CINTAS CORP
Form 10-K
July 30, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended May 31, 2013

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-11399
CINTAS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

WASHINGTON (State or Other Jurisdiction of Incorporation or Organization)	31-1188630 (I.R.S. Employer Identification No.)

6800 Cintas Boulevard
P.O. Box 625737
Cincinnati, Ohio 45262-5737
(Address of Principal Executive Offices)

(513) 459-1200
(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, no par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

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 ü 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 ü

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 ü NO

Indicate by a check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
YES ü NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) 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 the 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	ü	Accelerated Filer	Smaller Reporting Company	Non-Accelerated Filer	(Do not check if a 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 ü

The aggregate market value of the Registrant's Common Stock held by non-affiliates as of November 30, 2012, was \$5,106,600,519 based on a closing sale price of \$41.44 per share. As of June 30, 2013, 174,825,212 shares of the Registrant's Common Stock were issued and 122,320,408 shares were outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement to be filed with the Commission for its 2013 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

Cintas Corporation
Index to Annual Report on Form 10-K

Part I

Item 1. Business

Cintas Corporation ("Cintas," "Company," "we," "us" or "our"), a Washington corporation, provides highly specialized products and services to businesses of all types primarily throughout North America, as well as Latin America, Europe and Asia. Cintas' products and services are designed to enhance its customers' images and brand identification, as well as provide a safe and efficient workplace. Cintas was founded in 1968 by Richard T. Farmer, currently the Chairman Emeritus of the Board of Directors, when he left his family's industrial laundry business in order to develop uniform programs using an exclusive new fabric. In the early 1970's, Cintas acquired the family industrial laundry business. Over the years, Cintas developed additional products and services that complemented its core uniform business and broadened the scope of products and services available to its customers.

Cintas classifies its businesses into four operating segments based on the types of products and services provided. The Rental Uniforms and Ancillary Products operating segment consists of the rental and servicing of uniforms and other garments including flame resistant clothing, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom cleaning services and supplies and carpet and tile cleaning services are also provided within this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. The Document Management Services operating segment consists of document destruction, document imaging and document retention services.

We provide our products and services to over one million businesses of all types — from small service and manufacturing companies to major corporations that employ thousands of people. This diversity in customer base results in no individual customer accounting for greater than one percent of Cintas' total revenue. As a result, the loss of one account would not have a significant financial impact on Cintas.

The following table sets forth Cintas' total revenue and the revenue derived from each operating segment:

Fiscal Year Ended May 31, (in thousands)	2013	2012	2011
Rental Uniforms and Ancillary Products	$3,044,587	$2,912,261	$2,692,248
Uniform Direct Sales	461,328	433,994	419,222
First Aid, Safety and Fire Protection Services	460,592	415,703	377,663
Document Management Services	349,964	340,042	321,251
Total Revenue	$4,316,471	$4,102,000	$3,810,384

Additional information regarding each operating segment is also included in Note 13 entitled Operating Segment Information of "Notes to Consolidated Financial Statements."

The primary markets served by all Cintas operating segments are local in nature and highly fragmented. Cintas competes with national, regional and local providers, and the level of competition varies at each of Cintas' local operations. Product, design, price, quality, service and convenience to the customer are the competitive elements in each of our operating segments.

Within the Rental Uniforms and Ancillary Products operating segment, Cintas provides its products and services to customers via local delivery routes originating from rental processing plants and branches. Within the Uniform Direct Sales and First Aid, Safety and Fire Protection Services operating segments, Cintas provides its products and services via its distribution network and local delivery routes or local representatives. Within the Document Management Services operating segment, Cintas provides its services via local service routes originating from document management branches and document retention facilities. In total, Cintas has approximately 8,200 local delivery routes, 446 operational facilities and eight distribution centers. At May 31, 2013, Cintas employed approximately 32,000 employees, of which approximately 210 were represented by labor unions.

Cintas sources finished products from many outside suppliers. In addition, Cintas operates five manufacturing facilities that provide for standard uniform needs. Cintas purchases fabric, used in its manufacturing process, from several suppliers. Cintas is not aware of any circumstances that would hinder its ability to continue obtaining these materials.

Cintas is subject to various environmental laws and regulations, as are other companies in the uniform rental industry. While environmental compliance is not a material component of its costs, Cintas must incur capital expenditures and associated operating costs, primarily for water treatment and waste removal, on a regular basis. Environmental spending related to water treatment and waste removal was approximately $19 million in fiscal 2013 and approximately $20 million in fiscal 2012. Capital expenditures to limit or monitor hazardous substances were approximately $2 million in fiscal 2013 and approximately $0.2 million in fiscal 2012. Cintas does not expect a material change in the cost of environmental compliance and is not aware of any material non-compliance with environmental laws.

Cintas uses its corporate website, www.cintas.com, as a channel for routine distribution of important information, including news releases, analyst presentations and financial information. Cintas files with or furnishes to the SEC Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, as well as proxy statements and annual reports to shareholders, and, from time to time, other documents. The reports and other documents filed with or furnished to the SEC are available to investors on or through our corporate website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. In addition, the public may read and copy any of the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site located at http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers, such as Cintas, that file electronically with the SEC. Cintas' SEC filings and its Code of Business Conduct can be found on the Investor Information page of its website at www.cintas.com/company/investor_information/highlights.aspx. These documents are available in print to any shareholder who requests a copy by writing or calling Cintas as set forth on the Investor Information page. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

Item 1A. Risk Factors

The statements in this section describe the most significant risks that could materially and adversely affect our business, consolidated financial condition and consolidated results of operation and the trading price of our debt or equity securities.

In addition, this section sets forth statements which constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

This Annual Report on Form 10-K contains forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor from civil litigation for forward-looking statements. Forward-looking statements may be identified by words such as "estimates," "anticipates," "predicts," "projects," "plans," "expects," "intends," "target," "forecast," "believes," "seeks," "could," "should," "may" and "will" or the negative versions thereof and similar expressions and by the context in which they are used. Such statements are based upon current expectations of Cintas and speak only as of the date made. You should not place undue reliance on any forward-looking statement. We cannot guarantee that any forward-looking statement will be realized. These statements are subject to various risks, uncertainties, potentially inaccurate assumptions and other factors that could cause actual results to differ from those set forth in or implied by this Annual Report. Factors that might cause such a difference include, but are not limited to, the possibility of greater than anticipated operating costs including energy and fuel costs, lower sales volumes, loss of customers due to outsourcing trends, the performance and costs of integration of acquisitions, fluctuations in costs of materials and labor including increased medical costs, costs and possible effects of union organizing activities, failure to comply with government regulations concerning employment discrimination, employee pay and benefits and employee health and safety, uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation, the cost, results and ongoing assessment of internal controls for financial reporting required by the Sarbanes-Oxley Act of 2002, disruptions caused by the inaccessibility of computer systems data, the initiation or outcome of litigation, investigations or other proceedings, higher assumed sourcing or distribution costs of products, the disruption of operations from catastrophic or extraordinary events, the amount and timing of repurchases of our Common Stock, if any, changes in federal and state tax and labor laws and the reactions of competitors in terms of price and service and the ultimate impact of the Affordable Care Act. Cintas undertakes no obligation to publicly release any revisions to any forward-looking statements or to otherwise update any forward-looking statements whether as a result of new information or to reflect events, circumstances or any other unanticipated developments arising after the date on which such statements are made, except otherwise required by law. The risks and uncertainties described herein are not the only ones we may face. Additional risks and uncertainties presently not known to us or that we currently believe to be immaterial may also harm our business.

Negative global economic factors may adversely affect our financial performance.

Negative economic conditions, in North America and our other markets, may adversely affect our financial performance. Higher levels of unemployment, inflation, tax rates and other changes in tax laws and other economic factors could adversely affect the demand for Cintas' products and services. Increases in labor costs, including the cost to provide employee-partner related healthcare benefits, labor shortages or shortages of skilled labor, higher material costs for items such as fabrics and textiles, lower recycled paper prices, the inability to obtain insurance coverage at cost-effective rates, higher interest rates, inflation, higher tax rates and other changes in tax laws and other economic factors could increase our costs of rental uniforms and ancillary products and other services and selling and administrative expenses. As a result, these factors could adversely affect our sales and consolidated results of operations.

Increased competition could adversely affect our financial performance.

We operate in highly competitive industries and compete with national, regional and local providers. Product, design, price, quality, service and convenience to the customer are the competitive elements in these industries. If existing or future competitors seek to gain or retain market share by reducing prices, Cintas may be required to lower prices, which would hurt its results of operations. Cintas' competitors also generally compete with Cintas for acquisition candidates, which can increase the price for acquisitions and reduce the number of available acquisition candidates. In addition, our customers and prospects may decide to perform certain services in-house instead of outsourcing these services to us. These competitive pressures could adversely affect our sales and consolidated results of operations.

An inability to open new, cost effective operating facilities may adversely affect our expansion efforts.
We plan to expand our presence in existing markets and enter new markets. The opening of new operating facilities is necessary to gain the capacity required for this expansion. Our ability to open new operating facilities depends on our ability to identify attractive locations, negotiate leases or real estate purchase agreements on acceptable terms, identify and obtain adequate utility and water sources and comply with environmental regulations, zoning laws and

other similar factors. Any inability to effectively identify and manage these items may adversely affect our expansion efforts, and, consequently, adversely affect our financial performance.

Risks associated with our acquisition practice could adversely affect our results of operations.

Historically, a portion of our growth has come from acquisitions. We continue to evaluate opportunities for acquiring businesses that may supplement our internal growth. However, there can be no assurance that we will be able to locate and purchase suitable acquisitions. In addition, the success of any acquisition depends in part on our ability to integrate the acquired company. The process of integrating acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of our management's attention and our financial and other resources. Although we conduct due diligence investigations prior to each acquisition, there can be no assurance that we will discover or adequately protect against all material liabilities of an acquired business for which we may be responsible as a successor owner or operator. The failure to successfully integrate these acquired businesses or to discover such liabilities could adversely affect our consolidated results of operations.

Increases in fuel and energy costs could adversely affect our financial condition and results of operations.

The price of fuel and energy needed to run our vehicles and equipment is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns, limits on refining capacities, natural disasters and environmental concerns. Increases in fuel and energy costs could adversely affect our consolidated financial condition and consolidated results of operations.

Unionization campaigns could adversely affect our results of operations.

Cintas has been and could continue to be the target of a unionization campaign by several unions. These unions have attempted to pressure Cintas into surrendering its employees' rights to a government-supervised election by unilaterally accepting union representation. We will continue to vigorously oppose any unionization campaign and defend our employees' rights to a government-supervised election. Unionization campaigns could be materially disruptive to our business and could adversely affect our consolidated results of operations.

Risks associated with the suppliers from whom our products are sourced could adversely affect our results of operations.

The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell is an important factor in our financial performance. We require all of our suppliers to comply with applicable laws, including labor and environmental laws, and otherwise be certified as meeting our required supplier standards of conduct. Our ability to find qualified suppliers who meet our standards, and to access products in a timely and efficient manner is a significant challenge, especially with respect to suppliers located and goods sourced outside the United States. Political and economic stability in the countries in which foreign suppliers are located, the financial stability of suppliers, suppliers' failure to meet our supplier standards, labor problems experienced by our suppliers, the availability of raw materials to suppliers, currency exchange rates, transport availability and cost, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control. In addition, U.S. and foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our consolidated results of operations.

Fluctuations in foreign currency exchange could adversely affect our financial condition and results of operations.

