AIRGAS INC
Form 10-K
May 22, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: March 31, 2013
or
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 1-9344

AIRGAS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	56-0732648 (I.R.S. Employer Identification No.)
259 North Radnor-Chester Road, Suite 100 Radnor, PA (Address of principal executive offices)	19087-5283 (ZIP code)

(610) 687-5253
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ¨ No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant

was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	o	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

The aggregate market value of the 69,274,426 shares of voting stock held by non-affiliates of the registrant was approximately $5.7 billion computed by reference to the closing price of such stock on the New York Stock Exchange as of the last day of the registrant’s most recently completed second quarter, September 30, 2012. For purposes of this calculation, only executive officers and directors were deemed to be affiliates.

The number of shares of common stock outstanding as of May 20, 2013 was 73,229,069.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company’s Proxy Statement for the 2013 Annual Meeting of Stockholders (when it is filed) will be incorporated by reference into Part III of this Report.

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PART I
ITEM 1. BUSINESS.
GENERAL

Airgas, Inc., together with its subsidiaries ("Airgas" or the "Company") became a publicly-traded company on the New York Stock Exchange in 1986. Through a combination of organic growth initiatives and acquisitions in both its core and adjacent lines of business, the Company has 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 also 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. Airgas' production network and long-term supply agreements, full range of gas supply modes (from cylinders to truckload quantities to on-site pipeline supply) and national footprint make it one of the few fully-integrated industrial gas companies in the U.S. The Company also offers supply chain management services and solutions, and product and process technical support across many diverse customer segments.

The Company markets its products and services through multiple sales channels, including branch-based sales representatives, retail stores, strategic customer account programs, telesales, catalogs, eBusiness and independent distributors. Products reach customers through an integrated network of more than 15,000 employees and approximately 1,100 locations including branches, retail stores, gas fill plants, specialty gas labs, production facilities and distribution centers. The Company's product and service offering, full range of supply modes, national scale and strong local presence offer a competitive edge to its diversified base of more than one million customers.

The Company's consolidated net sales were $4.96 billion, $4.75 billion and $4.25 billion in the fiscal years ended March 31, 2013, 2012 and 2011, respectively. The Company's operations are predominantly in the United States. However, the Company does conduct operations outside of the United States, principally in Canada and, to a lesser extent, Mexico, Russia, Dubai and several European countries. Revenues derived from foreign countries, based on the point of sale, were $84 million, $83 million and $75 million in the fiscal years ended March 31, 2013, 2012 and 2011, respectively. Long-lived assets attributable to the Company's foreign operations represent less than 4% of the consolidated total long-lived assets of the Company and were $157 million, $146 million and $142 million at March 31, 2013, 2012 and 2011, respectively. Long-lived assets primarily consist of plant and equipment as well as intangible assets.

Since its inception, the Company has made over 400 acquisitions. During fiscal 2013, the Company acquired eighteen businesses with aggregate historical annual sales of more than $95 million. A total of $98 million in cash was paid for the eighteen businesses and for the settlement of holdback liabilities and contingent consideration arrangements associated with certain prior year acquisitions. The Company acquired these businesses in order to expand its geographic coverage and strengthen its national network of branch-store locations, and to expand its integrated offering of rental equipment to the oil and gas industry. See Note 3 to the Company's Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data," for a description of current and prior year acquisition activity.

The Company has two business segments, Distribution and All Other Operations. The businesses within the Distribution business segment offer a portfolio of related gas and hardgoods products and services to the end customers. The All Other Operations business segment consists of six business units which primarily manufacture and/or distribute carbon dioxide, dry ice, nitrous oxide, ammonia and refrigerant gases. Financial information by business segment can be found in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), and in Note 21 to the Company's Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data." A more detailed description of the Company's business segments follows.

DISTRIBUTION BUSINESS SEGMENT

The Distribution business segment accounted for approximately 90% of consolidated net sales in each of the fiscal years 2013, 2012 and 2011.

Principal Products and Services

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 various regional and other business units within the Distribution business segment as part of the complementary suite of similar products and services for the Company's customers. Gas sales primarily include: atmospheric gases including nitrogen, oxygen and argon; helium; hydrogen; welding and fuel gases such as acetylene, propylene and propane; carbon dioxide; nitrous oxide; ultra high purity grades of various gases; special application blends; and process chemicals. Within the Distribution business segment, the Company also recognizes rent revenue derived from the rental of its gas cylinders, cryogenic liquid containers, bulk storage tanks, tube trailers and welding-related and other equipment. Gas and rent represented 59%, 58% and 60% of the Distribution business segment's sales in fiscal years 2013, 2012 and 2011, respectively. Hardgoods consist of welding consumables and equipment, safety products, construction supplies, and maintenance, repair and operating supplies. Hardgoods sales represented 41%, 42% and 40% of the Distribution business segment's sales in fiscal years 2013, 2012 and 2011, respectively.

Principal Markets and Methods of Distribution

The industry has three principal modes of gas distribution: on-site or pipeline supply, bulk or merchant supply, and cylinder or packaged supply. The on-site or pipeline mode includes the supply of gaseous product to a customer facility via pipeline from a gas supplier's plant located on or off the customer's premises. The bulk or merchant mode consists of the supply of gases to customers in liquid form in truckload quantities or in gaseous form in tube trailers. The packaged gas mode includes the supply of gases to customers either in gaseous form in cylinders or in liquid form in less-than-truckload quantities of bulk or merchant gases and in dewars. Generally, packaged gas distributors, including the Company and its competitors in the packaged gas market, also supply welding-related hardgoods required by customers to complement their use of gases.

The Company participates in all three modes of supply to varying degrees, with the cylinder or packaged supply mode representing the most significant portion of its gas sales. The Company estimates the U.S. market for packaged gases and welding hardgoods to be approximately $13 billion in annual sales, and the Company is one of the nation's leading suppliers in this market, with an estimated 25% share. The Company's competitors in this market include local and regional independent distributors that account for about half of the market's annual revenues, and certain vertically-integrated gas producers, which account for the remainder of the market.

The Company markets its products and services through multiple sales channels, including branch-based representatives, retail stores, telesales, strategic customer account programs, catalogs, e-Business, and other distributors. Packaged gases and welding-related hardgoods are generally delivered to customers on Company-owned or leased trucks, although third-party carriers are also used in the delivery of welding-related hardgoods and safety products. Packaged gas distribution is a localized business because it is generally not economical to transport gas cylinders more than 50 to 100 miles from a plant or branch. The localized nature of the business makes these markets highly competitive and competition is generally based on reliable product delivery, product availability, technical support, quality and price.

Customer Base

The Company's operations are predominantly in the United States. The Company's customer base is diverse and sales are not dependent on a single or small group of customers. The Company's largest customer accounts for approximately 0.5% of total net sales. The Company estimates the following industry segments account for the approximate indicated percentages of its net sales:

Manufacturing & Metal Fabrication (29%)
Non-Residential (Energy & Infrastructure) Construction (14%)
Life Sciences & Healthcare (14%)
Food, Beverage & Retail (13%)
Energy & Chemical Production & Distribution (12%)
Basic Materials & Services (12%)
Government & Other (6%).

Supply

The Company's atmospheric gas production capacity includes 16 air separation plants that produce oxygen, nitrogen and argon, making Airgas the fifth largest U.S. producer of atmospheric gases. In addition, the Company purchases atmospheric and other gases pursuant to contracts with national and regional producers of industrial gases. The Company is party to a long-term take-or-pay supply agreement in effect through 2017, under which Air Products and Chemicals, Inc. ("Air Products") will supply the Company with bulk liquid nitrogen, oxygen and argon, as well as helium and hydrogen gas. The Company is committed to purchase approximately $51 million annually in bulk gases under the Air Products supply agreement. The Company also has long-term take-or-pay supply agreements with The Linde Group, AG ("Linde AG") to purchase oxygen, nitrogen, argon and helium. The agreements expire at various dates through 2019 and represent approximately $44 million in annual bulk gas purchases. Additionally, the Company has long-term take-or-pay supply agreements to purchase oxygen, nitrogen, argon and helium from other major producers. The agreements expire at various dates through 2024, and annual purchases under these contracts are approximately $26 million. The annual purchase commitments above reflect estimates based on fiscal 2013 purchases.

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The supply agreements noted above contain periodic pricing adjustments 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 above due to fluctuations in demand requirements related to varying sales levels as well as changes in economic conditions. The Company believes that if a long-term supply agreement with a major supplier of gases or other raw materials was terminated, it would look to utilize excess internal production capacity and to locate alternative sources of supply to meet customer requirements. 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.

The global industrial gas industry continues to work through supply constraints related to helium. During fiscal 2013, the Company's helium suppliers continued to fall short of their volume commitments under the long-term supply agreements. As such, the Company continues to expect some level of supply chain disruption during fiscal 2014 and anticipates that the time frame for regaining lost customers and recovering lost sales may be longer. See Part II Item 7 for further discussions on helium supply constraints.

ALL OTHER OPERATIONS BUSINESS SEGMENT

The All Other Operations business segment consists of six business units, which in aggregate accounted for approximately 10% of sales in each of the fiscal years 2013, 2012 and 2011. The primary products produced and/or supplied are carbon dioxide, dry ice (solid form of carbon dioxide), nitrous oxide, ammonia and refrigerant gases. The following sections describe the primary products offered by the Company through the business units within the All Other Operations business segment in further detail.

Carbon Dioxide & Dry Ice

Airgas is a leading U.S. producer of liquid carbon dioxide and dry ice. Customers for carbon dioxide and dry ice include food processors, food service businesses, pharmaceutical and biotech industries, and wholesale trade and grocery outlets, with food and beverage applications accounting for approximately 70% of the market. Some seasonality is experienced within this business, as the Company generally experiences a higher level of dry ice sales during the warmer months. With 14 dry ice plants (converting liquid carbon dioxide into dry ice), Airgas has the largest network of dry ice conversion plants in the U.S. Additionally, Airgas operates eight liquid carbon dioxide production facilities. The Company's carbon dioxide production capacity is supplemented by long-term take-or-pay supply contracts.

Nitrous Oxide

Airgas is the largest producer of nitrous oxide gas in the U.S., with three nitrous oxide production facilities operated by the Company. Nitrous oxide is used as an anesthetic in the medical and dental fields, as a propellant in the packaged food business and in the manufacturing process of certain electronics industries. The raw materials utilized in nitrous oxide production are purchased under contracts with major manufacturers and suppliers.

Ammonia Products

Airgas is a leading U.S. distributor of anhydrous and aqua ammonia. Industrial ammonia applications primarily include the abatement of nitrogen oxide compounds in the utilities industry ("DeNOx"), chemicals processing, commercial refrigeration, water treatment and metal treatment. The Company operates 29 distribution facilities across the U.S. and purchases ammonia from suppliers under agreements.

Refrigerants

Refrigerants are used in a wide variety of commercial and consumer freezing and cooling applications. Airgas purchases and distributes refrigerants and provides technical and refrigerant reclamation services. The primary focus of the refrigerants business is on the sale, distribution and reclamation of refrigerants, with a varied customer base that includes small and large HVAC contractors and distributors, facility owners, transportation companies, manufacturing facilities and government agencies. The refrigerants business typically experiences some seasonality, with higher sales levels during the warmer months as well as during the March and April time frame in preparation for the cooling season.

