

**Six month report January - June 1999:
Good growth and a continued positive margin trend**

- Revenues amounted to SEK 9,644 M (10,600). For present structure this represented an increase of 14%.
- Earnings after financial items amounted to SEK 1,577 M (1,327) incl. non-recurring items.
- Continued margin (EBITDA) improvement during 1999.
- Good growth for Renal Care Services. For Renal Care Products sales grew in line with market development. Blood Component Technology had an overall positive development.
- Restructuring and efficiency improvement program proceeds according to plan.
- The divestiture of the Cardiopulmonary Care business area concluded.

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SIX MONTH REPORT JANUARY - JUNE 1999

Revenues amounted to SEK 9,644 M (10,600). For present structure revenues rose 14% (10%, currency adjusted) compared to the first six months 1998. Operating earnings before depreciation (EBITDA) amounted to SEK 2,792 M (2,636). This includes non-recurring items of SEK 966 M (875). Excluding non-recurring items EBITDA was SEK 1,826 M (1,681) with a corresponding margin of 18.9% (18.7). Operating earnings after depreciation (EBIT) amounted to SEK 1,815 M (1,462) including non-recurring items of SEK 966 M (875). Earnings after financial items amounted to SEK 1,577 M (1,327) including non-recurring items. Earnings per share amounted to SEK 2.36 (2.32), of which SEK 1.69 (2.02) was attributable to non-recurring items.

Group revenues (for comparable structure) grew with approximately 14% (10%, currency adjusted). Development in the Renal Care Services business area has been characterized by a continued good revenue growth of 21% (16%, currency adjusted) and further actions to improve efficiency and reduce costs. For the Renal Care Products business area sales volumes on major markets including Europe developed positively. Manufacturing has proceeded with high efficiency and a good capacity utilization. The restructuring program has proceeded as planned. The Blood Component Technology business area has continued to develop well. The divestiture of the Cardiopulmonary Care business area was completed in May. The group operating margin and earnings trend has continued to develop favorably, mainly due to high efficiency and a good capacity utilization in manufacturing as well as initial positive impact from the restructuring program.

Group key ratios

| SEK M | January - June | | July 1998 | Jan-Dec |
|---|----------------|--------|------------|---------|
| | 1999 | 1998 | -June 1999 | 1998 |
| Revenues | 9,644 | 10,600 | 17,778 | 18,734 |
| Operating earnings (EBIT) | 1,815 | 1,462 | 5,727 | 5,374 |
| Operating margin, % | 18.8 | 13.8 | 32.2 | 28.7 |
| Earnings after financial items | 1,577 | 1,327 | 5,241 | 4,991 |
| Net debt | 3,224 | 10,415 | 3,224 | 2,242 |
| Return on shareholders' equity, % ¹⁾ | 8.9 | 6.2 | 12.8 | 10.7 |
| Return on total assets, % | 11.5 | 8.0 | 18.3 | 14.6 |
| Earnings per share, SEK ¹⁾ | 2.36 | 2.32 | 6.74 | 6.70 |
| Shareholders' equity per share, SEK | 54.28 | 74.58 | 54.28 | 51.79 |
| Solidity (equity/assets ratio), % | 56 | 58 | 56 | 54 |

1) After full tax

BUSINESS AREAS**Renal Care Services**

Revenues increased to SEK 5,240 M (4,338), an increase of 21% (16%, currency adjusted). At the close of the period the total number of patients worldwide in 565 clinics owned, operated or managed by Gambro was about 42,000. The total number of treatments in clinics consolidated by Gambro was 2,738,000. The corresponding average revenue per treatment (excluding non dialysis clinics) was SEK 1,833 corresponding to USD 223. In the US Gambro owns, operates or manages 473 clinics which serve about 35,300 patients in 33 states and the District of Columbia.

The Renal Care Services business area had a continued good growth. This includes a good organic growth as well as a considerable growth through acquisitions. The expansion through acquisitions has continued both in Europe and in the US. The first quarter 1999 included acquisitions of a total of six clinics with 365 patients: three clinics with 170 patients in the Sacramento area, one clinic with 135 patients in the Los Angeles area and two clinics with 60 patients in Italy. During the second quarter 1999 the expansion continued with acquisitions of a total of 15 clinics with 1,270 patients in Europe and the US: two clinics with 260 patients in Portugal, one clinic with 110 patients in Virginia and twelve clinics with 900 patients in Southern California.

The ongoing focus on increased quality in the care provided and on the efficiency in the operations has continued. During the first quarter key functions in the US operation were consolidated to fewer locations which affected about 50 employees. During the second quarter and early July further actions have been initiated to increase efficiency and reduce cost levels. This includes staff reductions corresponding to about 300 full time employees and initiatives for cost reductions including more efficient purchasing.