We earn revenue, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar, including the Canadian dollar, British pound, and the euro. In fiscal years 2013, 2012 and 2011, revenue denominated in currencies other than the U.S. dollar represented less than 10% of our consolidated revenue. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenue, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, fluctuations in the value of the U.S. dollar against other major currencies, particularly in the event of significant increases in foreign currency revenue, will impact our revenue and operating income and the value of balance sheet items denominated in foreign currencies. This impact could adversely affect our consolidated financial condition and consolidated results of operations.

Failure to comply with federal and state regulations to which we are subject could result in penalties or costs that could adversely affect our results of operations.

Our business is subject to complex and stringent state and federal regulations, including employment laws and regulations, minimum wage requirements, overtime requirements, working condition requirements, citizenship requirements, transportation and other laws and regulations. In particular, we are subject to the regulations promulgated by the U.S. Department of Transportation, or USDOT, and under the Occupational Safety and Health Act of 1970, as amended, or OSHA. We have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of our business in complying with the USDOT, OSHA and other laws and regulations to which we are subject. Changes in laws, regulations and the related interpretations may alter the landscape in which we do business and may affect our costs of doing business. The impact of new laws and regulations cannot be predicted. Compliance with new laws and regulations may increase our operating costs or require significant capital expenditures. Any failure to comply with applicable laws or regulations could result in substantial fines by government authorities, payment of damages to private litigants, or possible revocation of our authority to conduct our operations, which could adversely affect our ability to service customers and our consolidated results of operations.

We are subject to legal proceedings that may adversely affect our financial condition and results of operations.

We are party to various litigation claims and legal proceedings. We discuss these lawsuits and other litigation to which we are party in greater detail under the caption "Item 3. Legal Proceedings" and in Note 12 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements." Certain of these lawsuits or potential future lawsuits, if decided adversely to us or settled by us, may result in liability and expense material to our consolidated financial condition and consolidated results of operations.

Compliance with environmental laws and regulations could result in significant costs that adversely affect our results of operations.

Our operating locations are subject to environmental laws and regulations relating to the protection of the environment and health and safety matters, including those governing discharges of pollutants to the air and water, the management and disposal of hazardous substances and wastes and the clean-up of contaminated sites. The operation of our businesses entails risks under environmental laws and regulations. We could incur significant costs, including clean-up costs, fines and sanctions and claims by third parties for property damage and personal injury, as a result of violations of or liabilities under these laws and regulations. We are currently involved in a limited number of remedial investigations and actions at various locations. While based on information currently known to us, we believe that we maintain adequate reserves with respect to these matters, our liability could exceed forecasted amounts, and the imposition of additional clean-up obligations or the discovery of additional contamination at these or other sites could result in significant additional costs which could adversely affect our results of operations. In addition, potentially significant expenditures could be required to comply with environmental laws and regulations, including requirements that may be adopted or imposed in the future.

Under applicable environmental laws, an owner or operator of real estate may be required to pay the costs of removing or remediating hazardous materials located on or emanating from property, whether or not the owner or operator knew of or was responsible for the presence of such hazardous materials. While we regularly engage in environmental due diligence in connection with acquisitions, we can give no assurance that locations that have been acquired or leased have been operated in compliance with environmental laws and regulations during prior periods or that future uses or conditions will not make us liable under these laws or expose us to third-party actions, including tort suits.

We rely extensively on computer systems to process transactions, maintain information and manage our businesses. Disruptions in the availability of computer systems, or privacy breaches involving computer systems, could impact our ability to service our customers and adversely affect our sales, results of operations and reputation and expose us to litigation risk.

Our businesses rely on our computer systems to provide customer information, process customer transactions and provide other general information necessary to manage our businesses. We have an active disaster recovery plan in place that is frequently reviewed and tested. However, our computer systems are subject to damage or interruption due to system conversions, power outages, computer or telecommunication failures, catastrophic events such as fires, tornadoes and hurricanes and usage errors by our employees. Although we believe that we have adopted appropriate measures to mitigate potential risks to our technology and our operations from these information technology-related and other potential disruptions, given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to production downtimes, operational delays and interruptions in our ability to provide products and services to our customers. Any disruption caused by the unavailability of our computer systems could adversely affect our sales, could require us to make a significant investment to fix or replace them and, therefore, could adversely affect our consolidated results of operations. In addition, cyber-security attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data. If the network of security controls, policy enforcement mechanisms and monitoring systems to address these threats to our technology fails, the compromising of confidential or otherwise protected company, customer, or employee information, destruction or corruption of data, security breaches, or other manipulation or improper use of our systems and networks could result in financial losses from remedial actions, loss of business or potential liability and damage to our reputation.

Failure to achieve and maintain effective internal controls could adversely affect our business and stock price.
Effective internal controls are necessary for us to provide reliable financial reports. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the consolidated financial statement preparation and presentation. While we continue to evaluate our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. If we fail to maintain the adequacy of our internal controls or if we or our independent registered public accounting firm were to discover material weaknesses in our internal controls, as such standards are modified, supplemented or amended, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Failure to achieve and maintain an effective internal control environment could cause us to be unable to produce reliable financial reports or prevent fraud. This may cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.
We may experience difficulties in attracting and retaining competent personnel in key positions.
We believe that a key component of our success is our corporate culture which has been imparted by management throughout our corporate organization. This factor, along with our entire operation, depends on our ability to attract and retain key employees. Competitive pressures within and outside our industry may make it more difficult and expensive for us to attract and retain key employees which could adversely affect our businesses.
Unexpected events could disrupt our operations and adversely affect our results of operations.
Unexpected events, including fires or explosions at facilities, natural disasters such as hurricanes and tornadoes, war or terrorist activities, unplanned outages, supply disruptions, failure of equipment or systems or changes in laws and/or regulations impacting our businesses, could adversely affect our results of operations. These events could result in customer disruption, physical damage to one or more key operating facilities, the temporary closure of one or more key operating facilities or the temporary disruption of information systems.
We may recognize impairment charges, which could adversely affect our financial condition and results of operations.
We assess our goodwill and other intangible assets and our long-lived assets for impairment when required by U.S. generally accepted accounting principles. These accounting principles require that we record an impairment charge if circumstances indicate that the asset carrying values exceed their estimated fair values. The estimated fair value of these assets is impacted by general economic conditions in the locations in which we operate. Deterioration in these general economic conditions may result in: declining revenue which can lead to excess capacity and declining operating cash flow; reductions in management's estimates for future revenue and operating cash flow growth; increases in borrowing rates and other deterioration in factors that impact our weighted average cost of capital; and deteriorating real estate values. If our assessment of goodwill, other intangible assets or long-lived assets indicates an impairment of the carrying value for which we recognize an impairment charge, this may adversely affect our consolidated financial condition and consolidated results of operations.
Within our Document Management business, we handle customers' confidential information. Our failure to protect our customers' confidential information against security breaches could damage our reputation, harm our business and adversely impact our results of operations.
Our Document Management Services business includes both document destruction and document retention services. These services involve the handling of our customers' confidential information, in both paper and electronic formats, and the subsequent destruction or retention of this information. Any compromise of security, accidental loss or theft of customer data in our possession could damage our reputation and expose us to risk of liability, which could harm our business and adversely impact our consolidated results of operations.
The effects of credit market volatility and changes in our credit ratings could adversely affect our liquidity and results of operations.
Our operating cash flows, combined with access to the credit markets, provide us with significant discretionary funding capacity. However, deterioration in the global credit markets may limit our ability to access credit markets, which could adversely affect our liquidity and/or increase our cost of borrowing. In addition, credit market deterioration and its actual or perceived effects on our results of operations and financial condition, along with

deterioration in general economic conditions, may increase the likelihood that the major independent credit agencies will downgrade our credit ratings, which could increase our cost of borrowing. Increases in our cost of borrowing could adversely affect our consolidated results of operations.

Item 1B. Unresolved Staff Comments
None.

Item 2. Properties
Cintas occupies 446 facilities located in 303 cities. Cintas leases 259 of these facilities for various terms ranging from monthly to the year 2032. Cintas expects that it will be able to renew or replace its leases on satisfactory terms. Of the five manufacturing facilities listed below, Cintas controls the operations of one manufacturing facility, but does not own or lease the real estate related to the operation. All other facilities are owned. The principal executive office in Cincinnati, Ohio, provides centrally located administrative functions including accounting, finance, marketing and computer system development and support. Cintas operates rental processing plants that house administrative, sales and service personnel and the necessary equipment involved in the cleaning of uniforms and bulk items, such as entrance mats and shop towels. Branch operations provide administrative, sales and service functions. Cintas operates eight distribution centers and five manufacturing facilities. Cintas also operates first aid, safety and fire protection and document management facilities and direct sales offices. Cintas considers the facilities it operates to be adequate for their intended use. Cintas owns or leases approximately 13,700 vehicles which are used for the route-based services and by the sales and management employee-partners.
The following chart provides additional information concerning Cintas' facilities:

Type of Facility	# of Facilities	
Rental Processing Plants	164	
Rental Branches	107	
First Aid, Safety and Fire Protection Facilities	58	
Document Management Facilities	88	
Distribution Centers	8	*
Manufacturing Facilities	5	
Direct Sales Offices	16	
Total	446	

Rental processing plants, rental branches, distribution centers and manufacturing facilities are used in Cintas' Rental Uniforms and Ancillary Products operating segment. Rental processing plants, rental branches, distribution centers, manufacturing facilities and direct sales offices are all used in the Uniform Direct Sales operating segment. First aid, safety and fire protection facilities, rental processing facilities and distribution centers are used in the First Aid, Safety and Fire Protection Services operating segment. Document management facilities and rental processing facilities are used in the Document Management Services operating segment.
* Includes the principal executive office, which is attached to the distribution center in Cincinnati, Ohio.

Item 3. Legal Proceedings
We discuss material legal proceedings (other than ordinary routine litigation incidental to our business) pending against us in "Item 8. Financial Statements and Supplementary Data," in Note 12 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements." We refer you to and incorporate by reference into this Item 3 that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought.

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
Cintas' common stock is traded on the NASDAQ Global Select Market under the symbol "CTAS." The following table shows the high and low sales prices of shares of Cintas' common stock by quarter during the last two fiscal years:

Fiscal 2013 Quarter Ended	High	Low
May 2013	$46.27	$42.11
February 2013	45.29	40.13
November 2012	45.60	39.22
August 2012	41.64	35.41

Fiscal 2012 Quarter Ended	High	Low
May 2012	$40.61	$36.40
February 2012	39.34	29.31
November 2011	32.48	26.39
August 2011	34.54	26.59

Holders
At May 31, 2013, there were approximately 2,000 shareholders on record of Cintas' common stock. Cintas believes that this represents approximately 30,000 beneficial owners.
Dividends
Dividends on Cintas' outstanding common stock have been paid annually and amounted to $0.64 per share, $0.54 per share, and $0.49 per share in fiscal 2013, 2012 and 2011, respectively.
Stock Performance Graph
The following graph summarizes the cumulative return on $100 invested in Cintas' common stock, the S&P 500 Stock Index and the common stocks of a selected peer group of companies. Because our products and services are diverse, Cintas does not believe that any single published industry index is appropriate for comparing shareholder return. Therefore, the peer group used in the performance graph combines four publicly traded companies in the business services industry that have similar characteristics as Cintas, such as route based delivery of products and services. Prior to fiscal 2013, Cintas compared its common stock returns to the following publicly traded companies: G & K Services, Inc., UniFirst Corporation, ABM Industries and Ecolab, Inc. (Old Peer Group). In December 2011, Ecolab, Inc. acquired Nalco Holding Company, a chemicals and water treatment company, significantly diversifying Ecolab's business in terms of both operations and industry and removing those same characteristics for which we chose to include them in the Old Peer Group. As a result, Cintas made the change to a new peer group (New Peer Group). The companies included in the New Peer Group are G & K Services, Inc., UniFirst Corporation, ABM Industries and Iron Mountain, Inc. In fiscal 2002, Cintas entered the Document Management business, and that business has now grown to 8% of Cintas' total revenue. Iron Mountain, Inc. is also in the Document Management business.
Total shareholder return was based on the increase in the price of the common stock and assumed reinvestment of all dividends. Further, total return was weighted according to market capitalization of each company. The companies in

the New Peer Group are not the same as those considered by the Compensation Committee of the Board of Directors.