AIRGAS GROWTH STRATEGIES

The Company’s primary objective is to maximize shareholder value by driving market-leading sales growth through core and strategic product offerings that leverage the Company’s infrastructure and customer base, pursuing acquisitions in the

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Company’s core and adjacent businesses, providing outstanding customer service and improving operational efficiencies. To meet this objective, the Company is focused on the following:

- alignment of the sales and marketing organization with key customer segments that provides leadership and strategic support throughout all sales channels, particularly the strategic accounts program, allowing the Company to leverage its unique combination of products, application technology and service, as well as its unrivaled national footprint;
- strategic products, which have strong growth profiles due to favorable customer segments, application development, increasing environmental regulation, strong cross-selling opportunities, or a combination thereof (e.g., bulk gases, specialty gases, medical products, carbon dioxide/dry ice and safety products);
- leveraging the Company’s new enterprise information system (“SAP”) by capturing strategic pricing benefits, expanding the Total Access™ telesales platform, maximizing cylinder production and utilization, developing key metrics, analytics and tools for continuous improvement, optimizing sales channels and maximizing hardgoods distribution efficiencies;
- effective utilization of the Company’s divisional operating structure and Business Support Centers (“BSCs”) to leverage the full benefits of the SAP platform, maximize back-office efficiencies and streamline customer relationship management;
- reducing costs associated with production, cylinder maintenance and distribution logistics; and
- acquisitions to complement and expand its business and to leverage its significant national platform.

ENVIRONMENTAL MATTERS

The Company is subject to federal and state laws and regulations adopted for the protection of the environment and the health and safety of employees and users of the Company’s products. The Company has programs for the design and operation of its facilities to achieve compliance with applicable environmental regulations. The Company believes that it is in compliance, in all material respects, with such laws and regulations. Expenditures for environmental compliance purposes during fiscal 2013 were not material.

INSURANCE

The Company has established insurance programs to cover workers’ compensation, business automobile and general liability claims. During fiscal years 2013, 2012 and 2011, these programs had deductible limits of $1 million per occurrence and costs related to the programs were approximately 0.6% of sales during each of these years. For fiscal year 2014, the deductible limits are expected to remain at $1 million per occurrence. The Company accrues estimated losses using actuarial methods and assumptions based on the Company’s historical loss experience.

EMPLOYEES

On March 31, 2013, the Company employed more than 15,000 associates. Less than 5% of the Company's associates were covered by collective bargaining agreements. The Company believes it has good relations with its employees and has not experienced a significant strike or work stoppage in over ten years.

PATENTS, TRADEMARKS AND LICENSES

The Company holds the following trademarks and service marks: “Airgas,” “National Carbonation,” “Airgas Total Access,” “Airgas Retail Solutions,” “AcuGrav,” “AIR BOSS,” “Aspen,” “Aspen Refrigerants,” “Any Refrigerant, Any Place, Any Time “For All Your Refrigerant Needs,” “Radnor,” “Gold Gas,” “SteelMIX,” “StainMIX,” “AluMIX,” “Outlook,” “Ny-Trous+,” “R “RED-D-ARC WELDERENTALS,” “Gaspro,” “GAIN,” “MasterCut,” “Walk-O$_2$,” “Bulk,” “Airgas Puritan Medical,” “Penguin Brand Dry Ice,” “Kangaroo Kart,” “National Farm and Shop,” “National/HEF,” “UNAMIX,” “UNAMIG Xtra,” “UNAMIG Si “FreezeRight,” “Reklaim,” “Safe-T-Cyl,” “StatusChecker,” “Smart-Logic,” “When You’re Ready To Weld,” “WelderHelper,” Total Ammonia Solution” and “You’ll find it with us.” Additionally, the Company has registered U.S. Pat. No. 5,622,644. The Company believes that its businesses as a whole are not materially dependent upon any single patent, trademark or license.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company are as follows:

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Name	Age	Position
Peter McCausland	63	Executive Chairman of the Board
Michael L. Molinini	62	President, Chief Executive Officer and Director
Robert M. McLaughlin	56	Senior Vice President and Chief Financial Officer
Andrew R. Cichocki	50	Senior Vice President - Distribution Operations and Business Process Improvement
Robert A. Dougherty	55	Senior Vice President and Chief Information Officer
Leslie J. Graff	52	Senior Vice President - Corporate Development
Ronald J. Stark	49	Senior Vice President - Sales and Marketing
Dwight T. Wilson	57	Senior Vice President - Human Resources
Robert H. Young, Jr.	62	Senior Vice President and General Counsel
Douglas L. Jones	57	Division President - West
Terry L. Lodge	56	Division President - Central
B. Shaun Powers	61	Division President - North
Michael E. Rohde	66	Division President - South
Thomas S. Thoman	50	Division President - Gases Production
Thomas M. Smyth [1]	59	Vice President and Controller

[1] Mr. Smyth serves as the Company's Principal Accounting Officer, but he is not an executive officer.

Mr. McCausland has been Executive Chairman of the Board since August 2012. He previously served as Chairman of the Board from 1987 to September 2010 and from August 2011 to August 2012. Mr. McCausland has also served as the Chief Executive Officer of Airgas from May 1987 to August 2012 and President of Airgas from June 1986 to August 1988, from April 1993 to November 1995, from April 1997 to January 1999 and from January 2005 to August 2012. Mr. McCausland serves as a director of the Independence Seaport Museum. Mr. McCausland also serves on the Board of Visitors of the Boston University School of Law and the College of Arts and Sciences of the University of South Carolina.

Mr. Molinini has been President, Chief Executive Officer and Director since August 2012. Prior to that time, Mr. Molinini served as Executive Vice President and Chief Operating Officer from January 2005 to August 2012, Senior Vice President - Hardgoods Operations from August 1999 to January 2005 and as Vice President - Airgas Direct Industrial from April 1997 to July 1999. Prior to joining Airgas, Mr. Molinini served as Vice President of Marketing of National Welders Supply Company, Inc. ("National Welders") from 1991 to 1997.

Mr. McLaughlin has been Senior Vice President and Chief Financial Officer since October 2006 and served as Vice President and Controller from the time he joined Airgas in June 2001 to September 2006. Prior to joining Airgas, Mr. McLaughlin served as Vice President Finance for Asbury Automotive Group from 1999 to 2001, and was a Vice President and held various senior financial positions at Unisource Worldwide, Inc. from 1992 to 1999.

Mr. Cichocki has been Senior Vice President - Distribution Operations and Business Process Improvement since August 2011. From July 2008 to July 2011, he was Division President - Process Gases and Chemicals. Prior to that time, Mr. Cichocki served as President of Airgas National Welders and Airgas' joint venture, National Welders, from 2003. Prior to that, Mr. Cichocki served in key corporate roles for Airgas, including Senior Vice President of Human Resources, Senior Vice President of Business Operations and Planning, and for ten years as Vice President of Corporate Development.

Mr. Dougherty has been Senior Vice President and Chief Information Officer since joining Airgas in January 2001. Prior to joining Airgas, Mr. Dougherty served as Vice President and Chief Information Officer from 1998 to 2000 and as Director of Information Systems from 1993 to 1998 at Subaru of America, Inc.

Mr. Graff has been Senior Vice President - Corporate Development since August 2006. Prior to that, Mr. Graff held various management positions since joining the Company in 1989, including Director of Corporate Finance, Director of Corporate Development, Assistant Vice President - Corporate Development and Vice President - Corporate

Development. He has directed the in-house acquisition department since 2001. Prior to joining Airgas, Mr. Graff worked for KPMG LLP from 1983 to 1989.

Mr. Stark was named Senior Vice President - Sales and Marketing in July 2009 and previously served as President, Airgas North Central, since joining Airgas in 2003. Mr. Stark began his career at Union Carbide - Linde Division (now Praxair) in 1985 and advanced through a series of positions in applications engineering and key account management. In 1992, he joined MVE, a Minnesota-based supplier of cryogenic storage and distribution technology, and advanced to vice president and

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general manager of the industrial gases market. After Chart Industries acquired MVE in 1999, Mr. Stark became president of Chart's Distribution and Storage Group and held that post until joining Airgas.

Mr. Wilson has been Senior Vice President - Human Resources since January 2004. Prior to joining Airgas, Mr. Wilson served as Senior Vice President, Corporate Resources at DecisionOne Corporation from October 1995 to December 2003.

Mr. Young has been Senior Vice President and General Counsel since October 2007. Prior to joining Airgas, Mr. Young was a shareholder of McCausland Keen & Buckman, which he joined in 1985, and served as outside counsel for the Company on many acquisitions and other corporate legal matters. At McCausland Keen & Buckman, Mr. Young focused his practice on general corporate law for both public and private corporations, mergers and acquisitions, and venture capital financing. Mr. Young began his legal career as an attorney at Drinker Biddle & Reath in Philadelphia.

Mr. Jones has been Division President - West since April 2013. Prior to this role, Mr. Jones was President of Airgas Intermountain from 2006 to April 2013, Vice President of Sales and Marketing from 2001 to 2006 and Director of Marketing from 1998 to 2001. Mr. Jones has served the Company in various other roles since joining Airgas in 1989 through the acquisition of Utah Welders Supply.

Mr. Lodge has been Division President - Central since July 2011. Prior to that time, Mr. Lodge was President of Airgas Mid South from November 2007, Vice President - Western Division from January 2005 to November 2007 and CFO for Airgas Mid South from August 1994 to January 2005. Prior to joining Airgas, Mr. Lodge was the CFO for The Jimmie Jones Company, an independent distributor acquired by Airgas in 1994 where he originally started his career in the industrial gas industry in 1979.

Mr. Powers has been Division President - North since July 2011. Prior to that time, Mr. Powers was Division President - East since joining Airgas in April 2001. Prior to joining Airgas, Mr. Powers served as Senior Vice President of Industrial Gases at AGA from October 1995 to March 2001. Mr. Powers has more than 30 years of experience in the industrial gas industry.

Mr. Rohde has been Division President - South since July 2011. Prior to that time, Mr. Rohde served as Senior Vice President - Distribution Operations and President - Airgas South since joining Airgas in 1999. Mr. Rohde was Senior Vice President with Matheson Tri-Gas from 1995 until joining Airgas. He has over 35 years experience in the industrial gas industry.

Mr. Thoman has been Division President - Gases Production since July 2011. Prior to that time, Mr. Thoman served as Senior Vice President - Tonnage and Merchant Gases and President - Airgas Merchant Gases since 2007. Leading up to that time, Mr. Thoman served in key corporate roles including Vice President - Gases, which focused on the Company's gases supply chains, product sourcing, marketing, product management and business development. He has been with Airgas nearly 12 years and in the industrial gas industry for 24 years.

Mr. Smyth has been Vice President and Controller since November 2006. Prior to that, Mr. Smyth served as Director of Internal Audit since joining Airgas in February 2001 and became Vice President in August 2004. Prior to joining Airgas, Mr. Smyth served in internal audit, controller and chief accounting roles at Philadelphia Gas Works from 1997 to 2001. Prior to that, Mr. Smyth spent 12 years with Bell Atlantic, now Verizon, in a variety of internal audit and general management roles and in similar positions during eight years at Amtrak.

COMPANY 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 "Financial Information" link in the "Investor Information" 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 that they are filed with or furnished to the SEC.

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 Information" 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 at:
Airgas, Inc.
Attention: Investor Relations
259 N. Radnor-Chester Rd.

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Radnor, PA 19087-5283
Telephone: (866) 816-4618

Corporate Governance Guidelines

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

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 for the year ended March 31, 2013. The Company has also filed the same certifications of its President and Chief Executive Officer and Senior Vice President and Chief Financial Officer as exhibits to its Annual Report on Form 10-K for each of the years ended March 31, 2012 and 2011.

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ITEM 1A. RISK FACTORS.

In addition to risk factors discussed in MD&A under “Critical Accounting Estimates” and elsewhere in this report, we believe the following, which have not been sequenced in any particular order, are the most significant risks related to our business that could cause actual results to differ materially from those contained in any forward-looking statements.

We face risks related to general economic conditions, which may impact the demand for and supply of our products and our results of operations.

