UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 1998

Commission file number: 1-9344

AIRGAS, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	56-0732648 (I.R.S. Employer Identification No.)

259 North Radnor-Chester Road, Suite 100
Radnor, PA 19087-5283
(Address of principal executive offices) (ZIP code)

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

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 X No

Common Stock outstanding at November 4, 1998: 70,443,564 shares

AIRGAS, INC.

FORM 10-Q
September 30, 1998

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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AIRGAS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	September 30, 1998 (Unaudited)	March 31, 1998
ASSETS		
Current Assets		
Trade receivables, less allowances for doubtful accounts of $5,886 at September 30,1998 and $5,676 at March 31, 1998	$ 204,833	$ 186,342
Inventories, net	165,863	154,937
Prepaid expenses and other current assets	25,042	25,555
Total current assets	395,738	366,834
Plant and equipment, at cost	977,317	923,635
Less accumulated depreciation, depletion and amortization	(262,175)	(236,331)
Plant and equipment, net	715,142	687,304
Goodwill, net of accumulated amortization of $48,299 at September 30, 1998 and $42,147 at March 31, 1998	431,460	410,753
Other non-current assets	177,691	176,583
Total assets	$1,720,031	$1,641,474
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	$ 14,064	$ 12,150
Accounts payable, trade	83,721	84,602
Accrued expenses and other current liabilities	113,304	128,806
Total current liabilities	211,089	225,558
Long-term debt	906,356	830,845
Deferred income taxes	129,266	121,356
Other non-current liabilities	35,139	36,842
Stockholders' Equity		
Preferred stock, no par value, 20,000 shares authorized, no shares issued or outstanding at September 30, 1998 and March 31, 1998, respectively	--	--
Common stock, par value $.01 per share, 200,000 shares authorized, 70,428 and 71,357 shares issued at September 30, 1998 and March 31, 1998, respectively	717	714
Capital in excess of par value	194,942	192,358
Retained earnings	258,921	237,166
Accumulated other comprehensive loss	(915)	(779)
Treasury stock, 1,203 and 176 common shares at cost at September 30, 1998 and March 31, 1998, respectively	(15,484)	(2,586)
Total stockholders' equity	438,181	426,873
Total liabilities and stockholders' equity	$1,720,031	$1,641,474

See accompanying notes to consolidated financial statements.

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AIRGAS, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Six Months Ended September 30,	
	1998	1997	1998	1997
Net sales:				
Distribution	$288,997	$268,168	$580,959	$539,437
Direct Industrial	65,211	61,216	133,802	98,061
Manufacturing	42,384	30,972	82,604	54,270
Total net sales	396,592	360,356	797,365	691,768
Costs and expenses:				
Cost of products sold (excluding depreciation, depletion and amortization)				
Distribution	144,725	135,011	291,402	272,474
Direct Industrial	48,064	44,966	98,738	70,971
Manufacturing	16,063	14,404	34,208	25,690
Selling, distribution and administrative expenses	134,201	114,199	265,452	219,542
Depreciation, depletion and amortization	21,748	18,776	43,345	36,591
Special charges	--	(14,500)	(1,000)	(14,500)
Total costs and expenses	364,801	312,856	732,145	610,768
Operating income:				
Distribution	25,143	27,182	52,799	55,876
Direct Industrial	929	1,343	1,813	2,448
Manufacturing	5,719	4,475	9,608	8,176
Special charges	--	14,500	1,000	14,500
Total operating income	31,791	47,500	65,220	81,000
Interest expense, net	(15,720)	(13,670)	(30,526)	(25,778)
Other income, net	682	1,573	870	2,046
Equity in earnings of unconsolidated affiliates	1,222	434	1,976	319
Minority interest	27	(309)	(39)	(618)
Earnings before income taxes	18,002	35,528	37,501	56,969
Income tax expense	7,522	13,853	15,746	23,068
Net earnings	$ 10,480	$ 21,675	$ 21,755	$ 33,901
Basic earnings per share	$ .15	$ .32	$ .31	$ .50
Diluted earnings per share	$ .15	$ .31	$ .30	$ .48
Weighted average shares outstanding:				
Basic	70,000	68,530	70,100	67,700
Diluted	71,700	70,950	71,800	70,100
Comprehensive income	$ 10,329	$ 21,575	$ 21,619	$ 33,802

See accompanying notes to consolidated financial statements.

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AIRGAS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended September 30, 1998	Six Months Ended September 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 21,755	$33,901
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	43,345	36,591
Deferred income taxes	5,511	11,374
Equity in earnings of unconsolidated affiliates	(2,563)	(1,061)
Gain on sales of plant and equipment	(292)	(25)
Minority interest in earnings	39	618
Gain on divestiture of non-core business	--	(1,452)
Stock issued for employee benefit plan expense	3,109	2,945
Changes in assets and liabilities, excluding effects of business acquisitions and divestitures:		
Trade receivables, net	(16,308)	(7,081)
Inventories	(10,758)	(3,626)
Prepaid expenses and other current assets	756	(5,400)
Accounts payable, trade	(1,865)	(14,266)
Accrued expenses and other current liabilities	(1,986)	391
Other assets and liabilities, net	(8,526)	1,488
Net cash provided by operating activities	32,217	54,397
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(56,528)	(65,419)
Proceeds from sales of plant and equipment	1,152	1,245
Proceeds from divestitures	10,463	4,000
Business acquisitions, net of cash acquired	(42,307)	(67,599)
Business acquisitions, holdback settlements	(1,564)	(3,174)
Investment in unconsolidated affiliates	(139)	(9,147)
Dividends from unconsolidated affiliates	1,697	870
Other, net	4,831	364
Net cash used by investing activities	(82,395)	(138,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	258,505	224,593
Repayment of debt	(182,733)	(124,674)
Financing costs	(18)	(8)
Repurchase of treasury stock	(13,982)	(18,363)
Exercise of stock options	356	2,427
Cash overdraft	(11,950)	488
Net cash provided by financing activities	50,178	84,463
CASH INCREASE (DECREASE)	$ 0	$ 0
Cash - Beginning of period	0	0
Cash - End of period	$ 0	$ 0

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Airgas, Inc. and its subsidiaries (the "Company"). Unconsolidated affiliates are accounted for on the equity method and generally consist of 20% - 50% owned operations where control does not exist or is considered temporary. The excess of the cost of these affiliates over the Company's share of their net assets at the acquisition date is being amortized over 40 years. Intercompany accounts and transactions are eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles. These statements do not include all disclosures required for annual financial statements. These financial statements should be read in conjunction with the more complete disclosures contained in the Company's audited consolidated financial statements for the year

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ended March 31, 1998.

The Company adopted Statement of Financial Accounting Standard No. 130 "Reporting Comprehensive Income" in the quarter ended June 30, 1998, as required. The financial statements as of September 30, 1997 have been restated to conform to the current presentation.

The financial statements reflect, in the opinion of management, all adjustments necessary to present fairly the Company's financial position, results of operations and cash flows for the periods presented. Such adjustments are of a normal, recurring nature except for the impact of acquisitions, divestitures, and special charges which are discussed in the notes to the accompanying financial statements. The interim operating results are not necessarily indicative of the results to be expected for an entire year.

(2) ACQUISITIONS AND DIVESTITURES

From April 1, 1998 to September 30, 1998, the Company acquired eight distributors of industrial gas and related equipment (Distribution segment) with aggregate annual sales of approximately $27 million and four manufacturers and distributors of dry ice (Manufacturing segment) with annual sales of approximately $20 million. The aggregate purchase price, including amounts related to non-competition and confidentiality agreements, amounted to approximately $58 million ($42 million cash and $16 million assumed liabilities). Acquisitions have been recorded using the purchase method of accounting, and, accordingly, results of their operations are included in the Company's consolidated financial statements since the effective dates of the respective acquisitions.

Subsequent to September 30, 1998, the Company acquired three distributors of industrial gases and related equipment with annual sales of approximately $4 million for an aggregate purchase price of approximately $3.7 million.

As also discussed in Note (3), the Company divested two non-core businesses in the first quarter of 1999. The consideration for the sales of the businesses included cash proceeds of approximately $10.5 million and the assumption of certain liabilities. The businesses had combined annual net sales in 1998 of approximately $17 million.

On November 5, 1998, the Company announced that it had entered into a definitive agreement to sell its calcium carbide and carbon products manufacturing operations to Elkem Metals Company L.P. ("Elkem"), a subsidiary of Elkem ASA. As part of the agreement, Elkem will enter into a long-term contract to supply the Company's calcium carbide requirements and the Company and Elkem will discontinue their Elkem-American Carbide Company joint venture that currently markets calcium carbide throughout the United States. The manufacturing facilities that are operated by the Company's subsidiary, American Carbide and Carbon Corporation, are located in Pryor, Oklahoma and Keokuk, Iowa and generate annual sales of approximately $30 million. The operations are included in the Company's Manufacturing segment. The Company expects to record a gain on the sale. Consummation of the transaction is subject to regulatory approvals.

