



## **Airgas, Inc. Reports Second Quarter Results**

- **Sales Up 10% in Quarter**
- **After-tax Cash Flow Up 8% in Quarter**
- **Repositioning Expenses Continue to Impact Profits**

RADNOR, Pa.--Oct. 29, 1998--Airgas, Inc. (NYSE:ARG) Thursday reported sales of \$397 million for the quarter ended September 30, 1998, an increase of 10% from \$360 million in the second quarter of last year. After-tax cash flow (net earnings plus depreciation, amortization and deferred income taxes) increased 8% to \$35 million, or \$.49 per diluted share, compared to \$32.4 million, or \$.46 per diluted share, for the same quarter last year. Net earnings for the second quarter of fiscal 1999 were \$10.5 million, or \$.15 per diluted share, compared to \$11.3 million (excluding non-recurring gains), or \$.16 per diluted share, a year ago. Including non-recurring gains, net earnings for the second quarter ended September 30, 1997, were \$21.7 million, or \$.31 per diluted share.

For the six months ended September 30, 1998, sales increased 15% to \$797 million compared to sales of \$692 million in the same period last year. After-tax cash flow increased 8% to \$69.9 million, or \$.97 per diluted share, for the six months ended September 30, 1998, compared to \$64.7 million, or \$.92 per diluted share, in the same period last year. Net earnings were \$21.2 million, or \$.29 per diluted share (excluding non-recurring gains), for the six months ended September 30, 1998, compared to net earnings of \$23.5 million, or \$.34 per diluted share (excluding non-recurring gains), in the same period a year ago.

Direct repositioning expenditures, primarily for computer conversions and upgrades, facility-related costs and personnel expenses, impacted earnings by approximately \$4.6 million, or \$.04 per diluted share, and \$8.4 million, or \$.07 per diluted share, in the three and six month periods ended September 30, 1998, respectively.

Peter McCausland, Airgas' Chairman and Chief Executive Officer, said "This was another quarter of important progress toward our goal of becoming a multi-billion dollar, world-class, distribution company. Sales increased 10%, and cash flow 8%, over last year's quarter. Considering the challenging economic environment, severe weather impacting our Gulf coast operations and the expense and distraction of our repositioning efforts, we were especially pleased to see continuing cash flow growth and a 6% increase in gas/rent same-store sales. Overall, Distribution same-store sales increased 2% in the quarter. While profits continue to be impacted by direct and indirect repositioning expenses, our Repositioning Airgas For Growth initiative is on schedule."

Airgas, Inc. is the largest distributor of industrial, medical and specialty gases and related equipment in the United States. Its distributor network includes over 700 locations in 44 states.

### **Forward-Looking Statements**

This press release may contain statements that are forward-looking, as that term is defined by the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission in its 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 the Company 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 underlying market conditions, continued growth in same-store sales, costs and potential disruptive effects of the "Repositioning for Growth" initiative, implementation of information technology projects, any potential problems relating to Year 2000 matters, the success and timing of intended divestitures and other factors described in the Company's reports, including Form 10-Q dated June 30, 1998, filed by the Company with the Securities and Exchange Commission.

AIRGAS, INC.  
CONSOLIDATED STATEMENTS OF EARNINGS  
(Amounts in thousands, except per share data)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	1998	1997	1998	1997
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<b>Net sales:</b>				
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
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Total net sales	396,592	360,356	797,365	691,768
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<b>Costs and expenses:</b>				
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 items (a),(b)	-	(14,500)	(1,000)	(14,500)
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Total costs and expenses	364,801	312,856	732,145	610,768
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<b>Operating income:</b>				
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 items (a),(b)	-	14,500	1,000	14,500
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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)
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Earnings before income taxes	18,002	35,528	37,501	56,969
Income tax expense	7,522	13,853	15,746	23,068
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Net earnings	\$ 10,480	\$ 21,675	\$ 21,755	\$ 33,901
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<b>Net earnings (excluding non-recurring gains) (c)</b>				
	\$ 10,480	\$ 11,268	\$ 21,180	\$ 23,494
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<b>Per share data:</b>				
Basic earnings per share	\$ .15	\$ .32	\$ .31	\$ .50
Diluted earnings per share	\$ .15	\$ .31	\$ .30	\$ .48

Per share data:

(excluding non-recurring gains) (c)

Basic earnings per share	\$ .15	\$ .16	\$ .30	\$ .35
Diluted earnings per share	\$ .15	\$ .16	\$ .29	\$ .34

Weighted average shares outstanding:

Basic	70,000	68,530	70,100	67,700
Diluted	71,700	70,950	71,800	70,100

- (a) The results for the second quarter and year-to-date ended September 30, 1997 include a \$14.5 million (\$9.4 million after-tax) gain from a partial recovery of refrigerant losses.
- (b) Represents the reversal of \$1 million excess reserves that were established at March 31, 1998 in connection with the divestiture of two non-core businesses.
- (c) The results for the six months ended September 30, 1998 excluded the effect of the \$1 million (\$570 thousand after-tax) reversal of excess reserves related to the first quarter divestiture of two non-core businesses.

The results for the second quarter and year-to-date ended September 30, 1997, excluded the after-tax effect of the gain from partial recovery of refrigerant losses of \$9.4 million (see footnote (a)) and the after-tax gain of \$980 thousand related to the sale of a non-core business.

AIRGAS, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(Amounts in thousands)

	(Unaudited) September 30, 1998 ----	March 31, 1998 ----
<b>ASSETS</b>		
Trade accounts receivable, net	\$ 204,833	\$ 186,342
Inventories	165,863	154,937
Prepays and other current assets	25,042	25,555
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<b>TOTAL CURRENT ASSETS</b>	<b>395,738</b>	<b>366,834</b>
Property, plant and equipment, net	715,142	687,304
Goodwill, net	431,460	410,753
Other non-current assets, net	177,691	176,583
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<b>TOTAL ASSETS</b>	<b>\$1,720,031</b>	<b>\$1,641,474</b>
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<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
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
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<b>TOTAL CURRENT LIABILITIES</b>	<b>211,089</b>	<b>225,558</b>
Long-term debt	906,356	830,845
Deferred income taxes	129,266	121,356
Other non-current liabilities	35,139	36,842
Stockholders' equity	438,181	426,873
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TOTAL LIABILITIES AND  
STOCKHOLDERS' EQUITY

\$1,720,031  
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\$1,641,474  
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