Demand for our products depends in part on the general economic conditions affecting the United States and, to a lesser extent, the rest of the world. Although our diverse product offering and customer base help provide some stability to our business in difficult times, a broad decline in general economic conditions could result in customers postponing capital projects and could negatively impact the demand for our products and services as well as our customers’ ability to fulfill their obligations to us. Falling demand could lead to lower sales volumes, lower pricing and/or lower profit margins. A protracted period of lower product demand and profitability could result in diminished values for both tangible and intangible assets, increasing the possibility of future impairment charges. Further, suppliers could be impacted by an economic downturn, which could impact their ability to fulfill their obligations to us. If economic conditions deteriorate, our operating profit, financial condition and cash flows could be adversely affected.

Our financial results may be adversely affected by gas supply disruptions/constraints.

We are one of the nation’s leading suppliers of industrial, medical and specialty gases and have long-term supply contracts with the major gas producers. Additionally, we operate 16 air separation plants, 12 acetylene plants and eight liquid carbon dioxide production facilities, which provide us with substantial production capacity. Our long-term supply contracts and our own production capacity mitigate supply disruptions to various degrees. However, natural disasters, plant shut-downs, labor strikes and other supply disruptions may occur within our industry. Regional supply disruptions may create shortages of raw materials and certain products. Consequently, we may not be able to obtain the products required to meet our customers’ demands or may incur significant cost to ship product from other regions of the country to meet customer requirements. Such additional costs may adversely impact operating results until product sourcing can be restored. In the past, when we have experienced supply shortages, we successfully met customer demand by arranging for alternative supplies and transporting product into an affected region, but we cannot guarantee that we will be successful in arranging alternative product supplies or passing the additional transportation or other costs on to customers in the event of future supply disruptions, which could negatively impact our operations, financial results or liquidity. The global industrial gas industry, including Airgas, continues to experience constraints in the supply of helium due to shortages of helium from global sources and disruptions in crude helium production, resulting in a decrease in allocations from our suppliers. Although we have and will continue to explore alternative sources of helium and have instituted product allocations and price increases in order to meet customer demand, we cannot assure you that we will be as successful in arranging sufficient alternative product supplies or passing the additional cost on to customers, which could have an adverse financial impact on our operations. Sales of helium represented approximately 2% of the Company’s consolidated net sales for fiscal 2013.

We may be subject to failures related to our information technology systems, including network disruptions and data security breaches.

We rely on information technology systems for business and operational activities, including the storage and processing of proprietary and sensitive information. These systems are susceptible to disruptions as a result of events such as fires, natural disasters, telecommunication breakdowns, power outages, security breaches and cyberattacks. We have well-defined processes, procedures and internal controls designed to address these risks to our information technology systems and mitigate any potential business and operational disruptions. However, failures of our information technology systems from such events and increasingly sophisticated technologies and threats to cybersecurity could expose us to operational disruptions, loss or disclosure of confidential information and regulatory actions, adversely impacting our operations, reputation and financial results.

We face risks that the full amount and/or timing of the anticipated net operating income benefits from our SAP implementation may not be realized.

Although we expect to achieve a minimum of $75 million in incremental operating income benefits on an annual run-rate basis by December 2013 related to the SAP initiative, adverse market conditions and higher than anticipated post-conversion support and training costs could adversely affect when and if these benefits may be realized.

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Catastrophic events and operating failures may disrupt our business and adversely affect our operating results.

Although our operations are widely distributed across the U.S., and safety is a primary focus in all we do, we manage and distribute hazardous materials and a catastrophic event could result in significant property losses, injuries and third-party claims. Examples of such events include, but are not limited to, the following: a fire, explosion or release of hazardous materials at one of our facilities, a supplier's facility or a customer's facility; a natural disaster, such as a hurricane, tornado or earthquake; and an operating failure at one of our facilities or in connection with the delivery of our products. Additionally, such events may severely impact our regional customer base and supply sources resulting in lost revenues, higher product costs and increased bad debts.

Operational and execution risks may adversely impact our financial results.

Our operating results are reliant on the continued operation of our production and distribution facilities and delivery fleet, as well as our ability to meet customer requirements. Inherent in our operations are risks that require continuous oversight and control, such as risks related to mechanical failure, fire, explosion, toxic releases and vehicle accidents. We have established policies, procedures and safety protocols in place requiring continuous training, oversight and control in order to address these risks to our operations. However, significant operating failures at our production, distribution or storage facilities, or vehicle transportation accidents, could result in loss of life, loss of production or distribution capabilities, and/or damage to the environment, thereby adversely impacting our financial results. These factors could subject us to lost sales, litigation contingencies and reputational risk.

U.S. credit markets may impact our ability to obtain financing or increase the cost of future financing.

As of March 31, 2013, we had total consolidated debt of approximately $2.6 billion, which had an average length to maturity of approximately four years. During periods of volatility and disruption in the U.S. credit markets, obtaining additional or replacement financing may be more difficult and costly. Higher cost of new debt may limit our ability to finance future acquisitions on terms that are acceptable to us. Additionally, although we actively manage our interest rate risk through the use of derivative instruments and diversified debt obligations, approximately 25% of our debt has a variable interest rate. If interest rates increase, our interest expense could increase, affecting earnings and reducing cash flows available for working capital, capital expenditures and acquisitions. Based on our outstanding borrowings at March 31, 2013, for every 25 basis-point increase in the London Interbank Offered Rate ("LIBOR"), we estimate that our annual interest expense would increase by approximately $1.6 million.

Finally, our cost of borrowing can be affected by debt ratings assigned by independent rating agencies which are based in large part on our performance as measured by certain liquidity metrics. An adverse change in these debt ratings could increase the cost of borrowing and make it more difficult to obtain financing on favorable terms.

We operate in a highly competitive environment and such competition could negatively impact us.

The U.S. industrial gas industry operates in a highly competitive environment. Competition is generally based on price, reliable product delivery, product availability, technical support, quality and service. If we are unable to compete effectively with our competitors, we may suffer lower revenue and/or a loss of market share, which could result in lower profits and adversely affect our financial condition and cash flows.

Increases in product and energy costs could reduce our profitability.

The cost of industrial gases represents a significant percentage of our operating costs. The production of industrial gases requires significant amounts of electric energy. Therefore, industrial gas prices have historically increased as the cost of electric power increases. Price increases for oil and natural gas have historically resulted in electric power surcharges. In addition, a significant portion of our distribution expenses consists of diesel fuel costs. Energy prices can be volatile and may rise in the future, resulting in an increase in the cost of industrial gases and/or the cost to distribute them. While we have historically been able to pass increases in the cost of our products and operating expenses on to our customers, we cannot guarantee our ability to do so in the future, which could negatively impact our operations, financial results or liquidity.

We may not be successful in integrating acquisitions and achieving intended benefits and synergies.

We have successfully integrated over 400 acquisitions in our history and consider the acquisition and integration of businesses to be a core competency. However, the process of integrating acquired businesses into our operations may result in unexpected operating difficulties and may require significant financial and other resources. Unexpected difficulties may impair our ability to achieve targeted synergies or planned operating results, which could diminish the value of acquired tangible and intangible assets resulting in future impairment charges. Acquisitions involve numerous risks, including:

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- acquired companies may not have internal control structures appropriate for a larger public company resulting in a need for significant revisions;
- acquired operations, information systems and products may be difficult to integrate;
- acquired operations may not achieve targeted synergies;
- we may not be able to retain key employees, customers and business relationships of acquired companies; and
- our management team may have its attention and resources diverted from ongoing operations.

We depend on our key personnel to manage our business effectively and they may be difficult to replace.

Our performance substantially depends on the efforts and abilities of our senior management team and key employees. Furthermore, much of our competitive advantage is based on the expertise, experience and know-how of our key personnel regarding our distribution infrastructure, systems and products. The loss of key employees could have a negative effect on our business, revenues, results of operations and financial condition.

We are subject to litigation and reputational risk as a result of the nature of our business, which may have a material adverse effect on our business.

From time-to-time, we are involved in lawsuits that arise from our business. Litigation may, for example, relate to product liability claims, personal injury, property damage, vehicle accidents, regulatory issues, contract disputes or employment matters. The occurrence of any of these matters could also create possible damage to our reputation. The defense and ultimate outcome of lawsuits against us may result in higher operating expenses. Higher operating expenses or reputational damage could have a material adverse effect on our business, revenues, results of operations or financial condition.

We have established insurance programs with significant deductibles and maximum coverage limits which could result in the recognition of significant losses.

We maintain insurance coverage for workers' compensation, business automobile and general liability claims with significant per claim deductibles. In the past, we have incurred significant workers' compensation, business automobile and general liability losses. Such losses could impact our profitability. Additionally, claims in excess of our insurance limits could have a material adverse effect on our financial condition, results of operations or liquidity.

We are subject to environmental, health and safety regulations that generate ongoing costs and could subject us to liability.

We are subject to laws and regulations relating to health, safety and the protection of the environment and natural resources. These include, among other things, reporting on chemical inventories and risk management plans, and management of hazardous substances and wastes, air emissions and water discharges. Violations of existing laws and enactment of future legislation and regulations could result in substantial penalties, temporary or permanent plant closures and legal consequences. Moreover, the nature of our existing and historical operations exposes us to the risk of liabilities to third parties. These potential claims include property damage, personal injuries and cleanup obligations. See Item 1, "Environmental Matters" above.

The issue of greenhouse gas emissions has been subject to increased scrutiny and public awareness, and may result in legislation, both internationally and in the U.S., to reduce its effects. Increased regulation of greenhouse gas emissions could impose additional costs on us, both directly through new compliance and reporting requirements as well as indirectly through increased industrial gas and energy costs. Until such time as any new legislation is passed, it will remain unclear as to what industries would be impacted, the period of time within which compliance would be required, the significance of the greenhouse gas emissions reductions and the costs of compliance. Although we do not believe that increased greenhouse gas emissions regulation will have a material adverse effect on our financial condition, results of operations or liquidity, we cannot provide assurance that such costs will not increase in the future or will not become material.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The Company operates in all 50 U.S. states, Canada and to a lesser extent Mexico, Russia, Dubai and several European countries. The principal executive offices of the Company are located in leased space in Radnor, Pennsylvania.

The Company's Distribution business segment operates a network of multiple use facilities consisting of approximately 900 branches, approximately 300 cylinder fill plants, 66 regional specialty gas laboratories, 10 national specialty gas

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laboratories, one research and development center, two specialty gas equipment centers, 12 acetylene plants and 16 air separation units, as well as six national hardgoods distribution centers, various customer call centers, buying centers and administrative offices. The Distribution business segment conducts business in all 50 states and internationally in Canada, Mexico, Russia, Dubai and several European countries. The Company owns approximately 45% of these facilities. The remaining facilities are primarily leased from unrelated third parties. A limited number of facilities are leased from employees, generally former owners of acquired businesses, and are on terms consistent with commercial rental rates prevailing in the surrounding rental markets.

The Company's All Other Operations business segment consists of businesses, located throughout the U.S., which operate multiple use facilities consisting of approximately 75 branch/distribution locations, eight liquid carbon dioxide and 14 dry ice production facilities, and three nitrous oxide production facilities. The Company owns approximately 27% of these facilities. The remaining facilities are leased from unrelated third parties.

During fiscal 2013, the Company's production facilities operated at approximately 74% of capacity based on an average daily production period of 14 hours. If required, additional shifts could be run to expand production capacity. The Company believes that its facilities are adequate for its present needs and that its properties are generally in good condition, well-maintained and suitable for their intended use.

ITEM 3. LEGAL PROCEEDINGS.