(3) SPECIAL CHARGES

During the fourth quarter of fiscal 1998, the Company announced its "Repositioning Airgas for Growth" restructuring plan (the "Repositioning Plan"). The Company established repositioning reserves of approximately $11 million in the fourth quarter of 1998 related to the pending divestiture of several non-core businesses, facility exit costs and severance. As discussed in Note (2), the Company completed the divestiture of two non-core businesses during the first quarter of 1999. As a result of these divestitures, repositioning reserves were reduced by $2.8 million, including $1 million ($570 thousand after-tax) which represented a reversal of excess reserves. The Company estimated that facility exit costs and severance would require a use of cash of $4.2 million. Through September 30, 1998, the Company has paid amounts totaling $1.9 million related to facility exit costs and severance. At September 30, 1998, the Company believes its remaining repositioning accruals of $6.3 million ($4 million for divestitures and $2.3 million for facility exit costs and severance) are adequate.

On July 28, 1997, the Company reported that it had negotiated a comprehensive settlement with all defendants in litigation related to the fraudulent breach of contract by a third-party supplier of refrigerant gas which was reported by the Company in December 1996. The Company recorded a non-recurring pre-tax charge during the fourth quarter of fiscal 1997 of $26.4 million (after-tax $17 million) for product losses and costs associated with the Company's investigation into the fraud and recovery of damages. As a result of the settlement, the Company recorded a gain of $14.5 million (after-tax $9.4 million) during the second quarter ended September 30, 1997.

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During the second quarter ended September 30, 1997, the Company also recorded a gain, included in other income, of $1.5 million (approximately $980 thousand after-tax) related to the sale of a non-core business.

(4) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net earnings by the weighted average number of shares of the Company's Common Stock outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average common shares outstanding for the dilutive effect of common stock equivalents related to stock options and contingently issuable shares.

AIRGAS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

The table below reconciles basic weighted average common shares outstanding to diluted weighted average common shares outstanding for the three and six month periods ended September 30, 1998 and 1997:

(In thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	1998	1997	1998	1997
Weighted average common shares outstanding:				
Basic.....	70,000	68,530	70,100	67,700
Stock Options.....	1,570	2,420	1,630	2,400
Contingently issuable shares...	130	--	70	--
Diluted.....	71,700	70,950	71,800	70,100

(5) INVENTORIES

Net inventories consist of:

(In thousands)	(Unaudited) September 30, 1998	March 31, 1998
Finished goods	$164,301	$154,003
Raw materials	3,139	2,380
	167,440	156,383
Less reduction to LIFO cost	(1,577)	(1,446)
	$165,863	$154,937

AIRGAS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

(6) PLANT AND EQUIPMENT

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

(In thousands)	(Unaudited) September 30, 1998	March 31, 1998
Land and land improvements	$ 27,183	$ 26,050
Buildings and leasehold improvements	91,691	88,130
Cylinders	415,353	404,198
Machinery and equipment, including bulk tanks	323,511	300,599
Computers and furniture and fixtures	59,080	52,051
Transportation equipment	51,038	48,720
Construction in progress	9,461	3,887
	$ 977,317	$ 923,635

(7) OTHER NON-CURRENT ASSETS

Other non-current assets include:

(In thousands)	(Unaudited) September 30, 1998	March 31, 1998
Investment in unconsolidated affiliates	$ 99,843	$ 98,522
Non-compete agreements and other intangible assets, at cost, net of accumulated amortization of $79.8 million at September 30, 1998 and $73.2 million at March 31, 1998	60,250	63,205
Other assets	17,598	14,856
	$177,691	$176,583

AIRGAS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

(8) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities include:

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(In thousands)

	(Unaudited) September 30, 1998	March 31, 1998
Cash overdraft	$ 19,671	$ 31,621
Repositioning accruals	6,265	10,429
Accrued interest	9,380	8,918
Insurance and related reserves	8,835	7,248
Customer cylinder deposits	8,617	8,668
Other accrued expenses and current liabilities	60,536	61,922
	$113,304	$128,806

The cash overdraft is attributable to the float of the Company's outstanding checks.

(9) STOCKHOLDERS' EQUITY

Changes in stockholders' equity were as follows:

(In thousands of shares)

	Shares of Common Stock $.01 Par Value	Treasury Stock
Balance--April 1, 1998	71,357	176
Common stock issuance (a)	274	--
Purchase of treasury stock	--	1,100
Reissuance of treasury stock (73)	--	
Balance--September 30, 1998	71,631	1,203

AIRGAS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

(In thousands of dollars)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Comprehensive Income
Balance--April 1, 1998	$714	$192,358	$237,166	$(779)	$(2,586)	$ --
Net earnings	--	--	21,755	--	--	21,755
Common stock issuance (a)	3	3,106	--	--	--	--
Foreign currency translation adjustments	--	--	--	(136)	--	(136)
Purchase of treasury stock	--	--	--	--	(13,982)	--
Reissuance of treasury stock	--	(866)	--	--	1,084	--
Tax benefit from stock option exercises	--	344	--	--	--	--
Balance--September 30,1998	$717	$194,942	$258,921	$(915)	$(15,484)	$21,619

(a) Related to the issuance of common stock for the Company's Employee Stock Purchase Plan.

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(10) COMMITMENTS AND CONTINGENCIES

(a) Litigation

In July 1996, Praxair, Inc. ("Praxair") filed suit against the Company in the Circuit Court of Mobile County, Alabama. The complaint alleged tortious interference with business or contractual relations with respect to Praxair's Right of First Refusal contract with the majority shareholders of National Welders by the Company in connection with the Company's formation of a joint venture with National Welders. Praxair sought compensatory damages in excess of $100 million and punitive damages. In June 1998, Praxair filed a motion to dismiss its own action in Alabama and commenced another action in the Superior Court of Mecklenburg County, North Carolina, alleging substantially the same tortious interference by the Company. The North Carolina action also alleges breach of contract against National Welders and certain shareholders of National Welders and unfair trade practices and conspiracy against all the defendants. In the North Carolina action Praxair seeks compensatory damages in excess of $10,000, punitive damages and other unspecified relief. The Company believes that all of Praxair's claims are without merit and intends to defend vigorously against such claims.

On September 9, 1996, the Company filed suit against Praxair in the Court of Common Pleas of Philadelphia County, Pennsylvania. The complaint alleges breach of contract, fraud, conversion and misappropriation of trade secrets with respect to an agreement between Praxair and the Company, pursuant to which Praxair induced the Company to provide Praxair valuable information and conclusions developed by the Company concerning CBI Industries, Inc. ("CBI") in exchange for Praxair's promise not to acquire CBI without the Company's participation. The Company has alleged that it became entitled, pursuant to such agreement, to acquire certain of CBI's assets having a value in excess of $800 million. The Company is seeking compensatory and punitive damages.

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

(b) Insurance Coverage

The Company has established insurance programs to cover workers' compensation, business automobile, general and products liability. These programs have self-insured retentions of $500,000 per occurrence for workers' compensation, general and products liability, and business automobile liability. Losses are accrued based upon the Company's estimates of the aggregate liability for claims incurred, claims incurred but not reported and based on Company experience. The Company has established insurance reserves that management believes to be adequate.

Item 2.
AIRGAS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL REVIEW

OVERVIEW

Net sales increased 10% to $397 million in the quarter ended September 30, 1998 ("current quarter"), from $360 million in the prior year. Net earnings were $10.5 million or $.15 per diluted share, compared to $21.7 million, or $.31 per diluted share, a year ago. Excluding an after-tax gain of $9.4 million related to a partial recovery of charges incurred in fiscal 1997 and the after-tax gain on the sale of a non-core business of $980 thousand, net earnings in the prior period were $11.3 million or $.16 per diluted share.

Net earnings in the current quarter were impacted by a general slowing in the manufacturing and industrial economies and higher operating expenses associated with the Company's "Repositioning Airgas for Growth" (the "Repositioning Plan"). As more fully described in the Company's Form 10-K for the year ended March 31, 1998, the Company initiated its Repositioning Plan during the fourth quarter ended March 31, 1998. The Repositioning Plan includes the consolidation of subsidiaries into larger regional companies, the conversion of information systems to two legacy systems, the implementation of a single national computer center and communications system, the build-out of regional distribution centers and the divestiture of several non-core businesses. The Company

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established repositioning reserves of approximately $11 million in the fourth quarter of 1998 related to the pending divestiture of several non-core businesses, facility exit costs and severance. During the first quarter of 1999, the Company completed the divestiture of two non-core businesses. As a result of these divestitures, repositioning reserves were reduced by $2.8 million, including $1 million ($570 thousand after-tax) which represented a reversal of excess reserves. The Company estimated that facility exit costs and severance would require a use of cash of $4.2 million. Through September 30, 1998, the Company has paid amounts totaling $1.9 million related to facility exit costs and severance. At September 30, 1998, the Company believes its remaining repositioning accruals of $6.3 million ($4 million for divestitures and $2.3 million for facility exit costs and severance) are adequate.

Repositioning Plan expenses were $4.6 million ($2.6 million after-tax or $.04 per diluted share), in the current quarter, of which approximately 60% are estimated to represent recurring expenses. The repositioning costs and expenses were primarily for computer conversions and upgrades, facility- related costs and personnel expenses.