Total Shareholder Returns
Comparison of Five-Year Cumulative Total Return

Purchases of Equity Securities by the Issuer and Affiliated Purchases

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of the publicly announced plan (1)	Maximum approximate dollar value of shares that may yet be purchased under the plan (1)
March 1 - 31, 2013	235,758	$43.06	235,758	$180,791,478
April 1 - 30, 2013 (2)	420,426	43.73	419,260	162,460,106
May 1 - 31, 2013 (3)	1,532	45.17	—	162,460,106
Total	657,716	$43.49	655,018	$162,460,106

(1) On October 18, 2011, Cintas announced that the Board of Directors authorized a $500.0 million share buyback program at market prices. Beginning in April 2012, under the October 18, 2011 program, through May 31, 2013, Cintas has purchased a total of 8.4 million shares of Cintas stock at an average price of $40.23 per share for a total purchase price of $337.5 million.
(2) During April 2013, Cintas acquired 1,166 shares of Cintas common stock in trade for employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were purchased at an average price of $44.87 per share for a total purchase price of less than $0.1 million.
(3) During May 2013, Cintas acquired 1,532 shares of Cintas common stock in trade for employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were purchased at an average price of $45.17 per share for a total purchase price of less than $0.1 million.

Item 6. Selected Financial Data
Eleven-Year Financial Summary

(In thousands except per share and percentage data)

Fiscal Years Ended May 31,	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenue	$2,686,585	2,814,059	3,067,283	3,403,608	3,706,900	3,937,900	3,774,685	3,547,339	3,81
Net Income	$243,191	265,078	292,547	323,382	334,538	335,405	226,357	215,620	246,
Basic EPS	$1.43	1.55	1.70	1.93	2.09	2.15	1.48	1.40	1.68
Diluted EPS	$1.41	1.54	1.69	1.92	2.09	2.15	1.48	1.40	1.68
Dividends Per Share	$0.27	0.29	0.32	0.35	0.39	0.46	0.47	0.48	0.49
Total Assets	$2,582,946	2,810,297	3,059,744	3,425,237	3,570,480	3,808,601	3,720,951	3,969,736	4,35
Shareholders' Equity	$1,646,418	1,888,093	2,104,574	2,090,192	2,167,738	2,254,131	2,367,409	2,534,029	2,30
Return on Average Equity (1)	15.8 %	15.0 %	14.7 %	15.4 %	15.7 %	15.2 %	9.8 %	8.8 %	10.2
Long-Term Debt	$534,763	473,685	465,291	794,454	877,074	942,736	786,058	785,444	1,28

(1) Return on average equity is computed as net income divided by the average of shareholders' equity. We believe that this calculation gives management and shareholders a good indication of Cintas' historical performance.

12

Item 7. Management's Discussion and Analysis
of Financial Condition and Results of Operations

Business Strategy

Cintas provides highly specialized products and services to businesses of all types primarily throughout North America, as well as Latin America, Europe and Asia. We bring value to our customers by helping them provide a cleaner, safer and more pleasant atmosphere for their customers and employees. Our products and services are designed to improve our customers' images. We also help our customers protect their employees and their company by enhancing workplace safety and helping to ensure legal compliance in key areas of their business.

We are North America's leading provider of corporate identity uniforms through rental and sales programs, as well as a significant provider of related business services, including entrance mats, restroom cleaning services and supplies, carpet and tile cleaning services, first aid, safety and fire protection products and services and document management services.

Cintas' principal objective is "to exceed customers' expectations in order to maximize the long-term value of Cintas for shareholders and working partners," and it provides the framework and focus for Cintas' business strategy. This strategy is to achieve revenue growth for all of our products and services by increasing our penetration at existing customers and by broadening our customer base to include business segments to which we have not historically served. We will also continue to identify additional product and service opportunities for our current and future customers.

To pursue the strategy of increasing penetration, we have a highly talented and diverse team of service professionals visiting our customers on a regular basis. This frequent contact with our customers enables us to develop close personal relationships. The combination of our distribution system and these strong customer relationships provides a platform from which we launch additional products and services.

We pursue the strategy of broadening our customer base in several ways. Cintas has a national sales organization introducing all of our products and services to prospects in all business segments. Our broad range of products and services allows our sales organization to consider any type of business a prospect. We also broaden our customer base through geographic expansion, especially in our emerging businesses of first aid and safety, fire protection and document management. Finally, we evaluate strategic acquisitions as opportunities arise.

Results of Operations

Cintas classifies its businesses into four operating segments based on the types of products and services provided. The Rental Uniforms and Ancillary Products operating segment consists of the rental and servicing of uniforms and other garments including flame resistant clothing, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom cleaning services and supplies and carpet and tile cleaning services are also provided within this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. The Document Management Services operating segment consists of document destruction, document imaging and document retention services.

The following table sets forth certain consolidated statements of income data as a percent of revenue by operating segment and in total for the fiscal years ended May 31:

	2013		2012		2011	
Revenue:						
Rental Uniforms and Ancillary Products	70.5	%	71.0	%	70.7	%
Uniform Direct Sales	10.7	%	10.6	%	11.0	%
First Aid, Safety and Fire Protection Services	10.7	%	10.1	%	9.9	%
Document Management Services	8.1	%	8.3	%	8.4	%
Total revenue	100.0	%	100.0	%	100.0	%
Cost of sales:						
Rental Uniforms and Ancillary Products	57.7	%	56.6	%	56.8	%
Uniform Direct Sales	70.7	%	70.1	%	69.8	%
First Aid, Safety and Fire Protection Services	56.7	%	57.1	%	58.7	%
Document Management Services	53.0	%	50.9	%	48.7	%
Total cost of sales	58.6	%	57.6	%	57.8	%
Gross margin:						
Rental Uniforms and Ancillary Products	42.3	%	43.4	%	43.2	%
Uniform Direct Sales	29.3	%	29.9	%	30.2	%
First Aid, Safety and Fire Protection Services	43.3	%	42.9	%	41.3	%
Document Management Services	47.0	%	49.1	%	51.3	%
Total gross margin	41.4	%	42.4	%	42.2	%
Selling and administrative expenses	28.3	%	29.2	%	30.7	%
Interest income	—	%	—	%	-0.1	%
Interest expense	1.5	%	1.7	%	1.3	%
Income before income taxes	11.6	%	11.5	%	10.3	%

Fiscal 2013 Compared to Fiscal 2012

Fiscal 2013 total revenue was $4.3 billion, an increase of 5.2% compared to fiscal 2012. The increase primarily resulted from an organic growth increase of 4.9%. Revenue in fiscal 2013 was negatively impacted by 0.4% due to one less workday compared to fiscal 2012. The remaining 0.7% increase represents growth derived through acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment during the year. Organic growth by quarter is shown in the table below. Organic growth percentages have been adjusted for the appropriate number of workdays, by quarter and for the year, where applicable.

	Organic Growth	
First Quarter Ending August 31, 2012	3.2	%
Second Quarter Ending November 30, 2012	3.4	%
Third Quarter Ending February 28, 2013	6.9	%
Fourth Quarter Ending May 31, 2013	6.2	%
For the Fiscal Year Ending May 31, 2013	4.9	%

14

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments, including flame resistant clothing, and the rental and/or sale of mats, mops, shop towels, restroom supplies and other rental services. Revenue from the Rental Uniforms and Ancillary Products operating segment increased 4.5% compared to fiscal 2012. The increase resulted from an organic growth increase in revenue of 4.9%. This organic increase in the Rental Uniforms and Ancillary Products operating segment revenue was primarily due to improvements in sales representative productivity. Generally, sales productivity improvements are the result of increased tenure and improved training, which result in a higher number of products and services sold. Revenue in fiscal 2013 was negatively impacted by 0.4% due to one less workday compared to fiscal 2012.

Other Services revenue, consisting of revenue from the reportable operating segments of Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services, increased 6.9% compared to fiscal 2012. The increase primarily resulted from an organic growth increase of 4.9%, which was due to improved sales representative productivity, increased customer orders for uniforms and several large customer uniform roll-outs, slightly offset by a decrease in the average selling price of recycled paper. Revenue increased 2.4% as a result of growth derived through acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment during fiscal 2013. Revenue in fiscal 2013 was negatively impacted by 0.4% due to one less workday compared to fiscal 2012.

Cost of rental uniforms and ancillary products increased 6.5% compared to fiscal 2012. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The cost of rental uniforms and ancillary products increase compared to fiscal 2012 was due to increased Rental Uniforms and Ancillary Products operating segment sales volume.

Cost of other services increased 8.2% compared to fiscal 2012. Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment and the Document Management Services operating segment. The increase from fiscal 2012 was due to increased Other Services sales volume.

Selling and administrative expenses increased $22.9 million, or 1.9%, compared to fiscal 2012 due to increases in labor and other employee-partner related expenses. However, selling and administrative expenses as a percent of revenue, at 28.3%, decreased from 29.2% in fiscal 2012 due to improvements in sales representative productivity, cost control initiatives, the gain on the sale of stock of an equity method investment and lower amortization of intangible assets related to prior year acquisitions.

Operating income of $565.2 million in fiscal 2013 increased $25.6 million, or 4.7%, compared to fiscal 2012. This increase was primarily due to increased revenue in fiscal 2013, improved capacity utilization and revenue growing at a faster rate than the selling and administrative expenses.

Net interest expense (interest expense less interest income) decreased $3.4 million from fiscal 2012. This decrease was due to the maturity of the $225.0 million aggregate principal amount of 6.0% senior notes on June 1, 2012, offset by the issuance of $250.0 million aggregate principal amount of 3.25% senior notes due 2022 in the first quarter of fiscal 2013.

Income before income taxes was $499.9 million, a 6.2% increase compared to fiscal 2012. This change reflects the increase in operating income and lower net interest expense described above.

Cintas' effective tax rate of 36.9% in fiscal 2013 was consistent to the fiscal 2012 effective tax rate of 36.8% (also see Note 7 entitled Income Taxes of "Notes to Consolidated Financial Statements" for more information on income taxes).

Net income for fiscal 2013 of $315.4 million was a 6.0% increase compared to fiscal 2012. This increase was primarily due to the 5.2% growth in revenue. The impact of the increase in revenue was partially offset by one fewer workday in fiscal 2013 compared to fiscal 2012. Diluted earnings per share of $2.52 was an 11.0% increase compared to fiscal 2012. The increase in diluted earnings per share is higher than the increase in net income due to a decrease in weighted average common stock outstanding as a result of Cintas purchasing 8.4 million shares of common stock under the October 18, 2011 share buyback program during fiscal 2013 and the fourth quarter of fiscal 2012.