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.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information, Dividends and Holders

The Company's common stock is listed on the New York Stock Exchange (ticker symbol: ARG). The following table sets forth, for each quarter during the last two fiscal years, the high and low closing price per share for the common stock as reported by the New York Stock Exchange and cash dividends per share for the period from April 1, 2011 to March 31, 2013:

	High	Low	Dividends Per Share
Fiscal 2013			
First Quarter	$92.49	$80.30	$0.40
Second Quarter	86.01	78.13	0.40
Third Quarter	92.39	80.11	0.40
Fourth Quarter	103.52	92.27	0.40
Fiscal 2012			
First Quarter	$70.04	$65.80	$0.29
Second Quarter	70.72	58.50	0.32
Third Quarter	80.22	62.47	0.32
Fourth Quarter	89.43	77.02	0.32

The closing sale price of the Company's common stock on May 20, 2013, as reported by the New York Stock Exchange, was $102.20 per share. As of May 20, 2013, there were 324 stockholders of record, a number that by definition does not count

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those who hold the Company's stock in street name including the many employee owners under the Airgas Employee Stock Purchase Plan.

On May 2, 2013, the Company announced a regular quarterly cash dividend of $0.48 per share, which is payable on June 28, 2013 to stockholders of record as of June 14, 2013. 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 Return Performance Presentation

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, 2008 and ended March 31, 2013.

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.

	March 31,	2008	2009	2010	2011	2012	2013
l	Airgas, Inc.	100.00	75.35	143.98	152.68	207.98	236.01
n	S&P 500 Index	100.00	61.91	92.72	107.23	116.39	132.64
Å	S&P 500 Chemicals	100.00	62.87	89.96	115.01	121.95	139.18

The graph above assumes that $100 was invested on April 1, 2008 in Airgas, Inc. common stock, the S&P 500 Index and the S&P 500 Chemicals Index.

Stock Repurchase Program

On October 23, 2012, the Company announced plans to purchase up to $600 million of Airgas, Inc. common stock under a stock repurchase program approved by the Company's Board of Directors. During the quarters ended December 31, 2012 and March 31, 2013, the Company repurchased 2.47 million shares and 3.82 million shares, respectively, of its common stock and exhausted the authorization under the stock repurchase program. The table below summarizes stock repurchase activity for the fourth quarter.

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Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plan	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plan
1/1/13 - 1/31/13	400,000	$94.35	400,000	340,096,711
2/1/13 - 2/28/13	1,900,000	$97.70	1,900,000	154,457,621
3/1/13 - 3/31/13	1,520,680	$101.57	1,520,680	—
Total	3,820,680	$98.89	3,820,680	

ITEM 6. SELECTED FINANCIAL DATA.

Selected financial data for the Company is presented in the table below and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 and the Company's Consolidated Financial Statements and notes thereto included in Item 8 herein.

	Years Ended March 31,				
(In thousands, except per share amounts):	2013 (1)	2012 (2)	2011 (3)	2010 (4)	2009
Operating Results:					
Net sales	$4,957,497	$4,746,283	$4,251,467	$3,875,153	$4,361,479
Depreciation and amortization	$288,900	$270,285	$250,518	$234,949	$220,795
Operating income	$596,417	$556,221	$469,191	$399,544	$526,784
Interest expense, net	67,494	66,337	60,054	63,310	84,395
Discount on securitization of trade receivables	—	—	—	5,651	10,738
Losses on the extinguishment of debt	—	—	4,162	17,869	—
Other income (expense), net	14,494	2,282	1,958	1,332	(382)
Income taxes	202,543	178,792	156,669	117,780	169,016
Net earnings	$340,874	$313,374	$250,264	$196,266	$262,253
Net Earnings Per Common Share:					
Basic earnings per share	$4.45	$4.09	$3.00	$2.39	$3.20
Diluted earnings per share	$4.35	$4.00	$2.94	$2.34	$3.13
Dividends per common share declared and paid (5)	$1.60	$1.25	$1.01	$0.76	$0.56
Balance Sheet and Other Data at March 31:					
Working capital	$602,116	$344,157	$566,015	$244,754	$305,559
Total assets	5,618,225	5,320,585	4,945,754	4,504,994	4,435,427
Short-term debt	—	388,452	—	—	—
Current portion of long-term debt	303,573	10,385	9,868	10,255	11,058
Long-term debt, excluding current portion	2,304,245	1,761,902	1,842,994	1,499,384	1,750,308
Deferred income tax liability, net	825,612	793,957	726,797	655,920	580,266
Other non-current liabilities	89,671	84,419	70,548	72,972	79,231
Stockholders' equity	1,536,983	1,750,258	1,740,912	1,801,076	1,577,321
Capital expenditures for years ended March 31,	325,465	356,514	256,030	252,828	351,912

(1) 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

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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, nothing was outstanding 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.

(2) 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.

(3) 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. On April 1, 2010, the Company adopted new accounting guidance for transfers of financial assets, which affected the accounting treatment of its trade receivables securitization program. The Company participates in a trade receivables securitization agreement (the "Securitization Agreement") with three commercial bank conduits to which it sells qualifying trade receivables on a revolving basis. Under the new guidance, proceeds received under the Securitization Agreement are treated as secured borrowings, whereas previously they were treated as proceeds from the sale of trade receivables. The impact of the new accounting treatment resulted in the recognition, in fiscal 2011, of both the trade receivables securitized under the program and the borrowings they collateralize, which led to a $295 million increase in working capital, total assets and long-term debt in the table above. With respect to the Company's operating results, the amounts previously recorded within the line item "Discount on securitization of trade receivables" are now reflected within "Interest expense, net" as borrowing costs, consistent with the new accounting treatment. There was no impact to the Company's consolidated net earnings as a result of the change in accounting principle.

(4) The results for fiscal 2010 include $23.4 million ($14.8 million after tax) or $0.18 per diluted share in costs related to an unsolicited takeover attempt and $6.7 million ($4.1 million after tax) or $0.05 per diluted share in multi-employer pension plan withdrawal charges. Also included in the results for fiscal 2010 are a charge of $17.9 million ($11.3 million after tax) or $0.14 per diluted share for the early extinguishment of debt and a tax benefit of $2.2 million or $0.03 per diluted share associated with the reorganization of certain facilities within the All Other Operations business segment.

(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,				
	2013	2012	2011	2010	2009
First Quarter	$0.40	$0.29	$0.22	$0.18	$0.12
Second Quarter	0.40	0.32	0.25	0.18	0.12
Third Quarter	0.40	0.32	0.25	0.18	0.16

Fourth Quarter	0.40	0.32	0.29	0.22	0.16
Fiscal Year	$1.60	$1.25	$1.01	$0.76	$0.56

On May 2, 2013, the Company announced a regular quarterly cash dividend of $0.48 per share, which is payable on June 28, 2013 to stockholders of record as of June 14, 2013. 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.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS: 2013 COMPARED TO 2012

OVERVIEW

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

The consolidated gross profit margin (excluding depreciation) in the current year was 55.2%, an increase of 100 basis points from the prior year, driven by a sales mix shift toward higher-margin gas and rent and by margin expansion on gases and hardgoods.

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

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

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

Enterprise Information System

The Company continued its phased, multi-year rollout of its highly-customized SAP enterprise information system during the current year, with over 90% of its Distribution business segment and all of its regional distribution businesses operating successfully on SAP at March 31, 2013. At this stage in the Company's phased implementation, each of its four BSCs, into which the regional company accounting and administrative functions were consolidated upon converting to SAP, are firmly in place. Through March 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. As with the implementation of any new enterprise information system, the Company has experienced distractions and disruptions as its associates learn the new system and processes. These have not had a material impact to date on the Company's financial results or internal controls, and the Company will continue to monitor these items carefully going forward.

During the third and fourth quarters of fiscal 2013, the Company realized meaningful economic benefits from more effective management of pricing and discounting practices, as well as from the expansion of its telesales platform, each enabled by SAP. Fiscal 2013 included $0.18 per diluted share of SAP implementation costs and depreciation expense, net of benefits. Fiscal 2012 included $0.34 per diluted share of SAP implementation costs and depreciation expense.

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

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and discount practices, and administrative and operating efficiencies. By December 2013, the Company expects these areas alone to have yielded a minimum of $75 million in annual run-rate operating income benefits. Further economic benefits are expected to be identified.

New Divisional Alignment and LLC Formation

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, on January 1, 2012, the Company initiated a related change in its legal entity structure whereby each Airgas regional distribution company would merge, once converted to SAP, into a single limited liability company ("LLC") of which the Company 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 restructuring plan described above, the Company recorded an initial restructuring charge of $13.3 million during the three months ended June 30, 2011 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 three months ended December 31, 2012, the Company re-evaluated its remaining severance liability related to the realignment and, as a result of this analysis, reduced its severance liability by $3.7 million. The reduction in the severance liability was driven by fewer than expected individuals meeting the requirements to receive severance benefits. This reduction was due to 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 anticipated separation dates. Offsetting the benefit from the reduction to the severance liability were additional restructuring and other related costs of $10.1 million for the year ended March 31, 2013, primarily related to transition staffing, legal and other costs associated with the realignment and LLC formation. In fiscal 2013, the Company recorded net total restructuring and other related costs of $6.4 million, and in fiscal 2012, the Company recorded net total restructuring and other related costs of $20.2 million.

Stock Repurchase Programs

On October 23, 2012, the Company announced a program to repurchase up to $600 million of its outstanding shares of common stock. During the third and fourth quarters of fiscal 2013, the Company completed the program, repurchasing 6.29 million shares on the open market at an average price of $95.37. During the first quarter of fiscal 2012, the Company announced and completed a $300 million share repurchase program, repurchasing 4.46 million of its shares on the open market at an average price of $67.19.

Supply Constraints and Challenges

The global industrial gas industry continues to work through supply constraints related to helium. Disruption in crude helium production overseas has been the primary cause of the worldwide helium shortage, aggravated by outages and temporary shutdowns at the Federal Helium Reserve and shutdowns at a major private helium source. The Company procures helium from its primary suppliers under long-term supply agreements. As a result of the helium shortage, however, over the past 21 months the Company's suppliers have instituted helium volume allocations, which have limited the Company's ability to supply helium to its own customers. These supply constraints have also forced the Company to shed non-contract helium customers at times and to allocate its limited helium supply to contract and critical need customers. To help mitigate the financial impact to Airgas, the Company has and will continue to explore alternative sources of helium and has instituted product allocations and price increases related to its helium customers at appropriate times.

During fiscal 2013, the Company's helium suppliers continued to fall short of their volume commitments under the long-term supply agreements. As such, the Company continues to expect some level of supply chain disruption during fiscal 2014 and anticipates that the time frame for regaining lost customers and recovering lost sales may be longer.

On March 27, 2013, the U.S. Environmental Protection Agency ("EPA") issued a ruling allowing for an increase in the production of Refrigerant-22 ("R-22") in calendar year 2013, 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. R-22 has historically been one of the most commonly-used refrigerant gases in air conditioning systems in the U.S.

The Company expects this ruling to negatively impact its sales volumes and pricing near-term as a greater-than-expected amount of R-22 will be available on the market. However, the Company believes that compliance with the Montreal Protocol will require a significant step-down in R-22 production in calendar year 2015, reinforcing the Company's position as an industry leader in the reclamation and distribution of recycled refrigerant products.

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Fiscal 2014 Outlook

The Company expects earnings per diluted share for fiscal 2014 in the range of $5.00 to $5.35. The Company estimates its organic sales growth rate for fiscal 2014 to be in the low-to-mid single digits, assuming the continuation of recent slow business conditions for at least the first half of the year, followed by slight improvement. The Company’s fiscal 2014 guidance includes an estimated year-over-year negative impact of $0.05 to $0.10 per diluted share related to refrigerants, as both prices and sales volumes of R-22 are expected to decline following the EPA’s recent ruling. The Company’s fiscal 2014 guidance also includes an estimated year-over-year favorable impact of $0.63 related to the realization of SAP-related benefits and the reduction of SAP-related expenses.

