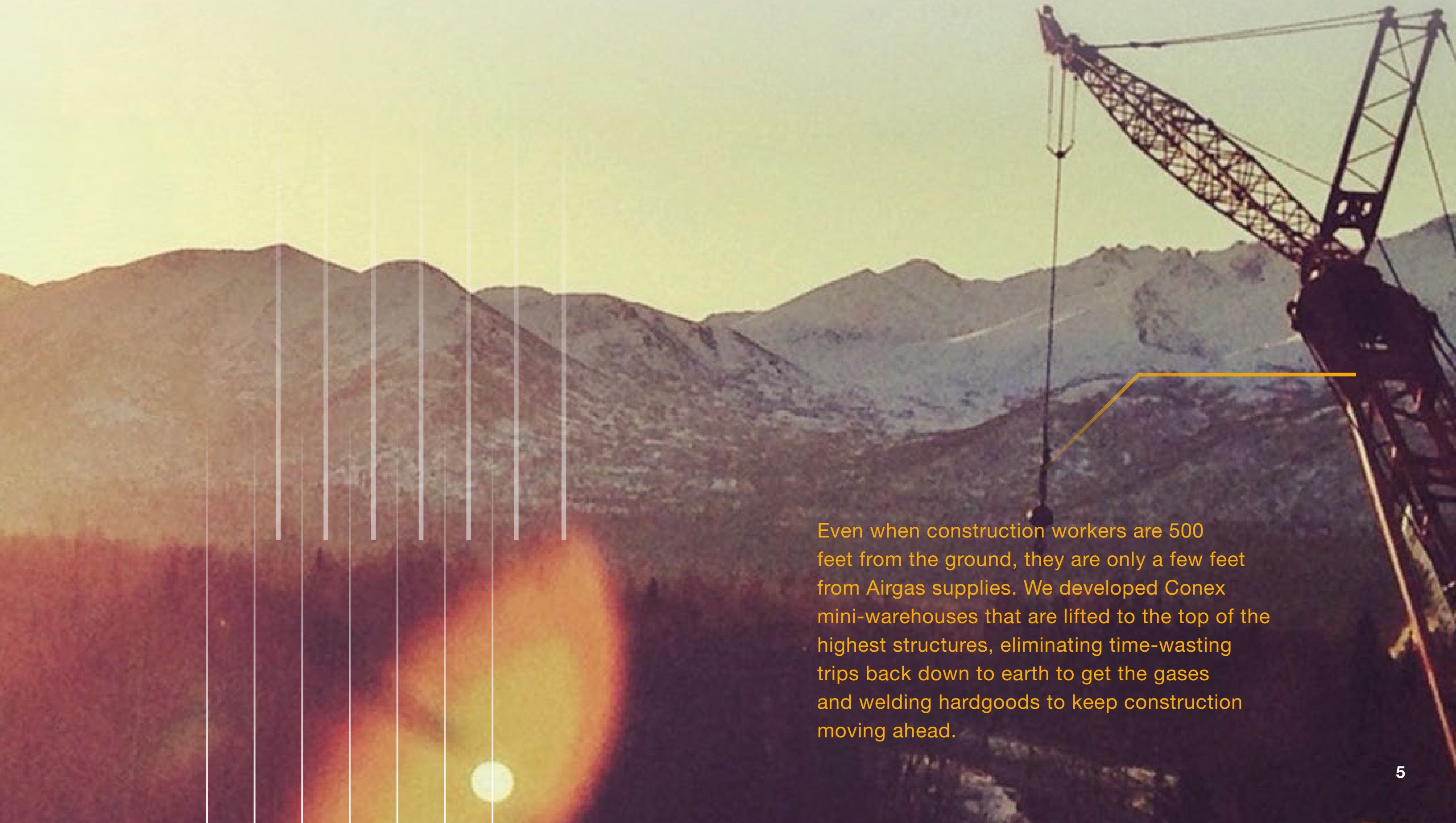
Building ASUs to Strengthen Our Supply Chain

Airgas continues to expand our network of air separation units (ASUs) that produce bulk and atmospheric gases, preventing service interruptions for customers in all markets, including non-residential construction.



Growing Together with Our Non-Residential Construction Customers

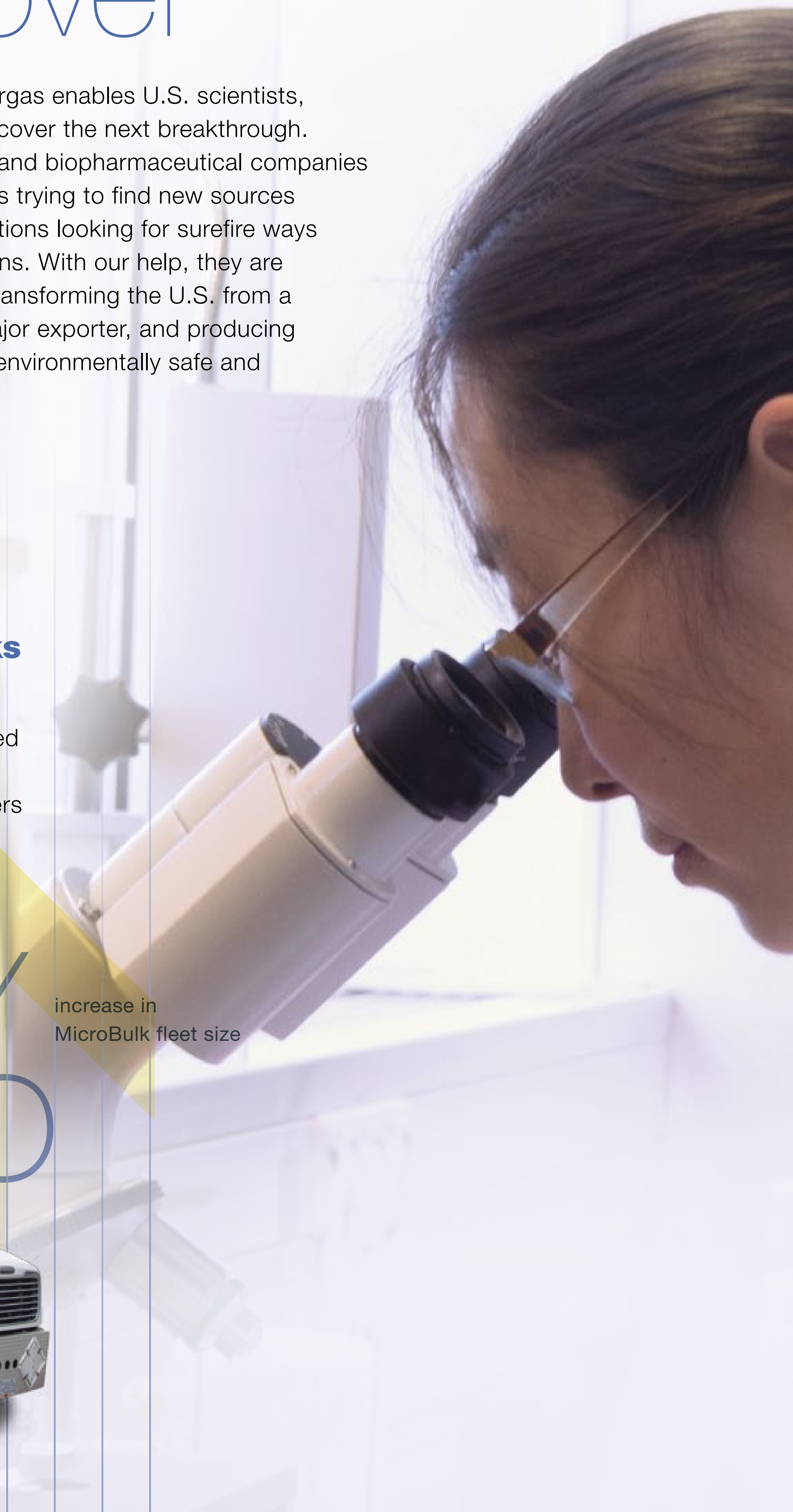
When it comes to non-residential construction, wait times are unacceptable. Contractors with specialized skills are on site, ready to build and repair structures and infrastructure. At Airgas, we are ready and able around the clock to serve these customers. Our gases, used in welding, shielding, and cutting applications, are supplied through on-site bulk tanks and cylinders, with our supply chain experts managing inventory logistics. Our welding hardgoods vending machines are portable and are automated for electronic order replenishment. Our private-label Radnor® brand safety and welding products can be ordered easily and economically through multiple sales channels. And our Red-D-Arc® business delivers rental welding machines and portable power generation to on-the-move construction crews, saving purchase costs as well as product pick-up time.



Even when construction workers are 500 feet from the ground, they are only a few feet from Airgas supplies. We developed Conex mini-warehouses that are lifted to the top of the highest structures, eliminating time-wasting trips back down to earth to get the gases and welding hardgoods to keep construction moving ahead.

analyze and discover

America is the world's leading innovator, and Airgas enables U.S. scientists, researchers and cutting-edge companies to discover the next breakthrough. Our customers include life science researchers and biopharmaceutical companies searching for the next cure … oil and gas drillers trying to find new sources of fuel from the earth … and smokestack operations looking for surefire ways to verify that their emissions are within regulations. With our help, they are spawning countless new medical discoveries, transforming the U.S. from a large net importer of energy to a soon-to-be major exporter, and producing goods and services for millions of people in an environmentally safe and sustainable way.



Investment in MicroBulk Trucks

Last year, we invested in the expansion of our fleet of MicroBulk trucks, many of which are used to transport argon, oxygen, carbon dioxide and nitrogen to labs, universities and research centers for testing applications.

30%

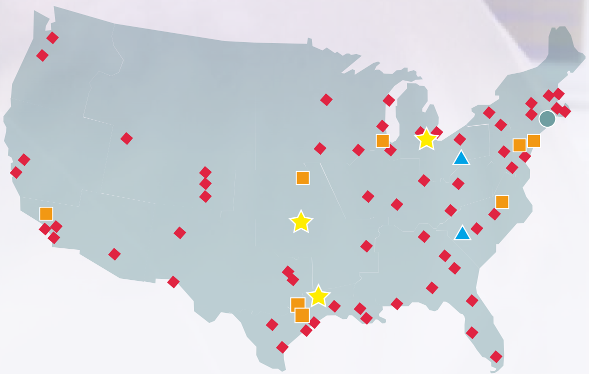
increase in MicroBulk fleet size

Growing Together With Our Research, Exploration and Analysis Customers

It all comes down to reliability and repeatability. A cryogenic lab counts on an uninterrupted supply of our ultra-low temperature gases to keep its research samples safe. A natural gas pipeline operation needs to know our calibration gases will measure the exact BTUs of energy flowing into their pipelines, and power plants demand the same precision from our EPA protocol gases that measure their emissions. We continue to develop solutions for these critical applications. Our AcuGrav® gas mixing system delivers automated high-tolerance specialty gas mixtures and removes the inconsistency associated with human error. Our new specialty gas facility in Tooele, UT increases our capacity to provide complex gas mixtures to customers in the West. And sales of our emission standard EPA protocol gases continue to climb because customers trust the reliability and repeatability of the mixtures.

Our Nationwide Specialty Gas Infrastructure Supports Innovation

- ◆ Regional Specialty Gas Lab
- ■ National Specialty Gas Lab
- ▲ Specialty Gas Equipment Facility
- ● R&D Center
- ★ Regional/National Lab with Hydrocarbon Mixing Capabilities



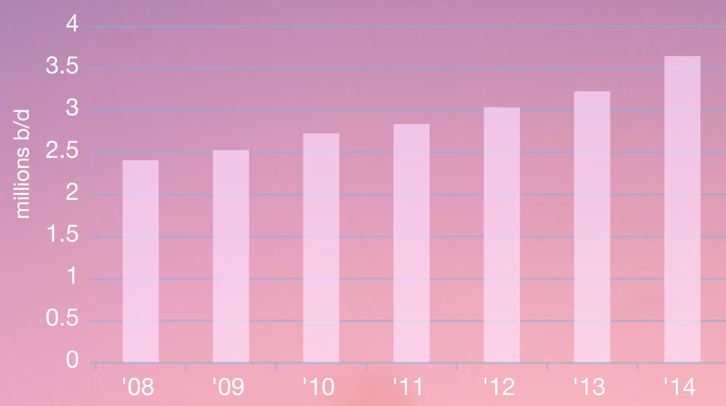
refine and generate

In the U.S., there are more than 7,000 power plants of all kinds—from natural gas and petroleum to nuclear and hydroelectric—and nearly double the number of chemical manufacturing facilities. Together, these two industry sectors contribute more than 10 percent of America's annual gross domestic product—according to the U.S. Energy Information Administration and American Chemistry Council—and Airgas is a key provider to all parts of their operations. As a valued supplier, we help them refine oil and gas … produce and process chemicals … and generate power safely and effectively. In addition, we provide solutions that help industrial water treatment facilities meet EPA standards.

Airgas' Investment in Hydrocarbon Production

The U.S. market for hydrocarbon gas liquids has grown steadily in the last several years, as shown at right. We continue to expand our hydrocarbon mixture capabilities to support the growing natural gas exploration efforts in the U.S. In 2015, we broke ground on a new hydrocarbon facility in Stryker, OH, and expanded our hydrocarbon mixture capabilities in Tulsa, OK.

U.S. Industrial Hydrocarbon Gas Liquids Processing Capacity



It's all about generating power without pollutants. Through our nationwide network, we deliver ammonia to power plants so they can keep America's lights on while keeping nitrogen oxides out of the atmosphere.

Growing Together With Our Chemical, Power and Utility Customers

Chemical, power and utility companies dot the U.S. map. They are everywhere, and we are there for them. We recently deployed our new district manager position throughout the organization to put Airgas leaders at the local level who can better understand customer issues and come up with the right solutions. With our *OUTLOOK*® Managed Services, we provide supply chain management services so these large operations can concentrate on their core business. And we provide all types of gases for everything from operations to emission controls to maintenance in whatever mode works best for these customers.

Many Modes of Delivery

Packaged Gases

- Cylinders
- Dewars
- MicroBulk

Bulk Gases

- Bulk
- Tube Trailers
- On-site Pipelines from our Air Separation Units

treat and heal

In the past 15 years, the U.S. senior population—aged 65 years and older—has grown twice as fast as the overall population, and census data calls for similar growth in the decades ahead. As the nation ages, the need for medical care, medical facilities—and medical gases from Airgas—will increase. Our company is already a leading provider of these gases to hospitals, health clinics, surgery centers, long-term care facilities, and doctor and dentist offices. We serve these customers so they can better treat and heal patients in need. And Airgas is positioned to keep up with the rising demand in the years ahead.

Doctors' Orders: Our Top Medical Gases for Healthcare Customers

Breathe easy. Airgas provides respiratory gases where customers and patients need it, when they need it and in any mode—from bulk and MicroBulk tanks connected directly into hospitals' piping systems to portable Walk-O_2-Bout® cylinders that let patients get the medical oxygen they need while on the move.

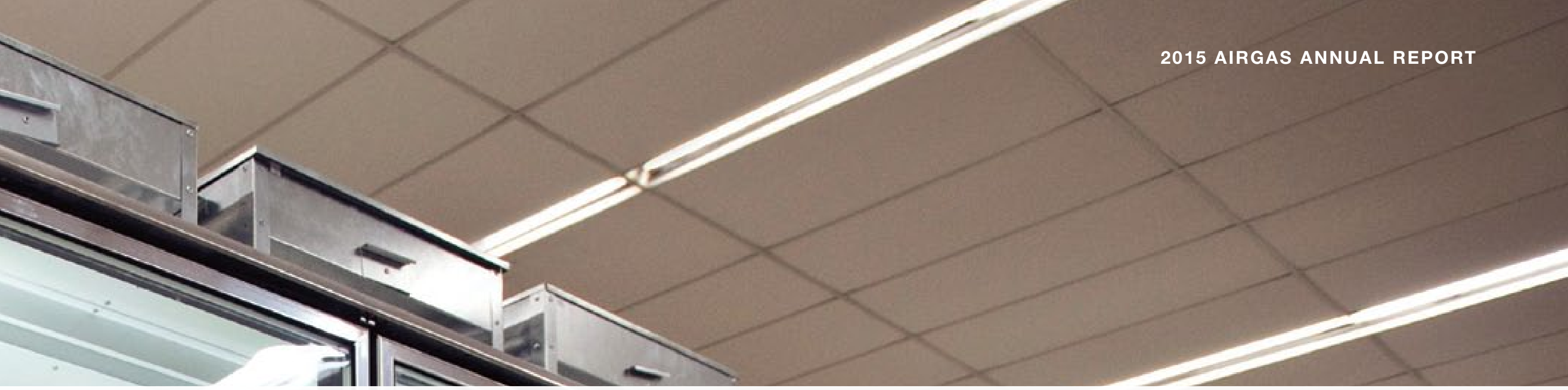
Growing Together With Our Medical and Healthcare Customers

Medical gases aren't the largest piece of the Airgas portfolio, but they are one of the most critical. Our products are used by customers to keep people healthy and alive, and when the stakes are the highest, we have what it takes to deliver. Airgas provides a full line of medical gases: pure medical grade oxygen and helium for breathing, specialty gas mixtures for measuring blood, lung and eye health, nitrogen to power surgical equipment, nitrous oxide for anesthesia, carbon dioxide and argon for specialized surgical procedures, hydrogen for therapeutic treatment and more. In addition, we offer a full line of specialty gas equipment, and many medevac units depend on our dry ice for organ transfers.

serve and provide

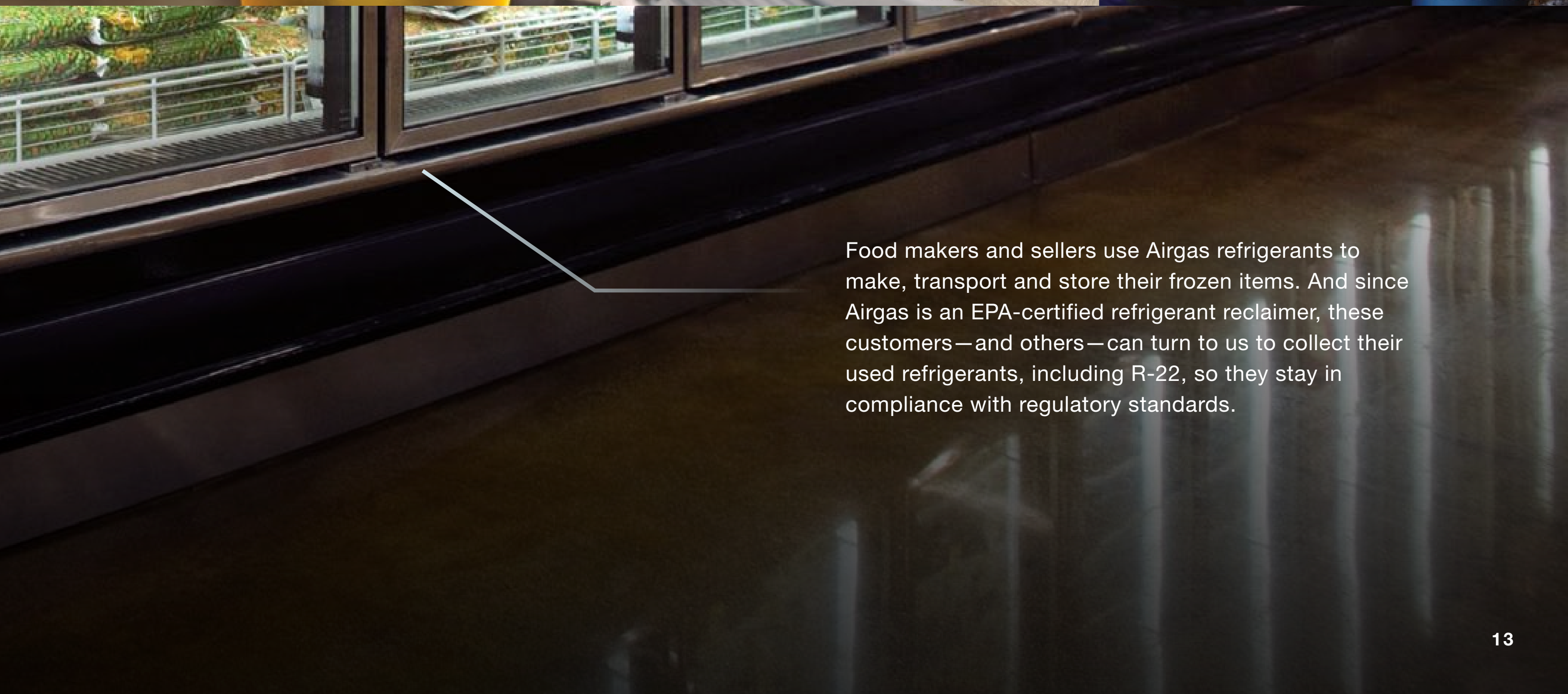
The U.S. is, by far, the world's biggest consumer market. Trips to grocery stores, restaurants, retail stores and service shops account for a sizable percentage of all purchases. At each of these stops, Airgas works to make the consumer experience more enjoyable and to make our customers' cash registers ring louder. With our products, food and beverage producers can process and preserve meats and frozen foods, brew beer and ferment wine … restaurants and grocery stores can keep their foods cold and their soft drinks carbonated … auto body shops can perform welding repairs … superstore distribution centers can operate their hydrogen-powered forklifts … and florist chains and party stores can keep their balloons filled and floating high in the air.

Customer Access Channels



Growing Together With Our Food, Beverage, Retail and Service Customers

Whether it's the largest national restaurant chain in America or a small local gift shop, Airgas provides the products, service and customer access channels to keep the operation running smoothly. Think of all the different types of stores and service sites you see each day. Our product offering is as diverse as the markets we serve, encompassing food- and beverage-grade gases, refrigerants, dry ice, cryogenics, welding gases and hardgoods, helium, sulfur dioxide, safety equipment and more. No matter what they are ordering, these customers can contact Airgas through the channel—in person, on the phone or online—that works best for them and their business.



Food makers and sellers use Airgas refrigerants to make, transport and store their frozen items. And since Airgas is an EPA-certified refrigerant reclaimer, these customers—and others—can turn to us to collect their used refrigerants, including R-22, so they stay in compliance with regulatory standards.

Peter McCausland
Executive Chairman

To Our Shareholders,

From the day Airgas came into existence in 1982 through today, we have put ourselves in our customers' shoes and asked ourselves what we need to do to help them become bigger, stronger, more profitable and more competitive. Every time we make a major investment, acquire a new company or build out our capabilities, we ask ourselves how it will impact and benefit our customers. In the process, we have become a partner who our more than 1 million customers can trust to deliver quality products, provide outstanding service and go above-and-beyond to meet their needs.

By focusing on our customers and remembering who owns the company, Airgas has achieved more than three decades of nearly uninterrupted growth. We grew again in fiscal year 2015, though not as much as we anticipated. For the year, net sales increased 5 percent to $5.3 billion, earnings per diluted share rose 4 percent to a record $4.85, and while our free cash flow was down from all-time high levels the previous year, it was still strong, allowing us to pay out quarterly dividends that were 15 percent higher than the previous year.

Our strong cash flow levels also enabled us to continue making acquisitions in fiscal year 2015. We acquired 14 industrial gas and welding supply businesses, including facilities in seven states across the U.S. and a rental welding equipment business in the U.K., and began construction on two new air separation units. By expanding through acquisitions and building better geographic density, we are better able to serve local and national customers in all market sectors. Our strong cash flow also supports the $500 million stock repurchase program which we announced in late May.

We continue to invest in new capabilities that are centered on our customers. In this report, you will find examples of the investments and efforts we are making to help our customers succeed. This is hard work in a tough economic environment, but I truly believe it will pay off.

From our new SAP operating system that gives customers improved order tracking, reporting and transactional processing capabilities … to our welding hardgoods vending machines that can be located on-site for instant product access … to a more robust eBusiness platform and an increased number of sales channels that allow customers to access Airgas in the way that works best for them, it's easier than ever to do business with Airgas.

And whichever way our customers access us, they know they will receive the unmatched range of services, solutions, products and expertise they've come to expect from Airgas. That's because our culture includes a strong drive to help our customers succeed by any means necessary. During the past year, we continued to make great progress in building our growing array of capabilities aimed at keeping in front of customers' needs and providing a tailor-fit selection of products and services to deliver exceptional value in a variety of industries and markets.

For example, we have focused on providing the wine industry with the supplies and products they need, including our newest offering of sulfur dioxide used in conjunction with wine preservation and fermentation, to produce a great vintage. To support our laboratory customers, we released our new *Guide to Gas Cabinet Safety and Code Conformance* in conjunction with our line of standard cabinets for hazardous gases to help our laboratory customers understand requirements and provide a safe and reliable on-site storage solution for hazardous gases. We've invested in new specialty gas plant capacity in Tulsa, OK; Tooele, UT; and Stryker, OH, to meet the growing needs in the analytical, industrial and energy marketplaces, and have focused on developing hydrogen packaged gas solutions and key relationships for fuel-cell-powered materials handling equipment. We also continued to refine and optimize our offering for our food and beverage customers, ensuring the high quality, safe and fully compliant systems, products, and certifications they demand.

Further, we continued to serve as the primary supplier of gases and hardgoods to the contractor for the Cheniere Energy liquified natural gas (LNG) project, one of the largest construction projects in the country. The logistics of servicing this project are impressive, including more than 30 on-site bulk gas tanks, hundreds of cylinders, and the supply expertise needed to manage it all. We take great pride in seamlessly providing this customer with what they need, when and where they need it, so they can focus on completing the job.