From April 1, 1998 through November 5, 1998, the Company acquired 11 distributors of industrial gas and related equipment (Distribution segment) with aggregate annual sales of approximately $31 million and four manufacturers and distributors of dry ice (Manufacturing segment) with annual sales of approximately $20 million.

On November 5, 1998, the Company announced that it had entered into a definitive agreement to sell its calcium carbide and carbon products manufacturing operations to Elkem Metals Company L.P. ("Elkem"), a subsidiary of Elkem ASA. As part of the agreement, Elkem will enter into a long-term contract to supply the Company's calcium carbide requirements and the Company and Elkem will discontinue their Elkem-American Carbide Company joint venture that currently markets calcium carbide throughout the United States. The manufacturing facilities that are operated by the Company's subsidiary, American Carbide and Carbon Corporation, are located in Pryor, Oklahoma and Keokuk, Iowa and generate annual sales of approximately $30 million. The operations are included in the Company's Manufacturing segment. The Company expects to record a gain on the sale. Consummation of the transaction is subject to regulatory approvals.

AIRGAS, INC.
MANAGMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

RESULTS OF OPERATIONS: THREE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 1997

INCOME STATEMENT COMMENTARY

Net sales increased 10% during the current quarter compared to the same quarter in the prior year:

(in thousands)

Net Sales:	Three months Ended September 30, 1998	1997	Increase
Distribution	$288,997	$268,168	$20,829
Direct Industrial	65,211	61,216	3,995
Manufacturing	42,384	30,972	11,412
	$396,592	$360,356	$36,236

Distribution sales include three product groups: gases, hardgoods and rent. Distribution sales increased $20.8 million as a result of approximately $20.5 million from the acquisition of 21 distributors since July 1, 1997 and approximately $5.2 million from same-store sales growth. Offsetting the increase in sales were the divestitures of two businesses in the first quarter of 1999 which had sales of approximately $4.9 million in the prior period. Distribution same-store sales increased 2% as a result of a 6% same-store increase in gas and rent, partially offset by a 2% decline in hardgoods sales. The Company believes its hardgoods sales were adversely affected in the current quarter by a general slowing in the manufacturing and industrial economies. The increases in gas and rent sales were helped by the Company's continued focus on strategic products, including the expansion of its rental welder fleet and small bulk gases. Sales in the current quarter were also negatively affected by weather conditions that impacted operations bordering the Gulf of Mexico and in the Southwest and Midwest regions. Low oil prices also slowed off-shore and inland oil activity. The Company believes that these factors contributed to the decline in its Distribution same-store sales growth rate from 5% in the prior year quarter. Additionally, although difficult to quantify, the Company believes that the indirect effects of the Repositioning have impacted sales.

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The Company estimates same-store sales based on a comparison of current period sales to the prior period's sales, adjusted for acquisitions and divestitures. Future same-store sales growth is dependent on the economy, the Company's ability to sell additional products and services to existing customers and to obtain price increases. The Company continues to focus on internal sales growth through the addition of new products and product-line extensions, including certain specialty gases, carbon dioxide, refrigerant gases in returnable containers, the expansion of rental welders and tool and safety hardgoods items.

Airgas Direct Industrial ("ADI") sales include safety products and equipment, metalworking tools and supplies and other Maintenance, Repair and Operations ("MRO") hardgoods items. ADI's sales increased $4 million primarily from same-store sales growth. The same-store sales growth rate for ADI during the current quarter was approximately 4% and resulted from a 9% increase in sales of safety-related products, partially offset by a 7% decline in tool products. Sales increases of safety-related products were driven by growth in national account business and by an expanded telemarketing sales force. Sales of tool products were impacted by a general slowing of the manufacturing and industrial economies.

The Manufacturing segment's sales primarily include six product groups: liquid carbon dioxide, dry ice, specialty gases, nitrous oxide, carbon products and calcium carbide. Sales increased $11.4 million primarily from seven liquid carbon dioxide and dry ice acquisitions completed since July 1, 1997. Volume gains in liquid carbon dioxide were largely offset by lower pricing. Pricing was off as a result of increased industry production exceeding growth in demand. Dry ice sales volumes increased in the quarter, helped by unusually warm weather. Sales of nitrous oxide and calcium carbide products decreased slightly due to lower sales volume combined with some pricing pressures.

Gross profits increased 13% during the current quarter compared to the same quarter in the prior year:

(in thousands)

Gross Profits:	Three Months Ended September 30, 1998	1997	Increase
Distribution	$144,272	$133,157	$11,115
Direct Industrial	17,147	16,250	897
Manufacturing	26,321	16,568	9,753
	$187,740	$165,975	$21,765

The increase in Distribution gross profits of $11.1 million resulted from acquisitions which contributed approximately $10.1 million and from same-store gross profit growth of approximately $3.5 million, or 2.6%. Offsetting the increase in gross profits from acquisitions and same-store sales growth were the divestitures of two businesses in the first quarter of 1999 which had gross profits of approximately $2.5 million in the prior period. As a result of higher gas volumes and increased rental business, same-store gross profits for gas and rent increased 5% in the current quarter. Partially offsetting gas and rent gains was a decrease in hardgoods same-store gross profits of approximately 3%. As a result of a slight shift in the sales mix towards higher margin gas

and rent, Distribution gross margin of 50% was up 30 basis points compared to the prior year. The Company implemented price increases late in the second quarter which may help improve gross margins in future periods.

The increase in ADI gross profits of $897 thousand resulted primarily from same-store gross profit growth of 4%. Same-store gross profit growth resulted primarily from sales volume increases related to safety products and supplies. Gross margins at 26.3% for the quarter were essentially flat compared to the prior quarter.

The increase in Manufacturing gross profits of $9.8 million and improved gross margins resulted primarily from acquisitions of carbon

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dioxide and dry ice businesses.

Selling, distribution and administrative expenses consist primarily of personnel and related costs, distribution and warehouse costs, occupancy expenses and other selling and general administrative expenses. Selling, distribution and administrative expenses increased approximately $20 million in the current quarter compared to the prior year primarily as a result of acquisitions and higher costs and expenses associated with the Company's Repositioning Plan. Repositioning-related expenses totaled approximately $4.6 million in the current quarter. Repositioning costs consist of expenses associated with computer conversions, relocation and other personnel expenses and facility-related costs. As a percentage of net sales, selling, distribution and administrative expenses increased to 33.8% in the current quarter compared to 31.7% in the prior year.

Depreciation, depletion and amortization totaled $21.7 million in the current quarter and increased $3 million compared to the prior year primarily as a result of acquisitions and capital projects completed during the previous 12 months. Compared to the prior year, depreciation, depletion and amortization as a percentage of sales increased 30 basis points to 5.5%. For the Distribution, ADI and Manufacturing segments, depreciation, depletion and amortization expense in the current quarter, relative to net sales, was 5.7%, 2.8% and 7.8%, respectively.

Operating income decreased $1.2 million or 3.7% in the current quarter compared to the prior year, excluding a gain of $14.5 million. The decrease in operating income was primarily due to higher operating costs resulting from the Repositioning Plan, of which approximately 60% are estimated to represent recurring expenses. The Company believes that operating margins will continue to be impacted by higher operating costs resulting from the implementation of the Repositioning Plan.

(in thousands)

Operating Income (excluding special charges):	Three Months Ended September 30, 1998	1997	Increase (Decrease)
Distribution	$25,143	$27,182	$(2,039)
Direct Industrial	929	1,343	(414)
Manufacturing	5,719	4,475	1,244
	$31,791	$33,000	$(1,209)

AIRGAS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

The Distribution segment's operating income margin decreased 140 basis points to 8.7% in the current quarter compared with the prior year. The decrease resulted primarily from higher operating costs and expenses associated with the Company's Repositioning Plan and from acquisitions which had estimated operating margins ranging from 6% to 8%. In the current quarter, the Distribution segment incurred $3.2 million of direct repositioning expenses which were primarily related to computer conversions and personnel-related costs.

The operating income margin for ADI decreased 80 basis points to 1.4% in the current quarter compared to the prior year. Higher same-store sales and gross profits were offset by repositioning expenses totaling $1.4 million. The repositioning expenses were associated with new distribution facilities in Southern California and Georgia and computer conversion expenses.

The Manufacturing segment's operating margin decreased 100 basis points to 13.5% in the current quarter compared to the prior year primarily as a result of acquisitions.

Interest expense, net, totaled $15.7 million in the current quarter and increased $2.1 million compared to the prior year. The increase in interest expense was primarily attributable to an increase in debt associated with completing 28 acquisitions since July 1, 1997. Interest costs were also impacted by capital expenditures, an increase in working capital and the repurchase of the Company's Common Stock. As discussed in "Liquidity and Capital Resources" below, the Company has hedged floating interest rates under certain borrowings with interest rate swap agreements.

Equity in earnings of unconsolidated affiliates of $1.2 million increased $788 thousand compared to the prior year as a result of an increase in earnings from the Company's liquid carbon dioxide joint venture and from higher joint venture earnings from National Welders Supply. Earnings have been helped by the liquid carbon dioxide joint venture which significantly expanded production capacity in September 1997.