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

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 and the Company's withdrawal from various multi-employer pension plans ("MEPPs") under selling, distribution and administrative expenses in the "Other" line item in the tables below. Additionally, the Company's net restructuring and other special charges and the legal, professional and other costs (benefits) incurred as a result of Air Products' unsolicited takeover attempt are not allocated to the Company's business segments. These costs (benefits) are also reflected in the "Other" line item in the tables below.

Net Sales

Net sales increased 4% to $5.0 billion for the current year compared to the prior year, driven by organic sales growth of 3% and incremental sales of 1% contributed by acquisitions, net of a divestiture. Gas and rent organic sales increased 5% and hardgoods increased 1%. Higher pricing contributed 4% to organic sales growth, more than offsetting the negative 1% impact from volume declines.

Strategic products account for approximately 40% of net sales and include safety products, bulk, medical and specialty gases, as well as carbon dioxide ("CO_2") and dry ice. The Company has identified these products as strategic because it believes they have good long-term growth profiles relative to the Company's core industrial gas and welding products due to favorable end customer markets, application development, increasing environmental regulation, strong cross-selling opportunities or a combination thereof. For the current year, sales of strategic products increased 4% on an organic basis as compared to the prior year.

The Company's strategic accounts program, which now represents approximately 25% of net sales, was designed to deliver superior product and service offerings to larger, multi-location customers, and presents the Company with strong cross-selling opportunities. Sales to strategic accounts grew 4%, driven by new business gains, particularly in metal fabrication and energy, and higher activity in the majority of the Company's customer segments, most notably in the metal fabrication, oil and gas and chemicals segments. Strategic account sales in the Company's retail customer segment experienced a substantial decline from the prior year due to the helium supply disruption. Excluding this impact, strategic accounts grew 5% from the prior year.

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

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

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

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

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

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Contributing to the rise in the Distribution business segment's hardgoods organic sales were increases in both safety products and the Company's Radnor® private-label brand product line. Safety product sales increased 4% in the current year, comparing favorably to the 1% increase in total hardgoods organic sales for the Distribution business segment and reflecting broad-based improvement in the core safety business, particularly in large industrial production and strategic account customers. Sales of the Company's Radnor® private-label line were up 3% for the current year. Revenues from the Company's rental welder business experienced an 18% increase in organic sales during the current year as compared to the prior year due to increased rental demand, reflecting strength in outage work in the oil, gas and chemicals industry, including refineries, and in the power industry

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

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

Gross Profits (Excluding Depreciation)

Gross profits (excluding depreciation) do not reflect deductions related to depreciation expense and distribution costs. The Company reflects distribution costs as an element of selling, distribution and administrative expenses and recognizes depreciation on all of its property, plant and equipment in the Consolidated Statement of Earnings line item, "Depreciation." 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 businesses.

Consolidated gross profits (excluding depreciation) increased 6% compared to the prior year, principally due to the organic sales increase for the current year, a sales mix shift to higher margin gas and rent and margin improvements on gases and hardgoods. The current year's consolidated gross profit margin (excluding depreciation) increased 100 basis points to 55.2% compared to 54.2% in the prior year. The increase in consolidated gross profit margin (excluding depreciation) for the current year reflects margin expansion in gases and hardgoods and a sales mix shift toward higher-margin gas and rent, partially offset by supplier price and internal production cost increases as well as sales mix shifts within both gases and hardgoods to lower margin products. Gas and rent represented 63.2% of the Company's sales mix in the current year, up from 62.5% in the prior year.

Gross Profits (ex. Depr.)	Years Ended March 31,				
(In thousands)	2013	2012	Increase		
Distribution	$2,454,486	$2,316,761	$137,725	6	%
All Other Operations	282,398	254,092	28,306	11	%
	$2,736,884	$2,570,853	$166,031	6	%

The Distribution business segment's gross profits (excluding depreciation) increased 6% compared to the prior year. The Distribution business segment's gross profit margin (excluding depreciation) was 55.8% versus 54.7% in the prior year, an increase of 110 basis points. The increase in the Distribution business segment's gross profit margin (excluding depreciation) reflects a sales mix shift toward higher margin gas and rent as well as underlying margin expansion on gases and hardgoods. The margin expansion was partially offset by supplier price and internal production cost increases as well as sales mix shifts within both gases and hardgoods to lower margin products. As a percentage of the Distribution business segment's sales, gas and rent increased 50 basis points to 58.6% in the current year as compared to 58.1% in the prior year.

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

Operating Expenses

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, audit, accounting, tax and facility-related expenses. Consolidated SD&A expenses increased $116 million, or 7%, in the current year as compared to the prior year. Contributing to the increase in SD&A expenses were $94 million of normal inflationary

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increases plus higher variable costs associated with higher sales, such as sales commissions, salaries, production overtime and distribution costs and approximately $22 million of incremental operating costs associated with acquired businesses, net of a divestiture. Also contributing to the increase in the Distribution business segment's SD&A expenses were staffing, training, and other setup costs associated with the expansion of the Company's Total Access telesales program and costs associated with the analysis and execution of the Company's strategic pricing initiative. As a percentage of net sales, SD&A expenses increased to 37.2% in the current year from 36.4% in the prior year.

SD&A Expenses (In thousands)	Years Ended March 31, 2013	2012	Increase/(Decrease)		
Distribution	$1,635,605	$1,528,215	$ 107,390	7	%
All Other Operations	174,643	162,205	12,438	8	%
Other	33,230	37,349	(4,119	)	
	$1,843,478	$1,727,769	$ 115,709	7	%

SD&A expenses in the Distribution and All Other Operations business segments increased 7% and 8%, respectively, in the current year. For both business segments, the increases in SD&A costs were driven by normal inflationary increases plus higher variable costs on sales growth, including sales commissions, salaries, production overtime and distribution costs, and incremental operating costs associated with acquired businesses, net of a divestiture, of $19 million for the Distribution business segment and $3 million for the All Other Operations business segment. As a percentage of Distribution business segment net sales, SD&A expenses in the Distribution business segment increased 110 basis points to 37.2% compared to 36.1% in the prior year. As a percentage of All Other Operations business segment net sales, SD&A expenses in the All Other Operations business segment decreased 10 basis points to 29.4% compared to 29.5% in the prior year.

SD&A Expenses – Other

Enterprise Information System

As of March 31, 2013, the Company had successfully converted its Safety telesales and hardgoods infrastructure businesses and all of its regional distribution businesses to SAP. However, the Company expects to continue to incur costs related to post-implementation monitoring, re-training and process improvements during the first half of fiscal 2014. SAP implementation costs for the current year were $33.2 million as compared to $33.0 million in the prior year. These costs were recorded as SD&A expenses and were not allocated to the Company's business segments. SAP implementation costs were higher than originally expected in the current year. SAP-related benefits realized were within the Company's range of expectations and were primarily reflected in the Company's higher sales and gross margins for the current year as compared to the prior year.

Multi-employer Pension Plan Withdrawals

As collective bargaining agreements ("CBAs") came up for renewal, the Company actively negotiated the withdrawal from multi-employer defined benefit pension plans ("MEPPs"), replacing those retirement plans for CBA employees with defined contribution plans. During the prior year, the Company incurred MEPP withdrawal charges of $4.3 million, primarily related to the final withdrawal and assessment from its last remaining MEPP. These charges are reflected in selling, distribution and administrative expenses. As of March 31, 2013, the Company has successfully negotiated its withdrawal from all MEPPs in which it previously participated and has fully accrued for the related withdrawal assessments.

Restructuring and Other Special Charges

The following table presents the components of net restructuring and other special charges for the current year:

(In thousands)	Years Ended March 31, 2013		2012
Restructuring costs (benefits), net	$(2,177	)	$14,473

Other related costs	8,537	5,725
Asset impairment charges	1,729	4,250
Total restructuring and other special charges, net	$ 8,089	$ 24,448

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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.
During fiscal 2012, the Company recorded $14.5 million in restructuring costs, including a restructuring charge of $13.3 million for severance benefits expected to be paid under the Airgas, Inc. Severance Pay Plan to employees whose jobs were eliminated as a result of the realignment and an additional $1.2 million in restructuring costs, primarily related to exit costs for the early termination of a lease obligation. Also during the prior year, the Company incurred $5.7 million of other costs related to the divisional realignment. These costs primarily related to transition staffing for the BSCs and legal costs associated with the realignment.
During fiscal 2013, the Company recorded a net $2.2 million benefit in restructuring costs related to certain lower than previously expected restructuring charges. The Company re-evaluated its remaining severance liability related to the realignment and, as a result of this analysis, reduced its severance liability by $3.7 million. The reduction in the severance liability 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 for the year ended March 31, 2013, primarily related to relocation and other costs. Also during the current year, the Company incurred $8.5 million of other costs related to the divisional realignment 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.
The activity in the accrued liability balances associated with the restructuring plan was as follows for the year ended March 31, 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

Asset Impairments
In June 2012, the Company re-evaluated the economic viability of a small hospital piping construction business, and as a result of an impairment analysis performed on the assets at the associated reporting unit, the Company recorded a charge of $1.7 million related to certain of the intangible assets associated with this business during the current year.
In August 2011, the Company received 24 months notice that a supplier’s hydrogen plant, which generates CO_2 as a by-product that serves as the feedstock for the Company’s co-located liquid CO_2 plant, will cease operations in calendar year 2013. In February 2013, the Company announced plans to build a new 450 ton-per-day liquid CO_2 plant in the greater Houston area which will replace its supply of liquid CO_2 currently generated by the Company's liquid CO_2 plant co-located with the hydrogen plant pending closure. The Company expects the hydrogen plant to continue to supply the feedstock for its co-located liquid CO_2 plant during the interim period. As a result of an impairment analysis performed on the assets at this location, the Company recorded a charge of $2.5 million during the prior year.
Additionally, in March 2012, the Company re-evaluated its plan for the operation of one of its smaller and less efficient air separation units over the long-term. As a result of an impairment analysis performed on the assets at this location, the Company recorded a charge of $1.8 million during the prior year, resulting in total asset impairment charges for the prior year of $4.3 million.
Unsolicited Takeover Attempt

On February 11, 2010, Air Products initiated an unsolicited tender offer for all of the Company's outstanding shares of common stock. In connection with this unsolicited tender offer, Air Products filed an action against the Company and members of its Board in the Delaware Court of Chancery. On February 15, 2011, the Delaware Court of Chancery denied in their entirety all requests for relief by Air Products and dismissed with prejudice all claims asserted against the Company and its directors. Air Products promptly terminated its unsolicited tender offer and no appeal of the Court's decision was filed. In responding to

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the unsolicited tender offer and related litigation, the Company incurred on a cumulative basis a net $60.0 million of legal and professional fees and other costs. During fiscal 2012, the Company recognized a $7.9 million benefit from lower than previously estimated net costs related to the Air Products' unsolicited takeover attempt of Airgas. The net costs and benefits recognized related to the unsolicited takeover attempt were reflected as a separate line item in the Company's Consolidated Statements of Earnings, and were not allocated to the Company's business segments.

Depreciation and Amortization

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

Operating Income

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

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

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

Operating income in the All Other Operations business segment increased 21% compared to the prior year. The All Other Operations business segment's operating income margin of 13.7% increased by 140 basis points compared to the operating income margin of 12.3% in the prior year, primarily driven by margin improvements in the refrigerants, CO_2 and ammonia businesses.

Interest Expense, Net

Interest expense, net, for the current year was relatively consistent with the prior year. Interest expense, net, was $67 million in the current year, representing an increase of $1 million, or 2%, compared to the prior year.