These initiatives are just a few among many examples of the great, value-added work our associates have been doing in the past year to support our customers in all markets—and this great work bolsters my confidence in the long-term future of Airgas.

Yet, overall, fiscal year 2015 was disappointing. The year was slow to start, but showed accelerating year-over-year improvement through the December quarter. However, the fourth quarter slowed considerably due in part to disruptions caused by the strengthening of the U.S. dollar, the collapse of oil prices and, yet again, another winter of extreme conditions.

The current sluggish economy has many similarities to the period from 1998 through 2002 when the industrial economy flat-lined and the dot-com bubble burst—causing a double dip recession and a lot of caution on the part of our customers. Back then, it felt like we were pushing on a string. The past few years have been similarly frustrating, not in terms of the work we are doing to create a more customer-focused company, but in the results we are reaping from these efforts.

Still, we see many reasons to be optimistic, both on the micro and macro level. During the past few years, while the economy has struggled to gain momentum, we have performed very well compared to our peers. We still believe the American manufacturing renaissance is near and that the outlook for the U.S. economy in the next 10 years is good. The signs are there. America is on track to be energy independent by the end of the decade, and right now a lot of companies from Europe and Japan are focusing their investment dollars on the U.S.

Airgas is a very resilient business with a diverse customer base. We always come out of these down economic periods with a sustained growth burst, and I see no reason to believe it will be any different this time. For the past 28 years, our company has delivered a total compounded annual return to shareholders of 18 percent. In good economic times or bad, we move forward with the build out of capabilities that will benefit Airgas, our customers and our shareholders in the long run.

We truly understand our business and our customers. I know we are focused on the right areas, and with a little help from the economy, we are well positioned to outperform our competitors and achieve outstanding results for our customers and our shareholders going forward.

Peter McCausland
Executive Chairman
July 2015

Michael L. Molinini
President and
Chief Executive Officer

To Our Shareholders,

In fiscal year 2015, Airgas cleared the decks and directed our full and complete focus on our customers.

For the past several years, we took on and completed a myriad of initiatives and improvements to Airgas' infrastructure and capabilities. From the SAP implementation, to a new regional structure, to deploying enhanced telesales and eBusiness sales channels, these initiatives are going to make us a better gases and hardgoods provider to our customers. However, they also required Airgas associates to split their time and energies between business-building efforts and taking care of customers. When you are multi-tasking, you might be moving forward, but definitely not as fast or as effectively as you can when you have a clear, singular mission.

Today, we have a simple directive and message for everyone at Airgas: Control what you can, watch your nickels and dimes, and—most importantly—do everything in your power to help make your customers successful. That's it. No laundry list of priorities and sub-priorities, just a simple mission with a laser focus on our customers.

When we took this message to Airgas associates in the field, you could almost sense them waiting for the next shoe to drop. But when we made it clear that there was a period at the end of the statement—not a comma followed by a list of new programs—you could definitely sense their excitement.

Finding new and better ways to serve our customers is the sweet spot where Airgas associates really excel. In fiscal year 2015, they proved this once again.

Almost two years ago, we embarked on a mission to reduce the size of our largest regions and areas. We also introduced an even smaller geographic zone—districts—that allowed us to put local management in very close proximity to customers. After completing training in fiscal year 2015, our 200-plus district managers immediately began making connections with their customers and have continued to enhance and deepen the customer relationships that have been a hallmark of our company throughout our history.

We're getting very positive early feedback from our customers as our district managers visit customer sites and work with their local teams of Airgas associates to move with the speed, responsiveness and creativity that customers want and expect from Airgas. The same thing is happening with our move to smaller regions. We split some of our biggest regions to enable our regional presidents to be tremendously successful in a more manageable geography, especially in regions that had expanded exponentially due to our company's growth through the years.

Our business has always been an amalgamation of many, mostly small details, and when our associates have the proper time to pay attention to these details, they do a magnificent job taking care of their customers. Having smaller, collaborative teams covering tighter geographies is one of the keys to our success as it affords us the intimacy to understand and resolve the customer's issues by utilizing our unmatched product and service portfolio.

With our SAP information platform now firmly in place, customers of all sizes and types can interact with Airgas through any number of our sales channels—branches, eBusiness, telesales, field sales, strategic accounts—to access real-time data about their accounts, orders, products and much more. Whether a customer operates from a single location or from hundreds or even thousands of locations, with SAP providing a consistent platform and data from across Airgas' multiple sales channels, we can effectively meet their needs.

At Airgas, when it comes to serving our customers, there are no tough calls. If it's right for the customer, Airgas is going to do it as long as it can be done safely. That's how we've been able to build long-lasting, collaborative and trusting relationships with our customers—and will continue to do so going forward.

For example, we recently made a multi-million dollar investment in new MicroBulk trucks. In terms of the size of delivery mode, MicroBulk falls between cylinders and small bulk tanks. Even though we did not have customers already lined up to load these new trucks, we recognized that there are many customer locations where MicroBulk would better fit their needs than their current supply mode. We more than doubled our new MicroBulk installations in fiscal year 2015.

We have also been making a big push to "bullet-proof" our supply chain. Over the past several years, because of market instabilities and product shortages, we have not always had the quantities of certain gas products our customers required. We have been investing in new gas production plants to take more direct control of the reliability of supply, as well as diversifying our purchases of certain gases by expanding the number of providers we rely on. We take our responsibility to have what our customers need, when and where they need it, very seriously and are committed to being the most reliable supplier in the industry.

Many times when our welding process or specialty gas specialists visit customer sites, their recommendations will include ways to conserve gases and save the customer money. We love selling gas, but it's even more important to us to serve as trusted partners and continually find ways to help make our customer's business better.

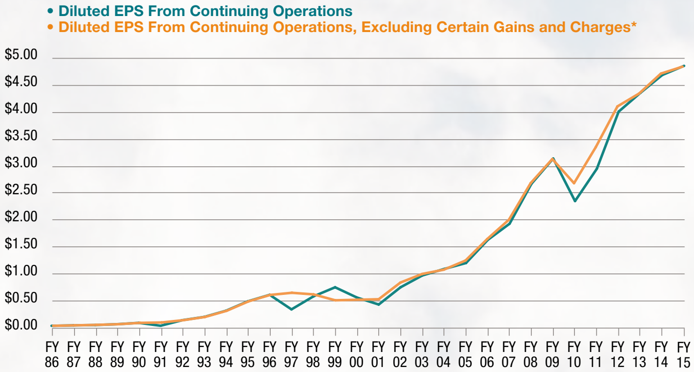
We're proud of how far and fast we've grown as a company during the past three-plus decades and our ability to increase sales and earnings in fiscal year 2015 while facing sharp, unpredictable swings in the economy. Despite the poor economic climate, we stayed focused on our customers in fiscal year 2015. We work hard to help our customers win in their markets and, only then, can we win in ours.

Michael L. Molinini
President and Chief Executive Officer
July 2015

Measured Performance

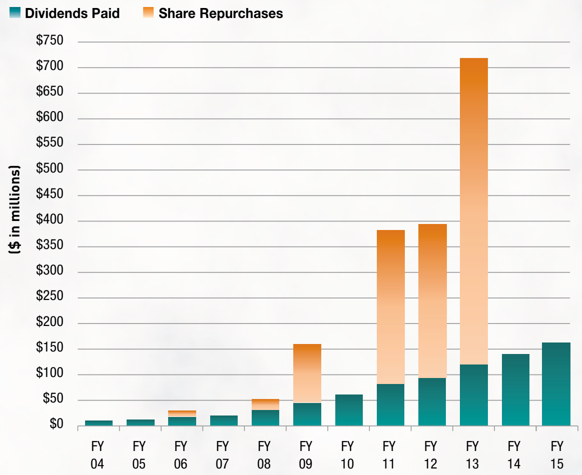
We have a proven track record of growing our business in a disciplined manner, reflecting our focus on managing the business for the long-term. Our GAAP and adjusted earnings per diluted share have been closely aligned throughout our history, and we have never restated our earnings. By consistently generating strong cash flow, we have also rewarded our shareholders through dividend growth and substantial share repurchases in recent years.

Earnings Per Diluted Share vs. Adjusted Earnings Per Diluted Share

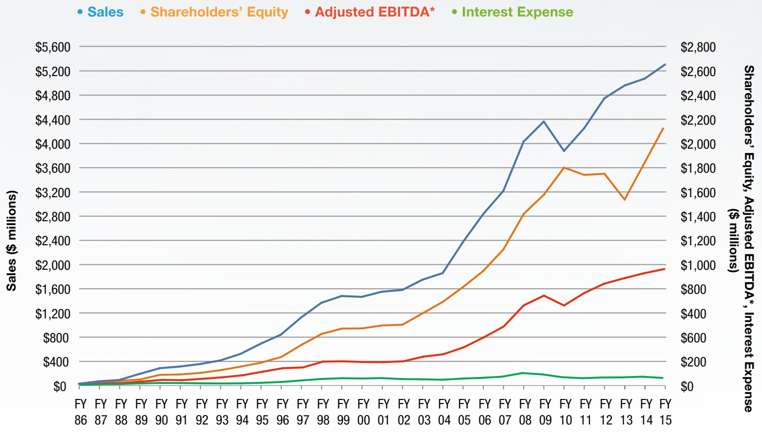


* Reconciliations of non-GAAP measures appear on pages 70 through 73. Noteworthy differences include: 1997 product losses and costs incurred due to breach of contract by third party supplier, 1999 gain related to divestiture of business, 2010 costs related to unsolicited takeover attempt and debt extinguishment, and 2011 costs related to unsolicited takeover attempt.

Dividends Paid and Share Repurchases

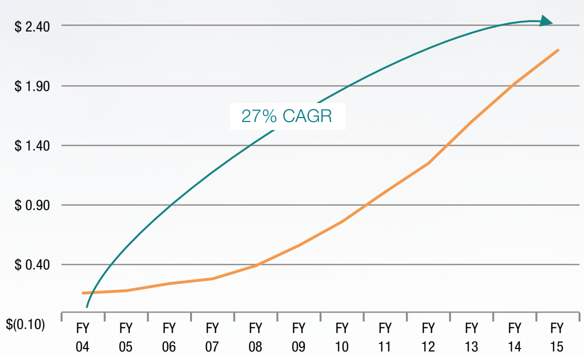


Proven Track Record of Disciplined Growth



* Reconciliations of non-GAAP measures appear on pages 70 through 73. Note that Interest Expense includes the discount on the securitization of trade receivables.

Dividends Paid per Share



Airgas at a Glance

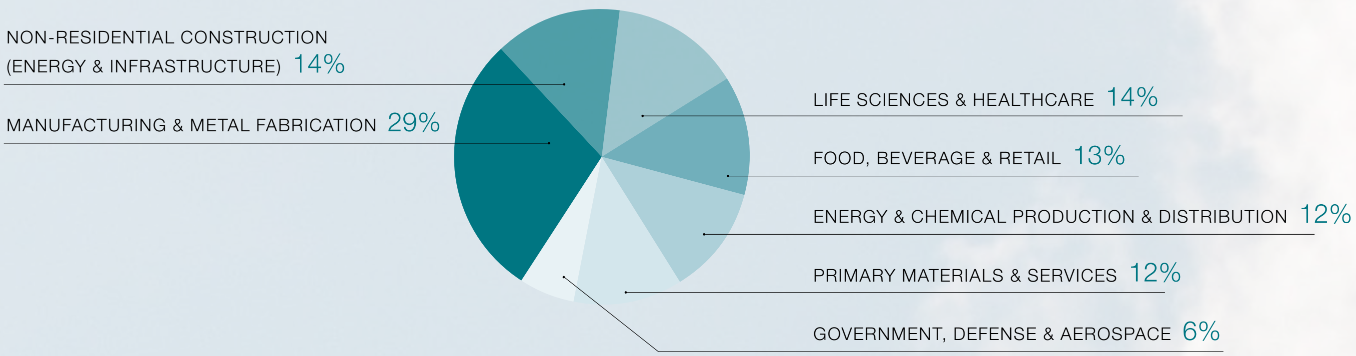
We are one of the largest U.S. suppliers of industrial, medical and specialty gases, and hardgoods, such as welding equipment and supplies; a leading U.S. producer of atmospheric gases, carbon dioxide, dry ice, and nitrous oxide; one of the largest U.S. suppliers of safety products; and a leading U.S. distributor of refrigerants, ammonia products, and process chemicals. Approximately 17,000 associates work in more than 1,100 locations, including branches, retail stores, gas fill plants, specialty gas labs, production facilities and distribution centers. We also market our products and services through telesales and eBusiness. Our national scale and strong local presence offer a competitive edge to our diversified customer base.

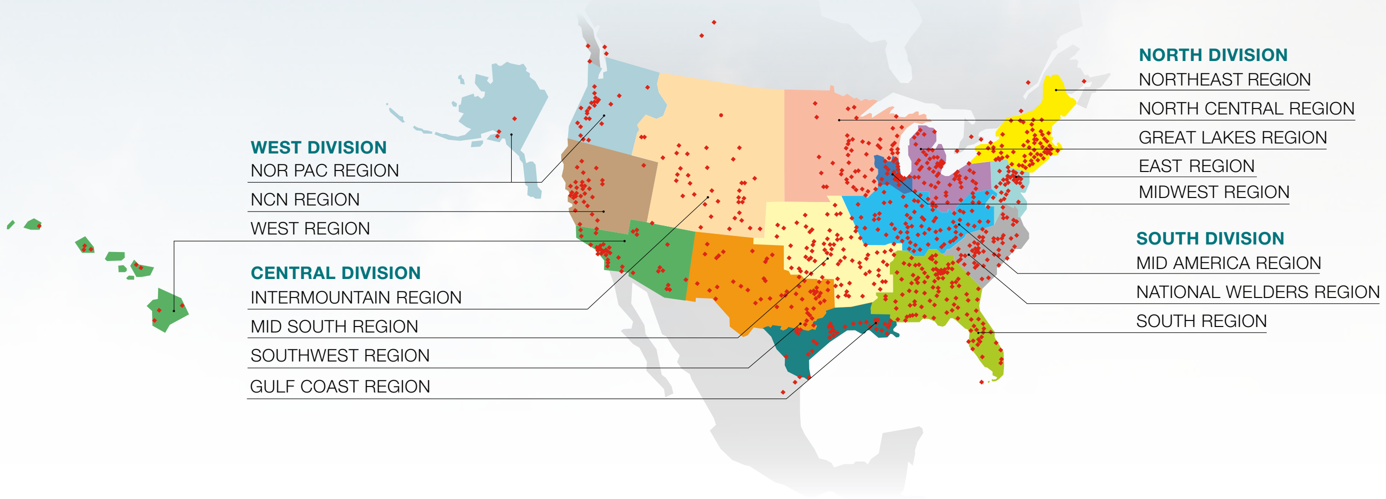
Airgas is the largest U.S. supplier of packaged gases and welding hardgoods

Primary Gases:

- Oxygen
- Nitrogen
- Argon
- Carbon dioxide
- Helium
- Hydrogen
- Acetylene
- Fuel gases
- Refrigerants
- Nitrous oxide
- Ammonia

Serving a Broad Customer Base





The Airgas Product and Service Offering

Airgas offers a unique value proposition—the combination of packaged and bulk gases, welding hardgoods, safety products, applications technology and service.

Industrial Gases:
More than 11 million cylinders, approximately 300 high-pressure cylinder fill plants, and 11 acetylene manufacturing facilities to supply a full range of industrial gases, including welding, shielding and cutting gases

Bulk Gases:
Production and distribution of merchant gas volumes—16 air separation units, more than 60 bulk gas specialists, and more than 16,000 bulk tanks to supply our distribution infrastructure and bulk gas customers

Medical Gases:
Approximately 350 FDA-registered medical gas facilities serving hospitals, medical institutions, home healthcare distributors, physicians' practices, and other medical businesses with medical gases; also supply medical gas equipment

Specialty Gases:
Network of 11 national labs, 70 regional labs, two equipment centers, and one R&D center support products including high-purity, rare, calibration, and specialty-blend gases—approximately three-quarters of specialty gas labs are ISO 9001 registered; eight are also ISO/IEC 17025 accredited

CO_2/Dry Ice:
Eight liquid carbon dioxide plants and 50 dry ice facilities supply customers in food processing, food service, beverage, pharmaceutical and biotech industries; also produce Penguin Brand® Dry Ice that is available in grocery and other retail outlets nationwide

Welding Hardgoods and Safety Products:
Six national Distribution Centers streamline the supply chain for welding hardgoods, safety products, gas equipment, tools and construction supplies, including Radnor® private-label products, to Airgas branches and customers

Refrigerants:
Nationwide network of distribution and reclamation centers for full range of refrigerant products and services dedicated to providing complete refrigerant supply and service for the air conditioning and refrigeration industries

Ammonia:
National distribution network providing products and services in the U.S. for nitrogen oxide abatement (DeNOx), chemical processing, water treatment, and metal finishing

Red-D-Arc®:
Welding and power generation equipment rental and welding-related services through more than 50 Red-D-Arc® locations and Airgas construction stores in North America, while serving Europe through locations in the United Kingdom, the Netherlands, Germany and France and serving the Middle East through a location in the United Arab Emirates; equipment and services also available in the Caribbean, Mexico, Northern Ireland, Spain, Kazakhstan, Oman, Qatar, Saudi Arabia, and Australia through dealer representation

Strategic Accounts:
Superior service and reduced total cost of ownership for larger customers with multiple locations; tailored supply chain management solutions through *OUTLOOK®* Managed Services substantially streamlines cylinder and hardgoods procurement

- Manufacturing and Metal Fabrication
- Non-Residential Construction (Energy and Infrastructure)
- Life Sciences and Healthcare
- Food, Beverage and Retail
- Energy and Chemical Production and Distribution
- Primary Materials and Services
- Government, Defense and Aerospace

A Commitment to Sustainability

Sustainability is an important and growing part of the Airgas culture. As a leading U.S. producer of atmospheric gases, carbon dioxide, dry ice and nitrous oxide, a leading U.S. supplier of hardgoods and welding supplies, safety products, refrigerants, ammonia products and process chemicals, and a company that employs 17,000 associates in more than 1,100 locations, we realize that our company has a responsibility to ensure sustainable development. Our goal is to achieve balanced success across the "triple bottom line" and account for our environmental, social and financial performance with equal emphasis.

In the past, many of our sustainability efforts were carried out at the local level. Airgas is a company that has grown rapidly through acquisitions and we encourage our associates to embrace an entrepreneurial approach as they work closely with customers in their local communities. As our organization grew, we began to coordinate our company-wide sustainability efforts to accelerate what is being done locally and expand our impact.

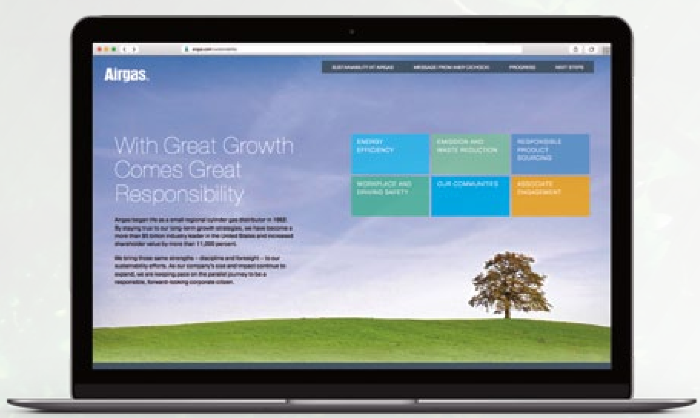
In 2014, we created the Airgas Sustainability Committee. The committee includes members from all key functional areas, from product stewardship and gas production to talent management and safety and compliance. Driven by the committee—with guidance and oversight from the Governance and Compensation Committee of our Board of Directors—we are becoming more proactive, accountable, data-driven and transparent about our sustainability aspirations, activities and progress.

One example of our sustainability evolution is the release of our first-ever Airgas Sustainability Report, titled "With Great Growth Comes Great Responsibility."

To see the 2015 Airgas Sustainability Report, visit:
airgas.com/sustainability

The report provides metrics, case studies, best practices, principles and forward-looking goals for key sustainability focus areas: energy efficiency, emission and waste reduction, supplier compliance, workplace and driving safety, community engagement and associate development.

We understand that our sustainability principles and practices must be aligned with Airgas' business-building strategies. At the end of the day, we are a company that must grow revenues and create value for our shareholders to survive and thrive. But we are determined to do that responsibly, because we know our success at integrating sustainability into all parts of our operations and culture can only make us a stronger company that is positioned for even greater growth in the future.



Management Committee

(from Left to Right)

Thomas S. Thoman / Division President, Gases Production
Robert H. Young, Jr. / Senior Vice President and General Counsel
Leslie J. Graff / Senior Vice President, Corporate Development
Michael L. Molinini / President and Chief Executive Officer
Peter McCausland / Executive Chairman
Robert M. McLaughlin / Senior Vice President and Chief Financial Officer
Pamela J. Claypool / Senior Vice President, Human Resources
Robert A. Dougherty / Senior Vice President and Chief Information Officer
Andrew R. Cichocki / President, Airgas USA, LLC

OTHER CORPORATE OFFICERS

Kelly P. Justice
Senior Vice President,
eBusiness and Marketing

Ronald J. Stark
Senior Vice President,
Sales and Marketing

R. Jay Worley
Senior Vice President,
Distribution Operations

Douglas L. Jones
Division President,
West Division

Terry L. Lodge
Division President,
Central Division

B. Shaun Powers
Division President,
North Division

Charles E. Broadus, Jr.
Division President,
South Division

James E. Cook
Vice President, Tax

E. David Coyne
Vice President, Internal Audit

James D. McCarthy, Jr.
Vice President, Safety
and Compliance

John W. Smith
Vice President,
Information Technology

Thomas M. Smyth
Vice President, Controller

Joseph C. Sullivan
Vice President, Treasurer

Martin Wehner
Vice President,
Process Gases and Chemicals

AIRGAS BUSINESS UNITS AND PRESIDENTS

East Region
Jack Appolonia

Great Lakes Region
Kevin W. McDougal

Gulf Coast Region
Jason A. Favre

Intermountain Region
Michael D. Eatmon

Mid America Region
J. Robert Hilliard

Mid South Region
Bob Bradshaw

Midwest Region
Rick Keefer

National Welders Region
Stephen P. Marinelli

Nor Pac Region
William T. Sanborn

North Central Region
Pamela M. Swanson

Northeast Region
Kent L. Carter

Northern California &
Nevada Region
Matthew B. Whitton

South Region
Kevin M. McBride

Southwest Region
J. Brent Sparks

West Region
David M. Shedd

Airgas Carbonic/Dry Ice
Philip J. Filer

Airgas Merchant Gases
Thomas R. Stringer

Airgas Refrigerants
Emmanuel Dupree

Airgas Safety
Donald S. Carlino, Jr.

Airgas Specialty Products
Martin Wehner

Red-D-Arc
Mitch M. Imielinski

Financial Highlights

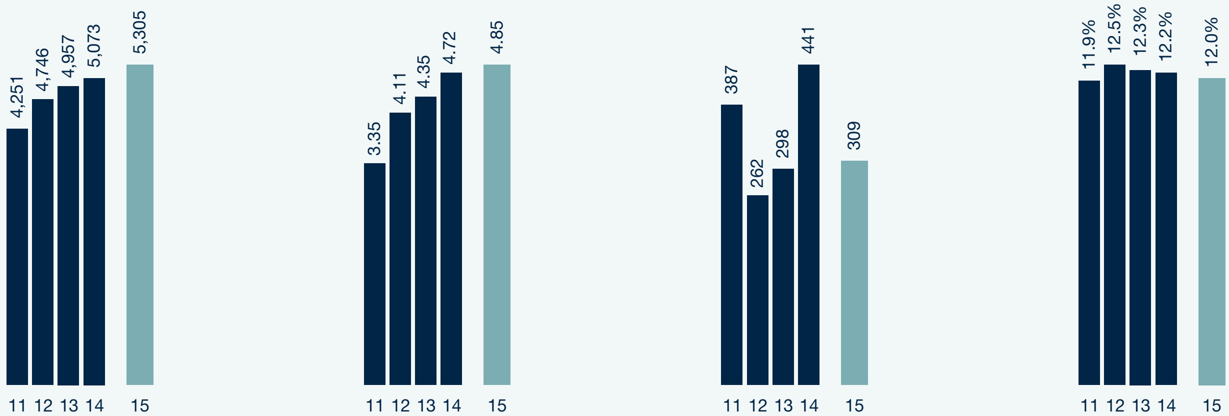
AIRGAS, INC. AND SUBSIDIARIES

Net Sales
(in millions of dollars)

Earnings Per Diluted Share from Continuing Operations, Excluding Certain Gains and Charges[1]

Free Cash Flow[1]
(in millions of dollars)

Return on Capital[1]

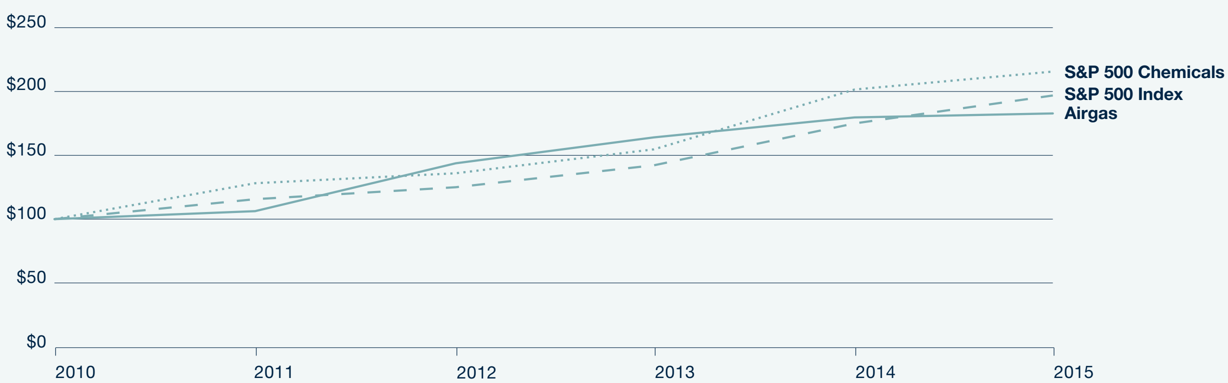


(1) Definitions of and reconciliations between these financial measures and their most comparable measure under Generally Accepted Accounting Principles are presented on pages 70 and 71.