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Excluding the impact of special charges, the effective income tax rate declined slightly compared to the prior year as a result of the implementation of state tax planning strategies, slightly offset by the increase of permanent differences relative to pre-tax earnings.

Net earnings in the current quarter were $10.5 million, or $.15 per diluted share, compared to $11.3 million, or $.16 per diluted share (excluding special charges) in the prior year.

AIRGAS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

RESULTS OF OPERATIONS: SIX MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 30, 1997

INCOME STATEMENT COMMENTARY

Net sales increased 15% during the six months ended September 30, 1998 ("current period") compared to the same period in the prior year:

(in thousands)	Six Months Ended September 30,		
Net Sales:	1998	1997	Increase
Distribution	$580,959	$539,437	$ 41,522
Direct Industrial	133,802	98,061	35,741
Manufacturing	82,604	54,270	28,334
	$797,365	$691,768	$105,597

Distribution sales increased $41.5 million as a result of approximately $37.2 million from the acquisition of 27 distributors since April 1, 1997 and approximately $11 million from same-store sales growth. Offsetting the increase in sales were the divestitures of two businesses in the first quarter of 1999 which had sales of $6.7 million in the prior period. Distribution same-store sales increased 2% as a result of a 4.5% same-store increase in gas and rent, partially offset by a slight decline in hardgoods sales. The Company believes its hardgoods sales were adversely affected by a general slowing in the manufacturing and industrial economies, particularly in the quarter ended September 30, 1998. The increases in gas and rent sales were helped by gas sales from the Company's two air separation plants and by the expansion of its rental welder business and other sales initiatives. Sales in the current period were also negatively affected by weather conditions in certain regions of the United States and low oil prices which slowed off-shore and inland oil activity. The Company believes that these factors contributed to the decline in its Distribution same-store sales growth rate from 4.7% in the prior year. Additionally, although difficult to quantify, the Company believes the indirect effects of the Repositioning have impacted sales.

ADI's sales increased $35.7 million primarily as a result of approximately $28.4 million from the acquisition of two distributors since April 1, 1997 and approximately $7.3 million from same-store sales growth. The same-store sales growth rate for ADI during the current period was approximately 7.4% and resulted from an 11% increase in sales of safety- related products, partially offset by a 5% decline in tool products. Sales of tool products were primarily impacted by a slowing in the economy.

AIRGAS, INC.
MANAGMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

The Manufacturing segment's sales increased $28.3 million primarily from nine liquid carbon dioxide and dry ice acquisitions completed since April 1, 1997. The Company estimates that liquid carbon dioxide and dry ice sales volumes increased during the

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current period, however, lower pricing offset liquid volume growth. The Company believes that prices declined as a result of increased industry production exceeding growth in demand.

Gross profits increased approximately 16% in the current period compared to the same period in the prior year:

(in thousands)	Six Months Ended September 30,		
Gross Profit:	1998	1997	Increase
Distribution	$289,557	$266,963	$22,594
Direct Industrial	35,064	27,090	7,974
Manufacturing	48,396	28,580	19,816
	$373,017	$322,633	$50,384

The increase in Distribution gross profits of $22.6 million resulted from acquisitions which contributed approximately $19 million and from same-store gross profit growth of approximately $7.3 million, or 2.7%. Offsetting the increase in gross profits was the divestiture of two businesses in the first quarter of 1999 which had contributed gross profits of $3.7 million in the prior year. Same-store gross profits were helped by higher gas volumes and increased rental revenues of 4.5%, partially offset by a 1.8% decrease in hardgoods same-store gross profits. As a result of a shift in sales mix towards higher margin gas and rent, same-store gross margin increased by 30 basis points to 49.8% compared to the prior period.

The increase in ADI gross profits of $8 million resulted from acquisitions and same-store gross profit growth of approximately $1.7 million, or 6.2%. Same-store gross profit growth resulted primarily from sales volume growth of safety-related products. ADI's gross margin of 26.2% for the current period was down 140 basis points compared to the prior year due to acquisitions which had an average gross margin of approximately 22%.

The increase in Manufacturing gross profits of $19.8 million resulted primarily from acquisitions of liquid carbon dioxide and dry ice businesses. The Manufacturing gross margin increased from 52.7% to 58.6% as a result of higher margins at acquired companies.

AIRGAS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

Selling, distribution, and administrative expenses increased $45.9 million in the current period compared to the prior period primarily as a result of acquisitions and higher costs associated with the Company's Repositioning Plan. Repositioning-related expenses totaled approximately $8.4 million in the current period. As a percentage of net sales, selling, distribution and administrative expenses increased to 33.3% for the current period compared to 31.7% in the prior year.

Depreciation, depletion and amortization totaled $43.3 million in the current period and increased approximately $6.8 million compared to the prior year primarily as a result of acquisitions and an increase in property and equipment. Compared to the prior year, depreciation, depletion and amortization as a percentage of sales increased 10 basis points to 5.4%. For the Distribution, ADI and Manufacturing segments, depreciation, depletion and amortization relative to net sales was 5.7%, 2.7% and 7.7%, respectively, for the current period.

Operating income decreased $2.3 million or 3.4% in the current period compared to the prior period, excluding special charges in both periods. The decrease in operating income was primarily due to higher operating costs resulting from the Repositioning Plan, of which approximately 60% are estimated to represent recurring expenses. The Company believes that operating margins will continue to be impacted by higher operating costs resulting from the Repositioning Plan.

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(in thousands)

Operating Income (excluding special charges):	Six Months Ended September 30, 1998	1997	Increase (Decrease)
Distribution	$52,799	$55,876	$ (3,077)
Direct Industrial	1,813	2,448	(635)
Manufacturing	9,608	8,176	1,432
	$64,220	$66,500	$ (2,280)

The Distribution segment's operating income margin decreased 130 basis points to 9.1% for the current period compared to the prior year. The decrease resulted primarily from higher operating expenses associated with the Company's Repositioning Plan and from acquisitions which had lower operating margins. The Distribution segment incurred $5.6 million of direct repositioning expenses during the six months ended September 30, 1998, primarily related to computer conversion and personnel costs.

The operating income margin for ADI decreased 110 basis points to 1.4% in the current period compared to the prior year. Higher same-store sales and gross profits were offset by repositioning expenses totaling $2.8 million. ADI's repositioning expenses were associated with new distribution facilities in Southern California and Georgia and computer conversion expenses.

The Manufacturing segment's operating margin decreased to 11.6% in the current period from 15.1% in the prior year primarily as a result of acquisitions. Operating margins were also impacted by higher expenses related to the integration of acquisitions and new branch locations.

Interest expense, net, totaled $30.5 million in the current period and increased $4.7 million compared to the prior year. The increase in interest expense was primarily attributable to an increase in debt associated with completing 38 acquisitions since April 1, 1997. Interest costs were also impacted by capital expenditures, an increase in working capital and the repurchase of the Company's Common Stock. As discussed in "Liquidity and Capital Resources" below, the Company has hedged floating interest rates under certain borrowings with interest rate swap agreements.

Equity in earnings of unconsolidated affiliates of $2 million in the current period increased $1.7 million compared to the prior year as a result of an increase in earnings from the Company's liquid carbon dioxide joint venture which was acquired in connection with the June 1997 acquisition of Carbonic Industries Corporation and from higher joint venture earnings of National Welders Supply. Earnings have been helped at the Company's liquid carbon dioxide joint venture because of expanded production capacity which came on-line in September 1997.

Excluding the impact of special charges, the effective income tax rate declined slightly compared to the prior year as a result of the implementation of state tax planning strategies, slightly offset by the increase of permanent differences relative to pre-tax earnings.

Net earnings, excluding special charges, in the current period were $21.2 million, or $.29 per diluted share, compared to $23.5 million, or $.34 per diluted share, in the prior year.

AIRGAS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

LIQUIDITY AND CAPITAL RESOURCES

The Company has primarily financed its operations, capital expenditures, stock repurchases and acquisitions with borrowings and funds provided by operating activities.

Cash flows from operating activities totaled $32.2 million for the six months ended September 30, 1998. Depreciation, depletion and amortization represented $43.3 million of cash flows from operating activities. Cash flows from working capital components decreased $30.1 million as a result of an increase in accounts receivable, partially from higher same-store sales; an increase in inventory levels in

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order to improve customer fulfillment rates and meet increased sales volumes; and a decrease in accounts payable, accrued expenses and other current liabilities. Accounts receivable days' sales outstanding and days' supply of inventory levels also increased compared to March 31, 1998 levels.

After-tax cash flow (net earnings plus depreciation, depletion and amortization and deferred income taxes), increased 8% to $69.9 million in the six-month period ended September 30, 1998, compared to $64.7 million in the prior year (before special charges in both periods presented).

Cash used by investing activities totaled $82.4 million. Activities which used cash during the period primarily included capital expenditures of $56.5 million and acquisitions totaling $42.3 million. The divestiture of two non-core businesses provided cash of $10.5 million.