Rental Uniforms and Ancillary Products Operating Segment
As discussed above, Rental Uniforms and Ancillary Products operating segment revenue increased $132.3 million, or 4.5%, and the cost of rental uniforms and ancillary products increased $107.7 million, or 6.5%. The operating segment's fiscal 2013 gross margin was 42.3% of revenue compared to 43.4% in fiscal 2012. The decrease in gross margin as a percent of revenue over fiscal 2012 was primarily due to higher material cost associated with new customer accounts which requires increased in service inventory, costs associated with route expansion and a $1.6 million write-off of a garment processing system.
Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment increased $1.0 million in fiscal 2013 compared to fiscal 2012 primarily due to increases in labor and other employee-partner related expenses, offset by a gain on the sale of stock of an equity method investment and lower amortization of intangible assets related to prior year acquisitions. However, selling and administrative expenses as a percent of revenue, at 27.4%, decreased from 28.6% in fiscal 2012. This decrease as a percent of revenue was primarily due to higher Rental Uniforms and Ancillary Products operating segment revenue from greater sales representative productivity in fiscal 2013 compared to fiscal 2012.
Income before income taxes increased $23.5 million to $453.0 million for the Rental Uniforms and Ancillary Products operating segment for fiscal 2013 compared to fiscal 2012. Income before income taxes as a percent of revenue, at 14.9%, increased from 14.7% in fiscal 2012. This increase in income before income taxes is primarily due to revenue increasing at a faster rate of 4.5% compared to a 4.4% increase in operating expenses. Revenue grew at a faster rate due primarily to improvements in sales representative productivity and improved customer retention.
Uniform Direct Sales Operating Segment
Uniform Direct Sales operating segment revenue increased $27.3 million, or 6.3%, compared to fiscal 2012 due to increased customer orders for uniforms and several large customer uniform roll-outs. Cost of uniform direct sales increased $22.0 million, or 7.2%, compared to fiscal 2012. The gross margin as a percent of revenue was 29.3% for fiscal 2013 compared to 29.9% in fiscal 2012. This decrease in gross margin as a percent of revenue over fiscal 2012 was due to a less profitable mix of products being sold and costs incurred in conjunction with the large customer uniform roll-outs that occurred in fiscal 2013.
Selling and administrative expenses increased $1.2 million, or 1.4%, in fiscal 2013 compared to fiscal 2012 primarily due to increases in labor and other employee-partner related expenses. However, selling and administrative expenses as a percent of revenue, at 17.7%, decreased from 18.6% in fiscal 2012 due to an increase in Uniform Direct Sales operating segment sales volume.
Income before income taxes was $53.2 million in fiscal 2013, an increase of $4.2 million, or 8.6%, compared to fiscal 2012. Income before income taxes as a percent of revenue, at 11.5%, increased from 11.3% in fiscal 2012. This increase in income before income taxes is primarily due to revenue increasing at a faster rate of 6.3% compared to a 6.0% increase in operating expenses, due to improved capacity utilization from the higher revenue levels.
First Aid, Safety and Fire Protection Services Operating Segment
First Aid, Safety and Fire Protection Services operating segment revenue increased $44.9 million in fiscal 2013, a 10.8% increase compared to fiscal 2012. This increase primarily resulted from an organic growth increase of 6.8% due to improvements in sales representative productivity. Acquisitions resulted in revenue growth of 4.4%. Revenue in fiscal 2013 was negatively impacted by 0.4% due to one less workday compared to fiscal 2012.
Cost of first aid, safety and fire protection services increased $24.0 million, or 10.1%, in fiscal 2013, due primarily to increased First Aid, Safety and Fire Protection Services operating segment volume. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse expenses, service expenses and training expenses. The gross margin as a percent of revenue was 43.3% for fiscal 2013 compared to 42.9% in fiscal 2012. This increase is due to higher revenue as a result of improved sales representative productivity and improved capacity utilization from the higher revenue levels.
Selling and administrative expenses increased by $12.9 million, or 9.0%, in fiscal 2013 compared to fiscal 2012 primarily due to an increase in labor and other employee-partner related expenses. However, selling and administrative expenses as a percent of revenue, at 33.9%, decreased from 34.5% in fiscal 2012 due to revenue growing at a faster rate than selling and administrative expenses as a result of improvements in sales representative

productivity.

Income before income taxes was $43.1 million in fiscal 2013, an increase of $8.0 million, or 22.6%, compared to fiscal 2012. Income before income taxes as a percent of revenue, at 9.4%, increased from 8.5% in fiscal 2012. This increase in income before income taxes was primarily due to the increase in First Aid, Safety and Fire Protection Services operating segment revenue.

Document Management Services Operating Segment

Document Management Services operating segment revenue increased $9.9 million for fiscal 2013, or 2.9%, over fiscal 2012. This increase primarily resulted from acquisitions, which accounted for revenue growth of 2.9%. Revenue in fiscal 2013 was negatively impacted by 0.4% due to one less workday compared to fiscal 2012. The remaining 0.4% represents an organic growth increase. This operating segment derives a portion of its revenue from the sale of shredded paper to paper recyclers. The average price from these paper sales decreased by approximately 19% in fiscal 2013 compared to fiscal 2012, due to decreases in recycled paper prices. This decrease resulted in lower recycled paper revenue.

Cost of document management services increased $12.3 million, or 7.1%, for fiscal 2013 primarily due to increased Document Management Services operating segment volume. Gross margin for the Document Management Services operating segment is defined as revenue less production and service costs. The gross margin as a percent of revenue decreased from 49.1% in fiscal 2012 to 47.0% in fiscal 2013. This decrease is due to the lower recycled paper revenue as discussed above.

Selling and administrative expenses increased $7.8 million, or 5.5%, in fiscal 2013 over fiscal 2012. This increase is primarily due to an increase in labor and other employee-partner related expenses.

Income before income taxes for the Document Management Services operating segment was $15.8 million, a decrease of $10.1 million compared to fiscal 2012. Income before income taxes, at 4.5% of the operating segment's revenue, decreased from 7.6% in fiscal 2012. This decrease is primarily a result of the lower recycled paper revenue, as discussed above.

Fiscal 2012 Compared to Fiscal 2011

Fiscal 2012 total revenue was $4.1 billion, an increase of 7.7% compared to fiscal 2011. The increase primarily resulted from an organic growth increase of 6.1%. Revenue in fiscal 2012 was also positively impacted by 0.4% due to one more workday compared to fiscal 2011. The remaining 1.2% increase represents growth derived through acquisitions in our Document Management Services operating segment, our First Aid, Safety and Fire Protection Services operating segment and our Uniform Rentals and Ancillary Products operating segment during the year.

Organic growth by quarter is shown in the table below. Organic growth percentages have been adjusted for the appropriate number of workdays, by quarter and for the year, where applicable.

	Organic Growth	
First Quarter Ending August 31, 2011	7.6	%
Second Quarter Ending November 30, 2011	7.0	%
Third Quarter Ending February 29, 2012	5.9	%
Fourth Quarter Ending May 31, 2012	4.0	%
For the Fiscal Year Ending May 31, 2012	6.1	%

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments, including flame resistant clothing, and the rental and/or sale of mats, mops, shop towels, restroom supplies and other rental services. Revenue from the Rental Uniforms and Ancillary Products operating segment increased 8.2% compared to fiscal 2011. The increase primarily resulted from an organic growth increase in revenue of 6.7%. This organic increase in the Rental Uniforms and Ancillary Products operating segment revenue was primarily due to improvements in sales representative productivity. Generally, sales productivity improvements are the result of increased tenure and improved training, which result in a higher number of accounts sold. Revenue in fiscal 2012 was also positively impacted by 0.4% due to one more workday compared to fiscal 2011. The remaining 1.1% increase represents growth derived through acquisitions in our Rental Uniforms and Ancillary Products operating segment.

Other Services revenue, consisting of revenue from the reportable operating segments of Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services, increased 6.4% compared to fiscal

17

2011. The increase primarily resulted from an organic growth increase of 4.6%, which was due to improved sales representative productivity and improved account retention, slightly offset by a decrease in the average selling price of recycled paper. Revenue in fiscal 2012 was also positively impacted by 0.4% due to one more workday compared to fiscal 2011. The remaining 1.4% represents growth derived through acquisitions in our Document Management Services operating segment and our First Aid, Safety and Fire Protection Services operating segment during fiscal 2012.

Cost of rental uniforms and ancillary products increased 7.7% compared to fiscal 2011. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The cost of rental uniforms and ancillary products increase compared to fiscal 2011 was due to increased Rental Uniforms and Ancillary Products operating segment sales volume.

Cost of other services increased 6.6% compared to fiscal 2011. Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment and the Document Management Services operating segment. The increase from fiscal 2011 was due to increased Other Services sales volume.

Selling and administrative expenses increased $30.0 million, or 2.6%, compared to fiscal 2011 due to increases in labor and other employee-partner related expenses. However, selling and administrative expenses as a percent of revenue, at 29.2%, decreased from 30.7% in fiscal 2011 due to improvements in sales representative productivity and cost control initiatives.

Operating income of $539.6 million in fiscal 2012 increased $99.3 million, or 22.5%, compared to fiscal 2011. This increase was primarily due to increased revenue in fiscal 2012 and improved capacity utilization.

Net interest expense (interest expense less interest income) increased $21.0 million from fiscal 2011. This increase was due to the increased interest cost associated with the issuance of $500.0 million aggregate principal amount of senior notes in the fourth quarter of fiscal 2011.

Income before income taxes was $470.9 million, a 19.9% increase compared to fiscal 2011. This change reflects the increase in operating income offset by the increase in net interest expense described above.

Cintas' effective tax rate was 36.8% for fiscal 2012 as compared to 37.1% and 37.3% for fiscal 2011 and 2010, respectively. The decrease in the effective tax rate from fiscal 2011 to fiscal 2012 was primarily the result of positive audit resolutions (also see Note 7 entitled Income Taxes of "Notes to Consolidated Financial Statements" for more information on income taxes).

Net income for fiscal 2012 of $297.6 million was a 20.5% increase compared to fiscal 2011. This increase was primarily due to revenue increasing at a faster rate of 7.7% compared to a 5.7% increase in operating expenses. Revenue grew at a faster rate primarily due to improvements in sales representative productivity. Diluted earnings per share of $2.27 was a 35.1% increase compared to fiscal 2011. The increase in diluted earnings per share is higher than the increase in net income due to a decrease in weighted average common stock outstanding as a result of Cintas purchasing 11.4 million shares of its common stock during fiscal 2012.

Rental Uniforms and Ancillary Products Operating Segment

As discussed above, Rental Uniforms and Ancillary Products operating segment revenue increased $220.0 million, or 8.2%, and the cost of rental uniforms and ancillary products increased $118.1 million, or 7.7%. The operating segment's fiscal 2012 gross margin was 43.4% of revenue compared to 43.2% in fiscal 2011. The increase in gross margin as a percent of revenue over fiscal 2011 was due to an increase in revenue as a result of improvements in sales representative productivity and improved capacity utilization.

Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment increased $12.0 million in fiscal 2012 compared to fiscal 2011 primarily due to increases in labor and other employee-partner related expenses. Selling and administrative expenses as a percent of revenue, at 28.6%, decreased from 30.5% in fiscal 2011. This decrease as a percent of revenue was primarily due to cost control initiatives and higher Rental Uniforms and Ancillary Products operating segment revenue from greater sales representative productivity in fiscal 2012 compared to fiscal 2011.