Total Return To Shareholders

Below is a graph comparing the yearly change in the cumulative total stockholder return on the Company's common stock against the cumulative total return of the S&P 500 Index and the S&P 500 Chemicals Index for the five-year period that began April 1, 2010 and ended March 31, 2015.

The Company believes the use of the S&P 500 Index and the S&P 500 Chemicals Index for purposes of this performance comparison is appropriate because Airgas is a component of the indices and they include companies of similar size to Airgas.



	Indexed Returns					
Years Ending March 31,	**Base Period 2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Airgas, Inc.	$ 100.00	$ 106.04	$ 144.45	$ 163.91	$ 179.32	$ 182.24
S&P 500 Index	$ 100.00	$ 115.65	$ 125.52	$ 143.05	$ 174.31	$ 196.51
S&P 500 Chemicals	$ 100.00	$ 127.84	$ 135.55	$ 154.71	$ 201.16	$ 215.49

The graph above assumes that $100 was invested on April 1, 2010, in Airgas, Inc. Common Stock, the S&P 500 Index, and the S&P 500 Chemicals Index and that all dividends have been reinvested.

Selected Financial Data

Selected financial data for the Company is presented in the following table and should be read in conjunction with Management's Discussion and Analysis and the Company's consolidated financial statements and accompanying notes included herein.

(In thousands, except per share amounts) **Years Ended March 31,**	**2015**	**2014[(1)]**	**2013[(2)]**	**2012[(3)]**	**2011[(4)]**
Operating Results:					
Net sales	$ 5,304,885	$ 5,072,537	$ 4,957,497	$ 4,746,283	$ 4,251,467
Depreciation and amortization	$ 329,058	$ 305,306	$ 288,900	$ 270,285	$ 250,518
Operating income	$ 641,278	$ 630,534	$ 596,417	$ 556,221	$ 469,191
Interest expense, net	62,232	73,698	67,494	66,337	60,054
Losses on the extinguishment of debt	—	9,150	—	—	4,162
Other income (expense), net	5,075	4,219	14,494	2,282	1,958
Income taxes	216,035	201,121	202,543	178,792	156,669
Net earnings	$ 368,086	$ 350,784	$ 340,874	$ 313,374	$ 250,264
Net Earnings Per Common Share:					
Basic earnings per share	$ 4.93	$ 4.76	$ 4.45	$ 4.09	$ 3.00
Diluted earnings per share	$ 4.85	$ 4.68	$ 4.35	$ 4.00	$ 2.94
Dividends per common share declared and paid[(5)]	$ 2.20	$ 1.92	$ 1.60	$ 1.25	$ 1.01
Balance Sheet and Other Data at March 31:					
Working capital	$ 286,637	$ 68,312	$ 602,116	$ 344,157	$ 566,015
Total assets	5,973,610	5,793,314	5,618,225	5,320,585	4,945,754
Short-term debt	325,871	387,866	—	388,452	—
Current portion of long-term debt	250,110	400,322	303,573	10,385	9,868
Long-term debt, excluding current portion	1,748,662	1,706,774	2,304,245	1,761,902	1,842,994
Non-current deferred income tax liability, net	854,574	825,897	825,612	793,957	726,797
Other non-current liabilities	89,741	89,219	89,671	84,419	70,548
Stockholders' equity	2,151,586	1,840,649	1,536,983	1,750,258	1,740,912
Capital expenditures for years ended March 31,	468,789	354,587	325,465	356,514	256,030

(1) The results for fiscal 2014 include the following: $9.1 million ($5.6 million after tax) or $0.08 per diluted share recorded for a loss on the early extinguishment of the Company's $215 million of 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 $3.3 million or $0.04 per diluted share of state income tax benefits recognized for changes to enacted state income tax rates and a change in a state income tax law. The Company has used proceeds from the commercial paper program for general corporate purposes, including the early redemption of the senior subordinated notes and repayment of its $300 million 2.85% senior notes upon their maturity in October 2013, causing the $388 million increase to short-term debt. In addition, the Company reclassified its $400 million 4.5% senior notes maturing in September 2014 to the "Current portion of long-term debt" line item of the Company's consolidated balance sheet based on the maturity date.

(2) The results for fiscal 2013 include the following: $8.1 million ($5.1 million after tax) or $0.07 per diluted share of net restructuring and other special charges and $6.8 million ($5.5 million after tax) or a benefit of $0.07 per diluted share of a gain on the sale of five branch locations in western Canada. The $6.8 million gain on sale of businesses was recorded in the "Other income, net" line item of the Company's consolidated statement of earnings. Also during fiscal 2013, the Company's $300 million 2.85% notes were reclassified to the "Current portion of long-term debt" line item of the Company's consolidated balance sheet based on the maturity date. Additionally, during the three months ended March 31, 2013, proceeds from the issuance of an aggregate $600 million of senior notes in February 2013 were used to pay down the balance on the commercial paper program and as a result, there were no outstanding borrowings under the program at March 31, 2013, resulting in a decrease to short-term debt and an increase in working capital in the table above.

(3) The results for fiscal 2012 include the following: $24.4 million ($15.6 million after tax) or $0.19 per diluted share of net restructuring and other special charges, $7.9 million ($5.0 million after tax) or $0.06 per diluted share in benefits from lower than previously estimated net costs related to a prior year unsolicited takeover attempt, $4.3 million ($2.7 million after tax) or $0.04 per diluted share in multi-employer pension plan withdrawal charges, and $4.9 million or $0.06 per diluted share of income tax benefits related to the LLC reorganization as well as a true-up of the Company's foreign tax liabilities. Additionally, during fiscal 2012, the Company commenced a $750 million commercial paper program supported by its revolving credit facility. The Company has used proceeds under the commercial paper program to pay down amounts outstanding under its revolving credit facility and for general corporate purposes. Borrowings under the commercial paper program are classified as short-term debt on the Company's consolidated balance sheet, which led to a $388 million decrease in both working capital and long-term debt in the table above.

(4) The results for fiscal 2011 include $44.4 million ($28.0 million after tax) or $0.33 per diluted share in costs related to an unsolicited takeover attempt and $4.6 million ($2.8 million after tax) or $0.03 per diluted share in multi-employer pension plan withdrawal charges. Also included in the results for fiscal 2011 are a charge of $4.2 million ($2.6 million after tax) or $0.03 per diluted share for the early extinguishment of debt and a one-time interest penalty of $2.6 million ($1.7 million after tax) or $0.02 per diluted share related to the late removal of the restrictive legend on the Company's 7.125% senior subordinated notes.

(5) The Company's quarterly cash dividends paid to stockholders for the years presented above are disclosed in the following table:

Years Ended March 31,	2015	2014	2013	2012	2011
First Quarter	$ 0.55	$ 0.48	$ 0.40	$ 0.29	$ 0.22
Second Quarter	0.55	0.48	0.40	0.32	0.25
Third Quarter	0.55	0.48	0.40	0.32	0.25
Fourth Quarter	0.55	0.48	0.40	0.32	0.29
Fiscal Year	$ 2.20	$ 1.92	$ 1.60	$ 1.25	$ 1.01

On April 7, 2015, the Company announced a regular quarterly cash dividend of $0.60 per share, which is payable on June 30, 2015 to stockholders of record as of June 15, 2015. Future dividend declarations and associated amounts paid will depend upon the Company's earnings, financial condition, loan covenants, capital requirements and other factors deemed relevant by management and the Company's Board of Directors.

Management's Discussion and Analysis

AIRGAS, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS: 2015 COMPARED TO 2014

OVERVIEW

Airgas, Inc. and its subsidiaries ("Airgas" or the "Company") had net sales for the year ended March 31, 2015 ("fiscal 2015" or "current year") of $5.3 billion compared to $5.1 billion for the year ended March 31, 2014 ("fiscal 2014" or "prior year"), an increase of 5%. Organic sales increased 3% compared to the prior year, with gas and rent up 3% and hardgoods up 4%. Current and prior year acquisitions contributed sales growth of 2% in the current year. Through the first nine months of fiscal 2015, organic sales growth was 3% with the third quarter showing the strongest year over year growth rate of 6%. The Company's fourth quarter year-over-year organic growth rate fell to 2% as the Energy & Chemicals and Manufacturing customer segments were negatively impacted by the significant and rapid decline in oil prices and the strong U.S. dollar.

The consolidated gross profit margin (excluding depreciation) in the current year was 55.6%, a decrease of 10 basis points from the prior year.

The Company's operating income margin in the current year was 12.1%, a decrease of 30 basis points from the prior year, primarily reflecting the sales mix shift toward lower margin hardgoods and 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.

Net earnings per diluted share increased to $4.85 in the current year versus $4.68 in the prior year. Net earnings per diluted share in the prior year included $0.04 per diluted share in benefits related to changes in state income tax rates and law, and an $0.08 loss on the early extinguishment of debt.

Refrigerants Business

On October 16, 2014, the U.S. Environmental Protection Agency ("EPA") signed the final rule pertaining to allowances for virgin production and consumption of hydrochlorofluorocarbons ("HCFCs"), including Refrigerant-22 ("R-22"), for calendar 2015 through 2019. The final rule, which was the lowest proposed five-year linear approach, establishes virgin R-22 consumption allowances which step down each year beginning with an approximately 60% reduction for calendar 2015, with a final ban on all production effective January 1, 2020. Both volumes and pricing of R-22 have been pressured the past two years, as a greater-than-expected amount of virgin R-22 has been available in the marketplace, due in part to the March 27, 2013 EPA ruling allowing for an increase in production and consumption of R-22 in calendar years 2013 and 2014. 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 over the long-term 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 timing and pace of the market's increased reliance on reclaimed and recycled R-22, however, is difficult to predict due to the excess inventory that has accumulated throughout the industry's supply chain and that must be worked off in the near-term.

Helium Supply Challenges

After several years of shortage, allocation and unpredictable supply of helium, the Company's sales volumes remain below pre-shortage levels. During fiscal 2015, the Company embarked on efforts to strengthen the diversity and reliability of its helium supply chain. In addition to completing a long term renewal with one supplier, the Company entered into a new agreement to pick up liquid helium from another supplier. These agreements, which the Company believes will support its ability to reliably supply its customers for many years to come, have resulted in net higher product and distribution costs. They also contain minimum volume purchase obligations. In order to manage the supply chain for this helium throughout its network, the Company invested in helium transportation, storage and trans-filling assets. Helium is a global product and recent additional helium production capacity in the Middle East coupled with the slowdown in global growth has created a worldwide helium supply surplus which will challenge the Company's ability to pass on all of the increased costs to its customers in the near term. In spite of this near term challenge, however, the Company believes its ability to consistently and reliably supply its customers with helium for years to come has been enhanced.

Fiscal 2016 Outlook

The level of uncertainty in the U.S. industrial economy, in part, caused by the rapid and dramatic drop in oil prices and the strong U.S. dollar makes it difficult to predict the Company's near-term sales outlook. The Company's guidance range assumes an organic sales growth rate for fiscal 2016 in the low to mid single digits, with a gradual increase in growth rates as the year progresses. The Company expects earnings per diluted share for fiscal 2016 to be in the range of $4.85 to $5.15, an increase of 0% to 6% over earnings per diluted share of $4.85 in fiscal 2015. The Company's fiscal 2016 guidance includes an estimated year-over-year negative impact of $0.00 to $0.14 per diluted share from variable compensation reset following a below-budget year as well as a year-over-year negative impact of $0.06 to $0.09 per diluted share from near term net cost pressure related to helium supply extension and diversification initiatives.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

STATEMENT OF EARNINGS COMMENTARY — FISCAL YEAR ENDED MARCH 31, 2015 COMPARED TO FISCAL YEAR ENDED MARCH 31, 2014

Net Sales

Net sales increased 5% to $5.3 billion for the current year compared to the prior year, driven by organic sales growth of 3% and sales growth from current and prior year acquisitions of 2%. Gas and rent organic sales increased 3% in the current year, and hardgoods organic sales increased 4%. Organic sales growth in the current year was driven by price increases of 2% and volume increases of 1%.

Strategic products represent approximately 40% of net sales and are comprised of safety products and bulk, medical and specialty gases (and associated rent), which are sold to end customers through the Distribution business segment, and carbon dioxide ("CO_2") and dry ice, the vast majority of which is sold to end customers through the All Other Operations business segment. 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. During the current year, sales of strategic products in aggregate increased 4% on an organic basis as compared to the prior year.

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 and greater penetration opportunities. Sales to strategic accounts in the current year increased 5% compared to the prior year.

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,	2015	2014	Increase/ (Decrease)	
Distribution	$ 4,773,489	$ 4,558,790	$ 214,699	5%
All Other Operations	560,622	544,154	16,468	3%
Intercompany eliminations	(29,226)	(30,407)	1,181	
	$ 5,304,885	$ 5,072,537	$ 232,348	5%

The Distribution business segment's principal products and services 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, dewars (cryogenic liquid cylinders), 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 5% compared to the prior year, with an increase in organic sales of 3%. Incremental sales from current and prior year acquisitions contributed sales growth of 2% in the current year. Higher pricing contributed 2% and volume increases contributed 1% to organic sales growth in the Distribution business segment. Gas and rent organic sales in the Distribution business segment increased 2%, with pricing up 3% and volumes down 1%. Hardgoods organic sales within the Distribution business segment increased 4%, with pricing up 1% and volumes up 3%.

Within the Distribution business segment, organic sales of gas related strategic products and associated rent increased 4% over the prior year, comprised of the following: bulk gas and rent up 5%, on higher pricing and volumes; specialty gas, rent, and related equipment up 3%, primarily driven by increases in core specialty gas prices and volume; and medical gas and rent up 2%, as increases to physician and dental practices, as well as hospitals and surgery centers, were partially offset by weakness in wholesale sales to homecare distributors. In addition, organic sales in the Company's Red-D-Arc business increased 14% over the prior year, driven by increases in both welder and generator rentals in the non-residential construction and energy customer segments.

Within the Distribution business segment's hardgoods sales, organic sales of equipment were up 8% year-over-year. Sales of safety products increased by 4% compared to the prior year driven by volume gains. Sales of the Company's Radnor® private-label product line, which includes certain safety products, consumables, and other hardgoods, increased 4% in the current year, consistent with the 4% increase in total hardgoods organic sales in the Distribution business segment.

The All Other Operations business segment consists of five 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 increased 3% in total and on an organic basis compared to the prior year. Sales increases in the Company's CO_2, dry ice, and ammonia businesses were partially offset by the decline in sales in its refrigerants business. Organic sales of CO_2 and dry ice increased 3% over the prior 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) discussed below may not be comparable to those of other companies.

Consolidated gross profits (excluding depreciation) increased 4% in the current year compared to the prior year, reflecting the overall growth in sales, margin expansion on price increases and surcharges related to power cost spikes in the prior year's fourth quarter, partially offset by supplier price and internal production cost increases and a sales mix shift toward lower margin hardgoods. The consolidated gross profit margin (excluding depreciation) in the current year decreased 10 basis points to 55.6% compared to 55.7% in the prior year. The decrease in consolidated gross profit margin (excluding depreciation) reflects margin expansion on price increases, offset by a sales mix shift toward lower margin hardgoods. Gas and rent represented 63.2% of the Company's sales mix in the current year, down from 63.6% in the prior year.

(In thousands)

Gross Profits (Excluding Depreciation) Years Ended March 31,	**2015**	**2014**	Increase/ (Decrease)	
Distribution	$ 2,681,023	$ 2,562,725	$ 118,298	5%
All Other Operations	267,987	262,238	5,749	2%
	$ 2,949,010	$ 2,824,963	$ 124,047	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) remained consistent at 56.2% in the current and prior year. The Distribution business segment's flat gross profit margin (excluding depreciation) reflects margin expansion on price increases and surcharges related to power cost spikes in the prior year's fourth quarter, offset by a sales mix shift toward lower margin hardgoods. Gas and rent represented 59.1% of the Distribution business segment's sales in the current year, down from 59.6% in the prior year.

The All Other Operations business segment's gross profits (excluding depreciation) increased 2% compared to the prior year. The All Other Operations business segment's gross profit margin (excluding depreciation) decreased 40 basis points to 47.8% in the current year from 48.2% in the prior year. The decrease in the All Other Operations business segment's gross profit margin (excluding depreciation) was primarily driven by a sales mix shift toward lower margin ammonia and slight margin pressure in the Company's CO_2, refrigerants and ammonia businesses, partially offset by a sales mix shift away from lower margin refrigerants.

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 reported expenses (excluding depreciation) related to the implementation of its SAP system as part of SD&A expenses in the "Other" line item in the SD&A expenses and operating income tables below.

Consolidated SD&A expenses increased $90 million, or 5%, in the current year as compared to the prior year. Contributing to the increase in SD&A expenses were approximately $27 million of incremental operating costs associated with acquired businesses, representing approximately 1.4% of the total increase in SD&A. Normal inflation, as well as expenses associated with the Company's investments in long-term strategic growth initiatives, including its e-Business platform, continued expansion of its telesales business through Airgas Total Access®, and regional management structure changes, also contributed to the increase. As a percentage of consolidated gross profit, consolidated SD&A expenses increased 20 basis points to 67.1% in the current year, compared to 66.9% in the prior year.

(In thousands)

SD&A Expenses Years Ended March 31,	**2015**	**2014**	Increase/ (Decrease)	
Distribution	$ 1,792,116	$ 1,705,408	$ 86,708	5%
All Other Operations	186,558	176,289	10,269	6%
Other	—	7,426	(7,426)	
	$ 1,978,674	$ 1,889,123	$ 89,551	5%

SD&A expenses in the Distribution business segment increased 5%, while SD&A expenses in the All Other Operations business segment increased 6%, compared to the prior year. Contributing to the increase in SD&A expenses in the Distribution business segment were approximately $27 million of incremental operating costs associated with acquired businesses, representing approximately 1.5% of the increase in SD&A. Normal inflation, as well as expenses associated with the Company's investments in long-term strategic growth initiatives, including its e-Business platform, continued expansion of its telesales business through Airgas Total Access, and regional management structure changes, also contributed to the increase. As a percentage of Distribution business segment gross profit, SD&A expenses in the Distribution business segment increased 30 basis points to 66.8% compared to 66.5% in the prior year. As a percentage of All Other Operations business segment gross profit, SD&A expenses in the All Other Operations business segment increased 240 basis points to 69.6% compared to 67.2% in the prior year, primarily driven by margin pressure as noted above.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

SD&A Expenses — Other

Enterprise Information System

As of March 31, 2013 the Company had 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 fiscal 2014. SAP-related integration costs were $7.4 million in the prior year, and were recorded as SD&A expenses and not allocated to the Company's business segments.

Depreciation and Amortization

Depreciation expense increased $22 million, or 8%, to $298 million in the current year as compared to 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/bulk tanks and rental welders/generators) and $3 million of additional depreciation expense on capital assets included in acquisitions. Amortization expense of $31 million in the current year increased by $2 million compared to the prior year, driven by acquisitions.

Operating Income

Consolidated operating income of $641 million increased 2% in the current year compared to the prior year, primarily driven by organic sales growth. The consolidated operating income margin decreased 30 basis points to 12.1% compared to 12.4% in the prior year, primarily reflecting a sales mix shift toward hardgoods.

(In thousands)

Operating Income Years Ended March 31,	2015	2014	Increase/ (Decrease)	
Distribution	$ 589,334	$ 579,476	$ 9,858	2 %
All Other Operations	51,944	58,484	(6,540)	(11)%
Other	—	(7,426)	7,426	
	$ 641,278	$ 630,534	$ 10,744	2 %

Operating income in the Distribution business segment increased 2% in the current year. The Distribution business segment's operating income margin decreased 40 basis points to 12.3% from 12.7% in the prior year. The decline in the Distribution business segment's operating income margin primarily reflects the sales mix shift toward lower margin hardgoods and 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 11% compared to the prior year, primarily driven by the decline in refrigerants sales. The All Other Operations business segment's operating income margin of 9.3% decreased by 140 basis points compared to the operating income margin of 10.7% in the prior year. The decrease in the All Other Operations business segment's operating income margin was primarily driven by margin pressure in the Company's refrigerants, CO_2 and ammonia businesses.

Interest Expense, Net and Loss on the Extinguishment of Debt

Interest expense, net, was $62 million in the current year, representing a decrease of $11 million, or 16%, compared to the prior year. The overall decrease in interest expense, net resulted primarily from lower average borrowing rates, and to a lesser extent lower average debt balances, in the current year as compared to the prior year.

On October 2, 2013, the Company redeemed all $215 million of its 7.125% senior subordinated notes originally due to mature on October 1, 2018 (the "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 prior year.

Income Tax Expense

The effective income tax rate was 37.0% of pre-tax earnings in the current year compared to 36.4% in the prior year. An aggregate $3.3 million in favorable state income tax items was recognized in the prior 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 4% to $4.85 in the current year compared to $4.68 per diluted share in the prior year. Net earnings were $368 million compared to $351 million in the prior year. The current year's earnings were not impacted by special items, while net earnings per diluted share in the prior year included $0.04 per diluted share in benefits related to changes in state income tax rates and law, and an $0.08 loss on the early extinguishment of debt.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS: 2014 COMPARED TO 2013

OVERVIEW

Airgas had net sales for fiscal 2014 of $5.1 billion compared to $5.0 billion for the year ended March 31, 2013 ("fiscal 2013"), an increase of 2%. Total organic sales were flat compared to fiscal 2013, with gas and rent up 1% and hardgoods down 2%. Acquisitions contributed 2% sales growth in fiscal 2014. 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 fiscal 2014, which was offset by a negative 2% impact from volume declines. Pricing actions during fiscal 2014 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 fiscal 2014 was 55.7%, an increase of 80 basis points from fiscal 2013, 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 fiscal 2013. The combination of a reduction in SAP implementation costs and the achievement of SAP-related benefits contributed favorably to operating income margin during fiscal 2014 as compared to fiscal 2013. 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 low organic sales growth environment. Additionally, the operating income margin for fiscal 2013 was burdened by 20 basis points of net restructuring and other special charges.

Net earnings per diluted share rose to $4.68 in fiscal 2014 versus $4.35 in fiscal 2013. Results for fiscal 2014 included a loss of $0.08 per diluted share on the early extinguishment of the Company's 2018 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 fiscal 2014 compared to $0.18 per diluted share of net expense in fiscal 2013. 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 fiscal 2013, 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 fiscal 2014.

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. 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.

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. Fiscal 2014 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 fiscal 2013. By December 31, 2013, the Company had achieved its long-standing target of reaching an annual run-rate of $75 million in SAP-enabled operating income benefits by the end of calendar year 2013.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

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.

During fiscal 2014, the EPA's ruling significantly pressured both volumes and pricing of R-22, as a greater-than-expected amount of virgin R-22 was 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 fiscal 2013's record performance in the refrigerants business, due in part to a previously issued No Action Assurances letter from the EPA.

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's $215 million of 2018 Senior Subordinated Notes were 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.

Acquisitions

During fiscal 2014, 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.

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 fiscal 2014 compared to fiscal 2013, 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 organic sales growth in fiscal 2014, which was offset by a negative 2% impact from volume declines.

For fiscal 2014, sales of strategic products increased 3% on an organic basis as compared to fiscal 2013. Sales to strategic accounts also grew 3%, driven by 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 %

Distribution business segment sales increased 4% compared to fiscal 2013 with an increase in organic sales of 1% and incremental sales of 3% contributed by 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 in fiscal 2014 increased 4% from fiscal 2013. Among strategic gas products, bulk gas sales were up 5% as a result of higher pricing and volumes. 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.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

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 fiscal 2014, and the Company's Radnor private-label line was up 2% for fiscal 2014. 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 sales decreased 8% in total and 9% on an organic basis compared to fiscal 2013, with incremental sales of 1% contributed by acquisitions. The organic sales decrease in the All Other Operations business segment during fiscal 2014, 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 fiscal 2014.

Gross Profits (Excluding Depreciation)

Consolidated gross profits (excluding depreciation) increased 4% in fiscal 2014 compared to fiscal 2013. The consolidated gross profit margin (excluding depreciation) in fiscal 2014 increased 80 basis points to 55.7% compared to 54.9% in fiscal 2013. 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 fiscal 2014. Gas and rent represented 63.6% of the Company's sales mix in fiscal 2014, up from 63.2% in fiscal 2013.

(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 fiscal 2013. The Distribution business segment's gross profit margin (excluding depreciation) was 56.2% versus 55.5% in fiscal 2013, 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 fiscal 2014 as compared to 58.6% in fiscal 2013.