Capital expenditures associated with the purchase of cylinders, bulk tanks and machinery and equipment totaled $34.6 million and have helped facilitate strategic product sales growth. Such purchases account for approximately 60% of the total capital expenditures during the six-month period ended September 30, 1998. Computer capital expenditures related to the Company's Repositioning Plan totaled $5.1 million.

Financing activities provided cash of $50.2 million for the six months ended September 30, 1998, with total debt increasing by $77.4 million (including acquisition debt assumed of $1.6 million) since March 31, 1998. Cash overdraft, the float of the Company's outstanding checks, has decreased by $12 million since March 31, 1998. Funds provided by financing activities were used primarily for acquisitions, capital expenditures, working capital needs and the repurchase of the Company's Common Stock.

AIRGAS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

The Company has unsecured revolving credit facilities totaling US$725 million and C$100 million (US$66 million) with a final maturity date of December 5, 2002. The agreement contains covenants which include the maintenance of certain financial ratios, restrictions on additional borrowings and limitations on dividends. At September 30, 1998, the Company had borrowings under the agreement of US$577 million, C$43 million (US$28 million), had commitments under letters of credit supported by the agreement of US$76 million, and, based on restrictions related to cash flow to funded debt coverage, had total additional borrowing capacity under the agreement of approximately US$55 million. The Company believes that its borrowing capacity will increase beyond $100 million upon consummation of the announced sale of American Carbide and Carbon Corporation and other asset dispositions. At September 30, 1998, the effective interest rate on borrowings under the credit line was approximately 6.07% (U.S. borrowings) and 5.78% (Canadian borrowings).

In August 1998, the Company filed an amendment to its shelf registration pursuant to Rule 462 (b) under the Securities Act of 1933, as amended, which increased the remaining capacity under the shelf registration to approximately $175 million. At September 30, 1998, the Company had the following long-term debt outstanding under medium-term notes issued under the shelf registration: $100 million of unsecured notes due September 2006 bearing interest at a fixed price of 7.75%; $50 million of unsecured notes due September 2001 bearing interest at a fixed rate of
7.15%; and $75 million of unsecured notes due March 2004 at a fixed rate of 7.14%. The proceeds from the medium-term note issuances were used to repay bank debt.

In managing interest rate exposure, principally under the Company's floating rate revolving credit facilities, the Company participates in 25 interest rate swap agreements. The swap agreements are with major financial institutions and aggregate $495 million in notional principal amount at September 30, 1998. Seventeen swap agreements with approximately $251 million in notional principal amount require fixed interest payments based on an average effective rate of 6.75% for remaining periods ranging between 1 and 8 years. Eight swap agreements require floating rates ($244 million notional amount at 5.71% at September 30, 1998). Under the terms of seven of the swap agreements, the Company has elected to receive the discounted value of the counter-party's interest payments up-front. At September 30, 1998, approximately $11.3 million of such payments were included in other non-current liabilities. The Company continually monitors its positions and the credit ratings of its counter-parties, and does not anticipate non-performance by the counter-parties.

The Company will continue to look for appropriate acquisitions and expects to fund such acquisitions, future capital expenditure requirements and costs related to its Repositioning Plan primarily through the use of cash flow from operations, debt, common stock for certain acquisition candidates, funds from the divestiture of certain businesses and other available sources. The Company believes that its sources of financing are adequate for its anticipated needs and that it could arrange additional sources of financing for any unanticipated requirement. The cost and terms of any future financing arrangement depend on the market conditions and the

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Company's financial position at that time.

Subsequent to September 30, 1998, the Company acquired three distributors of industrial gases and related equipment with annual sales of approximately $4 million for an aggregate purchase price of approximately $3.7 million.

The Board of Directors has authorized the repurchase of up to 4.6 million shares of Company Common Stock from time-to-time to offset share issuances for stock options, the Company's Employee Stock Purchase Plan and acquisitions. During the current quarter, the Company purchased 1.1 million shares of Airgas Common Stock at an average cost of $12.71 per share. The impact of the repurchased shares on earnings per share was immaterial for both the three and six month periods ended September 30, 1998. From inception through September 30, 1998, the Company repurchased approximately
4.1 million shares under the repurchase plan at an average cost of $15.15 per share. The remaining shares authorized for repurchase under the existing program total approximately 500 thousand shares.

The Company does not currently pay dividends.

YEAR 2000

The Company is aware of the issues associated with the Year 2000 problem. The "Year 2000" problem relates to whether computer hardware and software and equipment will properly recognize date sensitive information referring to the Year 2000. Potential computer system and equipment failures arising from years beginning with "20" rather than "19" are a known risk. The Company's exposure to Year 2000 issues rests primarily in three main areas: information systems hardware and application software, embedded chip technology which may be found in a wide variety of operating equipment and third party Year 2000 readiness.

With respect to information systems and application software, the Company's businesses generally do not utilize "home grown" programs or systems that require programming to become Year 2000 compliant. The Company typically uses "out of the box" or "shrink wrap" software for its business needs. Standardized software and computer systems are being implemented across the Company in connection with the Company's Repositioning Plan. The vendors for such software have advised the Company that their software is Year 2000 compliant. Although execution of the Repositioning Plan addresses certain significant Year 2000 problems, it was not initiated primarily as a remediation initiative. The Company believes that standardized operating platforms will help provide for an effective multi-channel distribution network. On a project-to-date basis, the Company has incurred approximately $9 million in costs and expenses to standardize systems, of which approximately $6.2 million represents new capital equipment and software. Total capital spending with regard to the project is estimated to be approximately $15 million. The Company estimates that it is approximately half-way through its computer conversion process. Additionally, in conjunction with the Repositioning Plan, the Company has established a national data center equipped with systems hardware and software which its vendors have indicated is Year 2000 compliant. The implementation of standardized information systems is expected to be completed by June 1999. However, if such standardization is not completed prior to the Year 2000, the Year 2000 problem could have a material impact on the business, results of operations and financial condition of the Company as well as on customers of the Company. The Company has not determined the extent to which its business and customers might be affected in that event.

The Company has designated subsidiary-company managers responsible for directing Year 2000 remediation efforts at the business unit level. These managers, in cooperation with the Company's information systems personnel, are in the process of identifying equipment containing embedded chips and interviewing suppliers of the equipment to determine if the equipment is Year 2000 compliant. Once the non-compliant equipment is identified, the equipment will be repaired, replaced or contingency plans will be put in place prior to the Year 2000. However, if repair, replacement or contingency plans are not completed in time for Year 2000 compliance, the Year 2000 problem could have a material impact on the business, results of operations and financial condition of the Company. The Company is in the process of assessing the potential costs for remediation of non-compliant embedded chip equipment, and an estimate of such costs has not been determined. Moreover, the Company has not determined the extent to which its business could be affected in the event that the repair, replacement or contingency plans are not completed prior to the Year 2000.

The Company's Year 2000 issues relate not only to its own business systems and equipment but also to those of its customers, vendors and suppliers. To mitigate the risk to the Company arising from third parties, the Company has initiated the process of identifying and

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contacting significant suppliers and customers and other critical business partners to determine if entities with which the Company transacts business have effective Year 2000 plans in place. The Company anticipates that this evaluation will be ongoing through the balance of calendar 1998 and through calendar 1999. To further mitigate risk to the Company, alternative suppliers will be identified with regard to certain business processes. However, there can be no assurance that the Company's customers, vendors, suppliers and other third parties will successfully resolve their own Year 2000 issues in a timely manner sufficient to prevent impact to the Company.

The Company is progressing with its remediation objectives. In addition, contingency plans are being developed as part of the remediation efforts and the Company expects such plans to be completed by September 30, 1999.

OTHER

New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company will adopt SFAS No. 131 in fiscal 1999, as required. Adoption of this accounting standard will not impact earnings, financial condition or liquidity.

In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities." This statement requires that costs of start-up activities, including organization costs, be expensed as incurred. The statement is effective for fiscal years beginning after December 15, 1998. The adoption of this standard will not materially impact earnings, financial condition or liquidity of the Company.

In June 1998, the FASB unanimously approved for issuance SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 standardizes the accounting for derivative instruments, including derivative instruments embedded in other contracts, by requiring that an entity recognize those items as assets or liabilities in the statement of financial position and measure them at fair value. The statement is effective for fiscal years beginning after June 15, 1999. Management has not yet determined the impact that the adoption of this statement may have on earnings, financial condition or liquidity of the Company.