Gambro provides high quality renal care and a number of quality indicators are used for all dialysis patients. These quality indicators include adequate dialysis, anemia, nutrition and mortality. In the US a special program for anemia management has been initiated earlier and is now introduced in all clinics. Initiatives have also been implemented in vascular access management which will increase patient quality of life.

Renal Care Products

Revenues increased to SEK 3,968 M (3,725), an increase of 6% (2%, currency adjusted). Volume sales in the major markets, mainly Europe, showed a positive development, in line with overall market trends. In Europe sales for the two brands, Hospal and Gambro, have continued to develop well. This applies both to major markets like Italy, Germany, France and the UK, as well as Portugal and the Nordic market. Sales development in Japan has been weak but developed positively on other markets in Asia. Also sales in Canada developed favorably. Major product categories including equipment as well as disposables had a good development. Continued good growth is reported for bicarbonate cartridges, however with continued price pressure on some markets. Overall, for all products, manufacturing has proceeded with high efficiency and a good capacity utilization.

A new, unique PD product Gambrosol Bio has been approved by the Swedish health authorities. It is a PD solution based on a "three products in one" concept and consists of a bag divided in three compartments which alternatively can be connected to each other. Thereby the patient will get access to the specific liquid concentration needed. Previously the patient had to store and use two or three different types of bags. The new product greatly simplifies the logistics for clinics and home patients as well as for Gambro as provider of the product.

The global restructuring and efficiency improvement program covering the entire business area has proceeded according to plan. It includes consolidation of manufacturing including transfer of the manufacturing of disposables from a factory in Newport News, Virginia to corresponding units in Mexico and Europe. This transfer has been completed earlier than planned and the Virginia factory is now closed. An important dialyzer manufacturing joint venture was established earlier this year in the US. This has allowed Gambro to quickly start manufacturing of dialyzers in the US and initial deliveries have now started to the own clinics operation.

Blood Component Technology

Revenues for the Blood Component Technology business area increased to SEK 647 M (559), an increase of 16% (12%, currency adjusted). Revenue growth was supported by good sales for both equipment and disposables. Sales development was especially favorable in the European market. In Japan sales continued to recover with better performance than last year. Sales of the COBE Spectra blood component separation system and related disposable products continue to develop positively. Products for leukoreduction also continue to show good sales development. The introduction of the COBE Trima automated blood collection system on the US market has continued.

The strategic position as a leading supplier of products and systems for the separation and handling of blood components was considerably strengthened through an alliance with HemaSure, Inc. in May 1999. In a private placement Gambro's subsidiary, Cobe Laboratories, Inc. (COBE) invested USD 9 M, providing an ownership of 30.1% before exercise of warrants and options. COBE was also provided with an option to purchase additional shares in HemaSure.

A separate agreement provides worldwide sales rights (excluding the American Red Cross) to Gambro's subsidiary COBE BCT, Inc. for the r\LS filter system produced by HemaSure. The product is especially well suited for blood centers assuming responsibility for high quality pre-storage leukoreduced blood components to hospital customers. The filter will also be an important component in the recently introduced Trima automated blood component system, which will be able to produce red blood cells needed by patients at an exceptionally high quality standard.

COBE (COBE BCT, Inc.) and HemaSure have filed a lawsuit to obtain formal court confirmation that the filter does not infringe any of six patents owned by Pall Corporation. Pall has served a complaint for a subsequent retaliatory lawsuit whereby Pall alleges infringement of one of the patents involved in the lawsuit.

THE SECOND QUARTER 1999

During the second quarter the expansion of the Renal Care Services business area has continued. This has included acquisitions of a total of 15 clinics with 1,270 patients in Europe and the US. Within the restructuring program the factory in Virginia, USA has been closed after transfer of production to other units. In May the divestiture of the Cardiopulmonary Care business area was concluded. For information on financial performance for the second quarter 1999 see table on page 8.

THE RESTRUCTURING PROGRAM

The restructuring program initiated in January this year has proceeded according to plan. The program covers actions during this and next year and mainly includes the Renal Care Products business area, but also some actions in Renal Care Services. The objectives are to reinforce Gambro's commitment to quality renal care, secure continued good growth and improve profitability. It is also aimed at restoring group operating (EBITDA) margin which at the end of the 24 month period of the program should reach 20%. Beyond this initial period, the program will continue to have a positive impact on the competitiveness and form the basis for a continued profitable growth. The program is expected to involve a reduction of more than 1,000 employees and will involve costs of approx. SEK 1,100 M. These costs were entirely charged as a provision against operating income for the fourth quarter 1998.

Actions and initiatives taken within the program have been described above. As of June 30, 1999 248 employees had left the group through cutbacks, reorganizations and divestitures of operations. Approximately SEK 240 M has been utilized of the provision that was made during the fourth quarter 1998.