Income Tax Expense

The effective income tax rate was 37.3% of pre-tax earnings in the current year compared to 36.3% in the prior year. The increase in the effective income tax rates was due in part to the Company's recognition of a $4.9 million tax benefit (which reduced the effective income tax rate by approximately 1%) related to the LLC reorganization as well as a true-up of its foreign tax liabilities in the prior year. As a result of the Company's operating realignment into four divisions, the Company initiated a related change in its legal entity structure in fiscal 2012 in which the majority of Airgas' distribution businesses have merged or will merge into a single LLC, leading to the realization of certain state tax benefits that previously required a valuation allowance. The Company expects the effective income tax rate for fiscal 2014 to be between 37.5% and 38.0% of pre-tax earnings.

Net Earnings

Net earnings per diluted share increased by 9% to $4.35 in the current year compared to $4.00 per diluted share in the prior year. Net earnings were $340.9 million compared to $313.4 million in the prior year. In the current year, the impact of

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special charges on diluted earnings per share was offset by the impact of special gains, while the prior year's net earnings per diluted share included net special charges of $0.11.

RESULTS OF OPERATIONS: 2012 COMPARED TO 2011

OVERVIEW

Airgas had net sales for fiscal 2012 of $4.7 billion compared to $4.3 billion for the year ended March 31, 2011 ("fiscal 2011"), an increase of 12%. Total organic sales increased 10%, with hardgoods up 14% and gas and rent up 7%. Acquisitions contributed 2% sales growth in fiscal 2012. The organic sales growth for fiscal 2012 was driven by both volume and price, with sales volumes up 6% and pricing up 4%. The increase in sales volumes reflects strength in the Company's manufacturing, petrochemical and energy customers, with relative outperformance in the hardgoods business on the strength of welding and automation equipment sales. The increase in pricing was driven by pricing actions designed to offset rising product, operating and distribution costs as well as support ongoing investments in production and distribution capabilities to support and efficiently meet the growing demands of the Company's customers.

The consolidated gross profit margin (excluding depreciation) in fiscal 2012 was 54.2%, a decline of 80 basis points from fiscal 2011, reflecting continued outperformance of hardgoods sales, a mix shift within hardgoods to lower-margin welding and automation equipment, and an increase in sales to large customers that generally carry lower gross profit margins (excluding depreciation) and a lower net cost to serve.

The Company's operating income margin increased to 11.7%, a 70 basis-point improvement over fiscal 2011. Additionally, the operating income margins for both fiscal 2012 and 2011 were burdened by 50 basis points and 120 basis points, respectively, of net special charges.

Net earnings per diluted share rose to $4.00 in fiscal 2012 versus $2.94 in fiscal 2011. Net earnings per diluted share in fiscal 2012 reflect the benefit of the Company's share repurchase programs, which offset $0.20 per diluted share of incremental SAP implementation costs and depreciation expense. Net earnings per diluted share in fiscal 2012 and 2011 included net special charges of $0.11 and $0.41 per diluted share, respectively.

Net special charges in each year consisted of the following:

Effect on Diluted EPS	Years Ended March 31, 2012	2011
Restructuring and other related costs	$(0.15)	$—
Impairment charges	(0.04)	—
(Costs) benefits related to unsolicited takeover attempt	0.06	(0.33)
Multi-employer pension plan withdrawal charges	(0.04)	(0.03)
Losses on the extinguishment of debt	—	(0.03)
One-time interest penalty	—	(0.02)
Income tax benefits	0.06	—
Special charges, net	$(0.11)	$(0.41)

Enterprise Information System

Through March 31, 2012, the Company had successfully converted its Safety telesales and hardgoods infrastructure businesses and five regional distribution companies to the SAP platform. Total implementation costs and depreciation expense related to the SAP system were $0.34 and $0.14 per diluted share for fiscal 2012 and 2011, respectively.

New Divisional Alignment and LLC Formation

During fiscal 2012, the Company recorded restructuring and other related costs of $20.2 million associated with the Company's organization and legal entity changes. Of this amount, total restructuring costs of $14.5 million were recorded in fiscal 2012, primarily consisting of a $13.3 million restructuring charge for severance benefits. The Company also incurred $5.7 million of other costs related to the divisional realignment and LLC formation, primarily related to transition staffing for the BSCs, legal costs and other expenses.

Stock Repurchase Programs

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During the three months ended June 30, 2011, the Company completed a $300 million share repurchase program announced on May 5, 2011, repurchasing 4.46 million shares on the open market at an average price of $67.19. During the fourth quarter of fiscal 2011, the Company also completed a $300 million share repurchase program by repurchasing 4.78 million of its shares on the open market at an average price of $62.76.

STATEMENT OF EARNINGS COMMENTARY - FISCAL YEAR ENDED MARCH 31, 2012 COMPARED TO FISCAL YEAR ENDED MARCH 31, 2011

Net Sales

Net sales increased 12% to $4.7 billion for fiscal 2012 compared to fiscal 2011, driven by organic sales growth of 10% and incremental sales of 2% contributed by acquisitions. Gas and rent organic sales increased 7% and hardgoods increased 14%. Organic sales were driven by increased volumes of 6% and price of 4%.

For fiscal 2012, sales of strategic products increased 8% on an organic sales basis as compared to fiscal 2011. Strategic accounts also contributed to the increase in net sales for fiscal 2012. Strategic accounts sales growth of 12% was primarily driven by new account signings across all customer segments and by increased activity in the Company’s existing metal fabrication, oil and gas and chemical customer bases.

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

Net Sales (In thousands)	Years Ended March 31, 2012	2011	Increase		
Distribution	$4,234,869	$3,810,136	$424,733	11	%
All Other Operations	549,213	472,054	77,159	16	%
Intercompany eliminations	(37,799)	(30,723)	(7,076)		
	$4,746,283	$4,251,467	$494,816	12	%

Distribution business segment sales increased 11% compared to fiscal 2011 with an increase in organic sales of 10% and incremental sales of 1% contributed by fiscal 2012 and 2011 acquisitions. Organic sales growth for the Distribution business segment was driven by increased volumes of 6% and price of 4%. The Distribution business segment’s gas and rent organic sales increased 7%, with volumes up 3% and pricing up 4%. Hardgoods organic sales increased 14%, with volumes up 10% and pricing up 4%. Both gas and rent and hardgoods volumes reflect the strength in the Company’s manufacturing, petrochemical and energy customers.

Sales of strategic gas products sold through the Distribution business segment in fiscal 2012 increased 6% from fiscal 2011. Among strategic gas products, bulk gas sales were up 7% on improvement in the industrial manufacturing customer base and new customer signings. Sales of medical gases were up 5% as a result of new business signings and stronger demand across most medical segments. Sales of specialty gases were up 5% driven primarily by higher volumes on improvement in demand for core specialty gases, including EPA protocols.

Contributing to the rise in Distribution business segment hardgoods organic sales were increases in both safety products and the Company’s Radnor® private-label brand product line, as well as strong growth in welding and automation equipment. Safety product sales increased 16% in fiscal 2012, comparing favorably to the hardgoods organic sales increase for the Distribution business segment of 14% and reflecting broad-based improvement in the core safety business, particularly in large industrial production and strategic account customers. The Company’s Radnor® private-label line was up 15% for fiscal 2012, driven by the overall increase in hardgoods volumes. Revenues from the Company’s rental welder business experienced a 20% increase in organic sales during fiscal 2012 as compared to fiscal 2011 due to increased rental demand, reflecting strength in general outage work.

The All Other Operations business segment sales increased 16% in total and 10% on an organic basis compared to fiscal 2011, with incremental sales of 6% contributed by fiscal 2012 and 2011 acquisitions. The organic sales increase was primarily driven by an increase in ammonia sales, which increased on both a volume and price basis.

Gross Profits (Excluding Depreciation)

Consolidated gross profits (excluding depreciation) increased 10% compared to fiscal 2011, principally due to the organic sales increase for fiscal 2012. The consolidated gross profit margin (excluding depreciation) in fiscal 2012 declined 80 basis points to 54.2% compared to 55.0% in fiscal 2011. The decline in consolidated gross profit margin

(excluding depreciation)

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reflects the continued shift during fiscal 2012 in sales mix towards hardgoods, which carry lower gross profit margins (excluding depreciation) than gas and rent, a mix shift within hardgoods to lower-margin welding and automation equipment, and increased sales to large customers, which generally carry lower gross profit margins (excluding depreciation) than small customers but at a lower net cost to serve.

Gross Profits (ex. Depr.) (In thousands)	Years Ended March 31, 2012	2011	Increase		
Distribution	$2,316,761	$2,118,080	$198,681	9	%
All Other Operations	254,092	220,107	33,985	15	%
	$2,570,853	$2,338,187	$232,666	10	%

The Distribution business segment's gross profits (excluding depreciation) increased 9% compared to fiscal 2011. The Distribution business segment's gross profit margin (excluding depreciation) was 54.7% versus 55.6% in fiscal 2011, a decrease of 90 basis points. The decline in the Distribution business segment's gross profit margin (excluding depreciation) reflects the sales mix shift towards hardgoods and lower-margin welding and automation equipment within hardgoods, as well as increased sales to larger customers. As a percentage of the Distribution business segment's sales, gas and rent decreased 150 basis points to 58.1% in fiscal 2012 as compared to 59.6% in fiscal 2011.

The All Other Operations business segment's gross profits (excluding depreciation) increased 15% compared to fiscal 2011. The All Other Operations business segment's gross profit margin (excluding depreciation) decreased 30 basis points to 46.3% in fiscal 2012 from 46.6% in fiscal 2011. The decrease in the All Other Operations business segment's gross profit margin (excluding depreciation) was primarily driven by lower margins in the ammonia business.

Operating Expenses

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

Consolidated SD&A expenses increased $154 million, or 10%, in fiscal 2012 as compared to fiscal 2011. Contributing to the increase in SD&A expenses were $113 million of higher variable costs associated with growing sales, such as sales commissions, salaries, production overtime and distribution costs, approximately $24 million of incremental operating costs associated with acquired businesses and $17 million of incremental costs associated with the SAP implementation. As a percentage of net sales, SD&A expenses decreased to 36.4% in fiscal 2012 from 37.0% in fiscal 2011.

SD&A Expenses (In thousands)	Years Ended March 31, 2012	2011	Increase		
Distribution	$1,528,215	$1,418,491	$109,724	8	%
All Other Operations	162,205	134,578	27,627	21	%
Other	37,349	21,003	16,346		
	$1,727,769	$1,574,072	$153,697	10	%

SD&A expenses in the Distribution and All Other Operations business segments increased 8% and 21%, respectively, in fiscal 2012. For both business segments, the increases in SD&A costs were driven by higher variable costs on sales growth, including sales commissions, salaries, production overtime and distribution costs, and incremental operating costs associated with acquired businesses of $14 million for the Distribution business segment and $10 million for the All Other Operations business segment. As a percentage of Distribution business segment net sales, SD&A expenses in the Distribution business segment decreased 110 basis points to 36.1% compared to 37.2% in fiscal 2011 driven by operating leverage on sales growth and by the shift in sales mix towards hardgoods. As a percentage of All Other Operations business segment net sales, SD&A expenses in the All Other Operations business segment increased 100 basis points to 29.5% compared to 28.5% in fiscal 2011 primarily driven by higher distribution costs, much of which are recovered through surcharge billings to customers.

SD&A Expenses - Other

Enterprise Information System

SAP implementation costs for fiscal 2012 were $33.0 million as compared to $16.4 million in fiscal 2011. SAP costs incurred by the Company included pre-implementation data conversion and training costs as well as post-implementation monitoring, training and operating activities related to the business unit rollouts. These costs were recorded as SD&A expenses and were not allocated to the Company's business segments.