Forward-looking Statements

This report contains statements that are forward-looking, as that term is defined by Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission in rules, regulations and releases. Airgas intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors, and the making of such statements should not be regarded as a representation by Airgas or any other person that the results expressed therein will be achieved. Important factors that could cause actual results to differ materially from those contained in any forward-looking statement include, but are not limited to underlying market conditions, continued growth in same-store sales, costs and potential disruptive effects of the repositioning, the success of the Repositioning Plan, implementation and standardization of information systems, any potential problems relating to Year 2000 matters (including without limitation, those relating to Airgas' ability to identify and timely remediate Year 2000 problems, unanticipated remediation costs, timely resolution of Year 2000 problems by significant vendors, suppliers, customers and other similar third parties, and Airgas' ability to develop and implement contingency plans, if necessary), the success and timing of intended divestitures, the effects of competition from independent distributors and vertically integrated gas producers on products and pricing, growth and acceptance of new product lines through the Company's sales and marketing programs, changes in product prices from gas producers and name-brand manufacturers and suppliers of hardgoods, uncertainties regarding accidents or litigation which may arise in the ordinary course of business and the effects of, and changes in the economy, monetary and fiscal policies, laws and regulations, inflation and monetary fluctuations and fluctuations in interest rates, both on a national and international basis. The Company does not undertake to update any forward- looking statement made herein or that may be made from time to time by or on behalf of the Company.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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For information regarding certain pending litigation, reference is made to the Company's Form 10-Q for the quarter ended June 30, 1998, which is incorporated herein by reference.

PART II - OTHER INFORMATION (Continued)

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of the stockholders of the Company was held on August 3, 1998, where the following actions were taken:

(a) The stockholders voted to re-elect W. Thacher Brown, Frank B. Foster III, and Peter McCausland to the Board of Directors. The votes cast for each Director were as follows:

	No. of Shares For	Withheld/Against
W. Thacher Brown	61,677,050	824,202
Frank B. Foster, III	61,676,656	824,596
Peter McCausland	61,670,128	831,124

In addition to the Board members elected at the Annual Meeting, the following are directors whose terms in office as directors continued after the meeting: Rajiv L. Gupta, Robert E. Naylor, John A. H. Shober, Merril L. Stott, Lee M. Thomas, and Robert L. Yohe.

(b) The stockholders voted to adopt the 1998 Employee Stock Purchase Plan. The votes cast in regard to the action were as follows:

No. of Shares For Against Abstain 59,488,985 2,842,142 170,125

(c) The stockholders voted to ratify the selection of KPMG Peat Marwick LLP as the Company's independent auditors. The votes cast in regard to the action were as follows:

No. of Shares For	Against	Abstain
62,084,159	353,001	64,092

Item 5. Other Information

Advance Notice By-Law Provision

In accordance with the Company's amended By-Laws, stockholders who wish to submit a proposal for consideration, or who wish to submit director nominations, at the Company's 1999 Annual Meeting of Stockholders, but who do not wish to submit the proposal for inclusion in the Company's Proxy Statement, are required to notify the Company at its principal executive offices not earlier than the close of business on April 5, 1999 and not later than the close of business on May 5, 1999, provided, however, that if the date of the 1999 Annual Meeting is earlier than July 4, 1999 or later than October 2, 1999, the stockholder notice must be delivered not earlier than the close of business on the 120th day prior to such Annual Meeting and not later than the close of business on the later of the 90th day prior to such Annual Meeting or the 10th day following the day on which public announcement of the date of such Annual Meeting is first made. The notice must provide the information required in the By-Laws.

PART II - OTHER INFORMATION (Continued)

With respect to nominations submitted by stockholders for a special meeting of the stockholders, the notice must be received by the

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Company not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting.

The above requirements do not apply to the deadline for submitting stockholder proposals for inclusion in the Proxy Statement for the 1999 Annual Meeting, which must be received by the Company no later than March 2, 1999.

Amendment to the 1997 Rights Agreement

On November 12, 1998, the Board of Directors of the Company approved an amendment to the Rights Agreement (the "Rights Agreement"), dated as of April 1, 1997, by and between the Company and The Bank of New York, as Rights Agent, to, among other things, delete the reference to "Continuing Directors" as used throughout the Rights Agreement. Under the amended Rights Agreement, the Rights can be redeemed by a majority of the Board of Directors, not a majority of the Continuing Directors. A Continuing Director was defined as a member of the Board of Directors who was neither an acquiring person nor affiliated with an acquiring person and was either a member of the Board prior to the distribution of the Rights or subsequently became a member of the Board through recommendation or approval by a majority of the Continuing Directors.

The foregoing description of the approved amendment to the Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the text of the form of such amendment which is filed as an exhibit hereto and incorporated herein by reference thereto.

Divestiture of Calcium Carbide and Carbon Products Manufacturing Operations

On November 5, 1998, the Company announced that it had entered into a definitive agreement to sell its calcium carbide and carbon products manufacturing operations to Elkem Metals Company L.P. ("Elkem"), a subsidiary of Elkem ASA. As part of the agreement, Elkem will enter into a long-term contract to supply the Company's calcium carbide requirements and the Company and Elkem will discontinue their Elkem-American Carbide Company joint venture that currently markets calcium carbide throughout the United States. The manufacturing facilities that are operated by the Company's subsidiary, American Carbide and Carbon Corporation, are located in Pryor, Oklahoma and Keokuk, Iowa and generate annual sales of approximately $30 million. The operations are included in the Company's Manufacturing segment. The Company expects to record a gain on the sale. Consummation of the transaction is subject to regulatory approvals.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

The following exhibits are being filed as part of this Form 10-Q Report:

Exhibit No.	Description
3	By-Laws (Amended and Restated November 12, 1998)
4	Form of First Amendment to the 1997 Rights Agreement
27	Financial Data Schedules as of September 30, 1998 and September 30, 1997

b. Reports on Form 8-K

On July 31, 1998, the Company filed a Form 8-K pursuant to Item 5, reporting its earnings for the first quarter ended June 30, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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Airgas, Inc.
(Registrant)

Date: November 16, 1998

/s/ Scott M. Melman
Scott M. Melman
Vice President and
Chief Financial

Officer

AIRGAS, INC.

BY-LAWS

(AMENDED AND RESTATED NOVEMBER 12, 1998)

ARTICLE I

OFFICES

Section 1.

The registered office of the Corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle, State of Delaware.

The Corporation shall have offices at such other places as the Board of Directors may from time to time determine.

ARTICLE II

STOCKHOLDERS

Section 1: Annual Meeting

The annual meeting of the stockholders for the election of Directors and for the transaction of such other business as may properly come before the meeting shall be held on such date within five (5) months after the end of the fiscal year of the Corporation as the Board of Directors shall each year fix. Each such annual meeting shall be held at such place, within or without the State of Delaware, and hour as shall be determined by the Board of Directors. The day, place and hour of each annual meeting shall be specified in the notice of annual meeting.

The meeting may be adjourned from time to time and place to place until its business is completed.

At the annual meeting of the stockholders, only such business shall be conducted as shall have been specified in the notice of meeting. To be properly brought before an annual meeting, business must (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. A

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stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting,
(b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. Notwithstanding anything in the By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section I. The presiding officer of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this
Section 1, and if he should so determine, he shall so declare to the meeting that any such business not properly brought before the meeting shall not be transacted.

Section 2. Special Meetings.

Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or on liquidation, special meeting of the stockholders may be called only by the Chairman of the Board, the President, the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors, or pursuant to the request of

holders of 33% of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of Directors, voting together as a single class.

Section 3. Stockholder Action.

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

Section 4. Notice of Meeting.

Except as otherwise provided by statute, written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, stating the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope addressed to the stockholder at his last known post office address as it appears on the stock record books of the corporation, with postage thereon prepaid.

Attendance of a person at a meeting of stockholders, in person or by proxy, constitutes a waiver of notice of the meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Quorum.

Except as otherwise required by law, the Certificate of Incorporation or these By-Laws, the holders of a majority of the shares entitled to vote at any meeting of the stockholders, present, in person or by proxy, shall constitute a quorum and the act of the majority of such quorum shall be deemed the act of the stockholders.

If a quorum shall fail to attend any meeting, the chairman of the meeting may adjourn the meeting to another place, date or time.

If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present constituting a quorum, then, except as otherwise required by law, those present at such adjourned meeting shall constitute a quorum and all matters shall be determined by a majority of votes cast at such meeting.

Section 6. Qualification of Voters.

The Board of Directors (hereinafter sometimes referred to as the "Board") may fix a day and hour not more than sixty nor less then ten days prior to the day of holding any meeting of the stockholders at the time of which the stockholders entitled to notice of and to vote at such meeting shall be determined. Only those persons who were holders of record of voting stock at such time shall be entitled to notice of and to vote at such meeting.

Section 7. Procedure.

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The order of business and all other matters of procedure at every meeting of the stockholders may be determined by the presiding officer.

Section 8. Voting Lists.

The officer or agent having charge of the transfer book for shares of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder present. The original share or stock ledger or transfer book or a duplicate thereof, shall be the only evidence as to who are the stockholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of stockholders.

Section 9. Voting and Proxies.

Each holder of Common Stock shall be entitled to one vote per share held of record upon each matter on which stockholders generally are entitled to vote.

At all meetings of stockholders, a stockholder entitled to vote may vote in person or by proxy executed in writing by the stockholder or by his duly authorized attorney-in- fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. Unless

otherwise provided by law, all questions touching the validity or sufficiency of the proxies shall be decided by the Secretary.

Directors shall be elected by a plurality of the votes cast at an election.