THE YEAR 2000

The group's Y2k project continues according to plan without any major issues arising since year end 1998. Y2k information can be found on Gambro's Internet site.

INVESTMENTS

Group investments during the period amounted to SEK 720 M (881).

ACQUISITIONS

Group acquisitions during the period amounted to SEK 429 M (394). Among others, acquisitions included clinics in the US and Europe as well as the acquisition of a Nordic sales distribution company.

THE DIVESTITURE OF THE CARDIOPULMONARY CARE BUSINESS AREA COMPLETED

In May the divestiture of the cardiopulmonary care subsidiary COBE CV was completed. Following the approval by the authorities, the divestiture to the Italian medical technology company Sorin Biomedica was concluded. The divestiture resulted in a capital gain for Gambro of USD 115 M (SEK 966 M). COBE CV was deconsolidated in Gambro's accounts as of April 1, 1999. The company has about 950 employees and in 1998 had a turnover of about USD 140 M (about SEK 1,150 M).

FINANCIAL POSITION

Net debt (loans and accruals for pension less cash and short-term investments) amounted to SEK 3,224 M at the close of the period. The equity/assets ratio at the close of the period was 56%. To avoid currency exposure in the parent company, liquid assets have been swapped from SEK to USD, resulting in an interest expense of SEK 42 M (representing the interest differential between USD and SEK) in the first half 1999.

PERSONNEL

The number of employees in the Gambro group decreased by 549 during the period. The total number of employees by the end of the period was 17,193. Through the divestiture of the Cardiopulmonary Care business area the number of employees decreased by about 950 employees. Rationalizations etc within the restructuring program, affecting mainly the Renal Care Products business area, has involved a reduction of 248 employees. An increase in the number of employees has taken place through acquisitions of clinics.

OTHER

If the holding in the MacGREGOR group had been accounted for according to the equity method, Gambro's earnings after financial items would have been affected by SEK -2 M.

Stockholm, July 21, 1999

Mikael Lilius
President and CEO

This report has not been subject to examination by the Company's auditors.

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Gambro's financial information is also available on the Internet: <http://www.gambro.com>

Coming reports and events:

Nine month report January-September 1999: October 21, 1999

Year end report 1999: February 23, 2000

Annual General Meeting: March 27, 2000

Three month report January-March 2000: April 26, 2000

Six month report January - June 2000: July 26, 2000

Nine month report January - September 2000: October 25, 2000

Revenues by business area

| SEK M | January - June | | Change ¹⁾ | Full year |
|----------------------------|----------------|--------------|----------------------|---------------|
| | 1999 | 1998 | % | 1998 |
| Renal Care Services | 5,240 | 4,338 | 16 | 9,087 |
| Renal Care Products | 3,968 | 3,725 | 2 | 7,771 |
| Intra-Group | -211 | -195 | | -488 |
| <i>Total, Renal Care</i> | <i>8,997</i> | <i>7,868</i> | <i>10</i> | <i>16,370</i> |
| Blood Component Technology | 647 | 559 | 12 | 1,212 |
| Total, present structure | 9,644 | 8,427 | 10 | 17,582 |
| Cardiopulmonary Care | | 580 | | 1,152 |
| Total, medical technology | 9,644 | 9,007 | | 18,734 |
| Divestitures | | 1,593 | | |
| Total | 9,644 | 10,600 | | 18,734 |

1) Currency adjusted

Revenues by market ¹⁾

| SEK M | January - June | | +/- % |
|--------------------|----------------|-------|-------|
| | 1999 | 1998 | |
| Europe | 3,163 | 2,958 | 7 |
| Americas | 5,766 | 4,886 | 18 |
| Asia, Pacific, RoW | 715 | 583 | 23 |
| Total | 9,644 | 8,427 | 14 |

1) For present structure

Operating earnings ¹⁾

| SEK M | 1999 | January - June | | Full year | 1998 | % ²⁾ |
|-------------------------------|-------|-----------------|-------|-----------|-------|-----------------|
| | | % ²⁾ | 1998 | | | |
| Operating earnings (EBIT) | 849 | 8.8 | 818 | 9.1 | 1,509 | 8.1 |
| Divestitures | - | | 83 | | - | |
| <i>Group:</i> | | | | | | |
| Depreciation and amortization | - | | -293 | | -293 | |
| Other | - | | -21 | | -21 | |
| Non-recurring items | 966 | | 875 | | 4,179 | |
| Total | 1,815 | 18.8 | 1,462 | 13.8 | 5,374 | 28.7 |