The All Other Operations business segment's gross profits (excluding depreciation) decreased 7% compared to fiscal 2013, 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 fiscal 2014 from 47.6% in fiscal 2013. 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

SD&A Expenses

Consolidated SD&A expenses increased $61 million, or 3%, in fiscal 2014 as compared to fiscal 2013. 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 fiscal 2013. As a percentage of consolidated gross profit, consolidated SD&A expenses decreased 30 basis points to 66.9% in fiscal 2014, compared to 67.2% in fiscal 2013.

(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%

SD&A expenses in the Distribution and All Other Operations business segments increased 5% and 1%, respectively, in fiscal 2014. 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 gross profit, SD&A expenses in

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

the Distribution business segment increased 10 basis points to 66.5% compared to 66.4% in fiscal 2013. As a percentage of All Other Operations business segment gross profit, SD&A expenses in the All Other Operations business segment increased 540 basis points to 67.2% compared to 61.8% in fiscal 2013, primarily due to sales declines in the Company's refrigerants, ammonia and CO_2 businesses.

SD&A Expenses — Other

Enterprise Information System

As of March 31, 2013, the Company had 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 fiscal 2014. SAP-related costs were $7.4 million for fiscal 2014 as compared to $33.2 million in fiscal 2013, and were recorded as SD&A expenses and not allocated to the Company's business segments.

Restructuring and Other Special Charges, Net

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 operating income table below. The Company incurred no restructuring or other special charges for fiscal 2014. The following table presents the components of restructuring and other special charges, net for fiscal 2013:

(In thousands)

Restructuring and Other Special Charges, Net **Year Ended March 31,**	**2013**
Restructuring costs (benefits), net	$ (2,177)
Other related costs	8,537
Asset impairment charges	1,729
	$ 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 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 fiscal 2013, 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 fiscal 2013 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 Charge

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.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

Depreciation and Amortization

Depreciation expense increased $14 million or 5%, to $275 million in fiscal 2014 as compared to fiscal 2013. 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 fiscal 2014 was $3 million higher than fiscal 2013, driven by acquisitions.

Operating Income

Consolidated operating income of $631 million increased 6% in fiscal 2014 compared to fiscal 2013. The consolidated operating income margin increased 40 basis points to 12.4% from 12.0% in fiscal 2013. The combination of a reduction in SAP implementation costs and the achievement of SAP-related benefits contributed favorably to operating income margin during fiscal 2014 as compared to fiscal 2013. 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, fiscal 2013'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 fiscal 2014. The Distribution business segment's operating income margin of 12.7% was consistent with that of fiscal 2013. The Distribution business segment's operating income margin as compared to fiscal 2013 reflects the achievement of net SAP-related benefits in fiscal 2014, 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 fiscal 2013, 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 fiscal 2013, 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 fiscal 2014, representing an increase of $6 million, or 9%, compared to fiscal 2013. 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 fiscal 2013. The increase in interest expense, net was partially offset by the retirements of the Company's 2013 Notes and 2018 Senior Subordinated Notes during fiscal 2014.

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 fiscal 2014.

Income Tax Expense

The effective income tax rate was 36.4% of pre-tax earnings in fiscal 2014 compared to 37.3% in fiscal 2013. 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 fiscal 2014. 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 fiscal 2014 compared to $4.35 per diluted share in fiscal 2013. Net earnings were $351 million compared to $341 million in fiscal 2013. Fiscal 2014'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 fiscal 2013. Net earnings per diluted share in fiscal 2014 included net special charges of $0.04, while fiscal 2013's earnings were not impacted on a net basis by special items.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities was $718 million in fiscal 2015 compared to $745 million in fiscal 2014 and $550 million in fiscal 2013.

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,	2015	2014	2013
Net earnings	$ 368,086	$ 350,784	$ 340,874
Non-cash and non-operating activities(1)	388,789	335,284	345,618
Changes in working capital	(26,192)	63,998	(130,234)
Other operating activities	(12,646)	(5,206)	(5,990)
Net cash provided by operating activities	$ 718,037	$ 744,860	$ 550,268

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

The cash outflow related to working capital in the current year was primarily driven by the timing of income tax payments due to changes in tax laws. The cash inflow related to working capital in fiscal 2014 was primarily driven by a lower required investment in working capital, reflecting a low organic sales growth environment, improved accounts receivable management following the Company's SAP conversions and the timing of income tax payments. The fiscal 2013 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.

Net earnings plus non-cash and non-operating activities provided cash of $757 million in fiscal 2015 versus $686 million in fiscal 2014 and $686 million in fiscal 2013.

As of March 31, 2015, $21 million of the Company's $51 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.

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,	2015	2014	2013
Capital expenditures	$ (468,789)	$ (354,587)	$ (325,465)
Proceeds from sales of plant, equipment and businesses	23,083	15,483	31,413
Business acquisitions and holdback settlements	(51,382)	(203,529)	(97,521)
Other investing activities	325	(951)	(1,286)
Net cash used in investing activities	$ (496,763)	$ (543,584)	$ (392,859)

Capital expenditures as a percent of sales were 8.8%, 7.0% and 6.6%, respectively, for fiscal years 2015, 2014 and 2013. The increase in capital expenditures in the current year compared to the prior year period reflects the Company's higher investments in revenue generating assets, such as rental welding and generator equipment, cylinders and bulk tanks to support sales growth; the construction of new air separation units in Kentucky and Illinois and a new hardgoods distribution center in Wisconsin; and the development of the Company's e-Business platform. The increase in capital expenditures in fiscal 2014 compared to fiscal 2013 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 fiscal 2013. In fiscal 2015, the company paid $51 million to acquire fourteen businesses and to settle holdback liabilities, which excludes cash paid related to certain contingent consideration arrangements that are reflected as financing activities. 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 fiscal 2013, 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 2015 was $309 million, compared to $441 million in fiscal 2014 and $298 million in fiscal 2013.

* Free cash flow is a financial measure calculated as net cash provided by operating activities minus capital expenditures, adjusted for the impacts of certain items. See Non-GAAP reconciliation and components of free cash flow on p.71.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

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,	2015	2014	2013
Net cash borrowings (repayments)	$ (161,260)	$ (113,374)	$ 452,952
Purchase of treasury stock	—	(8,127)	(591,873)
Dividends paid to stockholders	(164,517)	(141,461)	(122,202)
Other financing activities	85,666	44,861	145,437
Net cash used in financing activities	$ (240,111)	$ (218,101)	$ (115,686)

In fiscal 2015, net financing activities used cash of $240 million. Net cash repayments on debt obligations were $161 million, primarily related to the repayment of $400 million of 4.50% senior notes that matured on September 15, 2014, partially offset by the June 2014 issuance of $300 million of 3.65% senior notes maturing on July 15, 2024 and repayment of $63 million under the commercial paper program. 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 $86 million during the current year.

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.

Dividends

In fiscal 2015, the Company paid its stockholders $165 million in dividends or $0.55 per share in all four quarters. During fiscal 2014, the Company paid dividends of $141 million or $0.48 per share in all four quarters. During fiscal 2013, the Company paid its stockholders $122 million in dividends or $0.40 per share in all four quarters. Future dividend declarations and associated amounts paid will depend upon the Company's earnings, financial condition, loan covenants, capital requirements and other factors deemed relevant by management and the Company's Board of Directors.

Financial Instruments and Sources of Liquidity

In addition to utilizing cash from operations, the Company has various liquidity resources available to meet its future cash requirements for working capital, capital expenditures and other financial commitments.

Money Market Loans

The Company has two separate money market loan agreements with financial institutions to provide access to short-term advances not to exceed $35 million, respectively. See Note 9, Indebtedness, to the Consolidated Financial Statements for more information on the Company's money market loans.

Commercial Paper

The Company participates in a $1 billion commercial paper program supported by its $1 billion Credit Facility. 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. During fiscal 2015, proceeds from the issuance of an aggregate $300 million of senior notes in June 2014 were principally used to pay down commercial paper. Subsequently, the Company principally used commercial paper to redeem its $400 million 4.50% senior notes (the "2014 Notes") which matured in September 2014. See Note 9, Indebtedness, to the Consolidated Financial Statements for more information on the Company's commercial paper program.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

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") up to a maximum amount of $295 million. 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. See Note 9, Indebtedness, to the Consolidated Financial Statements for more information on the Company's Securitization Agreement.

Senior Credit Facility

The Company participates in a $1 billion Amended and Restated Credit Facility (the "Credit Facility"). The Credit Facility consists of an $875 million U.S. dollar revolving credit line, with a $100 million letter of credit sublimit and a $75 million swingline sublimit, and a $125 million (U.S. dollar equivalent) multi-currency revolving credit line. Under circumstances described in the Credit Facility, the revolving credit line may be increased by an additional $500 million, provided that the multi-currency revolving credit line may not be increased by more than an additional $50 million. See Note 9, Indebtedness, to the Consolidated Financial Statements for more information on the Company's revolving credit facilities.

At March 31, 2015, 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, 2015, the Company was in 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.

Senior Notes

In June 2014 the Company issued $300 million of 3.65% senior notes maturing on July 15, 2024, which were principally used to pay down commercial paper. See Note 9, Indebtedness, to the Consolidated Financial Statements for more information on the Company's Senior Notes.

The 2015, 2016, 2018, 2020, 2022 and 2024 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.

Total Borrowing Capacity

The Company believes that it has sufficient liquidity to meet its working capital, capital expenditure and other financial commitments, including its $250 million of 3.25% senior notes maturing on October 1, 2015. The sources of that liquidity include cash from operations, availability under the Company's commercial paper program, Securitization Agreement and revolving credit facilities, and potential capital markets transactions. The financial covenant under the Company's Credit Facility requires the Company to maintain a leverage ratio not higher than 3.5x Debt to EBITDA. The leverage ratio is a contractually defined amount principally reflecting debt and, historically, the amounts outstanding under the Securitization Agreement ("Debt"), 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, 2015, the Company's leverage ratio was 2.4x and $575 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, 2015, the Company was in compliance with all covenants under all of its debt agreements.

Interest Rate Derivatives

The Company manages its exposure to changes in market interest rates through the occasional use of interest rate derivative instruments, when deemed appropriate. At March 31, 2015, the Company had no derivative instruments outstanding.

Interest Expense

Based on the Company's fixed to variable interest rate ratio as of March 31, 2015, for every 25 basis point increase in the Company's average variable borrowing rates, the Company estimates that its annual interest expense would increase by approximately $1.7 million.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

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, 2015, 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 or financial position.

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 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 less than 1% 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

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

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 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, 2014 annual goodwill impairment test, the Company elected to utilize the qualitative assessment for all of its reporting units with the exception of its refrigerants business in the All Other Operations business segment, 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.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

Business Insurance Reserves

The Company has established insurance programs to cover workers' compensation, business automobile and general liability claims. During fiscal years 2015, 2014 and 2013, these programs had deductible limits of $1 million per occurrence. For fiscal 2016, 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, 2015, the Company had deferred tax assets of $135 million (net of an immaterial valuation allowance), deferred tax liabilities of $932 million and $21 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, 2015, 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.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

Contractual Obligations

The following table presents the Company's contractual obligations as of March 31, 2015:

(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]	$ 2,000,163	$ 250,147	$ 870,406	$ 329,610	$ 550,000
Estimated interest payments on long-term debt [2]	228,923	45,239	67,530	50,129	66,025
Non-compete agreements [3]	18,381	6,825	9,808	1,748	—
Letters of credit [4]	50,875	50,875	—	—	—
Operating leases [5]	408,620	104,273	163,848	88,317	52,182
Purchase obligations:					
Liquid bulk gas supply agreements [6]	961,551	200,842	365,240	220,971	174,498
Liquid carbon dioxide supply agreements [7]	168,315	20,386	28,850	17,921	101,158
Construction commitments [8]	83,248	47,146	36,102	—	—
Other purchase commitments [9]	18,049	18,049	—	—	—
Total Contractual Obligations	**$ 3,938,125**	**$ 743,782**	**$ 1,541,784**	**$ 708,696**	**$ 943,863**

(a) The "Less Than 1 Year" column relates to obligations due in the fiscal year ending March 31, 2016. The "1 to 3 Years" column relates to obligations due in fiscal years ending March 31, 2017 and 2018. The "4 to 5 Years" column relates to obligations due in fiscal years ending March 31, 2019 and 2020. The "More than 5 Years" column relates to obligations due beyond March 31, 2020.

(b) At March 31, 2015, the Company had $25 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.

(1) Aggregate long-term debt instruments are reflected in the consolidated balance sheet as of March 31, 2015. The Senior Notes are presented at their maturity values rather than their carrying values, which are net of aggregate discounts of $1.4 million at March 31, 2015. 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, 2015. 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, 2015 include approximately $283 million in fleet vehicles under long-term operating leases. The Company guarantees a residual value of $29 million related to its leased vehicles.

(6) In addition to the gas volumes produced internally, 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 take-or-pay supply agreements 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 $66 million in bulk gases within the next fiscal year under the Air Products supply agreements. The agreements expire at various dates through 2020. 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 2025 and represent approximately $99 million in minimum bulk gas purchases for the next fiscal year. Additionally, the Company has take-or-pay supply agreements to purchase oxygen, nitrogen, argon, helium and ammonia from other major producers. Minimum purchases under these contracts for the next fiscal year are approximately $36 million and they expire at various dates through 2024. The level of annual purchase commitments under the Company's supply agreements beyond the next fiscal year vary based on the expiration of agreements at different dates in the future, among other factors.

The Company's annual purchase commitments under all of its supply agreements reflect estimates based on fiscal 2015 purchases. The Company's supply agreements contain periodic pricing adjustments, most of which are based on certain economic indices and market analyses. 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 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 twelve suppliers that expire at various dates through 2044 and represent minimum purchases of approximately $20 million for the next fiscal year. The purchase commitments for future periods contained in the table above reflect estimates based on fiscal 2015 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) Construction commitments represent long-term agreements with two customers to construct on-site air separation units. The units will be located in Calvert City, KY and Tuscaloosa, AL.

(9) Other purchase commitments represent agreements to purchase property, plant and equipment.

Management's Discussion and Analysis continued

AIRGAS, INC. AND SUBSIDIARIES

Accounting Pronouncements Issued But Not Yet Adopted
See Note 2 to the Company's consolidated financial statements under Item 8, Financial Statements and Supplementary Data, 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 2016 fiscal year organic sales growth and earnings per diluted share; the Company's belief as to the future demand for, sales of, and increased pricing of its reclaimed and recycled R-22; the Company's belief as to its enhanced ability to supply customers with helium; 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 estimate that for every 25 basis point increase in the Company's average variable borrowing rates, the Company estimates that its annual interest expense would increase by approximately $1.7 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: the impact from the decline in oil prices on our customers; 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 and uncertainty in the energy sector; the impact of the strong dollar on the Company's manufacturer customers that export; 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 long-term supply agreements and the inability to negotiate alternative supply arrangements; supply cost pressures; shortages and/or disruptions in the supply chain of certain gases; the ability of the Company to pass on to its customers its increased costs of selling helium; EPA rulings and the impact in the marketplace of U.S. compliance with the Montreal Protocol as related to the production and import of Refrigerant-22 (also known as HCFC-22 or R-22); the Company's ability to successfully build, complete in a timely manner and operate its new facilities; higher than expected expenses associated with the expansion of the Company's telesales business, e-Business platform, the adjustment of its regional management structures, its strategic pricing initiatives and other strategic growth initiatives; increased industry competition; the Company's 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 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 overall U.S. industrial economy; catastrophic events and/or severe weather conditions; and political and economic uncertainties associated with current world events.

Statement of Management's Financial Responsibility

AIRGAS, INC. AND SUBSIDIARIES

Management of Airgas, Inc. and subsidiaries (the "Company") prepared and is responsible for the consolidated financial statements and related financial information in this Annual Report on Form 10-K. The consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles. The consolidated financial statements reflect management's informed judgment and estimation as to the effect of events and transactions that are accounted for or disclosed.

Management maintains a system of internal control, which includes internal control over financial reporting, at each business unit. The Company's system of internal control is designed to provide reasonable assurance that records are maintained in reasonable detail to properly reflect transactions and permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, that transactions are executed in accordance with management's and the Board of Directors' authorization, and that unauthorized transactions are prevented or detected on a timely basis such that they could not materially affect the financial statements. The Company also maintains a staff of internal auditors who review and evaluate the system of internal control on a continual basis. In determining the extent of the system of internal control, management recognizes that the cost should not exceed the benefits derived. The evaluation of these factors requires judgment by management.

Management evaluated the effectiveness of the Company's internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. KPMG LLP, an independent registered public accounting firm, as stated in their report appearing on page 42, issued their opinion on the effectiveness of the Company's internal control over financial reporting as of March 31, 2015 and an opinion on the fair presentation of the financial position of the Company as of March 31, 2015 and 2014, and the results of the Company's operations and cash flows for each of the years in the three-year period ended March 31, 2015.

The Audit Committee of the Board of Directors, consisting solely of independent directors, meets regularly (jointly and separately) with the independent registered public accounting firm, the internal auditors and management to satisfy itself that they are properly discharging their responsibilities. The independent registered public accounting firm has direct access to the Audit Committee.

Airgas, Inc.

Peter McCausland
Executive Chairman

Michael L. Molinini
President and
Chief Executive Officer

Robert M. McLaughlin
Senior Vice President and
Chief Financial Officer

May 27, 2015

Management's Report on Internal Control Over Financial Reporting

AIRGAS, INC. AND SUBSIDIARIES

Management of Airgas, Inc. and subsidiaries (the "Company") is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Under the supervision and with the participation of the Company's Executive Chairman of the Board, Chief Executive Officer and Chief Financial Officer, management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)*. Based on this assessment, management concluded that, as of March 31, 2015, the Company's internal control over financial reporting was effective. KPMG LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of March 31, 2015.

Airgas, Inc.

Peter McCausland
Executive Chairman

Michael L. Molinini
President and
Chief Executive Officer

Robert M. McLaughlin
Senior Vice President and
Chief Financial Officer

May 27, 2015

Report of Independent Registered Public Accounting Firm

AIRGAS, INC. AND SUBSIDIARIES

The Board of Directors and Stockholders
Airgas, Inc.:

We have audited the accompanying consolidated balance sheets of Airgas, Inc. and subsidiaries as of March 31, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended March 31, 2015. We also have audited Airgas, Inc.'s internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Airgas, Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Airgas, Inc. and subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Airgas, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG LLP

Philadelphia, Pennsylvania
May 27, 2015

Consolidated Statements of Earnings

AIRGAS, INC. AND SUBSIDIARIES

(In thousands, except per share amounts)

Years Ended March 31,	2015	2014	2013
Net Sales	$ 5,304,885	$ 5,072,537	$ 4,957,497
Costs and Expenses:			
Cost of products sold (excluding depreciation)	2,355,875	2,247,574	2,235,567
Selling, distribution and administrative expenses	1,978,674	1,889,123	1,828,524
Restructuring and other special charges, net (Note 22)	—	—	8,089
Depreciation	297,710	275,461	261,622
Amortization (Note 7)	31,348	29,845	27,278
Total costs and expenses	4,663,607	4,442,003	4,361,080
Operating Income	641,278	630,534	596,417
Interest expense, net (Note 14)	(62,232)	(73,698)	(67,494)
Loss on the extinguishment of debt (Note 9)	—	(9,150)	—
Other income, net	5,075	4,219	14,494
Earnings before income taxes	584,121	551,905	543,417
Income taxes (Note 5)	(216,035)	(201,121)	(202,543)
Net Earnings	$ 368,086	$ 350,784	$ 340,874
Net Earnings Per Common Share (Note 15):			
Basic earnings per share	$ 4.93	$ 4.76	$ 4.45
Diluted earnings per share	$ 4.85	$ 4.68	$ 4.35
Weighted Average Shares Outstanding:			
Basic	74,702	73,623	76,651
Diluted	75,851	74,910	78,307

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

AIRGAS, INC. AND SUBSIDIARIES

(In thousands)

Years Ended March 31,	2015	2014	2013
Net earnings	$ 368,086	$ 350,784	$ 340,874
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustments	(15,708)	(4,235)	(1,274)
Reclassification of hedging loss included in net earnings (Note 10)	517	517	517
Other comprehensive income (loss), before tax	(15,191)	(3,718)	(757)
Net tax expense of other comprehensive income items	(191)	(191)	(191)
Other comprehensive income (loss), net of tax	(15,382)	(3,909)	(948)
Comprehensive income	$ 352,704	$ 346,875	$ 339,926

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

AIRGAS, INC. AND SUBSIDIARIES

(In thousands, except per share amounts)

March 31,	2015	2014
Assets		
Current Assets		
Cash	$ 50,724	$ 69,561
Trade receivables, less allowances for doubtful accounts of $27,016 and $31,757 at March 31, 2015 and 2014, respectively	708,227	701,060
Inventories, net (Note 4)	474,070	478,149
Deferred income tax asset, net (Note 5)	58,072	57,961
Prepaid expenses and other current assets	124,591	92,356
Total current assets	1,415,684	1,399,087
Plant and equipment at cost (Note 6)	5,305,059	4,931,064
Less accumulated depreciation	(2,353,293)	(2,128,649)
Plant and equipment, net	2,951,766	2,802,415
Goodwill (Note 7)	1,313,644	1,289,896
Other intangible assets, net (Note 7)	244,519	258,836
Other non-current assets	47,997	43,080
Total assets	$ 5,973,610	$ 5,793,314
Liabilities And Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	$ 206,187	$ 196,911
Accrued expenses and other current liabilities (Note 8)	346,879	345,676
Short-term debt (Note 9)	325,871	387,866
Current portion of long-term debt (Note 9)	250,110	400,322
Total current liabilities	1,129,047	1,330,775
Long-term debt, excluding current portion (Note 9)	1,748,662	1,706,774
Deferred income tax liability, net (Note 5)	854,574	825,897
Other non-current liabilities	89,741	89,219
Commitments and contingencies (Notes 16 and 17)		
Stockholders' Equity (Note 12)		
Preferred stock, 20,030 shares authorized, no shares issued or outstanding at March 31, 2015 and 2014	—	—
Common stock, par value $0.01 per share, 200,000 shares authorized, 87,554 and 87,353 shares issued at March 31, 2015 and 2014, respectively	876	874
Capital in excess of par value	853,800	789,789
Retained earnings	2,231,026	2,047,843
Accumulated other comprehensive income	(14,853)	529
Treasury stock, 12,197 and 13,264 shares at cost at March 31, 2015 and 2014, respectively	(919,263)	(998,386)
Total stockholders' equity	2,151,586	1,840,649
Total liabilities and stockholders' equity	$ 5,973,610	$ 5,793,314

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

AIRGAS, INC. AND SUBSIDIARIES

	Years Ended March 31, 2015, 2014 and 2013							
(In thousands, except per share amounts)	Shares of Common Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shares of Treasury Stock	Treasury Stock	Total Stockholders' Equity
Balance — April 1, 2012	86,874	$ 869	$ 649,551	$ 1,701,478	$ 5,386	(10,207)	$ (607,026)	$ 1,750,258
Net earnings				340,874				340,874
Foreign currency translation adjustments					(1,274)			(1,274)
Reclassification of hedging loss included in net earnings (Note 10)					517			517
Net tax expense of other comprehensive income items					(191)			(191)
Treasury stock reissuances in connection with stock options exercised (Note 13)			—	(58,755)		2,421	147,455	88,700
Dividends paid on common stock ($1.60 per share) (Note 12)				(122,202)				(122,202)
Excess tax benefit associated with the exercise of stock options			36,160					36,160
Shares issued in connection with the Employee Stock Purchase Plan (Note 13)	261	2	17,086					17,088
Stock-based compensation expense (Note 13)			27,053					27,053
Purchase of treasury stock (Note 12)						(6,291)	(600,000)	(600,000)
Balance — March 31, 2013	87,135	$ 871	$ 729,850	$ 1,861,395	$ 4,438	(14,077)	$(1,059,571)	$ 1,536,983
Net earnings				350,784				350,784
Foreign currency translation adjustments					(4,235)			(4,235)
Reclassification of hedging loss included in net earnings (Note 10)					517			517
Net tax expense of other comprehensive income items					(191)			(191)
Treasury stock reissuances in connection with stock options exercised (Note 13)			—	(22,875)		813	61,185	38,310
Dividends paid on common stock ($1.92 per share) (Note 12)				(141,461)				(141,461)
Excess tax benefit associated with the exercise of stock options			13,668					13,668
Shares issued in connection with the Employee Stock Purchase Plan (Note 13)	218	3	17,310					17,313
Stock-based compensation expense (Note 13)			28,961					28,961
Balance — March 31, 2014	87,353	$ 874	$ 789,789	$ 2,047,843	$ 529	(13,264)	$ (998,386)	$ 1,840,649
Net earnings				368,086				368,086
Foreign currency translation adjustments					(15,708)			(15,708)
Reclassification of hedging loss included in net earnings (Note 10)					517			517
Net tax expense of other comprehensive income items					(191)			(191)
Treasury stock reissuances in connection with stock options exercised (Note 13)			(1,368)	(20,386)		1,026	76,033	54,279
Reissuance of treasury stock for acquisition (Note 3)			1,368			41	3,090	4,458
Dividends paid on common stock ($2.20 per share) (Note 12)				(164,517)				(164,517)
Excess tax benefit associated with the exercise of stock options			16,045					16,045
Shares issued in connection with the Employee Stock Purchase Plan (Note 13)	201	2	17,939					17,941
Stock-based compensation expense (Note 13)			30,027					30,027
Balance — March 31, 2015	87,554	$ 876	$ 853,800	$ 2,231,026	$ (14,853)	(12,197)	$ (919,263)	$ 2,151,586

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

AIRGAS, INC. AND SUBSIDIARIES

(In thousands) **Years Ended March 31,**	**2015**	**2014**	**2013**
Cash Flows from Operating Activities			
Net earnings	$ 368,086	$ 350,784	$ 340,874
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	297,710	275,461	261,622
Amortization	31,348	29,845	27,278
Impairment	—	—	1,729
Deferred income taxes	32,841	(6,869)	36,309
Loss (gain) on sales of plant and equipment	(3,137)	(1,264)	(1,551)
Gain on sale of businesses	—	—	(6,822)
Stock-based compensation expense	30,027	28,961	27,053
Loss on the extinguishment of debt	—	9,150	—
Changes in assets and liabilities, excluding effects of business acquisitions and divestitures:			
Trade receivables, net	(925)	20,030	(42,485)
Inventories, net	5,091	2,291	(62,317)
Prepaid expenses and other current assets	(31,935)	41,408	(14,706)
Accounts payable, trade	4,954	4,732	(2,636)
Accrued expenses and other current liabilities	(3,377)	(4,463)	(8,090)
Other, net	(12,646)	(5,206)	(5,990)
Net cash provided by operating activities	718,037	744,860	550,268
Cash Flows from Investing Activities			
Capital expenditures	(468,789)	(354,587)	(325,465)
Proceeds from sales of plant, equipment and businesses	23,083	15,483	31,413
Business acquisitions and holdback settlements	(51,382)	(203,529)	(97,521)
Other, net	325	(951)	(1,286)
Net cash used in investing activities	(496,763)	(543,584)	(392,859)
Cash Flows from Financing Activities			
Net increase (decrease) in short-term debt	(62,776)	387,352	(388,452)
Proceeds from borrowings of long-term debt	317,423	135,861	862,832
Repayment of long-term debt	(415,907)	(636,587)	(21,428)
Financing costs	(5,445)	—	(6,697)
Premium paid on redemption of senior subordinated notes	—	(7,676)	—
Purchase of treasury stock	—	(8,127)	(591,873)
Proceeds from the exercise of stock options	54,280	38,310	88,700
Stock issued for the Employee Stock Purchase Plan	17,940	17,313	17,088
Excess tax benefit realized from the exercise of stock options	16,045	13,668	36,160
Dividends paid to stockholders	(164,517)	(141,461)	(122,202)
Change in cash overdraft and other	2,846	(16,754)	10,186
Net cash used in financing activities	(240,111)	(218,101)	(115,686)
Change in cash	$ (18,837)	$ (16,825)	$ 41,723
Cash — Beginning of period	69,561	86,386	44,663
Cash — End of period	$ 50,724	$ 69,561	$ 86,386

For supplemental cash flow disclosures, see Note 20.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

AIRGAS, INC. AND SUBSIDIARIES

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of the Business

Airgas, Inc., together with its subsidiaries ("Airgas" or the "Company"), became a publicly traded company on the New York Stock Exchange in 1986. Since its inception, the Company has made more than 450 acquisitions to become one of the nation's leading suppliers of industrial, medical and specialty gases, and hardgoods, such as welding equipment and related products. Airgas is a leading U.S. producer of atmospheric gases, carbon dioxide, dry ice and nitrous oxide, one of the largest U.S. suppliers of safety products, and a leading U.S. supplier of refrigerants, ammonia products and process chemicals. The Company markets its products and services through multiple sales channels, including branch-based sales representatives, retail stores, strategic customer account programs, telesales, catalogs, e-Business and independent distributors. Approximately 17,000 associates work in more than 1,100 locations, including branches, retail stores, gas fill plants, specialty gas labs, production facilities and distribution centers.