All other action (unless a greater plurality is required by law or by the Certificates of Incorporation or by these By-Laws) shall be authorized by a majority of the votes cast by the holders of shares entitled to vote thereon, present in person or represented by proxy, and where a separate vote by class is required, by a majority of the votes cast by the stockholders of such class, present in person or presented by proxy.

Section 10. Notification of Nomination of Directors.

Nominations for election to the Board of Directors of the Corporation at a meeting of stockholders may be made by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 10. Such nominations, other than those made by or on behalf of the Board of Directors, may be made only if notice in writing is personally delivered to, or mailed by first class United States mail, postage prepaid, and received by, the Secretary of the Corporation
(a) in the case of an annual meeting of the stockholders, in accordance with the fourth sentence of the third paragraph of Section 1 of these By-Laws and (b) in the case of a special meeting of the stockholders, not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above. Such notice shall set forth (a) as to each proposed nominee (i) the name, age, business address and, if known, residence address of each such nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares, if any, of stock of the Corporation that are beneficially owned by each such nominee and (iv) any other information concerning the nominee that must be disclosed in proxy solicitations pursuant to the proxy rules of the Securities and Exchange Commission if such person had been nominated, or intended to be nominated, by the Board of Directors (including such person's written consent to be named as a nominee and to serve as a director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such stockholder
(ii) a representation that such stockholder is a holder of record of shares of stock of the Corporation entitled to vote at the meeting and the class and number of shares of the Corporation which are beneficially owned by such stockholder, (iii) a representation that such stockholder intends to appear in person

or by proxy at the meeting to nominate the person or persons specified in the notice and (iv) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant

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to which the nomination or nominations are to be made by such stockholder. The Corporation also may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. The presiding officer of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

ARTICLE III

DIRECTORS

Section 1. Number, Election and Terms.

Except as otherwise fixed pursuant to the provisions of Article 4 of the Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of Directors shall consist of no less than seven and no more than thirteen members, as shall be specifically determined from time to time by resolution of the Board of Directors. The Directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, one class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1987, another class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1988, and a third class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1989, with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of stockholders, the successors or the class of Directors whose term expires at the meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in third year following the year of their election.
The term "entire Board" as used in these By-Laws means the total number of Directors which the Corporation would have if there were no vacancies.

Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of Directors may be made by the

Board of Directors or a committee appointed by the Board of Directors or by any stockholder entitled to vote in the election of Directors generally.

Section 2. Powers.

The business, property and affairs of the Corporation shall be managed by or under the direction on its Board of Directors, which shall have and may exercise all the powers of the Corporation of Incorporation, or by these By-Laws, directed or required to be exercised or done by the stockholders.

Section 3. Vacancies.

Except as otherwise fixed pursuant to the provisions of Article 4 of the Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be fill solely by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office until the next annual meeting of stockholders. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Section 4. Removal.

Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, any Director may be removed from office, without cause only by the affirmative vote of the holders of 67% of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of Directors, voting together as a single class.

Section 5. Regular Meetings.

Regular meetings of the Board shall be held at such times and places as the Board may from time to time determine.

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Section 6. Special Meetings.

Special meetings of the Board may be called at any time, at any place and for any purpose by the Chairman of the Executive Committee, the Chairman of the Board, or the President, or by any officer of the Corporation upon the request of a majority of the entire Board.

Section 7. Notice of Meeting.

Notice of regular meetings of the Board need not be given.

Notice of every special meeting of the Board shall be given to each Director at his usual place of business, or at such other address as shall have been furnished by him for the purpose. Such notice shall be given at least twenty- four hours before the meeting by telephone or by being personally delivered, mailed, or telegraphed. Such notice need not include a statement of the business to be transacted at, or the purpose of, any such meeting.

Section 8. Quorum.

Except as may be otherwise provided by law or in these By-Laws, the presence of a majority of the entire Board shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board, and the act of a majority of such quorum shall be deemed the act of the Board.

Section 9. Powers.

Members of the Board, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 10. Action Without a Meeting.

Action required or permitted to be taken pursuant to authorization voted at a meeting of the Board, or a committee thereof, may be taken without a meeting if, before or after the action, all members of the Board or of the Committee consent thereto in writing. The written consents shall be filed with the minutes of the proceedings of the Board or Committee. The consent shall have the same effect as a vote of the Board or Committee thereof for all purposes.

Section 11. Compensation of Directors.

Directors shall receive such compensation for their services as shall be determined by a majority of the entire Board provided that Directors who are serving the Corporation as officers or employees and who receive compensation for their services as such officers or employers shall not receive any salary or other compensation for their services as Directors.

ARTICLE IV

OFFICERS

Section 1. Number.

The officers of the Corporation shall be a Chairman of the Board, a President, such number of vice presidents as the Board may from time to time determine, a Secretary and a Treasurer. The Chairman of the Board shall be the chief executive officer unless the Board shall otherwise determine. The Chairman of the Board or, in his absence, or if such office be vacant the President, shall preside at all meetings of the stockholders and of the Board. Any person may hold two or more offices at the same time. The Chairman of the Board and the President shall be members of the Board of Directors, but the other officers need not be members of the Board.

Section 2. Election and Term of Office.

The officers of the Corporation shall be elected annually by the Board at this first meeting of the Board held after the annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as the same can conveniently be held. Each officer, except such officers may be elected or appointed in accordance with the provisions of Section 3 of Article IV, shall hold his office until his successor shall have been duly elected and shall have qualified or until his death,

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resignation or removal.

All officer, agents and employees of the Corporation shall hold their respective offices or positions at the pleasure of the Board of Directors and may be removed at any time by the Board of Directors with or without cause.

Section 3. Duties.

The officers, agents and employees shall perform the duties and exercise the powers actually incident to the offices or positions held by them respectively, and/or such other duties and powers as may be assigned to them from time to time by the Board of Directors.

ARTICLE V

EXECUTIVE COMMITTEE

Section 1. Election.

At any meeting of the Board, an Executive Committee, composed of the Chairman of the Board, the President, and not less than two other members, may be elected by a majority vote of the entire Board to serve until the Board shall otherwise determine. Either the Chairman of the Board or the President, whichever is the chief executive officer, shall be the Chairman of the Executive Committee, and the other shall be the Vice Chairman thereof, unless the Board shall otherwise determine. Members of the Executive Committee shall be members of the Board.

Section 2. Powers.

The Executive Committee shall have and may exercise all of the powers of the Board of Directors when the board is not in session, except that it shall have no power to (a) elect directors or officers; (b) alter, amend or repeal these By-Laws or any resolution or resolutions of the Board of Directors relating to the Executive Committee; (c) declare any dividend or make any other distribution to the stockholders of the Corporation; (d) appoint any member of the Executive Committee, (e) take any other action which legally may be taken only by the Board or (f) approve the acquisition of substantially all the assets or capital stock of a corporation or business entity which has annual sales in excess of twenty percent (20%) of the annual sales of the Corporation as of the date of such approval.

Section 3. Vacancies.

Vacancies in the Executive Committee may be filled at any time by a majority vote of the entire Board.

Section 4. Other Committees.

The Board may designate one or more other committees, each consisting of one or more directors of the Corporation as members and one or more directors as alternate members, with such power and authority as prescribed in the By-Laws or as provided in a resolution adopted by a majority of the entire Board. Each Committee, and each member thereof, shall serve at the pleasure of the Board.

ARTICLE VI

LIABILITY OF DIRECTORS

A Director of the Corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the Director derived any improper personal benefit. If the Delaware General Corporation Law is hereafter amended to authorize the further elimination or limitation of the liability of a Director, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the amended Delaware General Corporation Law.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

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Section 1.

The Corporation shall indemnify to the full extent permitted by, and in the manner permissible under, the laws of the State of Delaware any person made, or threatened to be made, a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director or officer of the Corporation or any predecessor of the Corporation, or served any other enterprise as a director or officer at the request of the Corporation or any predecessor of the Corporation.

Section 2. General.

The foregoing provisions of this Article VI shall be deemed to be a contract between the Corporation and each director and officer who serves in such capacity at any time while this By-Law is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

The foregoing rights of indemnification shall not be deemed exclusive of any other rights to which any director or officer may be entitled apart from the provisions of this Article.

The Board of Directors in its discretion shall have the power on behalf of the Corporation to indemnify any person, other than a director or officer, made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was an employee of the Corporation.

ARTICLE VIII

CAPITAL STOCK

Section 1. Certificates of Stock.

The certificates for shares of the capital stock of the Corporation shall be in such form as shall be approved by the Board. The certificates shall be signed by the Chairman of the Board, the President, and also the Treasurer or the Secretary, and may be sealed with the seal of the Corporation, or a facsimile thereof.

The signatures of the aforesaid officers may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation or its employee. The validity of any stock certificate of the Corporation signed and executed by or in the name of duly qualified officers of the Corporation shall not be affected by the subsequent death, resignation, or the ceasing for any other reason of any such officer to hold such office, whether before or after the date borne by or the actual delivery of such certificate.

The name of the person owning the shares represented thereby, with the number of such shares and the date of issue, shall be entered on the Corporation's capital stock records.