Income before income taxes increased $89.9 million to $429.5 million for the Rental Uniforms and Ancillary Products operating segment for fiscal 2012 compared to fiscal 2011. This increase is primarily due to the increase in revenue

offset by the increase in selling and administrative expenses discussed above.
Uniform Direct Sales Operating Segment
Uniform Direct Sales operating segment revenue increased $14.8 million, or 3.5%, compared to fiscal 2011. Revenue in fiscal 2012 was positively impacted by 0.4% due to one more workday compared to fiscal 2011. Cost of uniform direct sales increased $11.6 million, or 4.0%, compared to fiscal 2011. The gross margin as a percent of revenue was 29.9% for fiscal 2012 compared to 30.2% in fiscal 2011. This decrease in gross margin as a percent of revenue over fiscal 2011 was due to increased garment material costs due to higher cotton prices, higher freight costs on shipments from our distribution centers and higher energy-related costs associated with our rental catalog service.
Selling and administrative expenses increased $2.4 million, or 3.0%, in fiscal 2012 compared to fiscal 2011. Selling and administrative expenses as a percent of revenue, at 18.6%, decreased slightly from 18.7% in fiscal 2011.
Income before income taxes was $49.0 million in fiscal 2012, an increase of $0.8 million, or 1.6%, compared to fiscal 2011. Income before income taxes as a percent of revenue, at 11.3%, decreased from 11.5% in fiscal 2011. This decrease in income before income taxes is primarily due to cost of uniform direct sales increasing at a greater rate than revenue based on the factors noted above.
First Aid, Safety and Fire Protection Services Operating Segment
First Aid, Safety and Fire Protection Services operating segment revenue increased $38.0 million in fiscal 2012, a 10.1% increase compared to fiscal 2011. This increase primarily resulted from an organic growth increase of 8.4% due to improvements in sales representative productivity and improved customer retention. Revenue in fiscal 2012 was also positively impacted by 0.4% due to one more workday compared to fiscal 2011. The remaining 1.3% represents growth derived through acquisitions.
Cost of first aid, safety and fire protection services increased $15.6 million, or 7.1%, in fiscal 2012, due primarily to increased First Aid, Safety and Fire Protection Services operating segment volume. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse expenses, service expenses and training expenses. The gross margin as a percent of revenue was 42.9% for fiscal 2012 compared to 41.3% in fiscal 2011. This increase is due to an increase in revenue for the reasons noted above and improved capacity utilization from the higher revenue levels.
Selling and administrative expenses increased by $8.7 million, or 6.5%, in fiscal 2012 compared to fiscal 2011 primarily due to an increase in labor and other employee-partner related expenses. However, selling and administrative expenses as a percent of revenue, at 34.5%, decreased from 35.6% in fiscal 2011. Revenue grew at a faster rate than selling and administrative expenses due to improvements in sales representative productivity and cost control initiatives.
Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment was $35.1 million in fiscal 2012 compared to $21.5 million in fiscal 2011. This increase in income before income taxes was primarily due to the increase in First Aid, Safety and Fire Protection Services operating segment revenue and improved capacity utilization from the higher revenue levels.
Document Management Services Operating Segment
Document Management Services operating segment revenue increased $18.8 million for fiscal 2012, or 5.8%, over fiscal 2011. This increase primarily resulted from an organic growth increase of 2.1%. Revenue in fiscal 2012 was also positively impacted by 0.4% due to one more workday compared to fiscal 2011. The remaining 3.3% increase represents growth derived mainly through acquisitions. This operating segment derives a portion of its revenue from the sale of shredded paper to paper recyclers. The average price from these paper sales decreased by approximately 6% in fiscal 2012 compared to fiscal 2011, due to decreases in recycled paper prices. This decrease resulted in lower recycled paper revenue.
Cost of document management services increased $16.9 million, or 10.8%, for fiscal 2012 due to increased Document Management Services operating segment volume. Gross margin for the Document Management Services operating segment is defined as revenue less production and service costs. The gross margin as a percent of revenue decreased from 51.3% in fiscal 2011 to 49.1% in fiscal 2012. This decrease is due to a drop in recycled paper prices and an increase in energy-related costs in fiscal 2012 compared to fiscal 2011.

Selling and administrative expenses increased $7.0 million in fiscal 2012 over fiscal 2011. This increase is primarily due to an increase in labor and other employee-partner related expenses. However, these expenses as a percent of revenue, at 41.4%, decreased from 41.7% in fiscal 2011. This decrease is due to the revenue growing at a faster rate

than the expenses due to cost control initiatives, lower bad debt expense and lower amortization expense related to acquisition related intangible assets.
Income before income taxes for the Document Management Services operating segment was $26.0 million, a decrease of $5.1 million compared to fiscal 2011. Income before income taxes, at 7.6% of the operating segment's revenue, decreased from 9.7% in fiscal 2011. This decrease is primarily a result of the increase in the cost of document management services and selling and administrative expenses, as discussed above.
Liquidity and Capital Resources
The following is a summary of our cash flows and cash, cash equivalents and marketable securities as of and for the fiscal years ending May 31:

(In thousands)	2013	2012
Net cash provided by operating activities	$552,748	$469,862
Net cash used in investing activities	$(284,181)	$(104,294)
Net cash used in financing activities	$(256,058)	$(460,575)
Cash and cash equivalents at the end of the period	$352,273	$339,825
Marketable securities at the end of the period	$5,680	$—

The cash, cash equivalents and marketable securities as of May 31, 2013, include $50.7 million that is located outside of the United States. We expect to use these amounts to fund our international operations and international expansion activities. The marketable securities at May 31, 2013, consist of United States municipal bonds. We believe that our investment policy pertaining to marketable securities is conservative. The primary criterion used in making investment decisions is the preservation of principal, while earning an attractive yield.
Cash flows provided by operating activities have historically supplied us with a significant source of liquidity. We generally use these cash flows to fund most, if not all, of our operations and expansion activities and dividends on our common stock. We may also use cash flows provided by operating activities, as well as proceeds from long-term debt and short-term borrowings, to fund growth and expansion opportunities, as well as other cash requirements such as the repurchase of our common stock.
Net cash provided by operating activities was $552.7 million for fiscal 2013, an increase of $82.9 million compared to fiscal 2012. Along with the increase in net income, the decrease in inventory and the increase in accounts payable also had a positive impact on cash flows.
Net cash used in investing activities includes capital expenditures and cash paid for acquisitions of businesses. Capital expenditures were $196.5 million and $160.8 million for fiscal 2013 and fiscal 2012, respectively. These capital expenditures primarily related to expansion efforts in the Rental Uniforms and Ancillary Products and Document Management Services operating segments. Capital expenditures for fiscal 2013 included $140.3 million for the Rental Uniforms and Ancillary Products operating segment and $37.4 million for the Document Management Services operating segment. Cash paid for acquisitions of businesses was $69.4 million and $24.9 million for fiscal 2013 and fiscal 2012, respectively. The acquisitions in fiscal 2013 occurred in our First Aid, Safety and Fire Protection Services and Document Management Services operating segments. The acquisitions in fiscal 2012 occurred in our Document Management Services, First Aid, Safety and Fire Protection Services and Rental Uniforms and Ancillary Products operating segments. Net cash used in investing activities for fiscal 2013 also includes net purchases of marketable securities and investments of $17.0 million. The cash used for capital expenditures and acquisitions in fiscal 2012 was offset by net proceeds from the redemption of marketable securities of $79.4 million.
Net cash used in financing activities was $256.1 million and $460.6 million for fiscal 2013 and 2012, respectively. On October 26, 2010, we announced that the Board of Directors authorized a $500.0 million share buyback program at market prices. We completed the October 26, 2010 share buyback program by purchasing 8.1 million shares of Cintas common stock in June and July 2011 for an aggregate purchase price of $259.5 million. On October 18, 2011, we announced that the Board of Directors authorized a new $500.0 million share buyback program. Beginning in April 2012, under the October 18, 2011 share buyback program through May 31, 2012, Cintas purchased a total of 3.3

million shares of Cintas common stock at an average price of $39.10 per share for a total purchase price of $129.6 million. For the fiscal year ended May 31, 2012, Cintas acquired 0.1 million shares of Cintas common stock in trade for employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were acquired at an average price of $32.05 per share for a total purchase price of $3.2 million. During fiscal 2013, Cintas purchased a total of 5.1 million shares of Cintas common stock at an average price of $40.97 per share for a total purchase price of $208.0 million. From the inception of the October 18, 2011 share buyback program through July 30, 2013, Cintas has purchased a total of 8.6 million shares of Cintas common stock at an average price of $40.43 per share for a total purchase price of $348.9 million. For the fiscal year ended May 31, 2013, Cintas acquired 0.2 million shares of Cintas common stock in trade for employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were acquired at an average price of $38.04 per share for a total purchase price of $7.7 million.

We paid an annual cash dividend of $79.7 million, or $0.64 per share, in December 2012. On a per share basis, this dividend is an increase of 18.5% over the dividend paid in fiscal 2012. This marks the 30th consecutive year that Cintas has increased its annual dividend, every year since going public in 1983.

As of May 31, 2013, we had $1,300.0 million aggregate principal amount in fixed rate senior notes outstanding with maturities ranging from 2016 to 2036. On June 1, 2012, Cintas repaid at maturity $225.0 million aggregate principal amount of its 6.00% senior notes due 2012. On June 5, 2012, Cintas issued $250.0 million aggregate principal amount of senior notes due June 1, 2022. These senior notes bear interest at a rate of 3.25% paid semi-annually beginning December 1, 2012. The net proceeds generated from the offering ($25.0 million) were used for general corporate purposes. As of May 31, 2013, we also had outstanding $250.0 million of 30-year senior notes issued in fiscal 2007 at a rate of 6.15%, $300.0 million of 10-year senior notes issued in fiscal 2008 at a rate of 6.125%, $250.0 million of 5-year senior notes issued in fiscal 2011 at a rate of 2.85% and $250.0 million of 10-year senior notes issued in 2011 at a rate of 4.30%. During fiscal 2009, Cintas initiated a $7.5 million loan with PIDC Regional Center, LP for funding related to a facility being built in Philadelphia. It is a 5-year note with a 2.75% interest rate due in fiscal 2014.

Cintas' commercial paper program has a capacity of $300.0 million that is fully supported by a backup revolving credit facility through a credit agreement with its banking group. This revolving credit facility has an accordion feature that allows for a maximum borrowing capacity of $450.0 million. The revolving credit facility was amended on October 7, 2011, to extend the maturity date from September 26, 2014 to October 6, 2016, to improve the applicable margin used to calculate the interest rate payable on any outstanding loans and the facility fee payable under the agreement and to replace the financial covenant regarding Cintas' net funded indebtedness to total capitalization with a requirement to maintain a leverage ratio of consolidated indebtedness to consolidated earnings before interest, taxes, depreciation and amortization (debt to EBITDA) of no more than 3.5 to 1.0. We believe this program, along with cash generated from operations, will be adequate to provide necessary funding for our future cash requirements. No commercial paper or borrowings on our revolving credit facility were outstanding at May 31, 2013 or 2012.

Cintas has certain covenants related to debt agreements. These covenants limit our ability to incur certain liens, to engage in sale-leaseback transactions and to merge, consolidate or sell all or substantially all of Cintas' assets. These covenants also require Cintas to maintain certain debt to EBITDA and interest coverage ratios. Cross-default provisions exist between certain debt instruments. If a default of a significant covenant were to occur, the default could result in an acceleration of the maturity of the indebtedness, impair liquidity and limit the ability to raise future capital. As of May 31, 2013, Cintas was in compliance with all significant debt covenants.