(b) Basis of Presentation

The consolidated financial statements include the accounts of Airgas, Inc. and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

The Company has made estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). Estimates are used for, but not limited to, determining the net carrying value of trade receivables, inventories, plant and equipment, goodwill, other intangible assets, asset retirement obligations, business and health insurance reserves, loss contingencies and deferred tax assets. Actual results could differ from those estimates.

(c) Cash and Cash Overdraft

On a daily basis, available funds are swept from depository accounts into a concentration account and used to repay borrowings under the Company's commercial paper program. Cash principally represents the balance of customer checks that have not yet cleared through the banking system and become available to be swept into the concentration account, and deposits made subsequent to the daily cash sweep. The Company does not fund its disbursement accounts for checks it has written until the checks are presented to the bank for payment. Cash overdrafts represent the balance of outstanding checks and are classified with other current liabilities. There are no compensating balance requirements or other restrictions on the transfer of cash associated with the Company's depository accounts.

(d) Allowance for Doubtful Accounts

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.

(e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") and average-cost methods. Substantially all of the inventories are finished goods.

(f) Plant and Equipment

Plant and equipment are initially stated at cost. Long-lived assets, including plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the recorded values cannot be recovered from the undiscounted future cash flows. For impairment testing purposes, long-lived assets are grouped with other assets and liabilities at the lowest level for which independent identifiable cash flows are determinable. When the book value of an asset or group of assets exceeds the associated undiscounted expected future cash flows, it is considered to be potentially impaired and is written down to fair value, which is determined based on either discounted future cash flows or appraised values. The Company also leases property, plant and equipment, principally under operating leases. Rent expense for operating leases, which may have escalating rentals or rent holidays, is recorded on a straight-line basis over the respective lease terms.

The Company determines depreciation expense using the straight-line method based on the estimated useful lives of the related assets. The Company uses accelerated depreciation methods for tax purposes where appropriate. Depreciation expense is recognized on the Company's plant and equipment in the consolidated statement of earnings line item "Depreciation."

The Company capitalizes the interest cost associated with the development and construction of significant new plant and equipment and depreciates that amount over the lives of the related assets. Capitalized interest recorded for construction in progress during each of the years in the three-year period ended March 31, 2015 was not material.

(g) Computer Software

The Company capitalizes certain costs incurred to purchase or develop computer software for internal use. These costs include purchased software packages, payments to vendors and consultants for the development, implementation or modification of purchased software packages for Company use, payroll and related costs for employees associated with internal-use software projects, interest costs incurred in developing software for internal use, and software costs that allow for access or conversion of old data by new internal-use software. Capitalized computer software costs are included

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

within plant and equipment on the Company's consolidated balance sheets and depreciated over the estimated useful life of the computer software, which is generally three to ten years.

(h) Goodwill and Other Intangible Assets
Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. 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.

Other intangible assets primarily consist of non-competition agreements and customer relationships resulting from business acquisitions. Both non-competition agreements and customer relationships are recorded based on their acquisition date fair values. Non-competition agreements are amortized using the straight-line method over the respective terms of the agreements. Customer relationships are amortized using the straight-line method over their estimated useful lives, which range from seven to 25 years. The determination of the estimated benefit periods associated with customer relationships is based on an analysis of historical customer sales attrition information and other customer-related factors at the date of acquisition. There are no expected residual values related to the Company's other intangible assets.

The Company evaluates the estimated benefit periods and recoverability of its other intangible assets when facts and circumstances indicate that the lives may not be appropriate and/or the carrying values of the asset group containing other intangible assets may not be recoverable through the projected undiscounted future cash flows of the group. If the carrying value of the asset group containing other intangible assets is not recoverable, impairment is measured as the amount by which the carrying value exceeds its estimated fair value. Fair value is determined using discounted cash flows or other techniques.

(i) Deferred Financing Costs
Financing costs related to the issuance of long-term debt are deferred and included in prepaid expenses and other current assets or in other non-current assets, depending upon the classification of the debt to which the costs relate. Deferred financing costs are amortized as interest expense over the term of the related debt instrument.

(j) Asset Retirement Obligations
The fair value of a liability for an asset retirement obligation is recognized in the period during which the asset is placed in service. The fair value of the liability is estimated using projected discounted cash flows. In subsequent periods, the retirement obligation is accreted to its future value, which is the estimate of the obligation at the asset retirement date. When the asset is placed in service, a corresponding retirement asset equal to the fair value of the retirement obligation is also recorded as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life. The majority of the Company's asset retirement obligations are related to the restoration costs associated with returning plant and bulk tank sites to their original condition upon termination of long-term leases or supply agreements. The Company's asset retirement obligations totaled $20.4 million and $19.0 million at March 31, 2015 and 2014, respectively, and are reflected within other non-current liabilities on the Company's consolidated balance sheets.

(k) Nonretirement Postemployment Benefits
The Company has a severance plan covering its eligible employees. The benefit payable under the plan is attributable to employee services rendered with benefits that accumulate over time. When employees are entitled to severance benefits as part of a restructuring plan (see Note 22) and the benefits are part of an ongoing benefit arrangement, a liability and associated charge is recognized when payment of the severance benefits becomes probable and estimable.

(l) Loss Contingencies
Liabilities for loss contingencies arising from claims, assessments, litigation and other sources are recorded when it is probable that a liability has been incurred and the amount of the claim, assessment or damages can be reasonably estimated.

The Company maintains business insurance programs with deductible limits, which cover workers' compensation, business automobile and general liability claims. The Company accrues estimated losses using actuarial models and assumptions based on historical loss experience. The actuarial calculations used to estimate business insurance reserves are based on numerous assumptions, some of which are subjective. The Company will adjust its business insurance reserves, if necessary, in the event future loss experience differs from historical loss patterns.

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

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.

(n) Foreign Currency Translation
The functional currency of the Company's foreign operations is the applicable local currency. The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

sheet date and for revenue and expense accounts using average exchange rates during each reporting period. The gains or losses resulting from such translations are included in stockholders' equity as a component of accumulated other comprehensive income. Gains and losses arising from foreign currency transactions are reflected in the consolidated statements of earnings as incurred.

(o) Treasury Stock
The Company records repurchases of its common stock for treasury at cost. Upon the reissuance of the Company's common stock from treasury, differences between the proceeds from reissuance and the average cost of the treasury stock are credited or charged to capital in excess of par value to the extent of prior credits related to the reissuance of treasury stock. If no such credits exist, the differences are charged to retained earnings.

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

(q) Derivative Instruments and Hedging Activities
The Company manages its exposure to changes in market interest rates through the occasional use of interest rate derivative instruments, when deemed appropriate. The Company's involvement with derivative instruments has been limited to interest rate swap and treasury rate lock agreements used to manage well-defined interest rate risk exposures. An interest rate swap is a contractual exchange of interest payments between two parties. A standard interest rate swap involves the payment of a fixed rate times a notional amount by one party in exchange for receiving a floating rate times the same notional amount from the other party. As interest rates change, the difference to be paid or received is accrued and recognized as interest expense or income over the life of the agreement. Treasury rate lock agreements are used to fix the interest rate related to forecasted debt issuances. Interest rate swap and treasury rate lock agreements are not entered into for trading purposes.

When the Company has derivative instruments outstanding, it monitors its positions as well as the credit ratings of its counterparties, including the potential for non-performance by the counterparties. The Company recognizes outstanding derivative instruments as either assets or liabilities at fair value on the consolidated balance sheet. Interest rate contracts have traditionally been designated as hedges and recorded at fair value, with changes in fair value recognized in either accumulated other comprehensive income or in the carrying value of the hedged portions of fixed-rate debt, as applicable. Gains and losses on derivative instruments representing hedge ineffectiveness were recognized immediately in the respective year's earnings.

(r) Revenue Recognition
Revenue from sales of gases and hardgoods products is recognized when the product is shipped, the sales price is fixed or determinable and collectability is reasonably assured. Rental fees on cylinders, cryogenic liquid containers, bulk gas storage tanks and other equipment are recognized when earned. For contracts that contain multiple deliverables, principally product supply agreements for gases and container rental, revenue is recognized for each deliverable as a separate unit of accounting, with selling prices derived from Company specific or third-party evidence. For cylinder lease agreements in which rental fees are collected in advance, revenues are deferred and recognized over the respective terms of the lease agreements. Amounts billed for sales tax, value added tax or other transactional taxes imposed on revenue-producing transactions are presented on a net basis and are not recognized as revenue.

(s) Cost of Products Sold (Excluding Depreciation)
Cost of products sold (excluding depreciation) for the Distribution business segment includes the cost of direct materials, freight-in and maintenance costs associated with cylinders, cryogenic liquid containers and bulk tanks. Cost of products sold (excluding depreciation) related to gases produced by the Company's air separation facilities includes direct manufacturing expenses, such as direct labor, power and overhead.

Cost of products sold (excluding depreciation) for the All Other Operations business segment principally consists of direct material costs, freight-in and direct manufacturing expenses, such as direct labor, power and overhead.

(t) Selling, Distribution and Administrative Expenses
Selling, distribution and administrative 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 and tax, and facility-related expenses.

(u) Shipping and Handling Fees and Distribution Costs
The Company recognizes delivery and freight charges to customers as elements of net sales. Costs of third-party freight-in are recognized as cost of products sold (excluding depreciation). The majority of the costs associated with the distribution of the Company's products, which include labor and overhead associated with filling, warehousing and delivery by Company and third-party vehicles, are reflected in selling, distribution and administrative expenses and were $889 million, $850 million and $841 million for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. The Company conducts multiple operations out of the same facilities and does not allocate facility-related expenses to each operational function. Accordingly, there is no facility-related expense in the distribution costs disclosed above. Depreciation expense associated with the Company's delivery fleet of $32 million, $32 million and $30 million was recognized in depreciation for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

(v) Stock-based Compensation
The Company grants stock-based compensation awards in connection with its equity incentive and employee stock purchase plans. Stock-based compensation expense is generally recognized on a straight-line basis over the stated vesting period for each award, with accelerated vesting for retirement-eligible employees in accordance with the provisions of the equity incentive plan. See Note 13 for additional disclosures relating to stock-based compensation.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 2
ACCOUNTING AND DISCLOSURE CHANGES

Recently Adopted Accounting Pronouncements
In March 2013, the Financial Accounting Standards Board ("FASB") issued new guidance clarifying the accounting for the release of cumulative translation adjustments ("CTA") into net income upon the occurrence of certain sale or other derecognition transactions related to foreign entities. The new guidance describes the circumstances in which CTA should be released (either partially or fully) into net income based on the type of transaction related to a foreign entity. The Company adopted the new guidance effective April 1, 2014. The guidance did not have an impact on the Company's financial position, results of operation or liquidity upon adoption.

In July 2013, the FASB issued new guidance clarifying the financial statement presentation of unrecognized tax benefits. The new guidance specifies that an unrecognized tax benefit (or a portion thereof) shall be presented in the financial statements as a reduction to a deferred tax asset depending on the availability of certain deferred tax assets to settle the additional income taxes resulting from the disallowance of a tax position. If the deferred tax asset is not available or the entity does not plan to use the deferred tax asset for such purpose given the option, the unrecognized tax benefit shall be presented in the financial statements as a liability and shall not be combined with deferred tax assets. The Company adopted the new guidance effective April 1, 2014, with no material impact on the balance sheet presentation of its unrecognized tax benefits.

Accounting Pronouncements Not Yet Adopted
In April 2014, the FASB issued new guidance on the reporting of discontinued operations. The guidance amends existing standards by limiting the presentation of discontinued operations to disposals that represent a strategic shift with a major effect on an entity's operations and financial results. In contrast, many disposals under current standards, which may be more routine in nature and not change an entity's strategy, are reported in discontinued operations. The guidance also requires new disclosures around both disposals qualifying for discontinued operations as well as significant disposals that are not considered discontinued operations. The Company adopted the new guidance effective April 1, 2015. The guidance did not have an impact on the Company's consolidated financial statements and related disclosures upon adoption. The Company will prospectively apply the provisions of the new guidance to applicable disposal transactions.

In May 2014, the FASB issued new guidance on the accounting for revenue from contracts with customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new guidance will replace most existing GAAP revenue recognition guidance when it becomes effective. The new standard is effective for the Company on April 1, 2017, and early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that the new guidance will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2015, the FASB issued new guidance changing the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The new guidance changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (VIE), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. The new guidance is effective for the Company on April 1, 2016, with early adoption permitted, including early adoption in an interim period. The new guidance may be applied using either a modified retrospective approach or on a full retrospective basis. The Company does not expect this adoption to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued new guidance simplifying the financial statement presentation of debt issuance costs. The new guidance specifies that debt issuance costs related to a recognized debt liability shall be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this accounting standards update. The new guidance is effective for the Company on April 1, 2016, with early adoption permitted, for financial statements that have not been previously issued. The new guidance must be applied on a retrospective basis. The Company does not expect this adoption to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued new guidance on customer's accounting for fees paid in a cloud computing arrangement. The amendments in this accounting standards update provide guidance to customers about whether a cloud computing arrangement includes a software license. The new guidance clarifies that if a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change generally accepted accounting principles for a customer's accounting for service contracts. The new guidance is effective for the Company on April 1, 2016, with early adoption permitted. The new guidance may be applied either prospectively to all arrangements entered into or materially modified after the effective date or on a retrospective basis. The Company does not expect this adoption to have a material impact on its consolidated financial statements.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 3

ACQUISITIONS AND DIVESTITURES

Acquisitions are recorded using the acquisition method of accounting and accordingly, results of their operations are included in the Company's consolidated financial statements from the effective date of each respective acquisition. The Company negotiates the respective purchase prices of acquired businesses based on the expected cash flows to be derived from their operations after integration into the Company's existing distribution, production and service networks. The acquisition purchase price for each business is allocated based on the fair values of the assets acquired and liabilities assumed. Management estimates the fair values of acquired intangible assets other than goodwill using the income approach (i.e. discounted cash flows), and plant and equipment using either the cost or market approach, depending on the type of fixed asset.

Fiscal 2015

During fiscal 2015, the Company acquired 14 businesses with historical annual sales of approximately $55 million. Transaction and other integration costs incurred in fiscal 2015 were $1.7 million and were included in selling, distribution and administrative expenses in the Company's consolidated statement of earnings. These acquisitions contributed approximately $27 million in net sales in fiscal 2015.

Purchase price allocations for certain businesses most recently acquired during fiscal 2015 are primarily based on provisional fair values and are subject to revision as the Company finalizes appraisals and other analyses. Final determination of the fair values may result in further adjustments to the values presented below. The following table summarizes the consideration transferred and the estimated fair values of the assets acquired and liabilities assumed for fiscal 2015 acquisitions, as well as adjustments to finalize the valuations of certain prior year acquisitions. Valuation adjustments related to prior year acquisitions were not significant.

(In thousands)	Distribution Business Segment	All Other Operations Business Segment	Total
Consideration			
Cash [(a)]	$ 50,774	$ 1,053	$ 51,827
Airgas, Inc. common stock [(b)]	4,458	—	4,458
Fair value of total consideration transferred	$ 55,232	$ 1,053	$ 56,285
Recognized amounts of identifiable assets acquired and liabilities assumed			
Current assets, net	$ 9,705	$ 3	$ 9,708
Plant and equipment	13,824	—	13,824
Other intangible assets	15,122	1,040	16,162
Current liabilities	(5,765)	(50)	(5,815)
Non-current liabilities	(4,526)	—	(4,526)
Total identifiable net assets	28,360	993	29,353
Goodwill	26,872	60	26,932
	$ 55,232	$ 1,053	$ 56,285

(a) Includes cash paid, net of cash acquired, for current year acquisitions as well as payments for the settlement of holdback liabilities and contingent consideration arrangements associated with prior year acquisitions.

(b) Represents 41,060 shares of Airgas, Inc. common stock issued in connection with a single acquisition. The fair value of the shares issued as part of the consideration for the acquisition was determined based on the closing sales price of Airgas, Inc. common stock on the acquisition date.

The fair value of trade receivables acquired with fiscal 2015 acquisitions was $6.2 million, with gross contractual amounts receivable of $7.0 million. Goodwill associated with fiscal 2015 acquisitions was $25.1 million, of which $20.9 million is deductible for income tax purposes. Goodwill largely consists of expected synergies resulting from the acquisitions, including increased distribution density and enhanced capabilities that will facilitate the sale of industrial, medical and specialty gases, and related supplies. Other intangible assets related to fiscal 2015 acquisitions represent customer relationships and non-competition agreements and amounted to $11.3 million and $4.8 million, respectively. See Note 7 for further information on goodwill and other intangible assets.

Pro Forma Operating Results

The following table provides unaudited pro forma results of operations for fiscal 2015 and 2014, as if fiscal 2015 acquisitions had occurred on April 1, 2013. The pro forma results were prepared from financial information obtained from the sellers of the businesses, as well as information obtained during the due diligence process associated with the acquisitions. The unaudited pro forma results reflect certain adjustments related to the acquisitions, such as increased depreciation and amortization expense resulting from the stepped-up basis to fair value of assets acquired and adjustments to reflect the Company's borrowing and tax rates. The pro forma operating results do not include any anticipated synergies related to combining the businesses. Accordingly, such pro forma operating results were prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of April 1, 2013 or of results that may occur in the future.

	Unaudited Years Ended March 31,	
(In thousands, except per share amounts)	2015	2014
Net sales	$ 5,327,458	$ 5,123,979
Net earnings	368,305	351,941
Diluted earnings per share	$ 4.86	$ 4.70

Fiscal 2014

During fiscal 2014, the Company acquired eleven businesses with 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 sales in calendar 2012. Transaction and other integration costs incurred in fiscal 2014 were $1.5 million and were included in selling, distribution and administrative expenses in the Company's consolidated statement of earnings. These acquisitions contributed approximately $33 million in net sales in fiscal 2014.

The following table summarizes, as of March 31, 2014, the consideration transferred and the estimated fair values of the assets acquired and liabilities assumed for fiscal 2014 acquisitions, as well as adjustments to finalize the valuations of certain prior year acquisitions. Valuation adjustments related to prior year acquisitions were not significant.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

(In thousands)	Distribution Business Segment	All Other Operations Business Segment	Total
Consideration			
Cash [(a)]	$ 204,957	$ 413	$ 205,370
Recognized amounts of identifiable assets acquired and liabilities assumed			
Current assets, net	$ 14,631	$ 9	$ 14,640
Plant and equipment	48,919	(746)	48,173
Other intangible assets	60,190	—	60,190
Current liabilities	(6,088)	1,366	(4,722)
Non-current liabilities	(8,321)	—	(8,321)
Total identifiable net assets	109,331	629	109,960
Goodwill	95,626	(216)	95,410
	$ 204,957	$ 413	$ 205,370

(a) Includes cash paid, net of cash acquired, for current year acquisitions as well as payments for the settlement of holdback liabilities and contingent consideration arrangements associated with prior year acquisitions.

The fair value of trade receivables acquired with fiscal 2014 acquisitions was $8.9 million, with gross contractual amounts receivable of $9.4 million. Goodwill associated with fiscal 2014 acquisitions was $93.3 million, of which $89.7 million is deductible for income tax purposes. Goodwill largely consists of expected synergies resulting from the acquisitions, including the expansion of geographical coverage that will facilitate the sale of industrial, medical and specialty gases and related supplies. Other intangible assets related to fiscal 2014 acquisitions represent customer relationships and non-competition agreements, and amounted to $55.8 million and $4.3 million, respectively.

Pro Forma Operating Results

The following table provides unaudited pro forma results of operations for fiscal 2014 and 2013, as if fiscal 2014 acquisitions had occurred on April 1, 2012. The pro forma operating results were prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of April 1, 2012 or of results that may occur in the future.

	Unaudited Years Ended March 31,	
(In thousands, except per share amounts)	2014	2013
Net sales	$ 5,122,936	$ 5,037,123
Net earnings	352,421	343,933
Diluted earnings per share	$ 4.70	$ 4.39

Fiscal 2013

During fiscal 2013, the Company acquired 18 businesses with historical annual sales of approximately $95 million. Transaction and other integration costs incurred in fiscal 2013 were $1.3 million and were included in selling, distribution and administrative expenses in the Company's consolidated statement of earnings. These acquisitions contributed approximately $30 million in net sales in fiscal 2013.

The following table summarizes, as of March 31, 2013, the consideration transferred and the estimated fair values of the assets acquired and liabilities assumed for fiscal 2013 acquisitions, as well as adjustments to finalize the valuations of certain prior year acquisitions. Valuation adjustments related to prior year acquisitions were not significant.

(In thousands)	Distribution Business Segment	All Other Operations Business Segment	Total
Consideration			
Cash [(a)]	$ 93,555	$ 3,966	$ 97,521
Recognized amounts of identifiable assets acquired and liabilities assumed			
Current assets, net	$ 14,627	$ 548	$ 15,175
Plant and equipment	24,191	1,018	25,209
Other intangible assets	38,658	2,155	40,813
Current liabilities	(10,990)	(2,134)	(13,124)
Non-current liabilities	(4,035)	(722)	(4,757)
Total identifiable net assets	62,451	865	63,316
Goodwill	31,104	3,101	34,205
	$ 93,555	$ 3,966	$ 97,521

(a) Includes cash paid, net of cash acquired, for current year acquisitions as well as payments for the settlement of holdback liabilities and contingent consideration arrangements associated with prior year acquisitions.

The fair value of trade receivables acquired with fiscal 2013 acquisitions was $9.2 million, with gross contractual amounts receivable of $9.6 million. Goodwill associated with fiscal 2013 acquisitions was $35.2 million and is deductible for income tax purposes. Goodwill largely consists of expected synergies resulting from the acquisitions, including the expansion of geographical coverage that will facilitate the sale of industrial, medical and specialty gases and related supplies, and the addition of businesses complementary to the Company's portfolio of products and services. Other intangible assets related to fiscal 2013 acquisitions represent customer relationships and non-competition agreements, and amounted to $30.4 million and $11.7 million, respectively.