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Multi-employer Pension Plan Withdrawals

During fiscal 2012, the Company incurred MEPP withdrawal charges of $4.3 million, primarily related to the final withdrawal and assessment from its last remaining MEPP. During fiscal 2011, the Company incurred MEPP withdrawal charges of $4.6 million. These charges are reflected in selling, distribution and administrative expenses.

Restructuring and Other Special Charges

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

(In thousands)	Year Ended March 31, 2012
Restructuring costs	$ 14,473
Other related costs	5,725
Asset impairment charges	4,250
Total restructuring and other special charges	$ 24,448

Restructuring and Other Related Costs

During fiscal 2012, the Company recorded $14.5 million in restructuring costs, primarily related to severance benefits and facility exit costs. Also during fiscal 2012, the Company incurred $5.7 million of other costs related to the divisional realignment 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. The restructuring charges and other related costs were not allocated to the Company's business segments.

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

(In thousands)	Severance Costs	Facility Exit and Other Costs	Total
Balance at March 31, 2011	$—	$—	$—
Restructuring charges	13,330	1,143	14,473
Cash payments and other adjustments	(192)	(153)	(345)
Balance at March 31, 2012	$ 13,138	$ 990	$ 14,128

Asset Impairments

In August 2011, the Company received 24 months notice that a supplier's hydrogen plant, which generates carbon dioxide as a by-product that serves as the feedstock for the Company's co-located liquid carbon dioxide plant, will cease operations in calendar year 2013. As a result of an impairment analysis performed on the assets at this location, the Company recorded a charge of $2.5 million during fiscal 2012.

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

Unsolicited Takeover Attempt

During fiscal 2012, the Company recognized a $7.9 million benefit from lower than previously estimated net costs related to the Air Products' unsolicited takeover attempt of Airgas. During fiscal 2011, the Company incurred $44.4 million of costs related to the unsolicited takeover attempt. The net costs and benefits recognized related to the unsolicited takeover attempt were reflected as a separate line item in the Company's Consolidated Statements of Earnings, and were not allocated to the Company's business segments.

Depreciation and Amortization

Depreciation expense increased $20 million or 9%, to $245 million in fiscal 2012 as compared to $225 million in fiscal 2011. The increase primarily reflects the additional depreciation expense on capital investments in revenue generating assets to support customer demand (such as cylinders and bulk tanks), $8 million of incremental depreciation expense related to the SAP enterprise information system and $4 million of additional depreciation expense on capital assets included in acquisitions. Total

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fiscal 2012 depreciation expense related to the SAP system of $10 million represents the expected full annual depreciation run-rate without the benefits associated with full implementation of the system. Amortization expense of $25 million in fiscal 2012 was consistent with that of fiscal 2011.

Operating Income

Consolidated operating income of $556 million increased 19% in fiscal 2012 driven by operating leverage on organic sales growth and $52 million of lower costs related to the unsolicited takeover attempt, which offset $24 million of incremental SD&A and depreciation expense related to the SAP implementation and $24 million of restructuring and other special charges. The consolidated operating income margin increased 70 basis points to 11.7% from 11.0% in fiscal 2011, reflecting the impact of the above items.

Operating Income (In thousands)	Years Ended March 31, 2012	2011	Increase		
Distribution	$542,684	$469,105	$73,579	16	%
All Other Operations	67,464	65,495	1,969	3	%
Other	(53,927)	(65,409)	11,482		
	$556,221	$469,191	$87,030	19	%

Operating income in the Distribution business segment increased 16% in fiscal 2012. The Distribution business segment's operating income margin increased 50 basis points to 12.8% compared to 12.3% in fiscal 2011. The operating income margin increase was driven by operating leverage on organic sales growth in fiscal 2012, which more than offset higher variable costs associated with sales growth.

Operating income in the All Other Operations business segment increased 3% compared to fiscal 2011. The All Other Operations business segment's operating income margin of 12.3% decreased by 160 basis points compared to the operating income margin of 13.9% in fiscal 2011.

Interest Expense, Net and Losses on the Extinguishment of Debt

Interest expense, net, was $66 million in fiscal 2012, representing an increase of $6 million, or 10%, compared to fiscal 2011. The overall increase in interest expense, net, resulted primarily from higher average debt balances in fiscal 2012 as compared to fiscal 2011, primarily reflecting the impact of stock repurchases and acquisitions.

In September 2010, the Company replaced its then existing senior credit facility with a new credit facility. As a result of the early termination of the prior credit facility, the Company recognized a loss of $0.6 million associated with the write-off of unamortized debt issuance costs during fiscal 2011. Additionally, the Company repurchased $30 million of its 7.125% senior subordinated notes due October 1, 2018 (the "2018 Senior Subordinated Notes") during fiscal 2011. In conjunction with the repurchase of the 2018 Senior Subordinated Notes, the Company recognized losses on the early extinguishment of debt of $3.6 million during fiscal 2011. The losses reflected the redemption premiums as well as the write-off of the associated unamortized debt issuance costs.

Income Tax Expense

The effective income tax rate was 36.3% of pre-tax earnings in fiscal 2012 compared to 38.5% in fiscal 2011. The decrease in the effective income tax rate was due in part to the Company's recognition of a $4.9 million tax benefit (which reduced the effective income tax rate by approximately 1%) from the realization of certain state tax benefits that previously required a valuation allowance related to the LLC reorganization, as well as a true-up of its foreign tax liabilities.

Net Earnings

Net earnings per diluted share rose 36% to $4.00 in fiscal 2012 compared to $2.94 in fiscal 2011. Net earnings were $313.4 million compared to $250.3 million in fiscal 2011. Net earnings per diluted share in fiscal 2012 and 2011 included net special charges aggregating to $0.11 and $0.41 per diluted share, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities was $550 million in fiscal 2013 compared to $506 million in fiscal 2012 and $275 million in fiscal 2011. Net cash provided by operating activities in fiscal 2011 was negatively impacted by new

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accounting guidance adopted by the Company on April 1, 2010 that affected the presentation of the Securitization Agreement. As a result of implementing the new guidance, funding under the agreement of $295 million on April 1, 2010 was reflected in the Company's Consolidated Statements of Cash Flows as a use of cash from the securitization of trade receivables in operating activities and as a source of cash in financing activities.

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

	Years Ended March 31,		
(In thousands)	2013	2012	2011
Net earnings	$340,874	$313,374	$250,264
Non-cash and non-operating activities [1]	345,618	368,942	348,965
Trade receivables securitization	—	—	(295,000)
Changes in working capital	(130,234)	(179,562)	(27,701)
Other operating activities	(5,990)	3,652	(1,227)
Net cash provided by operating activities	$550,268	$506,406	$275,301

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

The decrease in the use of cash for working capital in the current year was primarily driven by a significant use of cash in the prior year for payments related to the unsolicited takeover attempt and the Company's final MEPP withdrawal assessments. The increase in the use of cash for working capital in fiscal 2012 compared to fiscal 2011 was primarily driven by increases in working capital to support sales growth. Net earnings adjusted for non-cash and non-operating items provided cash of $686 million in fiscal 2013 versus $682 million in fiscal 2012 and $599 million in fiscal 2011.

As of March 31, 2013, $14 million of the Company's $86 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 periods presented:

	Years Ended March 31,		
(In thousands)	2013	2012	2011
Capital expenditures	$(325,465)	$(356,514)	$(256,030)
Proceeds from sale of plant, equipment and businesses	31,413	16,365	15,844
Business acquisitions and holdback settlements	(97,521)	(160,115)	(21,186)
Other investing activities	(1,286)	(1,830)	(395)
Net cash used in investing activities	$(392,859)	$(502,094)	$(261,767)

Capital expenditures as a percent of sales were 6.6%, 7.5% and 6.0%, respectively, for fiscal years 2013, 2012 and 2011. Capital expenditures were higher in fiscal 2013 and 2012 as compared to 2011 primarily due to investments in revenue generating assets, such as welding rental equipment, cylinders and bulk tanks to support sales growth, the construction of an air separation unit in Clarksville, Tennessee, the expansion of a hardgoods distribution center in Duluth, Georgia, the purchase of a new hardgoods distribution center in Bristol, Pennsylvania and multiple plant and branch expansions and consolidations. In fiscal 2013 the company paid $97.5 million to acquire eighteen businesses and to settle holdback liabilities. Additionally, during the current year, the Company sold five branch locations in western Canada, in addition to other plant and equipment, and received proceeds of $31.4 million related to the sale of these businesses and other plant and equipment.

Free cash flow* in fiscal 2013 was $298 million, compared to $262 million in fiscal 2012 and $387 million in fiscal 2011.

* See non-GAAP reconciliations below and components of free cash flow.

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

	Years Ended March 31,		
(In thousands)	2013	2012	2011
Net cash borrowings exclusive of trade receivables securitization	$452,952	$305,788	$35,593
Proceeds from trade receivables securitization	—	—	295,000
Purchase of treasury stock	(591,873)	(300,000)	(300,000)
Dividends paid to stockholders	(122,202)	(95,323)	(83,797)
Other financing activities	145,437	72,668	49,887
Net cash used in financing activities	$(115,686)	$(16,867)	$(3,317)

In fiscal 2013, net financing activities used cash of $116 million. Net 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, nothing was outstanding 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 will be 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.

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

In fiscal 2011, net financing activities used cash of $3 million. Net borrowings exclusive of the trade receivables securitization were a source of $36 million. As noted above under operating activities, the change in accounting principle for the Securitization Agreement was reflected as a financing source of cash of $295 million, but had no impact on the Company's net cash position as an equal and offsetting amount was reflected as a use of cash in operating activities. The Company authorized and completed a share repurchase program purchasing 4.8 million shares of treasury stock for $300 million. Other financing activities, primarily comprised of proceeds and excess tax benefits related to the exercise of stock options and stock issued for the employee stock purchase plan, generated cash of $50 million.

Dividends

In fiscal 2013, the Company paid its stockholders $122 million or $0.40 per share in all four quarters. During fiscal 2012, the Company paid dividends of $95 million or $0.29 per share in the first quarter and $0.32 per share in the second, third and fourth quarters. During fiscal 2011, the Company paid its stockholders $84 million or $0.22 per share in the first quarter, $0.25 per share in the second and third quarters and $0.29 per share in the fourth quarter. 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

Money Market Loans

The Company has an agreement with a financial institution to provide access to additional short-term advances not to exceed $35 million. On December 17, 2012, the agreement was extended and now expires on January 1, 2014. The agreement may be extended subject to renewal provisions contained in the agreement.The advances may be for one to six months with rates at a fixed spread over the corresponding LIBOR. At March 31, 2013, there were no advances outstanding under the agreement.

The Company also has an agreement with another financial institution that provides access to short-term advances not to exceed $35 million that expires on July 31, 2013, but 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, 2013, there were no advances outstanding under the agreement.

Commercial Paper

The Company participates in a $750 million commercial paper program supported by its $750 million revolving credit facility (see below). This program allows the Company to obtain favorable short-term borrowing rates with maturities that may vary, but will generally not exceed 90 days from the date of issue. The Company has used proceeds from the commercial paper program to pay down amounts outstanding under its revolving credit facility and for general corporate purposes. 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 borrowings outstanding under the program at March 31, 2013. At March 31, 2012, $388 million was outstanding under the commercial paper program and the average effective interest rate on these borrowings was 0.54%.

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 of the Securitization Agreement is $295 million and it bears interest at approximately LIBOR plus 75 basis points. On December 5, 2012, the Company entered into the Third Amendment to the Securitization Agreement which extended the expiration date of the Securitization Agreement from December 21, 2013 to December 4, 2015. At March 31, 2013, the amount of outstanding borrowing under the Securitization Agreement was $295 million, and it was classified as long-term debt on the Company’s Consolidated Balance Sheet. 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.