Our access to the commercial paper and long-term debt markets has historically provided us with sources of liquidity. We do not anticipate having difficulty in obtaining financing from those markets in the future in view of our favorable experiences in the debt markets in the recent past. Our ability to continue to access the commercial paper and long-term debt markets on favorable interest rate and other terms will depend, to a significant degree, on the ratings assigned by the credit rating agencies to our indebtedness. As of May 31, 2013, our ratings were as follows:

Rating Agency	Outlook	Commercial Paper	Long-term Debt
Standard & Poor's	Stable	A-2	BBB+
Moody's Investors Service	Stable	P-1	A2

In the event that the ratings of our commercial paper or our outstanding long-term debt issues were substantially lowered or withdrawn for any reason, or if the ratings assigned to any new issue of long-term debt securities were significantly lower than those noted above, particularly if we no longer had investment grade ratings, our ability to access the debt markets may be adversely affected. In addition, in such a case, our cost of funds for new issues of commercial paper and long-term debt would be higher than our cost of funds would have been had the ratings of those new issues been at or above the level of the ratings noted above. The rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

To monitor our credit rating and our capacity for long-term financing, we consider various qualitative and quantitative factors. One such factor is the ratio of our total debt to EBITDA. For the purpose of this calculation, debt is defined as the sum of short-term borrowings, long-term debt due within one year, obligations under capital leases due in one year, long-term debt and long-term obligations under capital leases.

Long-Term Contractual Obligations

(In thousands)	Payments Due by Period				
	Total	One year or less	Two to three years	Four to five years	After five years
Long-term debt [1]	$1,309,166	$8,187	$697	$550,282	$750,000
Operating leases [2]	209,494	40,117	63,570	40,307	65,500
Interest payments [3]	653,148	64,311	128,289	102,195	358,353
Interest swap agreements	—	—	—	—	—
Unconditional purchase obligations	—	—	—	—	—
Total long-term contractual cash obligations	$2,171,808	$112,615	$192,556	$692,784	$1,173,853

Cintas also makes payments to defined contribution plans. The amount of contributions made to the defined contribution plans are at the discretion of the Board of Directors of Cintas. Future contributions are expected to increase approximately 3% to 5% annually. Based on that increase, payments due in one year or less would be $30.6 million, two to three years would be $65.9 million and four to five years would be $72.7 million. Payments for years thereafter are expected to continue increasing by approximately 5% each year.

(1) Long-term debt primarily consists of $1,300.0 million in senior notes (reference Note 5 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements" for a detailed discussion of long-term debt).

(2) Operating leases consist primarily of operational facility leases.

(3) Interest payments could include interest on both fixed and variable rate debt. As of May 31, 2013, Cintas did not have commercial paper outstanding, and therefore did not have any variable rate debt.

Other Commitments

(In thousands)	Amount of Commitment Expiration per Period				
	Total	One year or less	Two to three years	Four to five years	After five Years
Lines of credit [1]	$299,916	$—	$—	$299,916	$—
Standby letters of credit [2]	85,775	85,775	—	—	—
Guarantees	—	—	—	—	—
Standby repurchase obligations	—	—	—	—	—
Other commercial commitments	—	—	—	—	—
Total other commitments	$385,691	$85,775	$—	$299,916	$—

(1) Back-up facility for the commercial paper program (reference Note 5 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements" for further discussion).

(2) Support certain outstanding debt (reference Note 5 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements"), self-insured workers' compensation and general liability insurance programs.

Inflation and Changing Prices

Changes in wages, benefits and energy costs have the potential to materially impact Cintas' consolidated financial results. Management believes inflation has not had a material impact on Cintas' consolidated financial condition or a negative impact on results of operations.

Litigation and Other Contingencies

Cintas is subject to legal proceedings and claims arising from the ordinary course of its business, including personal injury, customer contract, environmental and employment claims. In the opinion of management, the aggregate liability, if any, with respect to such ordinary course of business actions will not have a material adverse effect on the consolidated financial position or results of operations of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business. Please refer to "Part I, Item 3. Legal Proceedings" and Note 12 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements" for a detailed discussion of certain specific litigation.

New Accounting Standards

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02 (ASU 2013-02), Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The update requires disclosure of amounts reclassified out of accumulated other comprehensive income (AOCI) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about these amounts. The guidance is effective prospectively for interim and annual financial periods beginning after December 15, 2012. This new guidance is effective for Cintas in the first quarter of fiscal 2014. Cintas does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Critical Accounting Policies

The preparation of Cintas' consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and judgments that have a significant effect on the amounts reported in the consolidated financial statements and accompanying notes. These critical accounting policies should be read in conjunction with Note 1 entitled Significant Accounting Policies of "Notes to Consolidated Financial Statements." Significant changes, estimates or assumptions related to any of the following critical accounting policies could possibly have a material impact on the consolidated financial statements.

Revenue recognition

Rental revenue, which is recorded in the Rental Uniforms and Ancillary Products operating segment, is recognized when services are performed. Other services revenue, which is recorded in the Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services operating segments, is recognized when either services are performed or when products are shipped and the title and risks of ownership pass to the customer.

Allowance for doubtful accounts

Cintas establishes an allowance for doubtful accounts. This allowance includes an estimate based on historical rates of collectability and allowances for specific accounts identified as uncollectible. The allowance that is an estimate based on the company's historical rates of collectability is recorded for overdue amounts, beginning with a nominal percentage and increasing substantially as the account ages. The amount provided as the account ages will differ slightly between the Rental Uniforms and Ancillary Products operating segment and the three other operating segments because of differences in customers served and the nature of each operating segment.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Cintas applies a commonly accepted practice of using inventory turns to apply variances between actual and standard costs to the inventory balances. The judgments and estimates used to calculate inventory turns will have an impact on the valuation of inventories at the lower of cost or market. An inventory obsolescence reserve is determined by specific identification, as well as an estimate based on the company's historical rates of obsolescence.

23

Uniforms and other rental items in service

Uniforms and other rental items in service are valued at cost less amortization, calculated using the straight-line method. Uniforms in service (other than cleanroom and flame resistant clothing) are amortized over their useful life of 18 months. Other rental items, including shop towels, mats, mops, cleanroom garments, flame resistant clothing, linens and restroom dispensers, are amortized over their useful lives, which range from 8 to 60 months. The amortization rates used are based on industry experience, Cintas' specific experience and wear tests performed by Cintas. These factors are critical to determining the amount of in service inventory that is presented in the consolidated financial statements.

Property and equipment

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets based on industry and company specific experience, which is typically 30 to 40 years for buildings, 5 to 20 years for building improvements, 3 to 10 years for equipment and 2 to 15 years for leasehold improvements. When events or circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the estimated undiscounted future cash flows are compared to the carrying amount of the assets. If the estimated undiscounted future cash flows are less than the carrying amount of the assets, an impairment loss is recorded based on the excess of the carrying amount of the assets over their respective fair values. Fair value is generally determined by discounted cash flows or based on prices of similar assets, as appropriate. Long-lived assets that are held for sale are reported at the lower of the carrying amount or the estimated fair value, less estimated costs to sell.

Goodwill and impairment

Goodwill, obtained through acquisitions of businesses, is valued at cost less any impairment. Cintas completes an annual impairment test which includes the determination of the estimated fair value of its reporting units. This test includes comparisons to current market values, where available, and discounted cash flow analyses. Significant assumptions include growth rates based on historical trends and margin improvement leveraged from such growth, as well as discount rates. The methodology used is consistent with prior years. Based on the results of the annual impairment tests, Cintas was not required to recognize an impairment of goodwill for the fiscal years ended May 31, 2013, 2012 or 2011. Cintas will continue to perform impairment tests as of March 1 in future years and when indicators of impairment exist, if any, are noted.

Service contracts and other assets

Service contracts and other assets, which consist primarily of noncompete and consulting agreements obtained through acquisitions of businesses, are amortized by use of the straight-line method over the estimated lives of the agreements, which are generally 5 to 10 years. Certain noncompete agreements, as well as all service contracts, require that a valuation be determined using a discounted cash flow model. The assumptions and judgments used in these models involve estimates of cash flows and discount rates, among other factors. Because of the assumptions used to value these intangible assets, actual results over time could vary from original estimates. Impairment of service contracts and other assets is accomplished through specific identification. No impairment has been recognized by Cintas for the fiscal years ended May 31, 2013, 2012 or 2011.

Stock-based compensation

Compensation expense is recognized for all share-based payments to employees, including stock options and restricted stock awards, in the consolidated statements of income based on the fair value of the awards that are granted. The fair value of stock options is estimated at the date of grant using the Black-Scholes option-pricing model. Measured compensation cost, net of estimated forfeitures, is recognized on a straight-line basis over the vesting period of the related share-based compensation award. See Note 11 entitled Stock-Based Compensation of "Notes to Consolidated Financial Statements" for further information.

Litigation and environmental matters

Cintas is subject to legal proceedings and claims related to environmental matters arising from the ordinary course of business. GAAP requires that a liability for contingencies be recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. While a significant change in assumptions and judgments could have a material impact on the amounts recorded for contingent liabilities, Cintas does not believe that they will

result in a material adverse effect on the consolidated financial statements.
A detailed discussion of litigation matters is discussed in Note 12 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements."

Income taxes

Deferred tax assets and liabilities are determined by the differences between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities. See Note 7 entitled Income Taxes of "Notes to Consolidated Financial Statements" for the types of items that give rise to significant deferred income tax assets and liabilities. Deferred income taxes are classified as assets or liabilities based on the classification of the related asset or liability for financial reporting purposes. Deferred income taxes that are not related to an asset or liability for financial reporting are classified according to the expected reversal date. Cintas regularly reviews deferred tax assets for recoverability based upon projected future taxable income and the expected timing of the reversals of existing temporary differences. Although realization is not assured, management believes it is more likely than not that the recorded deferred tax assets, as adjusted for valuation allowances, will be realized.

Cintas is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, Cintas records reserves as deemed appropriate. Based on Cintas' evaluation of current tax positions, Cintas believes its tax related accruals are appropriate.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Earnings are affected by changes in short-term interest rates due to investments in marketable securities and money market accounts and periodic issuances of commercial paper. If short-term rates changed by one-half percent (or 50 basis points), Cintas' income before income taxes would change by approximately $0.1 million. This estimated exposure considers the effects on investments. This analysis does not consider the effects of a change in economic activity or a change in Cintas' capital structure.

Through its foreign operations, Cintas is exposed to foreign currency risk. Foreign currency exposures arise from transactions denominated in a currency other than the functional currency and from foreign denominated revenue and profit translated into U.S. dollars. Foreign denominated revenue and profit represents less than 10% of Cintas' consolidated revenue and profit. Cintas periodically uses foreign currency hedges such as average rate options and forward contracts to mitigate the risk of foreign currency exchange rate movements resulting from foreign currency revenue and from international cash flows. The primary foreign currency to which Cintas is exposed is the Canadian dollar.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements
Audited Consolidated Financial Statements for the Fiscal Years Ended May 31, 2013, 2012 and 2011

Management's Report on
Internal Control over Financial Reporting

To the Shareholders of Cintas Corporation:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

With the supervision of our Chief Executive Officer and our Chief Financial Officer, management assessed our internal control over financial reporting as of May 31, 2013. Management based its assessment on criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed by our internal audit function.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of May 31, 2013, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States.

We reviewed the results of management's assessment with the Audit Committee of our Board of Directors. Additionally, our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of Cintas Corporation's internal control over financial reporting. Ernst & Young LLP has issued an attestation report, which is included in this Annual Report on Form 10-K.