Divestitures

On June 1, 2012, the Company divested the assets and operations of five branch locations in western Canada. The Company realized a gain on sale of $6.8 million ($5.5 million after tax) recorded in the "Other income, net" line item of the Company's consolidated statement of earnings. The operations were included in the Distribution business segment and contributed net sales that were not material to the Company's consolidated statement of earnings. Proceeds from the sale were used primarily to pay down outstanding debt under the Company's multi-currency revolving credit line.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 4

INVENTORIES, NET

Inventories, net, consist of:

(In thousands) March 31,	2015	2014
Hardgoods	$ 311,453	$ 313,127
Gases	162,617	165,022
	$ 474,070	$ 478,149

NOTE 5

INCOME TAXES

Earnings before income taxes were derived from the following sources:

(In thousands) Years Ended March 31,	2015	2014	2013
United States	$ 572,182	$ 539,063	$ 519,833
Foreign	11,939	12,842	23,584
	$ 584,121	$ 551,905	$ 543,417

Income tax expense consists of:

(In thousands) Years Ended March 31,	2015	2014	2013
Current:			
Federal	$ 163,774	$ 184,308	$ 145,603
Foreign	2,010	4,561	7,042
State	17,410	19,121	13,589
	183,194	207,990	166,234
Deferred:			
Federal	24,499	(4,722)	26,993
Foreign	2,604	(1,127)	(975)
State	5,738	(1,020)	10,291
	32,841	(6,869)	36,309
	$ 216,035	$ 201,121	$ 202,543

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

Years Ended March 31,	2015	2014	2013
Taxes at U.S. federal statutory rate	35.0 %	35.0 %	35.0 %
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal benefit	2.6 %	2.1 %	2.9 %
Domestic production activities deduction	(1.0)%	(1.0)%	(0.9)%
Other, net	0.4 %	0.3 %	0.3 %
	37.0 %	36.4 %	37.3 %

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

(In thousands) March 31,	2015	2014
Deferred Tax Assets:		
Inventories	$ 27,697	$ 25,874
Deferred rental income	17,986	18,256
Insurance reserves	14,157	12,627
Litigation settlement and other reserves	3,132	3,181
Asset retirement obligations	7,553	7,180
Stock-based compensation	33,538	30,934
Other	19,876	21,864
Net operating loss carryforwards	12,061	13,081
Valuation allowance	(671)	(308)
	135,329	132,689
Deferred Tax Liabilities:		
Plant and equipment	(711,840)	(702,080)
Intangible assets	(207,690)	(188,289)
Other	(12,301)	(10,256)
	(931,831)	(900,625)
Net deferred tax liability	$ (796,502)	$ (767,936)

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

(In thousands) March 31,	2015	2014
Current deferred income tax asset, net	$ 58,072	$ 57,961
Non-current deferred income tax liability, net	(854,574)	(825,897)
Net deferred tax liability	$ (796,502)	$ (767,936)

The Company has recorded tax benefits amounting to $16.0 million, $13.7 million and $36.2 million in the years ended March 31, 2015, 2014 and 2013, respectively, resulting from the exercise of stock options. This benefit has been recorded in capital in excess of par value.

The Company has recorded deferred tax assets related to the expected future tax benefits of net operating losses of $12.1 million and $13.1 million as of March 31, 2015 and 2014, respectively. Federal and state net operating loss carryforwards expire at various times through 2034. Foreign net operating losses are available to offset future income taxes over an indefinite period.

U.S. income taxes have not been provided on approximately $99 million of undistributed earnings of non-U.S. subsidiaries because it is the Company's intention to continue to reinvest these earnings in those subsidiaries to support their growth. Due to the timing and circumstances of repatriation of such earnings, if any, it is not practicable to determine the unrecognized deferred tax liability relating to such amounts.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

As of March 31, 2015, the Company has unrecognized state tax benefits of approximately $21.0 million, which were recorded in other non-current liabilities, and a related $8.6 million of federal tax assets associated with those state tax benefits recorded in non-current deferred tax assets. If recognized, all of the unrecognized tax benefits and related interest and penalties would reduce tax expense. The Company does not anticipate significant changes in the amount of unrecognized income tax benefits over the next year.

A reconciliation of the beginning and ending amount of unrecognized net income tax benefits, including penalties associated with uncertain tax positions, is as follows:

(In thousands) March 31,	2015	2014
Beginning unrecognized net income tax benefits	$ 18,224	$ 16,467
Additions for current year tax positions	3,565	3,054
Additions for tax positions of prior years	1,288	151
Reductions for tax positions of prior years	(1,646)	(1,448)
Reductions for settlements with taxing authorities	(234)	—
Reductions as a result of expiration of applicable statutes of limitations	(214)	—
Ending unrecognized net income tax benefits	$ 20,983	$ 18,224

Interest and penalties recognized for the years ended March 31, 2015, 2014 and 2013 were classified as income tax expense in the Company's consolidated statements of earnings and were not material. Consistent with past practice, the Company will continue to record interest and penalties associated with uncertain tax positions in income tax expense. The Company had approximately $4.7 million and $4.8 million for the payment of interest and penalties accrued at March 31, 2015 and 2014, respectively.

The Company files income tax returns in the United States and foreign jurisdictions. The Company also files income tax returns in every state which imposes corporate income tax. The Company is not under examination by the IRS or in any significant foreign, state or local tax jurisdictions. With limited exceptions, the Company is no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities for years before fiscal 2011.

NOTE 6

PLANT AND EQUIPMENT

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

(In thousands) March 31,	Depreciable Lives (Years)	2015	2014
Land and land improvements	—	$ 225,721	$ 209,195
Buildings and improvements	25	581,076	538,712
Cylinders	30	1,461,600	1,405,857
Bulk tank stations	10 to 30 (Average 17)	789,881	720,717
Rental equipment	2 to 10	466,833	403,351
Machinery and equipment	7 to 10	988,857	948,638
Computers, furniture and fixtures	3 to 10	338,316	303,400
Transportation equipment	3 to 15	369,034	341,709
Construction in progress	—	83,741	59,485
		$ 5,305,059	$ 4,931,064

NOTE 7

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The valuations of assets acquired and liabilities assumed from certain recent acquisitions are based on preliminary estimates of fair value and are subject to revision as the Company finalizes appraisals and other analysis. Changes in the carrying amount of goodwill by business segment for fiscal 2015 and 2014 were as follows:

(In thousands)	Distribution Business Segment	All Other Operations Business Segment	Total
Balance at March 31, 2013	$ 998,128	$ 197,485	$ 1,195,613
Acquisitions [(a)]	95,626	(216)	95,410
Other adjustments, including foreign currency translation	(1,026)	(101)	(1,127)
Balance at March 31, 2014	1,092,728	197,168	1,289,896
Acquisitions [(a)]	26,872	60	26,932
Other adjustments, including foreign currency translation	(3,031)	(153)	(3,184)
Balance at March 31, 2015	$ 1,116,569	$ 197,075	$ 1,313,644

(a) Includes acquisitions completed during the respective year and adjustments made to prior year acquisitions.

Annual Test for Goodwill Impairment

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. At October 31, 2014, the Company had 21 reporting units in the Distribution business segment and 5

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

reporting units in the All Other Operations business segment, each of which constitutes an operating segment for purposes of the Company's segment reporting.

GAAP provides that prior to performing the traditional two-step goodwill impairment test, 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, referred to as the "Step 0" assessment. The Step 0 assessment requires the evaluation of certain events and circumstances such as macroeconomic conditions, industry and market considerations, cost factors and overall financial performance, as well as company and reporting unit-specific items. After performing the Step 0 assessment, should the Company determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, it is required to perform the prescribed two-step goodwill impairment test 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 the Company concludes otherwise based on the Step 0 assessment, the two-step goodwill impairment test is not required. The Step 0 assessment can be applied to none, some or all of the Company's reporting units in any period, and the Company may also bypass the Step 0 assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test for the given reporting unit.

For the October 31, 2014 goodwill impairment test, the Company applied the Step 0 assessment to all 21 of the reporting units in the Distribution business segment and four of the five reporting units in the All Other Operations business segment. After performing the Step 0 assessment for these reporting units, the Company concluded that it is more likely than not that the fair value of each reporting unit is greater than its carrying amount. Therefore, the two-step goodwill impairment test is not required for these reporting units.

However, the Company bypassed the option to perform the Step 0 assessment and proceeded directly to performing the first step of the two-step goodwill impairment test for the Company's refrigerants business in the All Other Operations business segment. The Company determined the estimated fair value of the reporting unit as of October 31, 2014 using a discounted cash flow model and compared this value to the carrying value of the reporting unit. Significant assumptions used in the cash flow model include sales growth rates and profit margins based on the reporting unit's business plan, future capital expenditures, working capital needs, and discount and perpetual growth rates. The discount rate used to estimate the fair value of the reporting unit exceeded the Company's weighted average cost of capital as a whole, as the discount rate used for this purpose assigns a higher risk premium to the smaller entity. The perpetual growth rate assumed in the discounted cash flow model was in line with the long-term growth rate as measured by the U.S. Gross Domestic Product and the industry's long-term rate of growth. In addition to Company and reporting unit-specific growth targets, general economic conditions, the long-term economic outlook for the U.S. economy, and market conditions affecting borrowing costs and returns on equity all influence the estimated fair value of the reporting unit. The Company's methodology used for valuing this reporting unit for the purpose of its goodwill impairment test is consistent with the prior year.

For the Company's refrigerants business, the result of the annual goodwill impairment test indicated that the fair value of the reporting unit was in excess of its carrying amount by slightly more than 10%. The forecasted cash flows for this business reflect changes in the regulatory environment and market responses to those changes, which were recently impacted by rulings from the United States Environmental Protection Agency ("EPA"). Volumes and pricing for the refrigerants business were pressured following the EPA ruling in March 2013 that allowed for an increase in the production and import of Refrigerant-22 ("R-22") in calendar years 2013 and 2014, resulting in a greater-than-expected availability of virgin R-22 in the marketplace. In October 2014, the EPA posted its final calendar year 2015 to 2019 allocation rule pertaining to allowances for virgin production and consumption of hydrochlorofluorocarbons ("HCFCs"), including R-22. The final rule provided clarity on the pace and magnitude of the reduction in allowable production of R-22 for the calendar year 2015 to 2019 time period, beginning with an approximately 60% reduction for calendar year 2015 and ending with a final ban on all production effective January 1, 2020.

The Company believes its refrigerants business remains well-positioned over the long-term to benefit from the affirmed production and consumption reductions as a leading reclaimer and recycler of R-22, and that the impact from the EPA's October 2014 ruling will be incrementally positive for its refrigerants business over the long-term. However, there is uncertainty as to how the final ruling will impact the market dynamics in the near-term, as the market sheds the excess inventory that has accumulated throughout the supply chain since the previous EPA ruling in March 2013. Changes in the reporting unit's estimated future cash flows as a result of near-term uncertainty in the market based on the excess inventory build-up, as well as the pace and extent of marketplace migration toward the use of reclaimed product, could adversely affect the fair value or carrying amount of this reporting unit. As a result, the Company will continue to monitor this business and consider interim analyses of goodwill as appropriate. The amount of goodwill associated with this reporting unit was $88 million at March 31, 2015.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

Other Intangible Assets

Other intangible assets by major class are as follows:

	March 31, 2015				March 31, 2014			
(In thousands)	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	17	$ 345,805	$(120,321)	$ 225,484	17	$ 345,199	$(107,577)	$ 237,622
Non-competition agreements	6	43,204	(24,335)	18,869	7	40,316	(19,287)	21,029
Other		200	(34)	166		199	(14)	185
		$ 389,209	$(144,690)	$ 244,519		$ 385,714	$(126,878)	$ 258,836

As the Company's other intangible assets amortize and reach the end of their respective amortization periods, the fully amortized balances are removed from the gross carrying and accumulated amortization amounts. Amortization expense related to the Company's other intangible assets for fiscal 2015 and 2014 was $30.0 million and $28.6 million, respectively. Estimated future amortization expense by fiscal year is as follows: fiscal 2016 — $29.1 million; 2017 — $27.2 million; 2018 — $25.4 million; 2019 — $23.4 million; 2020 — $21.9 million; and $117.5 million thereafter.

Prior Year Impairment Evaluation

In June 2012, the Company re-evaluated the economic viability of a small hospital piping construction business associated with a reporting unit in the Company's All Other Operations business segment. In accordance with relevant accounting guidance, if events or circumstances exist indicating that it is more likely than not that goodwill may be impaired, the Company is required to perform an interim assessment of the carrying value of goodwill. However, prior to performing the test for goodwill impairment, the Company is required to perform an assessment of the recoverability of the long-lived assets (including amortizing intangible assets) of the business. Long-lived assets are not considered recoverable when the carrying amount of the long-lived asset or asset group exceeds the undiscounted expected future cash flows. If long-lived assets are not recoverable, an impairment loss is recognized to the extent that the carrying amount exceeds fair value.

As a result of the impairment analysis performed on the long-lived assets at this 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 year ended March 31, 2013. The charge was reflected in the "Restructuring and other special charges, net" line item of the Company's consolidated statement of earnings and was not allocated to the Company's business segments (see Note 21). See Note 11 for further information on the valuation methodology used in determining the impairment loss.

Subsequent to the intangible asset write-down, the Company performed an assessment of the carrying value of goodwill associated with the reporting unit. The assessment did not indicate that the reporting unit's goodwill was potentially impaired.

NOTE 8
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities include:

(In thousands) March 31,	2015	2014
Accrued payroll and employee benefits	$ 98,547	$ 92,038
Business insurance reserves (a)	49,934	49,372
Taxes other than income taxes	22,863	25,183
Cash overdraft	71,537	68,245
Deferred rental revenue	34,538	34,557
Accrued interest	12,860	11,335
Other accrued expenses and current liabilities	56,600	64,946
	$ 346,879	$ 345,676

(a) With respect to the business insurance reserves above, the Company had corresponding insurance receivables of $11.6 million at March 31, 2015 and $11.8 million at March 31, 2014, which are included within the "Prepaid expenses and other current assets" line item on the Company's consolidated balance sheets. The insurance receivables represent the balance of probable claim losses in excess of the Company's deductible for which the Company is fully insured.

NOTE 9
INDEBTEDNESS

Total debt consists of:

(In thousands) March 31,	2015	2014
Short-term		
Money market loans	$ —	$ —
Commercial paper	325,871	387,866
Short-term debt	$ 325,871	$ 387,866
Long-term		
Trade receivables securitization	$ 295,000	$ 295,000
Revolving credit borrowings — U.S.	—	—
Revolving credit borrowings — Multi-currency	48,332	54,230
Revolving credit borrowings — France	6,277	8,056
Senior notes, net	1,648,608	1,748,774
Other long-term debt	555	1,036
Total long-term debt	1,998,772	2,107,096
Less current portion of long-term debt	(250,110)	(400,322)
Long-term debt, excluding current portion	$ 1,748,662	$ 1,706,774
Total debt	$ 2,324,643	$ 2,494,962

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

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 expires on December 29, 2015. 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 London Interbank Offering Rate ("LIBOR"). At March 31, 2015, 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, 2015. 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, 2015, there were no advances outstanding under the agreement.

Commercial Paper

In November 2014, the Company's commercial paper program, which is supported by its Credit Facility, was increased to $1 billion in conjunction with the increased size of the 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, 2015, $326 million was outstanding under the commercial paper program and the average interest rate on these borrowings was 0.57%. There was $388 million outstanding under the commercial paper program at March 31, 2014.

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, 2014, the Company entered into the Fourth Amendment to the Securitization Agreement, which extended the expiration date of the Securitization Agreement from December 5, 2016 to December 5, 2017. At March 31, 2015, 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

On November 18, 2014, the Company entered into a $1 billion Amended and Restated Credit Facility (the "Credit Facility") to amend and restate the previous amended and restated credit agreement dated July 19, 2011. The Credit Facility consists of an $875 million U.S. dollar revolving credit line, with a $100 million letter of credit sublimit and a $75 million swingline sublimit, and a $125 million (U.S. dollar equivalent) multi-currency revolving credit line. The maturity date of the Credit Facility is November 18, 2019. Under the circumstances described in the Credit Facility, the revolving credit line may be increased by an additional $500 million, provided that the multi-currency revolving credit line may not be increased by more than an additional $50 million.

As of March 31, 2015, the Company had $48 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, 2015. 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, 2015, the average interest rate on the multi-currency revolver was 1.69%. 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 15 basis points per annum.

At March 31, 2015, 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, 2015, the Company was in 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, 2015, $575 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. $8.6 million) to fund its operations in France. These revolving credit borrowings are outside of the Company's Credit Facility. At March 31, 2015, these revolving credit borrowings were €5.8 million (U.S. $6.3 million). The variable interest rates on these revolving credit borrowings are based on the Euro currency rate plus 125 basis points. On December 12, 2014, the Company amended the terms of this revolving credit agreement to reduce the commitment fee and extend the maturity to November 18, 2019.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

Senior Notes

The Company's senior notes consisted of the following:

(In thousands) Description	Coupon	Yield	Maturity Date	Semi-annual Interest Payment Dates	Principal March 31, 2015	Principal March 31, 2014
2014 Notes[(a)]	4.50%	4.527%	09/15/2014	March 15 and September 15	$ —	$ 400,000
2015 Notes[(b)]	3.25%	3.283%	10/01/2015	April 1 and October 1	250,000	250,000
2016 Notes	2.95%	2.980%	06/15/2016	June 15 and December 15	250,000	250,000
2018 Notes	1.65%	1.685%	02/15/2018	February 15 and August 15	325,000	325,000
2020 Notes	2.375%	2.392%	02/15/2020	February 15 and August 15	275,000	275,000
2022 Notes	2.90%	2.913%	11/15/2022	May 15 and November 15	250,000	250,000
2024 Notes[(c)]	3.65%	3.673%	07/15/2024	January 15 and July 15	300,000	—
					1,650,000	1,750,000
				Less: unamortized discount	(1,392)	(1,226)
				Senior notes, net	$ 1,648,608	$ 1,748,774

(a) The 2014 Notes were repaid by the Company in September 2014.

(b) The 2015 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.

(c) On June 17, 2014, the Company issued the 2024 Notes. The net proceeds from the sale of the 2024 Notes were used for general corporate purposes, including to fund acquisitions and repay indebtedness under the Company's commercial paper program. Interest payments on the 2024 Notes commenced on January 15, 2015.

The 2015, 2016, 2018, 2020, 2022 and 2024 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.

Debt Extinguishment Charge

On October 2, 2013, the Company redeemed its $215 million 7.125% senior subordinated notes originally due to mature on October 1, 2018 in full at a price of 103.563%. A loss on the early extinguishment of debt 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.

Aggregate Long-term Debt Maturities

The aggregate maturities of long-term debt at March 31, 2015 are as follows:

(In thousands) Years Ending March 31,	Debt Maturities[(a)]
2016	$ 250,147
2017	250,311
2018	620,095
2019	—
2020	329,610
Thereafter	550,000
	$ 2,000,163

(a) Outstanding borrowings under the Securitization Agreement at March 31, 2015 are reflected as maturing at the agreement's expiration in December 2017.

The Senior Notes are reflected in the debt maturity schedule at their maturity values rather than their carrying values, which are net of aggregate discounts of $1.4 million at March 31, 2015.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 10
DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Cash Flow Hedges

In anticipation of the issuance of the 2015 Notes, the Company entered into a treasury rate lock agreement in July 2010 with a notional amount of $100 million that matured in September 2010. The treasury rate lock agreement was designated as a cash flow hedge of the semi-annual interest payments associated with the forecasted issuance of the 2015 Notes. When the treasury rate lock agreement matured, the Company realized a loss of $2.6 million ($1.6 million after tax) which was reported as a component within accumulated other comprehensive income ("AOCI") and is being reclassified into earnings over the term of the 2015 Notes. For the years ended March 31, 2015, 2014 and 2013, $517 thousand of the loss on the treasury rate lock was reclassified to interest expense during each period (see Note 12 for details). At March 31, 2015, the remaining estimated loss recorded in AOCI on the treasury rate lock agreement was not material, and will be reclassified into earnings through the maturity date of the 2015 Notes in October 2015.

Fair Value Hedges

The Company previously had five variable interest rate swap agreements outstanding with a notional amount of $300 million, which were designated as fair value hedges. These variable interest rates swaps were used to effectively convert the Company's $300 million of fixed rate 2.85% senior notes (the "2013 Notes") to variable rate debt. The swap agreements matured on October 1, 2013, coinciding with the maturity date of the Company's 2013 Notes. For these derivative instruments designated as fair value hedges, the Company recorded the gain or loss on the derivatives (interest rate swaps) as well as the offsetting gain or loss on the hedged item attributable to the hedged risk (the 2013 Notes) in interest expense in the consolidated statements of earnings for the respective years. The net gain or loss recorded in earnings as a result of hedge ineffectiveness related to the designated fair value hedges was immaterial for the years ended March 31, 2014 and 2013.

Tabular Disclosure

There were no outstanding derivative instruments on the Company's consolidated balance sheets at March 31, 2015 or 2014, nor any derivative instruments used by the Company during the year ended March 31, 2015. The following table illustrates the effect of derivative instruments in fair value hedging relationships on the Company's earnings. See Note 12 for the tabular presentation of derivative instruments in cash flow hedging relationships related to the treasury rate lock agreement.

Effect of Derivative Instruments in Fair Value Hedging Relationships on Earnings

(In thousands) Derivatives in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Pre-tax Income	Amount of Gain (Loss) Recognized in Pre-tax Income Years Ended March 31, 2014	2013
Change in fair value of variable interest rate swaps	Interest expense, net	$ (2,490)	$ (4,244)
Change in carrying value of 2013 Notes	Interest expense, net	2,496	4,273
Net effect	Interest expense, net	$ 6	$ 29

NOTE 11
FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are classified based upon the level of judgment associated with the inputs used to measure their fair value. The hierarchical levels related to the subjectivity of the valuation inputs are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable, directly or indirectly through corroboration with observable market data at the measurement date.
- Level 3 inputs are unobservable inputs that reflect management's best estimate of the assumptions (including assumptions about risk) that market participants would use in pricing the asset or liability at the measurement date.

The carrying value of cash, trade receivables, other current receivables, trade payables and other current liabilities (e.g., deposit liabilities, cash overdrafts, etc.) approximates fair value based on the short-term maturity of these financial instruments.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis at March 31, 2015 and 2014 are categorized in the tables below based on the lowest level of significant input to the valuation. During the periods presented, there were no transfers between fair value hierarchical levels.

(In thousands)	Balance at March 31, 2015	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Deferred compensation plan assets	$ 16,288	$ 16,288	$ —	$ —
Liabilities:				
Deferred compensation plan liabilities	$ 16,288	$ 16,288	$ —	$ —

(In thousands)	Balance at March 31, 2014	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Deferred compensation plan assets	$ 16,387	$ 16,387	$ —	$ —
Liabilities:				
Deferred compensation plan liabilities	$ 16,387	$ 16,387	$ —	$ —

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

The following is a general description of the valuation methodologies used for financial assets and liabilities measured at fair value:

Deferred compensation plan assets and corresponding liabilities — The Company's deferred compensation plan assets consist of open-ended mutual funds (Level 1) and are included within other non-current assets on the consolidated balance sheets. The Company's deferred compensation plan liabilities are equal to the plan's assets and are included within other non-current liabilities on the consolidated balance sheets. Gains or losses on the deferred compensation plan assets are recognized as other income, net, while gains or losses on the deferred compensation plan liabilities are recognized as compensation expense in the consolidated statements of earnings. See Note 18 for additional information on the Company's deferred compensation plan.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition. Assets measured at fair value on a nonrecurring basis during the year ended March 31, 2013 are categorized in the table below based on the lowest level of significant input to the valuation. Other than these remeasured assets, there were no assets or liabilities measured at fair value on a nonrecurring basis during the years ended March 31, 2015, 2014 and 2013.

(In thousands)	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total losses (year ended March 31, 2013)
Assets:				
Other intangible assets	$ —	$ —	$ 535	$ 1,729

In June 2012, the Company re-evaluated the economic viability of a small hospital piping construction business (see Note 7). As a result of an impairment analysis performed on the long-lived assets at this reporting unit, the Company recorded a charge of $1.7 million related to certain of the intangible assets associated with this business during the year ended March 31, 2013, which was reflected in the "Restructuring and other special charges, net" line item of the Company's consolidated statement of earnings for the year ended March 31, 2013. The Company used a variation of the income approach, namely the excess earnings method, to estimate the fair value of the intangible assets associated with the business. Under this approach, an intangible asset's fair value is estimated to be the present value of the incremental after-tax cash flows attributable solely to the intangible asset over its remaining useful life. Key inputs in this model include the cash flow forecast, discount rate, contributory asset charges and tax amortization benefits. As of the evaluation date, the remeasured other intangible assets related to this reporting unit totaled $0.5 million.

Fair Value of Debt

The carrying value of debt, which is reported on the Company's consolidated balance sheets, generally reflects the cash proceeds received upon its issuance, net of subsequent repayments, plus the impact of the Company's fair value hedges as applicable. The fair values of the fixed rate notes disclosed in the following table were determined based on quoted prices from the broker/dealer market, observable market inputs for similarly termed treasury notes adjusted for the Company's credit spread and inputs management believes a market participant would use in determining imputed interest for obligations without a stated interest rate (Level 2). The fair values of the revolving credit borrowings, securitized receivables and commercial paper approximate their carrying values (see Note 9).