At the beginning of fiscal 2011, the Company adopted new accounting guidance that impacted the treatment of the Securitization Agreement. The impact of the guidance resulted in the recognition of both the trade receivables securitized under the program and the borrowings they collateralize on the Company's Consolidated Balance Sheet, which led to a $295 million increase in trade receivables and long-term debt upon adoption. Additionally, net new borrowings under the Securitization Agreement are classified as financing activities on the Company's Consolidated Statement of Cash Flows, whereas prior to the new guidance they were treated as proceeds from the sale of trade receivables and reflected net of collections as operating activities on the Company's Consolidated Statement of Cash Flows.

Senior Credit Facility

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

As of March 31, 2013, the Company had $37 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, 2013. 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 London Interbank Offered Rate (“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, 2013, the average effective interest rate on the multi-currency revolver was 1.62%. In addition to the borrowing spread of 125 basis points for U.S. dollar and multi-currency revolver borrowings, the Company pays a commitment (or unused) fee on the undrawn portion of the Credit Facility equal to 20 basis points per annum

At March 31, 2013, approximately $662 million remained available under the Company's Credit Facility, after giving effect to the the outstanding U.S. letters of credit and the borrowings under the multi-currency revolver, however, the financial covenant of the Credit Facility restricted the Company's ability to borrow on the unused portion of the Credit Facility to $590 million. 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. In the event of default, repayment of borrowings under the Credit Facility may be accelerated.

The Company also maintains a committed revolving line of credit of up to €8.0 million (U.S. $10.3 million) to fund its operations in France. These revolving credit borrowings are outside of the Company's Credit Facility. At March 31, 2013, these revolving credit borrowings were €5.8 million (U.S. $7.4 million). The variable interest rates on the French revolving credit borrowings are based on the Euro currency rate plus 125 basis points. As of March 31, 2013, the effective interest rate on the French revolving credit borrowings was 1.37%. This line of credit matures on July 19, 2016.

Total Borrowing Capacity

The Company believes 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 financial covenant under the Company's Credit Facility requires the Company to maintain a leverage ratio not higher than 3.5. The leverage ratio is a contractually defined amount principally reflecting debt and, historically, the amounts outstanding under the Securitization Agreement divided by a contractually defined Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") 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 and adjustments to debt for the fair value of derivative instruments. 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, 2013, the Company's leverage ratio was 2.9 and total borrowing capacity under the Credit Facility was $590 million.

The Company continually evaluates alternative financing 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, 2013, the Company was in compliance with all covenants under all of its debt agreements.

Senior Notes

On February 14, 2013, the Company issued $325 million of 1.65% senior notes maturing on February 15, 2018 (the "2018 Notes"). The 2018 Notes were issued at a discount with a yield of 1.685%. The net proceeds from the sale of the 2018 Notes were used for general corporate purposes, including to fund acquisitions, repay indebtedness under the Company's commercial paper program and repurchase shares pursuant to the Company's stock repurchase program. Interest on the 2018 Notes is payable semi-annually on February 15 and August 15 of each year, commencing on August 15, 2013.

On February 14, 2013, the Company issued $275 million of 2.375% senior notes maturing on February 15, 2020 (the "2020 Notes"). The 2020 Notes were issued at a discount with a yield of 2.392%. The net proceeds from the sale of the 2020 Notes were used for general corporate purposes, including to fund acquisitions, repay indebtedness under the Company's commercial paper program and repurchase shares pursuant to the Company's stock repurchase program. Interest on the 2020 Notes is payable semi-annually on February 15 and August 15 of each year, commencing on August 15, 2013.

On November 26, 2012, the Company issued $250 million of 2.90% senior notes maturing on November 15, 2022 (the "2022 Notes"). The 2022 Notes were issued at a discount and yield 2.913%. The net proceeds from the sale of the 2022 Notes were used for general corporate purposes, including to fund acquisitions, repay indebtedness under the Company's commercial paper program and repurchase shares pursuant to the Company's stock repurchase program. Interest on the 2022 Notes is payable semi-annually on May 15 and November 15 of each year, commencing May 15, 2013.

At March 31, 2013, the Company had $300 million outstanding of 2.85% senior notes maturing on October 1, 2013 (the "2013 Notes"). The 2013 Notes were issued at a discount with a yield of 2.871%. Interest on the 2013 Notes is payable semi-annually on April 1 and October 1 of each year. On October 1, 2012, the 2013 Notes were reclassified to the "Current portion of long-term debt" line item of the Company's Consolidated Balance Sheet.

At March 31, 2013, the Company had $400 million outstanding of 4.5% senior notes maturing on September 15, 2014 (the "2014 Notes"). The 2014 Notes were issued at a discount with a yield of 4.527%. Interest on the 2014 Notes is

payable semi-annually on March 15 and September 15 of each year.
At March 31, 2013, the Company had $250 million outstanding of 3.25% senior notes maturing on October 1, 2015 (the “2015 Notes”). The 2015 Notes were issued at a discount with a yield of 3.283%. Interest on the 2015 Notes is payable semi-annually on April 1 and October 1 of each year.
At March 31, 2013, the Company had $250 million of 2.95% senior notes maturing on June 15, 2016 (the “2016 Notes”). The 2016 Notes were issued at a discount with a yield of 2.980%. Interest on the 2016 Notes is payable semi-annually on June 15 and December 15 of each year.
The 2013, 2014, 2015, 2016, 2018, 2020 and 2022 Notes (collectively, the “Senior Notes”) contain covenants that could restrict the incurrence of liens and limit sale and leaseback transactions. Additionally, the Company has the option to redeem

the Senior Notes prior to their maturity, in whole or in part, at 100% of the principal plus any accrued but unpaid interest and applicable make-whole payments.

Senior Subordinated Notes

At March 31, 2013, the Company had $215 million outstanding of 7.125% senior subordinated notes maturing on October 1, 2018 (the "2018 Senior Subordinated Notes"). Interest on the 2018 Notes is payable semi-annually on April 1 and October 1 of each year. The 2018 Senior Subordinated Notes have a redemption provision which permits the Company, at its option, to call the 2018 Senior Subordinated Notes at scheduled dates and prices. The first scheduled optional redemption date is October 1, 2013 at a price of 103.563% of the principal amount.

During the year ended March 31, 2011, the Company incurred a one-time interest penalty payable to holders of the 2018 Senior Subordinated Notes in the amount of $2.6 million related to the late removal of the restrictive legend on these notes. The Company classified these charges as interest expense.

Other Long-term Debt

The Company's other long-term debt primarily consists of vendor financing of rental welders, capitalized lease obligations and notes issued to sellers of businesses acquired, which are repayable in periodic installments. At March 31, 2013, other long-term debt totaled $2.5 million with an average interest rate of approximately 6.74% and an average maturity of approximately one year.

Debt Extinguishment Charges

During the year ended March 31, 2011, the Company repurchased $30.0 million of its 2018 Notes at an average price of 110.6% of the principal. Losses on the early extinguishment of debt from the repurchase of the 2018 Notes were $3.6 million for the year ended March 31, 2011 and related to the redemption premiums and write-off of unamortized debt issuance costs.

Also during the year ended March 31, 2011, the Company entered into a new credit facility. In connection with the entry by the Company into the credit facility on September 13, 2010, the Company's then existing senior credit facility was terminated and all obligations under the prior credit facility (including the term loans) were repaid in full using proceeds of the credit facility and other funds. As a result of the termination of the prior credit facility, the Company recorded a loss on the early extinguishment of debt of $0.6 million during the year ended March 31, 2011 related to the write-off of unamortized debt issuance costs.

Interest Rate Derivatives

The Company previously designated fixed interest rate swap agreements as cash flow hedges of interest payments on certain of the Company's variable-rate debt instruments. For derivative instruments designated as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income ("AOCI") and is reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative instruments representing hedge ineffectiveness are recognized in current earnings.

For the year ended March 31, 2011, the fair value of the liability for the fixed interest rate swap agreements decreased and the Company recorded an adjustment to AOCI of $4.0 million, or $2.7 million after tax. The amount of gain or loss recorded in current earnings as a result of hedge ineffectiveness related to the designated cash flow hedges was immaterial for the year ended March 31, 2011.

At March 31, 2011, and during the years ended March 31, 2013 and 2012, the Company was party to no fixed interest rate swap agreements.

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 AOCI and will be reclassified into earnings over the term of the 2015 Notes. For the years ended March 31, 2013, 2012, and 2011, $517 thousand, $517 thousand, $258 thousand, respectively, of the loss on the treasury rate lock was reclassified to interest expense. At March 31, 2013, the estimated loss recorded in AOCI on the treasury rate lock agreement that is expected to be reclassified into earnings within the next twelve months is $517 thousand ($326 thousand after tax).

The Company also has variable interest rate swap agreements, which are designated as fair value hedges. For derivative instruments designated as fair value hedges, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings.

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At March 31, 2013, the Company had five variable interest rate swaps outstanding with a notional amount of $300 million. These variable interest rates swaps effectively convert the Company's $300 million of fixed rate 2013 Notes to variable rate debt. At March 31, 2013, these swap agreements required the Company to make variable interest payments based on a weighted average forward rate of 1.20% and receive fixed interest payments from the counterparties based on a fixed rate of 2.85%. The maturity of these fair value swaps coincides with the maturity date of the Company's 2013 Notes in October 2013. During the year ended March 31, 2013, the fair value of the variable interest rate swaps decreased by $4.2 million to an asset of $2.5 million and was recorded in prepaid expenses and other current assets as of March 31, 2013 and in other non-current assets as of March 31, 2012. The corresponding decrease in the carrying value of the 2013 Notes caused by the hedged risk was $4.3 million and was recorded in the current portion of long-term debt as of March 31, 2013 and in long-term debt as of March 31, 2012. The Company records the gain or loss on the hedged item (i.e., the 2013 Notes) and the gain or loss on the variable interest rate swaps in interest expense. 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, 2013, 2012 and 2011.

The Company measures the fair value of its interest rate swaps using observable market rates to calculate the forward yield curves used to determine expected cash flows for each interest rate swap agreement. The discounted present values of the expected cash flows are calculated using the same forward yield curve. The discount rate assumed in the fair value calculations is adjusted for non-performance risk, dependent on the classification of the interest rate swap as an asset or liability. If an interest rate swap is a liability, the Company assesses the credit and non-performance risk of Airgas by determining an appropriate credit spread for entities with similar credit characteristics as the Company. If, however, an interest rate swap is in an asset position, a credit analysis of counterparties is performed assessing the credit and non-performance risk based upon the pricing history of counterparty specific credit default swaps or credit spreads for entities with similar credit ratings to the counterparties. The Company does not believe it is at risk for non-performance by its counterparties. However, if an interest rate swap is in an asset position, the failure of one or more of its counterparties would result in an increase in interest expense and a reduction of earnings. The Company compares its fair value calculations to the contract settlement values calculated by the counterparties for each swap agreement for reasonableness.

Interest Expense

A majority of the Company's variable rate debt is based on a spread over LIBOR. Based on the Company's fixed to variable interest rate ratio, for every 25 basis-point increase in LIBOR, the Company estimates that its annual interest expense would increase by approximately $1.6 million.

Non-GAAP Reconciliations

Adjusted Cash from Operations, Adjusted Capital Expenditures, and Free Cash Flow

	Years Ended March 31,		
(In thousands)	2013	2012	2011
Net cash provided by operating activities	$550,268	$506,406	$275,301
Adjustments to net cash provided by operating activities:			
Cash used by the securitization of trade receivables	—	—	295,000
Stock issued for the Employee Stock Purchase Plan	17,088	15,256	