Scott D. Farmer
Chief Executive Officer

William C. Gale
Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Cintas Corporation

We have audited Cintas Corporation's internal control over financial reporting as of May 31, 2013, based on criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cintas Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Cintas Corporation maintained, in all material respects, effective internal control over financial reporting as of May 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cintas Corporation as of May 31, 2013 and 2012 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended May 31, 2013 and our report dated July 30, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio

July 30, 2013

28

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Cintas Corporation

We have audited the accompanying consolidated balance sheets of Cintas Corporation as of May 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended May 31, 2013. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15(a)(2). These consolidated financial statements and schedule are the responsibility of Cintas Corporation's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cintas Corporation at May 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cintas Corporation's internal control over financial reporting as of May 31, 2013, based on criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 30, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio
July 30, 2013

Consolidated
Statements of Income

(In thousands except per share data)	Fiscal Years Ended May 31, 2013	2012	2011
Revenue:			
Rental uniforms and ancillary products	$3,044,587	$2,912,261	$2,692,248
Other services	1,271,884	1,189,739	1,118,136
	4,316,471	4,102,000	3,810,384
Costs and expenses:			
Cost of rental uniforms and ancillary products	1,756,297	1,648,551	1,530,456
Cost of other services	773,107	714,841	670,641
Selling and administrative expenses	1,221,856	1,198,981	1,168,944
Operating income	565,211	539,627	440,343
Interest income	(409)	(1,942)	(2,030)
Interest expense	65,712	70,625	49,704
Income before income taxes	499,908	470,944	392,669
Income taxes	184,466	173,307	145,680
Net income	$315,442	$297,637	$246,989
Basic earnings per share	$2.53	$2.27	$1.68
Diluted earnings per share	$2.52	$2.27	$1.68
Dividends declared and paid per share	$0.64	$0.54	$0.49

See accompanying notes.

Consolidated Statements of Comprehensive Income

(In thousands)	Fiscal Years Ended May 31, 2013	2012	2011
Net income	$315,442	$297,637	$246,989
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(1,087)	(17,815)	27,344
Change in fair value of derivatives[1]	(187)	(5,286)	(6,096)
Amortization of interest rate lock agreements	1,952	1,508	767
Change in fair value of available-for-sale securities[2]	14	24	3
Other[3]	768	(575)	656
Other comprehensive income (loss)	1,460	(22,144)	22,674
Comprehensive income	$316,902	$275,493	$269,663

(1) Net of less than $0.1 million, $3.1 million and $3.8 million of tax expense for the fiscal years ended May 31, 2013, 2012 and 2011, respectively.

(2) Net of less than $0.1 million of tax benefit for each of the fiscal years ended May 31, 2013, 2012 and 2011, respectively.

(3) Net of $0.3 million of tax benefit, $0.2 million of tax expense and $0.2 million of tax benefit for the fiscal years ended May 31, 2013, 2012 and 2011, respectively.

See accompanying notes.

Consolidated
Balance Sheets

(In thousands except share data)	As of May 31, 2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$352,273	$339,825
Marketable securities	5,680	—
Accounts receivable, principally trade, less allowance of $15,855 and $17,017, respectively	496,049	450,861
Inventories, net	240,440	251,205
Uniforms and other rental items in service	496,752	452,785
Income taxes, current	9,102	22,188
Prepaid expenses	24,530	21,222
Total current assets	1,624,826	1,538,086
Property and equipment, at cost, net	986,703	952,587
Goodwill	1,517,560	1,485,375
Service contracts, net	92,153	76,822
Other assets, net	124,390	112,836
	$4,345,632	$4,165,706
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$121,029	$94,840
Accrued compensation and related liabilities	78,050	91,214
Accrued liabilities	271,821	261,442
Deferred tax liability	77,169	2,559
Long-term debt due within one year	8,187	225,636
Total current liabilities	556,256	675,691
Long-term liabilities:		
Long-term debt due after one year	1,300,979	1,059,166
Deferred income taxes	210,483	204,581
Accrued liabilities	76,422	87,133
Total long-term liabilities	1,587,884	1,350,880
Shareholders' equity:		
Preferred stock, no par value:		
100,000 shares authorized, none outstanding	—	—
Common stock, no par value:		
425,000,000 shares authorized		
2013: 174,786,010 shares issued and 122,281,507 shares outstanding		
2012: 173,745,913 shares issued and 126,519,758 shares outstanding	186,332	148,255
Paid-in capital	109,822	107,019
Retained earnings	3,717,771	3,482,073
Treasury stock:		
2013: 52,504,503 shares		

2012: 47,226,155 shares	(1,850,556)	(1,634,875)
Other accumulated comprehensive income (loss):		
Foreign currency translation	51,312	52,399
Unrealized loss on derivatives	(14,339)	(16,104)
Other	1,150	368
Total shareholders' equity	2,201,492	2,139,135
	$4,345,632	$4,165,706

See accompanying notes.

32

Consolidated
Statements of Shareholders' Equity

(In thousands)	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Other Accumulated Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity
Balance at June 1, 2010	173,207	$132,058	$84,616	$3,080,079	$ 36,133	(20,338)	$(798,857)	$2,534,029
Net income	—	—	—	246,989	—	—	—	246,989
Comprehensive income, net of tax	—	—	—	—	22,674	—	—	22,674
Dividends	—	—	—	(71,812)	—	—	—	(71,812)
Stock-based compensation	—	—	15,203	—	—	—	—	15,203
Vesting of stock-based compensation awards	139	3,343	(3,343)	—	—	—	—	—
Repurchase of common stock	—	—	—	—	—	(15,424)	(443,690)	(443,690)
Other	—	—	(744)	—	—	—	—	(744)
Balance at May 31, 2011	173,346	135,401	95,732	3,255,256	58,807	(35,762)	(1,242,547)	2,302,649
Net income	—	—	—	297,637	—	—	—	297,637
Comprehensive loss, net of tax	—	—	—	—	(22,144)	—	—	(22,144)
Dividends	—	—	—	(70,820)	—	—	—	(70,820)
Stock-based compensation	—	—	20,312	—	—	—	—	20,312
Vesting of stock-based compensation awards	297	9,513	(9,513)	—	—	—	—	—
Stock options exercised, net of shares surrendered	103	3,341	—	—	—	—	—	3,341
Repurchase of common stock	—	—	—	—	—	(11,464)	(392,328)	(392,328)
Other	—	—	488	—	—	—	—	488
Balance at May 31, 2012	173,746	148,255	107,019	3,482,073	36,663	(47,226)	(1,634,875)	2,139,135
Net income	—	—	—	315,442	—	—	—	315,442
Comprehensive income, net of tax	—	—	—	—	1,460	—	—	1,460
Dividends	—	—	—	(79,744)	—	—	—	(79,744)
Stock-based compensation	—	—	23,310	—	—	—	—	23,310

Vesting of stock-based compensation awards	610	23,270	(23,270)	—	—	—	—	—
Stock options exercised, net of shares surrendered	430	14,807	—	—	—	—	—	14,807
Repurchase of common stock	—	—	—	—	—	(5,279)	(215,681)	(215,681)
Other	—	—	2,763	—	—	—	—	2,763
Balance at May 31, 2013	174,786	$186,332	$109,822	$3,717,771	$ 38,123	(52,505)	$(1,850,556)	$2,201,492

See accompanying notes.

Consolidated
Statements of Cash Flows

(In thousands)	Fiscal Years Ended May 31, 2013	2012	2011
Cash flows from operating activities:			
Net income	$315,442	$297,637	$246,989
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	165,664	155,831	150,886
Amortization of intangible assets	23,713	38,334	42,581
Stock-based compensation	23,310	20,312	15,203
Deferred income taxes	48,023	56,727	47,908
Change in current assets and liabilities, net of acquisitions of businesses:			
Accounts receivable, net	(42,704)	(24,261)	(48,986)
Inventories, net	10,997	(2,330)	(78,824)
Uniforms and other rental items in service	(44,179)	(60,279)	(58,180)
Prepaid expenses	(3,281)	(1,496)	360
Accounts payable	25,023	(12,557)	29,215
Accrued compensation and related liabilities	(13,161)	11,625	12,493
Accrued liabilities and other	31,873	(20,371)	(2,167)
Income taxes, current	12,028	10,690	(16,592)
Net cash provided by operating activities	552,748	469,862	340,886
Cash flows from investing activities:			
Capital expenditures	(196,486)	(160,802)	(182,592)
Proceeds from redemption of marketable securities	161,478	665,016	139,056
Purchase of marketable securities and investments	(178,464)	(585,655)	(78,307)
Acquisitions of businesses, net of cash acquired	(69,370)	(24,864)	(171,552)
Other	(1,339)	2,011	(5,198)
Net cash used in investing activities	(284,181)	(104,294)	(298,593)
Cash flows from financing activities:			
Proceeds from issuance of debt	250,000	—	1,002,281
Repayment of debt	(225,636)	(1,323)	(502,208)
Proceeds from exercise of stock-based compensation awards	14,807	3,341	—
Dividends paid	(79,744)	(70,820)	(71,812)
Repurchase of common stock	(215,681)	(392,328)	(443,690)
Other	196	555	(4,609)
Net cash used in financing activities	(256,058)	(460,575)	(20,038)
Effect of exchange rate changes on cash and cash equivalents	(61)	(3,274)	4,570
Net increase (decrease) in cash and cash equivalents	12,448	(98,281)	26,825
Cash and cash equivalents at beginning of year	339,825	438,106	411,281
Cash and cash equivalents at end of year	$352,273	$339,825	$438,106

See accompanying notes.

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Business description. Cintas Corporation (collectively with its majority-owned subsidiaries and any entities over which it has control, "Cintas") provides highly specialized products and services to businesses of all types primarily throughout North America, as well as Latin America, Europe and Asia. Cintas is North America's leading provider of corporate identity uniforms through rental and sales programs, as well as a significant provider of related business services, including entrance mats, restroom cleaning services and supplies, carpet and tile cleaning services, first aid, safety and fire protection products and services and document management services. Cintas' products and services are designed to enhance its customers' images and to provide additional safety and protection in the workplace.

Cintas classifies its businesses into four operating segments based on the types of products and services provided. The Rental Uniforms and Ancillary Products operating segment consists of the rental and servicing of uniforms and other garments including flame resistant clothing, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom cleaning services and supplies and carpet and tile cleaning services are also provided within this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. The Document Management Services operating segment consists of document destruction, document imaging and document retention services.

Principles of consolidation. The consolidated financial statements include the accounts of Cintas controlled majority-owned subsidiaries and any entities over which Cintas has control. Intercompany balances and transactions have been eliminated as appropriate.

Use of estimates. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition. Rental revenue, which is recorded in the Rental Uniforms and Ancillary Products operating segment, is recognized when services are performed. Other Services revenue, which is recorded in the Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services operating segments, is recognized when either services are performed or when products are shipped and the title and risks of ownership pass to the customer.

Cost of rental uniforms and ancillary products. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The Rental Uniforms and Ancillary Products operating segment inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs and other costs of distribution are included in the cost of rental uniforms and ancillary products.

Cost of other services. Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses. Cost of other services includes inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs and other costs of distribution.

Selling and administrative expenses. Selling and administrative expenses consist primarily of sales labor and commissions, management and administrative labor, payroll taxes, medical expense, insurance expense, legal and professional costs and amortization of finite-lived intangible assets.

Cash and cash equivalents. Cintas considers all highly liquid investments with a maturity of three months or less, at date of purchase, to be cash equivalents. At May 31, 2013, cash and cash equivalents includes $28.5 million of restricted cash used as collateral associated with the general insurance program.

Marketable securities. Marketable securities are comprised of fixed income securities and are classified as available-for-sale.

Accounts receivable. Accounts receivable is comprised of amounts owed through product shipments and services provided and is presented net of an allowance for doubtful accounts. The allowance is an estimate based on historical rates of collectability and allowances for specific accounts identified as uncollectible. The allowance that is an estimate based on Cintas' historical rates of collectability is recorded for overdue amounts, beginning with a nominal percentage and increasing substantially as the account ages. The amount provided as the account ages will differ slightly between the Rental Uniforms and Ancillary Products operating segment and the three other operating segments because of differences in customers served and the nature of each operating segment. When an account is considered uncollectible, it is written off against the allowance for doubtful accounts.