(In thousands)	Carrying Value at March 31, 2015	Fair Value at March 31, 2015	Carrying Value at March 31, 2014	Fair Value at March 31, 2014
2014 Notes	—	—	399,952	407,092
2015 Notes	249,962	252,520	249,887	258,630
2016 Notes	249,918	254,953	249,848	259,257
2018 Notes	324,688	323,921	324,579	319,098
2020 Notes	274,791	274,821	274,748	265,600
2022 Notes	249,787	249,028	249,760	233,230
2024 Notes	299,462	310,500	—	—

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 12
STOCKHOLDERS' EQUITY

Common Stock

The Company is authorized to issue up to 200 million shares of common stock with a par value of $0.01 per share. At March 31, 2015, the number of shares of common stock outstanding was 75.4 million, excluding 12.2 million shares of common stock held as treasury stock. At March 31, 2014, the number of shares of common stock outstanding was 74.1 million, excluding 13.3 million shares of common stock held as treasury stock.

Preferred Stock and Redeemable Preferred Stock

The Company is authorized to issue up to 20 million shares of preferred stock. Of the 20 million shares authorized, 200 thousand shares have been designated as Series A Junior Participating Preferred Stock, 200 thousand shares have been designated as Series B Junior Participating Preferred Stock and 200 thousand shares have been designated as Series C Junior Participating Preferred Stock (see *Stockholder Rights Plan* below). At March 31, 2015 and 2014, no shares of the preferred stock were issued or outstanding. The preferred stock may be issued from time to time by the Company's Board of Directors in one or more series. The Board of Directors is authorized to fix the dividend rights and terms, conversion rights, voting rights, rights and terms of redemption, liquidation preferences, and any other rights, preferences, privileges and restrictions of any series of preferred stock, and the number of shares constituting such series and designation thereof.

Additionally, the Company is authorized to issue 30 thousand shares of redeemable preferred stock. At March 31, 2015 and 2014, no shares of redeemable preferred stock were issued or outstanding.

Dividends

The Company paid its stockholders regular quarterly cash dividends of $0.55, $0.48 and $0.40 per share at the end of each of its fiscal quarters during the years ended March 31, 2015, 2014 and 2013, respectively. On April 7, 2015, the Company's Board of Directors declared a cash dividend of $0.60 per share, which is payable on June 30, 2015 to the stockholders of record as of June 15, 2015. Future dividend declarations and associated amounts paid will depend upon the Company's earnings, financial condition, loan covenants, capital requirements and other factors deemed relevant by management and the Company's Board of Directors.

Stockholder Rights Plan

Effective May 8, 2007, the Company's Board of Directors adopted a stockholder rights plan (the "2007 Rights Plan"). Pursuant to the 2007 Rights Plan, the Board of Directors declared a dividend distribution of one right for each share of common stock. Each right entitles the holder to purchase from the Company one ten-thousandth of a share of Series C Junior Participating Preferred Stock at an initial exercise price of $230 per share. The 2007 Rights Plan is intended to assure that all of the Company's stockholders receive fair and equal treatment in the event of any proposed takeover of the Company and to protect stockholders' interests in the event the Company is confronted with partial tender offers or other coercive or unfair takeover tactics.

Rights become exercisable after ten days following the acquisition by a person or group of 15% (or 20% in the case of Peter McCausland and certain of his affiliates) or more of the Company's outstanding common stock, or ten business days (or later if determined by the Board of Directors in accordance with the plan) after the announcement of a tender offer or exchange offer to acquire 15% (or 20% in the case of Peter McCausland and certain of his affiliates) or more of the outstanding common stock. If such a person or group acquires 15% or more (or 20% or more, as the case may be) of the common stock, each right (other than such person's or group's rights, which will become void) will entitle the holder to purchase, at the exercise price, common stock having a market value equal to twice the exercise price. In certain circumstances, the rights may be redeemed by the Company at an initial redemption price of $0.0001 per right. If not redeemed, the rights will expire on May 8, 2017.

Stock Repurchase Program

In October 2012, the Company announced a share repurchase program, with authorization to repurchase up to $600 million of its common stock. By March 31, 2013, 6.3 million shares had been repurchased for approximately $600 million.

Comprehensive Income

The Company's comprehensive income was $353 million, $347 million and $340 million for the years ended March 31, 2015, 2014 and 2013, respectively. Comprehensive income consists of net earnings, foreign currency translation adjustments, net gain or loss on derivative instruments and the net tax expense or benefit of other comprehensive income items. Net tax expense or benefit of comprehensive income items pertains to

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

the Company's derivative instruments only, as foreign currency translation adjustments relate to permanent investments in foreign subsidiaries. The net gain or loss on derivative instruments reflects valuation adjustments for changes in interest rates, as well as cash settlements with the counterparties and reclassification adjustments to income. See Note 10 for further information on derivative instruments. The following table presents the gross and net changes in the balances within each component of AOCI for each of the years in the three-year period ended March 31, 2015.

(In thousands)	Foreign Currency Translation Adjustments	Treasury Rate Lock Agreement	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2012	$ 6,527	$ (1,141)	$ 5,386
Other comprehensive income (loss) before reclassifications	(1,274)		(1,274)
Amounts reclassified from AOCI [(a)]		517	517
Tax effect of other comprehensive income items		(191)	(191)
Other comprehensive income (loss), net of tax	(1,274)	326	(948)
Balance at March 31, 2013	5,253	(815)	4,438
Other comprehensive income (loss) before reclassifications	(4,235)		(4,235)
Amounts reclassified from AOCI [(a)]		517	517
Tax effect of other comprehensive income items		(191)	(191)
Other comprehensive income (loss), net of tax	(4,235)	326	(3,909)
Balance at March 31, 2014	1,018	(489)	529
Other comprehensive income (loss) before reclassifications	(15,708)		(15,708)
Amounts reclassified from AOCI [(a)]		517	517
Tax effect of other comprehensive income items		(191)	(191)
Other comprehensive income (loss), net of tax	(15,708)	326	(15,382)
Balance at March 31, 2015	$(14,690)	$ (163)	$(14,853)

(a) The reclassifications out of AOCI were associated with a loss on a treasury rate lock agreement from July 2010 related to the issuance of the Company's 2015 Notes, which is being reclassified into earnings (interest expense) over the term of the 2015 Notes. The effects on the respective line items of the consolidated statements of earnings impacted by the reclassifications were not material for the twelve months ended March 31, 2015, 2014 and 2013.

NOTE 13
STOCK-BASED COMPENSATION

The Company recognizes stock-based compensation expense for its equity incentive plan and Employee Stock Purchase Plan. The following table summarizes stock-based compensation expense recognized by the Company in each of the years in the three-year period ended March 31, 2015.

(In thousands) Years Ended March 31,	2015	2014	2013
Stock-based compensation expense related to:			
Equity Incentive Plan	$ 25,935	$ 24,892	$ 22,969
Employee Stock Purchase Plan — options to purchase stock	4,092	4,069	4,084
	30,027	28,961	27,053
Tax benefit	(10,624)	(10,392)	(9,338)
Stock-based compensation expense, net of tax	$ 19,403	$ 18,569	$ 17,715

2006 Equity Incentive Plan

On August 14, 2012, the Company's stockholders approved the Second Amended and Restated 2006 Equity Incentive Plan (the "2006 Equity Plan"), which included, among other things, a 4.0 million increase in the maximum number of shares available for issuance under the plan. At March 31, 2015, a total of 11.8 million shares were authorized under the 2006 Equity Plan, as amended, for grants of stock options, stock appreciation rights, restricted stock and restricted stock units to employees, directors and consultants of the Company, of which 3.2 million shares of common stock were available for issuance.

Stock options granted prior to April 1, 2006 vest 25% annually and have a maximum term of ten years. Stock options granted subsequent to April 1, 2006 also vest 25% annually and have a maximum term of eight years. Stock options granted to directors vest and are fully exercisable immediately upon being granted.

Fair Value

The Company utilizes the Black-Scholes option pricing model to determine the fair value of stock options. The weighted-average grant date fair value of stock options granted during the fiscal years ended March 31, 2015, 2014 and 2013 was $28.72, $32.41 and $29.40, respectively. The following assumptions were used by the Company in valuing the stock options grants issued in each fiscal year:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
Expected volatility	34.3%	40.5%	40.1%
Expected dividend yield	2.06%	1.95%	1.83%
Expected term	5.6 years	5.6 years	5.7 years
Risk-free interest rate	1.7%	1.0%	0.9%

The expected volatility assumption used in valuing stock options was determined based on anticipated changes in the underlying stock price over the expected term using historical daily changes of the Company's closing stock price. The expected dividend yield was based on the Company's history and expectation of future dividend payouts. The expected term represents the period of time that the options are expected

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

to be outstanding prior to exercise or forfeiture. The expected term was determined based on historical exercise patterns. The risk-free interest rate was based on U.S. Treasury rates in effect at the time of grant commensurate with the expected term.

Summary of Stock Option Activity

The following table summarizes the stock option activity during the three years ended March 31, 2015:

	Number of Stock Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value (In thousands)
Outstanding at March 31, 2012	6,584,482	$ 47.08	
Granted	966,300	$ 91.52	
Exercised	(2,423,265)	$ 36.67	
Forfeited	(75,501)	$ 67.86	
Outstanding at March 31, 2013	5,052,016	$ 60.26	$ 196,527
Granted	959,700	$102.96	
Exercised	(817,016)	$ 47.38	
Forfeited	(90,276)	$ 85.04	
Outstanding at March 31, 2014	5,104,424	$ 69.91	$ 186,816
Granted	977,500	$104.80	
Exercised	(1,034,325)	$ 53.49	
Forfeited	(73,929)	$ 98.24	
Outstanding at March 31, 2015	4,973,670	$ 79.76	$ 131,135
Vested or expected to vest at March 31, 2015	4,959,195	$ 79.69	$ 131,100
Exercisable at March 31, 2015	2,839,584	$ 65.87	$ 114,318

The aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of each fiscal year and the exercise price of in-the-money stock options multiplied by the number of stock options outstanding or exercisable as of that date. The total intrinsic value of stock options exercised during the years ended March 31, 2015, 2014 and 2013 was $60.8 million, $47.0 million and $125.1 million, respectively. The weighted-average remaining contractual term of stock options outstanding as of March 31, 2015 was 4.6 years. Common stock to be issued in conjunction with future stock option exercises will be obtained from either new shares or shares from treasury stock.

As of March 31, 2015, $41.9 million of unrecognized non-cash compensation expense related to non-vested stock options is expected to be recognized over a weighted-average vesting period of 1.7 years.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan (the "ESPP") encourages and assists employees in acquiring an equity interest in the Company. As of March 31, 2015, the ESPP was authorized to issue up to 5.5 million shares of Company common stock, of which 1.1 million shares were available for issuance at March 31, 2015, 54,114 shares of which were issued on April 1, 2015.

Under the terms of the ESPP, eligible employees may elect to have up to 15% of their annual gross earnings withheld to purchase common stock at 85% of the market value. Employee purchases are limited in any calendar year to an aggregate market value of $25 thousand. Market value under the ESPP is defined as either the closing share price on the New York Stock Exchange as of an employee's enrollment date or the closing price on the first business day of a fiscal quarter when the shares are purchased, whichever is lower. An employee may lock-in a purchase price for up to 12 months. The ESPP effectively resets at the beginning of each fiscal year at which time employees are re-enrolled in the plan and a new 12-month purchase price is established. The ESPP is designed to comply with the requirements of Sections 421 and 423 of the Internal Revenue Code.

Fair Value

Compensation expense is measured based on the fair value of the employees' option to purchase shares of common stock at the grant date and is recognized over the future periods in which the related employee service is rendered. The fair value per share of employee options to purchase shares under the ESPP was $20.44, $19.27 and $16.73 for the years ended March 31, 2015, 2014 and 2013, respectively. The fair value of the employees' option to purchase shares of common stock was estimated using the Black-Scholes model. The following assumptions were used by the Company in valuing the employees' option to purchase shares of common stock under the ESPP:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
Expected volatility	17.1%	19.5%	23.2%
Expected dividend yield	2.07%	1.96%	2.19%
Expected term	3 to 9 months	3 to 9 months	3 to 6 months
Risk-free interest rate	0.06%	0.08%	0.10%

ESPP — Purchase Option Activity

The following table summarizes the activity of the ESPP during the three years ended March 31, 2015:

	Number of Purchase Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value (In thousands)
Outstanding at March 31, 2012	79,208	$ 51.61	
Granted	244,122	$ 70.74	
Exercised	(261,193)	$ 65.42	
Outstanding at March 31, 2013	62,137	$ 68.74	$ 1,890
Granted	211,093	$ 82.88	
Exercised	(218,109)	$ 79.38	
Outstanding at March 31, 2014	55,121	$ 80.77	$ 1,419
Granted	200,030	$ 90.82	
Exercised	(201,037)	$ 89.24	
Outstanding at March 31, 2015	54,114	$ 86.47	$ 1,063

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 14
INTEREST EXPENSE, NET

Interest expense, net, consists of:

(In thousands) Years Ended March 31,	2015	2014	2013
Interest expense	$ 64,191	$ 75,361	$ 70,077
Interest and finance charge income	(1,959)	(1,663)	(2,583)
	$ 62,232	$ 73,698	$ 67,494

NOTE 15
EARNINGS PER SHARE

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

Outstanding stock options that are anti-dilutive are excluded from the Company's diluted earnings per share computation. There were approximately 1.7 million, 1.5 million and 1.3 million shares covered by outstanding stock options that were not dilutive for the years ended March 31, 2015, 2014 and 2013, respectively.

The table below presents the computation of basic and diluted weighted average common shares outstanding for the years ended March 31, 2015, 2014 and 2013:

(In thousands, except per share amounts) Years Ended March 31,	2015	2014	2013
Basic Earnings per Share Computation			
Numerator:			
Net earnings	$ 368,086	$ 350,784	$ 340,874
Denominator:			
Basic shares outstanding	74,702	73,623	76,651
Basic earnings per share	$ 4.93	$ 4.76	$ 4.45

(In thousands, except per share amounts) Years Ended March 31,	2015	2014	2013
Diluted Earnings per Share Computation			
Numerator:			
Net earnings	$ 368,086	$ 350,784	$ 340,874
Denominator:			
Basic shares outstanding	74,702	73,623	76,651
Incremental shares from assumed exercises and conversions:			
Stock options and options under the Employee Stock Purchase Plan	1,149	1,287	1,656
Diluted shares outstanding	75,851	74,910	78,307
Diluted earnings per share	$ 4.85	$ 4.68	$ 4.35

NOTE 16
LEASES

The Company leases certain facilities, fleet vehicles and equipment under long-term operating leases with varying terms. Most leases contain renewal options and in some instances, purchase options. Rentals under these operating leases for the years ended March 31, 2015, 2014 and 2013 totaled approximately $121 million, $110 million and $106 million, respectively. Certain operating facilities are leased at market rates from employees of the Company who were previous owners of businesses acquired. Outstanding capital lease obligations and the related capital assets are not material to the consolidated balance sheets at March 31, 2015 and 2014. In connection with the fleet vehicle operating leases, the Company guarantees a residual value of $29 million, representing approximately 10.2% of the original cost of the equipment currently under lease.

At March 31, 2015, future minimum lease payments under non-cancelable operating leases were as follows:

(In thousands) Years Ending March 31,	
2016	$ 104,273
2017	89,827
2018	74,021
2019	53,640
2020	34,677
Thereafter	52,182
	$ 408,620

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 17

COMMITMENTS AND CONTINGENCIES

Litigation

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

Insurance Coverage

The Company has established insurance programs to cover workers' compensation, business automobile and general liability claims. During fiscal 2015, 2014 and 2013, these programs had deductible limits of $1 million per occurrence. For fiscal 2016, the deductible limits are expected to remain at $1 million per occurrence. The Company believes its business insurance reserves are adequate (see Note 8). The Company accrues estimated losses using actuarial models and assumptions based on historical loss experience. The nature of the Company's business may subject it to product and general liability lawsuits. To the extent that the Company is subject to claims that exceed its liability insurance coverage, such suits could have a material adverse effect on the Company's financial position, results of operations or liquidity.

The Company maintains a self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. The Company maintains a reserve for incurred but not reported medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. The Company adjusts its self-insured medical benefits reserve as the Company's loss experience changes due to medical inflation, changes in the number of plan participants and an aging employee base. The Company's self-insured medical benefits reserve was $13.8 million and $12.9 million at March 31, 2015 and 2014, respectively.

Supply Agreements

The Company purchases bulk quantities of industrial gases under take-or-pay supply agreements. The Company is a party to take-or-pay supply agreements under which Air Products and Chemicals, Inc. ("Air Products") will supply the Company with bulk nitrogen, oxygen, argon, hydrogen and helium. The Company is committed to purchase a minimum of approximately $66 million in bulk gases within the next fiscal year under the Air Products supply agreements. The agreements expire at various dates through 2020. The Company also has take-or-pay supply agreements with The Linde Group AG to purchase oxygen, nitrogen, argon and helium. The agreements expire at various dates through 2025 and represent approximately $99 million in minimum bulk gas purchases for the next fiscal year. Additionally, the Company has take-or-pay supply agreements to purchase oxygen, nitrogen, argon, helium and ammonia from other major producers. Minimum purchases under these contracts for the next fiscal year are approximately $36 million and they expire at various dates through 2024. The Company also purchases liquid carbon dioxide under take-or-pay supply agreements with twelve suppliers that expire at various dates through 2044 and represent minimum purchases of approximately $20 million for the next fiscal year. The level of annual purchase commitments under the Company's supply agreements beyond the next fiscal year vary based on the expiration of agreements at different dates in the future, among other factors.

The Company's annual purchase commitments under all of its supply agreements reflect estimates based on fiscal 2015 purchases. The Company's supply agreements contain periodic pricing adjustments, most of which are based on certain economic indices and market analyses. 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 due to fluctuations in demand requirements related to varying sales levels as well as changes in economic conditions. If a supply agreement with a major supplier of gases or other raw materials was terminated, the Company would attempt to locate alternative sources of supply to meet customer requirements, including utilizing excess internal production capacity for atmospheric gases. The Company purchases hardgoods from major manufacturers and suppliers. For certain products, the Company has negotiated national purchasing arrangements. The Company believes that if an arrangement with any supplier of hardgoods was terminated, it would be able to negotiate comparable alternative supply arrangements.

At March 31, 2015, future commitments under take-or-pay supply agreements were as follows:

(In thousands) **Years Ending March 31,**	
2016	$ 221,228
2017	218,840
2018	175,250
2019	141,722
2020	97,170
Thereafter	275,656
	$ 1,129,866

Construction Commitments

Construction commitments of approximately $83 million at March 31, 2015 represent outstanding commitments to complete authorized construction projects. At March 31, 2015, the Company had long-term agreements with two customers to construct on-site air separation units. The units will be located in Calvert City, KY and Tuscaloosa, AL.

Letters of Credit

At March 31, 2015, the Company had outstanding letters of credit of $51 million. 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.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 18

BENEFIT PLANS

The Company has a defined contribution 401(k) plan (the "401(k) plan") covering substantially all full-time employees. Under the terms of the 401(k) plan, the Company makes matching contributions of up to two percent of participant wages. Amounts expensed under the 401(k) plan for fiscal 2015, 2014 and 2013 were $13.0 million, $12.3 million and $11.7 million, respectively.

The Company has a deferred compensation plan that is a non-qualified plan. The deferred compensation plan allows eligible employees and non-employee directors, who elect to participate in the plan, to defer the receipt of taxable compensation. Participants may set aside up to a maximum of 75% of their base salary and up to a maximum of 100% of their bonus compensation or directors' fees in tax-deferred investments. The Company's deferred compensation plan liabilities are funded through an irrevocable rabbi trust. The assets of the trust, which consist of open-ended mutual funds, cannot be reached by the Company or its creditors except in the event of the Company's insolvency or bankruptcy. Assets held in the rabbi trust were $16.3 million and $16.4 million at March 31, 2015 and 2014, respectively, and are included within other non-current assets on the consolidated balance sheets. The Company's deferred compensation plan liabilities were $16.3 million and $16.4 million at March 31, 2015 and 2014, respectively, and are included within other non-current liabilities on the consolidated balance sheets. Gains or losses on the deferred compensation plan assets are recognized as other income, net, while gains or losses on the deferred compensation plan liabilities are recognized as compensation expense in the consolidated statements of earnings.

NOTE 19

RELATED PARTIES

The Company purchases and sells goods and services in the ordinary course of business with certain corporations in which some of its directors are officers or directors. The Company also leases certain operating facilities from employees who were previous owners of businesses acquired. Payments made to related parties for fiscal 2015, 2014 and 2013 were $4.2 million, $4.1 million and $3.9 million, respectively. Amounts paid to related parties represented values considered fair and reasonable and reflective of arm's length transactions.

NOTE 20

SUPPLEMENTAL CASH FLOW INFORMATION

Cash Paid for Interest and Taxes

Cash paid for interest and income taxes was as follows:

(In thousands)

Years Ended March 31,	2015	2014	2013
Interest paid	$ 62,986	$ 86,479	$ 66,569
Income taxes, net of refunds	194,161	164,482	133,951

Noncash Investing and Financing Transactions

Liabilities assumed and stock issued as a result of acquisitions were as follows:

(In thousands)

Years Ended March 31,	2015	2014	2013
Fair value of assets acquired	$ 66,626	$ 218,413	$ 115,402
Net cash paid for acquisitions[(a)]	(51,827)	(205,370)	(97,521)
Stock Issued for acquisition[(b)]	(4,458)	—	—
Liabilities assumed	$ 10,341	$ 13,043	$ 17,881

(a) Includes the purchase of businesses and the settlement of holdback liabilities and payments related to contingent consideration arrangements associated with prior year acquisitions.

(b) Represents shares of Airgas, Inc. common stock issued in connection with a single acquisition — See Note 3 for further information.

NOTE 21

SUMMARY BY BUSINESS SEGMENT

The Company identifies its businesses as separate operating segments for reporting purposes based on the review of discrete financial results for each of the businesses by the Company's chief operating decision maker for performance assessment and resource allocation purposes. The Company aggregates its operating segments, based on products and services, into two business segments, Distribution and All Other Operations. The Distribution business segment represents the Company's only reportable segment under GAAP, while the All Other Operations business segment represents the aggregation of all other operating segments of the Company not considered reportable under GAAP. The Distribution business segment consists of 21 operating segments, including 15 regional gas and hardgoods distribution businesses, three gas companies that either produce or market gas products sold primarily through the Company's regional distribution businesses, two companies that sell or provide safety-related products and services, and the Company's rental welder business. The aggregation of the operating segments that form the Distribution business segment is based on the segment's foundation as a national integrated distribution business providing a broad array of gas products and supporting services offered in all modes of gas distribution, from large bulk quantities to smaller quantities in cylinder or packaged form, as well as a broad complementary hardgoods product line. Although there have been minor internal organizational changes in certain operating segments that comprise the Distribution business segment, there were no changes to this reportable segment from the prior year.

The Distribution business segment's principal products include industrial, medical and specialty gases sold in packaged and bulk quantities, as well as hardgoods. The Company's air separation facilities and national specialty gas labs primarily produce gases that are sold by the regional distribution businesses. Gas sales

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

include nitrogen, oxygen, argon, helium, hydrogen, welding and fuel gases such as acetylene, propylene and propane, carbon dioxide, nitrous oxide, ultra high purity grades, special application blends and process chemicals. Business units in the Distribution business segment also recognize rental revenue, derived from gas cylinders, cryogenic liquid containers, bulk storage tanks, tube trailers and welding and welding related equipment. Gas and rent represented 59%, 60% and 59% of the Distribution business segment's sales in fiscal years 2015, 2014 and 2013, respectively. Hardgoods consist of welding consumables and equipment, safety products, construction supplies, and maintenance, repair and operating supplies. Hardgoods sales represented 41%, 40% and 41% of the Distribution business segment's sales in fiscal years 2015, 2014 and 2013, respectively. The Distribution business segment accounted for approximately 90% of consolidated sales in each of the fiscal years 2015, 2014 and 2013.

The All Other Operations business segment consists of five operating segments, all of which primarily manufacture and/or distribute single gas product lines (carbon dioxide, dry ice, nitrous oxide, ammonia and refrigerant gases). The operating segments reflected in the All Other Operations business segment individually do not meet the thresholds to be reported as separate reportable segments. Elimination entries represent intercompany sales from the Company's All Other Operations business segment to its Distribution business segment.

The Company's operations are predominantly in the United States. While the Company does conduct operations outside of the United States in Canada, Mexico, Russia, Dubai and several European countries, revenues from foreign countries represent less than 2% of the Company's net sales. Revenues derived from foreign countries, based on the point of sale, were $93 million, $88 million and $87 million in the fiscal years ended March 31, 2015, 2014 and 2013, respectively. Long-lived assets attributable to the Company's foreign operations represent less than 5% of the consolidated total long-lived assets of the Company and were $143 million, $148 million and $133 million at March 31, 2015, 2014 and 2013, respectively. Long-lived assets primarily consist of plant and equipment. The Company's customer base is diverse with its largest customer accounting for less than 1% of total net sales.

Business segment information for the Company's Distribution and All Other Operations business segments is presented in the following tables for the years ended March 31, 2015, 2014 and 2013. The accounting policies of the business segments are the same as those described in the Summary of Significant Accounting Policies (Note 1). 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 under selling, distribution and administrative expenses in the "Eliminations and Other" column. Additionally, the Company's restructuring and other special charges, net, are not allocated to the Company's business segments, and are also reflected in the "Eliminations and Other" column. Corporate assets have been allocated to the Distribution business segment, intercompany sales are recorded on the same basis as sales to third parties, and intercompany transactions are eliminated in consolidation. See Note 3 for the impact of acquisitions on the operating results of each business segment. Management utilizes more than one measurement and multiple views of data to measure segment performance and to allocate resources to the segments. However, the predominant measurements are consistent with the Company's consolidated financial statements and, accordingly, are reported on the same basis in the following tables.