All certificates surrendered to the Corporation shall be canceled, and no new certificates shall be issued until the former certificate for the same number of shares shall have been surrendered and canceled except in case of a lost or destroyed certificate.

The Corporation may treat the holder of record or any share or shares of stock as the holder in fact thereof, and shall not be bound to recognize any equitable or other claim to interest in any such share or shares on the part of any other person, whether or not it shall express or other notice thereof, save as expressly provided by law.

Section 2. Lost, Stolen or Destroyed Certificates.

The Corporation may issue a new certificate for shares in place of a certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Board may require the owner of the lost or destroyed certificate, or his legal representative, to give the Corporation a bond in form satisfactory to the Corporation sufficient to indemnify the Corporation, its transfer agents and registrars against any claim that may be made against them on account of the alleged lost or destroyed certificate or the issuance of such a new certificate.

Section 3. Transfer of Shares.

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Shares of the capital stock of the Corporation shall be transferable by the owner thereof in person or by duly authorized attorney, upon surrender of the certificates therefore properly endorsed. The Board, at its option, may appoint a transfer agent and registrar, or one or more transfer agents and one or more registrars, or either, for the stock of the Corporation.

Section 4. Regulations.

The Board shall have power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration of certificates for shares of the capital stock of the Corporation.

ARTICLE IX

AMENDMENTS

Section 1. Amendments of By-Laws.

Subject to the provisions of the Certificate of Incorporation, these By-Laws may be altered, amended or repealed at any regular meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a majority vote of the shares represented and entitled to vote at such meeting; provided that in the notice of such special meeting notice of such purpose shall be given. Subject to the laws of the State of Delaware, the Certificate of Incorporation and these By-Laws, the Board of Directors may by majority vote of those present at any meeting at which a quorum is present amend these By-Laws, or enact such other By-Laws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Corporation.

ARTICLE X

CORPORATE SEAL

The corporate seal of the Corporation shall have inscribed thereon the name of the Corporation and the words "Corporate Seal 1986-Delaware." Said seal may be used by causing it or a facsimile or equivalent thereof to be impressed or affixed or reproduced, and shall be in the custody of the Secretary. If and when so directed by the Board, a duplicate of the seal may be kept and used by the Treasurer, or by any Assistant Treasurer or Assistant Secretary.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 1. Dividends.

Dividends upon the outstanding shares of the Corporation may be paid from any source permitted by law. Dividends may be declared at any regular or special meeting of the Board and may be paid in cash or other property or in the form of a stock dividend.

Section 2. Fiscal Year.

The fiscal year of the Corporation shall end on the 31st day of March of each year, unless otherwise provided by resolution of the Board.

Section 3. Stock in Other Corporation.

Any shares of stock in any other corporation which may from time to time be held by the Corporation may be represented and voted at any meeting of stockholders of such corporation by the Chairman or the President of the Corporation or by any other person or persons thereunto authorized by the Board, or by any proxy designated by written instrument of appointment executed in the name of the Corporation either by the Chairman, the President, or a Vice President, and attested by the Secretary or an Assistant Secretary.

Shares of stock in any other corporation which shares are owned by the Corporation need not stand in its name, but may be held for its benefit in the individual name of the Chairman or of any other nominee designated for the purpose by the Board. Certificates for shares so held for the benefit of the Corporation shall be endorsed in blank, or have proper stock powers

attached so that said certificates are at all times in due form for transfer, and shall be held for safekeeping in such manner as shall be determined from time to time by the Board.

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Section 4. Election of Auditors.

The directors shall select independent auditors to audit the books and records of the Corporation for the current fiscal year, subject to the approval of the stockholders at the annual meeting. Should the auditors so elected resign, be removed for good cause shown, or otherwise fail to serve during or with respect to said year, a majority of the directors shall select a substitute firm of auditors to serve with respect to said year.

FIRST AMENDMENT TO THE 1997 RIGHTS AGREEMENT

This First Amendment (this "Amendment") is made as of November __, 1998 between Airgas, Inc., a Delaware corporation (the "Company"), and The Bank of New York, a New York banking corporation, as Rights Agent (the "Rights Agent").

The Company and the Rights Agent entered into a Rights Agreement, dated as of April 1, 1997 (the "Rights Agreement").

Pursuant to Section 26 of the Rights Agreement, the Board of Directors of the Company has authorized this amendment to the Rights Agreement.

Accordingly, in consideration of the premises and mutual agreements herein set forth, and intending to be legally bound hereby, the parties hereby agree as follows:

Section 1. Amendments to Rights Agreement. The Rights Agreement shall be amended as follows:

(a) The first sentence of Section 3(a) of the Rights Agreement is hereby amended by deleting the words ",provided that if such determination occurs on or after the date of an Adverse Change in Control, then such date may be extended only if there are Continuing Directors in office and such extension is authorized by a majority of such Continuing Directors".

(b) Section 23(a) is hereby deleted in its entirety and replaced with the following:

"The Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) any Person becoming an Acquiring Person or (ii) the Close of Business on the Final Expiration Date, redeem all, but not less than all, of the then outstanding Rights at a redemption price of $.001 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). Notwithstanding the foregoing, in the event payment of the Redemption Price to a holder of Rights would result in the payment of an amount not equal to $.01 or an integral multiple of $.01, the amount to be paid shall be rounded upward to the next $.01. The Company may, at its option, pay the Redemption Price in cash, shares of Common Stock (based on the current market price per share at the time of redemption) or any other form of consideration deemed appropriate by the Board of Directors.".

(c) The first and second sentences of Section 27 are hereby deleted in their entirety and replaced with the following:

"Prior to the earliest of (i) the Distribution Date or
(ii) a Triggering Event, the Company may and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement (including supplements or amendments that may be deemed to affect the interests of the holders of Right Certificates adversely) without the approval of any holders of certificates representing shares of Common Stock and associated Rights. From and after the earliest of (i) the Distribution Date or (ii) a Triggering Event, the Company may and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Right Certificates (i) to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein or (ii) to make any other changes or provisions in regard to matters or questions arising hereunder which the Company may deem necessary or desirable; provided, however, that no such supplement or amendment shall adversely affect the interests of the holders of Rights as such (other than an Acquiring Person or an Affiliate or Associate of any such Acquiring Person), and no such supplement or amendment may cause the Rights again to become redeemable at such the as the Rights are not then redeemable or cause this Agreement again to become amendable other than in accordance with this sentence."

(d) The third sentence of Section 27 is hereby amended by deleting the words "or, so long as any Person is an Acquiring Person hereunder, the Continuing Directors".

(e) Section 29 is hereby amended by (i) deleting in each instance where they appear the words "(with, where specifically provided for herein, the concurrence of the Continuing Directors)", and (ii) deleting from the last sentence thereof the words "or the Continuing Directors".

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Section 2. One Agreement. Except as otherwise expressly provided in this Amendment, all of the terms, conditions and provisions of the Rights Agreement shall remain the same, and the Rights Agreement, as amended hereby, shall continue in full force and effect and this Amendment and the Rights Agreement shall be read and construed as one instrument.

Section 3. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts to be made and performed entirely within such State.

Section 4. Counterparts. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed an original and all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the date and year first written above.

AIRGAS, INC.

By:_____
Name:
Title:

THE BANK OF NEW YORK,
as Rights Agent

By:_____
Name:
Title:

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

ARTICLE 5
MULTIPLIER: 1000

PERIOD TYPE	6 MOS
FISCAL YEAR END	MAR 31 1999
PERIOD END	SEPT 30 1998
CASH	0
SECURITIES	0
RECEIVABLES	210,719
ALLOWANCES	5,886
INVENTORY	165,863
CURRENT ASSETS	395,738
PP&E	977,317
DEPRECIATION	262,175
TOTAL ASSETS	1,720,031
CURRENT LIABILITIES	211,089
BONDS	906,356
COMMON	717
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	437,464
TOTAL LIABILITY AND EQUITY	1,720,031
SALES	797,365
TOTAL REVENUES	797,365
CGS	424,348
TOTAL COSTS	732,145
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	30,526
INCOME PRETAX	37,501
INCOME TAX	15,746
INCOME CONTINUING	21,755
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	21,755
EPS PRIMARY	.31

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EPS DILUTED	.30

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

ARTICLE 5
MULTIPLIER: 1000

PERIOD TYPE	6 MOS
FISCAL YEAR END	MAR 31 1998
PERIOD END	SEPT 30 1997
CASH	0
SECURITIES	0
RECEIVABLES	180,242
ALLOWANCES	4,882
INVENTORY	146,109
CURRENT ASSETS	360,875
PP&E	839,188
DEPRECIATION	204,679
TOTAL ASSETS	1,490,494
CURRENT LIABILITIES	190,449
BONDS	743,718
COMMON	698
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	395,328
TOTAL LIABILITY AND EQUITY	1,490,494
SALES	691,768
TOTAL REVENUES	691,768
CGS	369,135
TOTAL COSTS	610,768
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	25,778
INCOME PRETAX	56,969
INCOME TAX	23,068
INCOME CONTINUING	33,901
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	33,901
EPS PRIMARY	.50
EPS DILUTED	.48

End of Filing

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