Inventories. Inventories are valued at the lower of cost (first-in, first-out) or market. Cintas applies a commonly accepted practice of using inventory turns to apply variances between actual and standard costs to the inventory balances. The judgments and estimates used to calculate inventory turns will have an impact on the valuation of inventories at the lower of cost or market. Inventory is comprised of the following amounts:

(In thousands)	2013	2012
Raw materials	$19,800	$19,138
Work in process	17,353	13,052
Finished goods	203,287	219,015
	$240,440	$251,205

Inventories are recorded net of reserves for obsolete inventory of $29.5 million and $29.4 million as of May 31, 2013 and 2012, respectively. The inventory obsolescence reserve is determined by specific identification, as well as an estimate based on Cintas' historical rates of obsolescence.

Uniforms and other rental items in service. These items are valued at cost less amortization, calculated using the straight-line method. Uniforms in service (other than cleanroom and flame resistant clothing) are amortized over their useful life of 18 months. Other rental items, including shop towels, mats, mops, cleanroom garments, flame resistant clothing, linens and restroom dispensers, are amortized over their useful lives, which range from 8 to 60 months. The amortization rates used are based on industry experience, Cintas' specific experience and wear tests performed by Cintas. These factors are critical to determining the amount of in service inventory that is presented in the consolidated financial statements.

Property and equipment. Property and equipment is stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method primarily over the following estimated useful lives of the assets based on industry and company specific experience, in years:

Buildings	30 to 40
Building improvements	5 to 20
Equipment	3 to 10
Leasehold improvements	2 to 15

Long-lived assets. When events or circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the estimated undiscounted future cash flows are compared to the carrying amount of the assets. If the estimated undiscounted future cash flows are less than the carrying amount of the assets, an impairment loss is recorded based on the excess of the carrying amount of the assets over their respective fair values. Fair value is generally determined by discounted cash flows or based on prices of similar assets, as appropriate. Long-lived assets that are held for sale are reported at the lower of the carrying amount or the estimated fair value, less estimated costs to sell.

Goodwill. Goodwill, obtained through acquisitions of businesses, is valued at cost less any impairment. Goodwill is separately disclosed from other intangible assets on the consolidated balance sheet and not amortized. Cintas completes an annual goodwill impairment test which includes the determination of the estimated fair value of its reporting units. The methodology used is consistent with prior years. Based on the results of the annual impairment test, Cintas was not required to recognize an impairment of goodwill for the fiscal years ended May 31, 2013, 2012 or 2011. Cintas will continue to perform impairment tests as of March 1 in future years and when indicators of impairment exist, if any, are noted.

Service contracts and other assets. Service contracts and other assets, which consist primarily of noncompete and consulting agreements obtained through acquisitions of businesses, are amortized by use of the straight-line method over the estimated lives of the agreements, which are generally 5 to 10 years. Certain noncompete agreements, as well as all service contracts, require that a valuation be determined using a discounted cash flow model. The assumptions and judgments used in these models involve estimates of cash flows and discount rates, among other factors. Because of the assumptions used to value these intangible assets, actual results over time could vary from original estimates. Impairment of service contracts and other assets is accomplished through specific identification. No impairment has been recognized by Cintas for the fiscal years ended May 31, 2013, 2012 or 2011.

Accrued liabilities. Current accrued liabilities are recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Current accrued liabilities include the following amounts:

(In thousands)	2013	2012
General insurance liabilities	$96,930	$82,611
Employee benefit related liabilities	59,221	56,134
Taxes and related liabilities	7,776	8,523
Accrued interest	26,816	29,523
Other	81,078	84,651
	$271,821	$261,442

General insurance liabilities represent the estimated ultimate cost of all asserted and unasserted claims incurred, primarily related to worker's compensation, auto liability and other general liability exposure through the consolidated balance sheet date. Cintas records an increase or decrease in selling and administrative expenses related to development of prior claims, higher claims activity and other environmental factors in the period in which it becomes known.

Long-term accrued liabilities consists primarily of reserves associated with unrecognized tax benefits, which are described in more detail in Note 7 entitled Income Taxes, and retirement obligations, which are described in more detail in Note 9 entitled Defined Contribution Plans.

Stock-based compensation. Compensation expense is recognized for all share-based payments to employees, including stock options and restricted stock awards, in the consolidated statements of income based on the fair value of the awards that are granted. The fair value of stock options is estimated at the date of grant using the Black-Scholes option-pricing model. Measured compensation cost, net of estimated forfeitures, is recognized on a straight-line basis over the vesting period of the related share-based compensation award.

Derivatives and hedging activities. Cintas formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Derivatives are recorded at fair value on the consolidated balance sheet, and gains and losses are recorded as adjustments to earnings or other comprehensive income, as appropriate.

Other accounting pronouncements. In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02 (ASU 2013-02), Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The update requires disclosure of amounts reclassified out of accumulated other comprehensive income (AOCI) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about these amounts. The guidance is effective prospectively for interim and annual financial periods beginning after December 15, 2012. This new guidance is effective for Cintas in the first quarter of fiscal 2014. Cintas does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

2. Fair Value Measurements

FASB Accounting Standard Codification (ASC) Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. It also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 —	Quoted prices in active markets for identical assets or liabilities.
Level 2 —	Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
Level 3 —	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Cintas' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

In order to meet the requirements of ASC 820, Cintas utilizes two basic valuation approaches to determine the fair value of its assets and liabilities required to be recorded on a recurring basis at fair value. The first approach is the cost approach. The cost approach is generally the value a market participant would expect to replace the respective asset or liability. The second approach is the market approach. The market approach looks at what a market participant would consider valuing an exact or similar asset or liability to that of Cintas, including those traded on exchanges.

All financial instruments that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the consolidated balance sheet date. These financial instruments measured at fair value on a recurring basis are summarized below:

(In thousands)	As of May 31, 2013			
	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$352,273	$—	$—	$352,273
Marketable securities:				
U.S. municipal bonds	—	5,680	—	5,680
Accounts receivable, net	—	39	—	39
Total assets at fair value	$352,273	$5,719	$—	$357,992

(In thousands)	As of May 31, 2012			
	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$339,825	$—	$—	$339,825
Total assets at fair value	$339,825	$—	$—	$339,825

Cintas' cash and cash equivalents and marketable securities are generally classified within Level 1 or Level 2 of the fair value hierarchy. Financial instruments classified as Level 1 are based on quoted market prices in active markets, and financial instruments classified as Level 2 are based on quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The types of financial instruments Cintas classifies within Level 1 include most bank deposits and money market securities. Cintas does not adjust the quoted market price for such financial instruments.

The types of financial instruments Cintas classifies within Level 2 include highly rated U.S. state or municipal bonds. The valuation technique used for Cintas’ marketable securities classified within Level 2 of the fair value hierarchy is primarily the market approach. The primary inputs to value Cintas’ marketable securities is the respective instruments future cash flows based on its stated yield and the amount a market participant would pay for a similar instrument. Primarily all of Cintas’ marketable securities are actively traded and the recorded fair value reflects current market conditions. However, due to the inherent volatility in the investment market, there is at least a possibility that recorded investment values may change in the near term.

Interest, realized gains and losses and declines in value determined to be other than temporary on available-for-sale securities are included in interest income or expense. The cost of the securities sold is based on the specific identification method. The amortized cost basis of the marketable securities as of May 31, 2013 was $5.7 million. Purchases of marketable securities were $167.1 million, $579.7 million and $62.7 million for the fiscal years ended May 31, 2013, 2012 and 2011, respectively. There were no outstanding marketable securities as of May 31, 2012. All outstanding marketable securities as of May 31, 2013 had contractual maturities due within one year.

Accounts receivable, net include foreign currency forward contracts. The fair value of Cintas' foreign currency forward contracts are based on similar exchange traded derivatives (market approach) and are, therefore, included within Level 2 of the fair value hierarchy.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Cintas believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the consolidated balance sheet date.
Cintas' non-financial assets and liabilities not permitted or required to be measured at fair value on a recurring basis primarily relate to assets and liabilities acquired in a business acquisition. Cintas is required to provide additional disclosures about fair value measurements as part of the consolidated financial statements for each major category of assets and liabilities measured at fair value on a non-recurring basis (including business acquisitions). Based on the nature of Cintas' business acquisitions, which occur regularly throughout the fiscal year, the majority of the assets acquired and liabilities assumed consist of working capital, primarily valued using Level 2 inputs, property and equipment, also primarily valued using Level 2 inputs and goodwill and other identified intangible assets valued using Level 3 inputs. In general, non-recurring fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities, which generally are not applicable to non-financial assets and liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as definitive sales agreements, appraisals or established market values of comparable assets. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability, such as internal estimates of future cash flows and company specific discount rates.

3. Property and Equipment

(In thousands)	2013	2012
Land	$112,311	$108,176
Buildings and improvements	512,717	497,249
Equipment	1,631,213	1,478,270
Leasehold improvements	27,543	25,502
Construction in progress	58,463	62,370
	2,342,247	2,171,567
Less: accumulated depreciation	1,355,544	1,218,980
	$986,703	$952,587

Interest expense is net of capitalized interest of $1.3 million and $2.2 million for the fiscal years ended May 31, 2012 and 2011, respectively. Interest was not capitalized during the fiscal year ended May 31, 2013.

4. Goodwill, Service Contracts and Other Assets

Changes in the carrying amount of goodwill and service contracts for the fiscal years ended May 31, 2013 and 2012, by operating segment, are as follows:

Goodwill (in thousands)	Rental Uniforms & Ancillary Products	Uniform Direct Sales	First Aid, Safety & Fire Protection	Document Management	Total
Balance as of June 1, 2011	$943,177	$23,995	$192,944	$327,766	$1,487,882
Goodwill acquired (adj.)	2,163	—	(479)	945	2,629
Foreign currency translation	(891)	(27)	—	(4,218)	(5,136)
Balance as of May 31, 2012	$944,449	$23,968	$192,465	$324,493	$1,485,375
Goodwill acquired	—	—	24,524	7,616	32,140
Foreign currency translation	(124)	(26)	—	195	45
Balance as of May 31, 2013	$944,325	$23,942	$216,989	$332,304	$1,517,560

Service Contracts (in thousands)	Rental Uniforms & Ancillary Products	Uniform Direct Sales	First Aid, Safety & Fire Protection	Document Management	Total
Balance as of June 1, 2011	$44,628	$—	$35,878	$21,806	$102,312
Service contracts acquired	1,346	—	838	4,470	6,654
Service contracts amortization	(15,569)	—	(7,382)	(7,219)	(30,170)
Foreign currency translation	(1,249)	—	—	(725)	(1,974)
Balance as of May 31, 2012	$29,156	$—	$29,334	$18,332	$76,822
Service contracts acquired	—	—	11,413	24,670	36,083
Service contracts amortization	(6,002)	—	(7,936)	(6,766)	(20,704)
Foreign currency translation	(19)	—	—	(29)	(48)
Balance as of May 31, 2013	$23,135	$—	$32,811	$36,207	$92,153

40

Information regarding Cintas' service contracts and other assets is as follows:

	As of May 31, 2013		
(In thousands)	Carrying Amount	Accumulated Amortization	Net
Service contracts	$420,499	$328,346	$92,153
Noncompete and consulting agreements	$77,863	$72,970	$4,893
Investments [1]	101,525	—	101,525
Other	22,711	4,739	17,972
Total	$202,099	$77,709	$124,390

	As of May 31, 2012		
(In thousands)	Carrying Amount	Accumulated Amortization	Net
Service contracts			