(In thousands)

Year Ended March 31, 2015	Distribution	All Other Operations	Eliminations and Other	Total
Gas and rent	$ 2,823,297	$ 556,941	$ (29,219)	$ 3,351,019
Hardgoods	1,950,192	3,681	(7)	1,953,866
Net sales[(a)]	4,773,489	560,622	(29,226)	5,304,885
Cost of products sold (excluding depreciation)[(a)]	2,092,466	292,635	(29,226)	2,355,875
Selling, distribution and administrative expenses	1,792,116	186,558	—	1,978,674
Depreciation	272,200	25,510	—	297,710
Amortization	27,373	3,975	—	31,348
Total costs and expenses	$ 4,184,155	$ 508,678	$ (29,226)	$ 4,663,607
Operating income	$ 589,334	$ 51,944	$ —	$ 641,278
Assets	$ 5,397,535	$ 576,075	$ —	$ 5,973,610
Capital expenditures	$ 438,867	$ 29,922	$ —	$ 468,789

(In thousands)

Year Ended March 31, 2014	Distribution	All Other Operations	Eliminations and Other	Total
Gas and rent	$ 2,717,272	$ 539,954	$ (30,404)	$ 3,226,822
Hardgoods	1,841,518	4,200	(3)	1,845,715
Net sales[(a)]	4,558,790	544,154	(30,407)	5,072,537
Cost of products sold (excluding depreciation)[(a)]	1,996,065	281,916	(30,407)	2,247,574
Selling, distribution and administrative expenses	1,705,408	176,289	7,426	1,889,123
Depreciation	252,329	23,132	—	275,461
Amortization	25,512	4,333	—	29,845
Total costs and expenses	$ 3,979,314	$ 485,670	$ (22,981)	$ 4,442,003
Operating income	$ 579,476	$ 58,484	$ (7,426)	$ 630,534
Assets	$ 5,222,781	$ 570,533	$ —	$ 5,793,314
Capital expenditures	$ 317,066	$ 37,521	$ —	$ 354,587

(In thousands)

Year Ended March 31, 2013	Distribution	All Other Operations	Eliminations and Other	Total
Gas and rent	$ 2,577,901	$ 587,322	$ (34,201)	$ 3,131,022
Hardgoods	1,820,204	6,276	(5)	1,826,475
Net sales[(a)]	4,398,105	593,598	(34,206)	4,957,497
Cost of products sold (excluding depreciation)[(a)]	1,958,573	311,200	(34,206)	2,235,567
Selling, distribution and administrative expenses	1,620,651	174,643	33,230	1,828,524
Restructuring and other special charges, net	—	—	8,089	8,089
Depreciation	240,167	21,455	—	261,622
Amortization	22,297	4,981	—	27,278
Total costs and expenses	$ 3,841,688	$ 512,279	$ 7,113	$ 4,361,080
Operating income	$ 556,417	$ 81,319	$ (41,319)	$ 596,417
Assets	$ 5,047,042	$ 571,183	$ —	$ 5,618,225
Capital expenditures	$ 300,431	$ 25,034	$ —	$ 325,465

(a) Amounts in the "Eliminations and Other" column represent the elimination of intercompany sales and associated gross profit on sales from the Company's All Other Operations business segment to its Distribution business segment.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 22

RESTRUCTURING AND OTHER SPECIAL CHARGES, NET

The Company incurred no restructuring and other special charges, including asset impairment charges, for the years ended March 31, 2015 and 2014. The following table presents the components of restructuring and other special charges, net, for the years ended March 31, 2013:

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

Restructuring Costs (Benefits), Net

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 a result of the realignment plan, the Company recorded an initial restructuring charge of $13.3 million during the year ended March 31, 2012 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.

During the year ended March 31, 2013, 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.

Restructuring costs related to the plan were not allocated to the Company's business segments (see Note 21). The activity in the accrued liability balances associated with the restructuring plan was as follows for the years ended March 31, 2015, 2014 and 2013:

(In thousands)	Severance Costs	Facility Exit and Other Costs	Total
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
Cash payments and other adjustments	(3,321)	(237)	(3,558)
Balance at March 31, 2014	$ 1,361	$ 77	$ 1,438
Cash payments and other adjustments	(1,361)	(77)	(1,438)
Balance at March 31, 2015	$ —	$ —	$ —

As of March 31, 2013, the divisional alignment was complete and all material costs related to the restructuring had been incurred. The remaining accrued liability balances associated with the restructuring plan at March 31, 2013 were subsequently paid during the years ended March 31, 2014 and 2015.

Other Related Costs

For the year ended March 31, 2013, the Company also incurred $8.5 million of other costs 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 Charge

As a result of an impairment analysis performed on the long-lived assets associated with a reporting unit in the Company's All Other Operations business segment, the Company recorded a charge of $1.7 million related to certain of the intangible assets associated with this business during the year ended March 31, 2013 — see Note 7 for further information. The charge was not allocated to the Company's business segments (see Note 21).

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 23

SUPPLEMENTARY INFORMATION (UNAUDITED)

The following table summarizes the unaudited results of operations for each quarter of fiscal 2015 and 2014:

(In thousands, except per share amounts)	First	Second	Third	Fourth
2015				
Net sales	$ 1,313,587	$ 1,357,755	$ 1,331,820	$ 1,301,723
Operating income	155,081	175,781	162,886	147,530
Net earnings	88,852	98,312	93,199	87,723
Basic earnings per share [(a)]	$ 1.20	$ 1.32	$ 1.25	$ 1.17
Diluted earnings per share [(a)]	$ 1.18	$ 1.30	$ 1.23	$ 1.15
2014				
Net sales	$ 1,279,891	$ 1,281,970	$ 1,242,846	$ 1,267,830
Operating income	156,614	168,769	154,919	150,232
Net earnings [(b)]	84,686	94,982	82,759	88,357
Basic earnings per share [(a)]	$ 1.16	$ 1.29	$ 1.12	$ 1.19
Diluted earnings per share [(a)]	$ 1.14	$ 1.27	$ 1.10	$ 1.17

(a) Earnings per share calculations for each of the quarters are based on the weighted average number of shares outstanding in each quarter. Therefore, the sum of the quarterly earnings per share does not necessarily equal the full year earnings per share disclosed on the consolidated statements of earnings.

(b) Net earnings include the impact of the following non-operating items (after tax):

(In thousands)	First	Second	Third	Fourth
2014				
Loss on the extinguishment of debt (Note 9)	$ —	$ —	$ 5,646	$ —
State income tax benefits [(c)]	—	(1,493)	—	(1,800)

(c) 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.

NOTE 24

SUBSEQUENT EVENT

On April 7, 2015, the Company announced that its Board of Directors declared a regular quarterly cash dividend of $0.60 per share. The dividend is payable June 30, 2015 to stockholders of record as of June 15, 2015.

Reconciliation of Non-GAAP Financial Measures (Unaudited)

AIRGAS, INC. AND SUBSIDIARIES

Reconciliation of Earnings per Diluted Share from Continuing Operations to Earnings per Diluted Share from Continuing Operations, Excluding Certain Gains and Charges

	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97
Earnings per diluted share from continuing operations	**$ 0.03**	**$ 0.03**	**$ 0.04**	**$ 0.06**	**$ 0.08**	**$ 0.03**	**$ 0.13**	**$ 0.19**	**$ 0.31**	**$ 0.48**	**$ 0.60**	**$ 0.33**
Adjustments:												
Restructuring and other special charges, including asset impairments, net of recoveries	—	—	0.01	—	—	0.06	—	—	—	—	—	0.05
Costs (recoveries) due to breach of contract by supplier	—	—	—	—	—	—	—	—	—	—	—	0.25
Losses (gains) on sale of business	—	—	—	—	—	—	—	—	—	—	—	0.01
Insurance gain	—	—	—	—	—	—	—	—	—	—	—	—
Litigation charges	—	—	—	—	—	—	—	—	—	—	—	—
Inventory write-down	—	—	—	—	—	—	—	—	—	—	—	—
Hurricane and fire losses	—	—	—	—	—	—	—	—	—	—	—	—
BOC acquisition integration costs	—	—	—	—	—	—	—	—	—	—	—	—
Employee separation costs	—	—	—	—	—	—	—	—	—	—	—	—
Gain on termination of defined benefit pension plan	—	—	(0.01)	—	—	—	—	—	—	—	—	—
Costs (benefits) related to unsolicited takeover attempt	—	—	—	—	—	—	—	—	—	—	—	—
Losses on debt extinguishment	—	—	—	—	—	—	—	—	—	—	—	—
Multi-employer pension plan withdrawal charges	—	—	—	—	—	—	—	—	—	—	—	—
Income tax benefits	—	—	—	—	—	—	—	—	—	—	—	—
National Welders exchange transaction	—	—	—	—	—	—	—	—	—	—	—	—
One-time interest penalty	—	—	—	—	—	—	—	—	—	—	—	—
Earnings per diluted share from continuing operations, excluding certain gains and charges	**$ 0.03**	**$ 0.03**	**$ 0.04**	**$ 0.06**	**$ 0.08**	**$ 0.09**	**$ 0.13**	**$ 0.19**	**$ 0.31**	**$ 0.48**	**$ 0.60**	**$ 0.64**

The Company believes its earnings per diluted share from continuing operations, excluding certain gains and charges, financial measure provides investors meaningful insight into its earnings performance without the impact of certain special items. Non-GAAP financial measures should be read in conjunction with GAAP financial measures, as non-GAAP financial measures are merely a supplement to, and not a replacement for, GAAP financial measures. It should also be noted that the Company's earnings per diluted share from continuing operations, excluding certain gains and charges, financial measure may be different from earnings per diluted share financial measures provided by other companies.

Reconciliation and Computation of Return on Capital

(In thousands)

Years Ended March 31,	**2011**	**2012**	**2013**	**2014**	**2015**
Operating income	**$ 469,191**	**$ 556,221**	**$ 596,417**	**$ 630,534**	**$ 641,278**
Add:					
Restructuring and other special charges	—	24,448	8,089	—	—
Costs related to unsolicited takeover attempt	44,406	(7,870)	—	—	—
Multi-employer pension plan withdrawal charges	4,628	4,304	—	—	—
Adjusted operating income	**$ 518,225**	**$ 577,103**	**$ 604,506**	**$ 630,534**	**$ 641,278**
Five quarter average of total assets	4,797,736	5,126,871	5,452,051	5,676,227	5,906,752
Five quarter average of securitized trade receivables	59,000	—	—	—	—
Five quarter average of current liabilities (exclusive of debt)	(498,618)	(516,307)	(533,217)	(526,939)	(553,651)
Five quarter average capital employed	**$ 4,358,118**	**$ 4,610,564**	**$ 4,918,834**	**$ 5,149,288**	**$ 5,353,101**
Return on capital	**11.9%**	**12.5%**	**12.3%**	**12.2%**	**12.0%**

The Company believes this return on capital computation helps investors assess how effectively the Company uses the capital invested in its operations. Management uses return on capital as one of the metrics for determining employee compensation. Non-GAAP financial measures should be read in conjunction with GAAP financial measures, as non-GAAP financial measures are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our return on capital computation may be different from return on capital computations provided by other companies. Quarterly averages used in the computation of return on capital above reflect the impact of material acquisitions as of their acquisition date.

Reconciliation of Non-GAAP Financial Measures (Unaudited)

AIRGAS, INC. AND SUBSIDIARIES

FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
$ 0.57	$ 0.74	$ 0.55	$ 0.42	$ 0.74	$ 0.96	$ 1.08	$ 1.19	$ 1.62	$ 1.92	$ 2.66	$ 3.13	$ 2.34	$ 2.94	$ 4.00	$ 4.35	$ 4.68	$ 4.85
0.18	—	—	0.10	—	0.03	(0.01)	—	—	—	—	—	—	—	0.19	0.07	—	—
(0.13)	—	(0.02)	(0.05)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(0.01)	(0.21)	(0.12)	—	—	—	—	—	—	—	—	—	—	—	—	(0.07)	—	—
—	(0.03)	—	—	—	—	(0.02)	—	—	—	—	—	—	—	—	—	—	—
—	—	0.07	0.05	0.09	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	0.03	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	0.02	—	0.02	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	0.04	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	0.01	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	0.18	0.33	(0.06)	—	—	—
—	—	—	—	—	—	—	—	—	0.10	—	—	0.14	0.03	—	—	0.08	—
—	—	—	—	—	—	—	—	—	—	—	—	0.05	0.03	0.04	—	—	—
—	—	—	—	—	—	—	—	—	(0.02)	(0.01)	—	(0.03)	—	(0.06)	—	(0.04)	—
—	—	—	—	—	—	—	—	—	—	0.03	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	0.02	—	—	—	—
$ 0.61	$ 0.50	$ 0.51	$ 0.52	$ 0.83	$ 0.99	$ 1.07	$ 1.24	$ 1.64	$ 2.00	$ 2.68	$ 3.13	$ 2.68	$ 3.35	$ 4.11	$ 4.35	$ 4.72	$ 4.85

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

(In thousands)

Years Ended March 31,	2011	2012	2013	2014	2015
Net cash provided by operating activities	**$ 275,301**	**$ 506,406**	**$ 550,268**	**$ 744,860**	**$ 718,037**
Adjustments to cash provided by operating activities:					
Cash used by the securitization of trade receivables	295,000	—	—	—	—
Stock issued for employee stock purchase plan	14,997	15,256	17,088	17,313	17,940
Tax benefit realized from exercise of stock options	8,444	17,516	36,160	13,668	16,045
Net cash expenditures related to unsolicited takeover attempt	23,427	35,084	—	—	—
Cash expenditures related to MEPP withdrawals	—	18,323	—	—	—
Adjusted cash from operations	**617,169**	**592,585**	**603,516**	**775,841**	**752,022**
Capital expenditures	(256,030)	(356,514)	(325,465)	(354,587)	(468,789)
Adjustments to capital expenditures:					
Operating lease buyouts	9,893	9,218	3,946	4,420	3,159
Proceeds from sales of plant and equipment	15,844	16,365	15,693	15,483	23,083
Adjusted capital expenditures	**(230,293)**	**(330,931)**	**(305,826)**	**(334,684)**	**(442,547)**
Free cash flow	**$ 386,876**	**$ 261,654**	**$ 297,690**	**$ 441,157**	**$ 309,475**

The Company believes its free cash flow financial measure provides investors meaningful insight into its ability to generate cash from operations, which is available for servicing debt obligations and for the execution of its business strategies, including acquisitions, the prepayment of debt, the payment of dividends, or to support other investing and financing activities. The Company's free cash flow financial measure has limitations and does not represent the residual cash flow available for discretionary expenditures. Certain non-discretionary expenditures such as payments on maturing debt obligations are excluded from the Company's computation of its free cash flow financial measure. Non-GAAP financial measures should be read in conjunction with GAAP financial measures, as non-GAAP financial measures are merely a supplement to, and not a replacement for, GAAP financial measures. It should also be noted that the Company's free cash flow financial measure may be different from free cash flow financial measures provided by other companies.

Reconciliation of Non-GAAP Financial Measures (Unaudited)

AIRGAS, INC. AND SUBSIDIARIES

Reconciliation of Net Earnings to Adjusted Net Earnings and Increase in Adjusted Earnings Per Diluted Share

(In thousands, except per share amounts)

Years Ended March 31,	2014	2015
Net earnings	**$ 350,784**	**$ 368,086**
Loss on the extinguishment of debt, after tax	5,646	—
Income tax benefits	(3,293)	—
Adjusted net earnings	**$ 353,137**	**$ 368,086**
Diluted shares outstanding	74,910	75,851
Adjusted earnings per diluted share	**$ 4.72**	**$ 4.85**
Increase in adjusted earnings per diluted share		**3%**

The Company believes that the increase in adjusted earnings per diluted share provides investors with meaningful insight into the Company's earnings performance without the impact of loss on the extinguishment of debt and state income tax benefits. Non-GAAP financial measures should be read in conjunction with GAAP financial measures, as non-GAAP financial measures are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted that the Company's adjusted net earnings and adjusted earnings per diluted share financial measures may be different from adjusted net earnings and adjusted net earnings per diluted share financial measures provided by other companies.

Thirty Year Reconciliation of Net Earnings to Adjusted EBITDA

(In thousands)

Years Ended March 31,	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Net Earnings	**$ 1,796**	**$ 2,557**	**$ 4,391**	**$ 10,423**	**$ 37,959**	**$ 1,166**	**$ 7,292**	**$ 12,469**	**$ 20,290**	**$ 31,479**	**$ 39,722**	**$ 23,264**	**$ 40,541**
Add:													
Depreciation & amortization	1,843	5,127	6,085	11,147	17,387	21,158	23,420	28,042	30,571	36,868	45,762	64,428	82,227
Interest expense	1,532	4,751	6,154	12,245	16,198	15,179	12,838	11,403	12,486	17,625	24,862	39,367	52,603
Income taxes	2,021	2,623	2,257	3,326	4,526	3,400	7,718	10,811	16,027	23,894	28,522	20,140	28,281
Other income	(195)	(283)	(909)	(215)	(157)	(870)	(214)	(546)	(453)	(1,067)	(781)	(1,695)	(9,811)
Losses on extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—
Discount on securitization of receivables	—	—	—	—	—	—	—	—	—	—	—	—	—
Minority interest in earnings of consolidated affiliate	—	69	111	120	260	283	496	230	317	669	662	817	873
Equity in earnings of unconsolidated affiliate	—	—	(1,588)	(2,048)	(1,638)	(1,872)	(1,814)	—	—	—	—	(935)	(1,413)
Discontinued operations	858	(108)	(2,731)	(7,893)	(33,927)	—	—	—	—	—	—	(478)	635
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—	—	—	—	—	—	—
Restructuring and other related costs	—	—	—	—	—	—	—	—	—	—	—	—	—
Costs (benefits) related to unsolicited takeover attempt	—	—	—	—	—	—	—	—	—	—	—	—	—
Multi-employer pension plan withdrawal charges	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjusted EBITDA	**$ 7,855**	**$ 14,736**	**$ 13,770**	**$ 27,105**	**$ 40,608**	**$ 38,444**	**$ 49,736**	**$ 62,409**	**$ 79,238**	**$ 109,468**	**$ 138,749**	**$ 144,908**	**$ 193,936**

The Company believes the above Adjusted EBITDA financial measure helps investors assess the Company's operating performance without the impact of restructuring and other special charges, charges associated with the Company's withdrawal from multi-employer pension plans and costs (benefits) related to Air Products' unsolicited takeover attempt. Non-GAAP financial measures should be read in conjunction with GAAP financial measures, as non-GAAP financial measures are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our adjusted EBITDA financial measure may be different from adjusted EBITDA financial measures provided by other companies.

Reconciliation of Non-GAAP Financial Measures (Unaudited)

AIRGAS, INC. AND SUBSIDIARIES

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
$ 51,924	**$ 38,282**	**$ 28,223**	**$ (10,415)**	**$ 68,105**	**$ 80,192**	**$ 92,022**	**$ 123,551**	**$ 154,416**	**$ 223,896**	**$ 262,253**	**$ 196,266**	**$ 250,264**	**$ 313,374**	**$ 340,874**	**$ 350,784**	**$ 368,086**
83,839	85,262	82,796	71,757	79,279	87,447	111,078	127,542	147,343	189,775	220,795	234,949	250,518	270,285	288,900	305,306	329,058
59,677	56,879	59,550	46,775	46,374	42,357	51,245	54,145	60,180	89,485	84,395	63,310	60,054	66,337	67,494	73,698	62,232
33,799	30,088	19,754	30,051	41,571	47,659	54,261	77,866	99,883	144,532	169,016	117,780	156,669	178,792	202,543	201,121	216,035
(29,491)	(18,625)	(1,324)	(5,987)	(2,132)	(1,472)	(1,129)	(2,411)	(1,556)	(1,454)	382	(1,332)	(1,958)	(2,282)	(14,494)	(4,219)	(5,075)
—	—	—	—	—	—	—	—	12,099	—	—	17,869	4,162	—	—	9,150	—
—	—	1,303	4,846	3,326	3,264	4,711	9,371	13,630	17,031	10,738	5,651	—	—	—	—	—
93	(51)	—	—	—	452	1,808	2,656	2,845	3,230	—	—	—	—	—	—	—
(4,266)	(1,447)	(1,178)	(2,861)	(2,684)	(4,365)	—	—	—	—	—	—	—	—	—	—	—
871	335	400	3,529	1,776	457	(464)	1,424	—	—	—	—	—	—	—	—	—
—	—	—	59,000	—	—	—	2,540	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	24,448	8,089	—	—
—	—	—	—	—	—	—	—	—	—	—	23,435	44,406	(7,870)	—	—	—
—	—	—	—	—	—	—	—	—	—	—	6,650	4,628	4,304	—	—	—
$ 196,446	**$ 190,723**	**$ 189,524**	**$ 196,695**	**$ 235,615**	**$ 255,991**	**$ 313,532**	**$ 396,684**	**$ 488,840**	**$ 666,495**	**$ 747,579**	**$ 664,578**	**$ 768,743**	**$ 847,388**	**$ 893,406**	**$ 935,840**	**$ 970,336**

Corporate Information

AIRGAS, INC. AND SUBSIDIARIES

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259 North Radnor-Chester Road, Suite 100
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Financial Information
The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed with or furnished to the Securities and Exchange Commission ("SEC") are available free of charge on the Company's website (www.airgas.com) under the "Investor Relations" section. The Company makes these documents available as soon as reasonably practicable after they are filed with or furnished to the SEC, but no later than the end of the day on which they are filed with or furnished to the SEC. Request for copies of Airgas' publicly filed documents, provided without charge, and other stockholder inquiries should be directed to:

Airgas, Inc.
Attention: Investor Relations
259 North Radnor-Chester Road, Suite 100
Radnor, PA 19087-5283
Telephone: 866 816-4618
Fax: 610 225-3271

Email: investors@airgas.com

Quarterly Stock Information

	High	Low	Dividends Per Share
Fiscal 2015			
First Quarter	$ 109.95	$ 102.35	$ 0.55
Second Quarter	113.19	106.78	0.55
Third Quarter	117.98	103.55	0.55
Fourth Quarter	118.90	103.89	0.55
Fiscal 2014			
First Quarter	$ 103.98	$ 93.91	$ 0.48
Second Quarter	106.98	96.30	0.48
Third Quarter	112.24	105.79	0.48
Fourth Quarter	112.49	100.17	0.48

Common Stock
Airgas' common stock is listed on the New York Stock Exchange under the ticker symbol ARG. The closing sale price of the Company's common stock as reported by the New York Stock Exchange on May 22, 2015 was $104.27 per share. As of May 22, 2015, there were 296 stockholders of record, a number that by definition does not count those who hold the Company's stock in street name including the many employee owners under the Airgas Employee Stock Purchase Plan.

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Philadelphia, PA 19103

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Equal Opportunity at Airgas
Airgas is committed to providing equal opportunities in the workplace.

Forward-Looking Statements
All forward-looking statements are based on current expectations regarding important risk factors, which include, but are not limited to, the factors described in "Management's Discussion and Analysis" contained in this Annual Report.

Code of Ethics and Business Conduct
The Company has adopted a Code of Ethics and Business Conduct applicable to its employees, officers and directors. The Code of Ethics and Business Conduct is available on the Company's website, under the "Corporate Governance" link in the "Investor Relations" section. Amendments to and waivers from the Code of Ethics and Business Conduct will also be disclosed promptly on the website. In addition, stockholders may request a printed copy of the Code of Ethics and Business Conduct, free of charge, by contacting the Company's Investor Relations department.

Corporate Governance Guidelines
The Company has adopted Corporate Governance Guidelines as well as charters for its Audit Committee, Governance and Compensation Committee, and Finance Committee. These documents are available on the Company's website, as noted above. Stockholders may also request a copy of these documents, free of charge, by contacting the Company's Investor Relations department.

Certifications
The Company has filed certifications of its Executive Chairman of the Board, President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as exhibits to its Annual Report on Form 10-K each of the years ended March 31, 2015, 2014 and 2013. In addition, the Company is required to submit a certificate signed by the Chief Executive Officer to the New York Stock Exchange certifying that he is not aware of any violations by the Company of the NYSE corporate governance listing standards.

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Board of Directors

(from Left to Right)

Lee M. Thomas (1)(3)
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Rayonier, Inc.

Paula A. Sneed (2)(3)
Former EVP Global Marketing
Resources & Initiatives
Kraft Foods

James W. Hovey (3)(4)
Former President
The Fox Companies

Richard C. Ill (1)(3)
Executive Chairman
Triumph Group, Inc.

John C. van Roden, Jr. (2)(4)
Former EVP and Chief Financial Officer
P.H. Glatfelter Company

Peter McCausland (1)
Executive Chairman
Airgas, Inc.

Michael L. Molinini (1)
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Airgas, Inc.

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Former Chairman, Maersk Inc.

Ted B. Miller, Jr. (2)
President
4M Investments, LLC

Ellen C. Wolf (2)
Former Senior VP and CFO
American Water Works Company, Inc.

David M. Stout (1)(3)(4)
Former President, Pharmaceuticals
GlaxoSmithKline

(1) Executive Committee
(2) Audit Committee
(3) Governance and Compensation Committee
(4) Finance Committee

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