1) After depreciation 2) Operating margin

GAMBRO GROUP INCOME STATEMENT

| SEK M | January - June 1999 1998 | | July 1998 - June 1999 | Full year 1998 |
|---|----------------------------------|---------------|--------------------------|-------------------|
| Revenues | 9,644 | 10,600 | 17,778 | 18,734 |
| Operating expenses ^{1), 2)} | -7,829 | -9,138 | -12,051 | -13,360 |
| Operating earnings (EBIT) | 1,815 | 1,462 | 5,727 | 5,374 |
| Financial items, net ³⁾ | -238 | -135 | -486 | -383 |
| Earnings after financial items (EBT) | 1,577 | 1,327 | 5,241 | 4,991 |
| Taxes | -745 | -505 | -2,875 | -2,635 |
| Minority interest | -24 | -29 | -43 | -48 |
| Net income | 808 | 793 | 2,323 | 2,308 |

| | | | | |
|---|-------|-------|-------|-------|
| 1) Earnings before depreciation and amortization (EBITDA) | 2,792 | 2,636 | 7,608 | 7,452 |
|---|-------|-------|-------|-------|

2) Of which, non-recurring items

| | | | | |
|--------------------------|----------|----------|---------------|---------------|
| result from divestitures | 966 | 875 | 5,370 | 5,279 |
| restructuring reserve | <u>0</u> | <u>0</u> | <u>-1,100</u> | <u>-1,100</u> |
| | 966 | 875 | 4,270 | 4,179 |

| | | | | |
|------------------------|------|------|------|--------|
| amortization, goodwill | -424 | -675 | -826 | -1,077 |
|------------------------|------|------|------|--------|

| | | | | |
|----------------------------|------|------|--------|--------|
| depreciation, other assets | -553 | -499 | -1,055 | -1,001 |
|----------------------------|------|------|--------|--------|

| | | | | |
|--|---|---|----|----|
| 3) Of which earnings in companies divested during the year | 0 | 0 | 84 | 84 |
|--|---|---|----|----|

| | | | | |
|--|---|------|---|------|
| Of which dividends from associated companies | 0 | 259* | 0 | 259* |
|--|---|------|---|------|

* (April-June 1998)

QUARTERLY DATA

Present structure ¹⁾

| SEK M | 1999 | | | 1998 | | | | |
|---|-------|-------|-------|-------|-------|-------|--------|--------|
| | Q1 | Q2 | Total | Q 1 | Q 2 | Q 3 | Q 4 | Total |
| Operations | | | | | | | | |
| Revenues | 4,654 | 4,990 | 9,644 | 4,447 | 4,560 | 4,650 | 5,077 | 18,734 |
| Operating earnings - before depr. (EBITDA) | 878 | 948 | 1,826 | 858 | 823 | 826 | 787 | 3,294 |
| Do. margin % | 18.9 | 19.0 | 18.9 | 19.3 | 18.0 | 17.8 | 15.5 | 17.6 |
| Operating earnings - after depr. (EBIT) | 406 | 443 | 849 | 431 | 387 | 377 | 314 | 1,509 |
| Do. margin % | 8.7 | 8.9 | 8.8 | 9.7 | 8.5 | 8.1 | 6.2 | 8.1 |
| Group | | | | | | | | |
| Overhead costs | - | - | - | 19 | -40 | - | - | -21 |
| Non-recurring | - | 966 | 966 | 274 | 601 | 4,404 | -1,100 | 4,179 |
| Depreciation | - | - | - | -146 | -147 | - | - | -293 |
| Financial net | | | | | | | | |
| Associated companies/ /dividends | -7 | -3 | -10 | -10 | 248 | -11 | -12 | 215 |
| Income in divested companies | - | - | - | - | - | 84 | - | 84 |
| Interest net | -128 | -95 | -223 | -162 | -199 | -193 | -111 | -665 |
| Other financial items | -8 | 3 | -5 | -9 | -3 | 10 | -15 | -17 |
| Financial net | -143 | -95 | -238 | -181 | 46 | -110 | -138 | -383 |

1) Quarter 1, 1999 restated because of the sale of the business area Cardiopulmonary Care during Quarter 2, 1999

GAMBRO GROUP BALANCE SHEET

| SEK M | June 30, 99 | June 30, 98 | Dec 31, 98 |
|---|---------------|---------------|---------------|
| ASSETS | | | |
| Fixed assets | | | |
| Intangible assets | 16,109 | 25,281 | 15,593 |
| Property, plant and equipment | 5,435 | 4,790 | 5,340 |
| Shares and participations | 379 | 2,471 | 244 |
| Long-term receivables | 474 | 372 | 638 |
| Total fixed assets | 22,397 | 32,914 | 21,815 |
| Current assets | | | |
| Inventories | 2,209 | 2,928 | 2,282 |
| Trade receivables, etc. | 8,072 | 8,442 | 8,140 |
| Liquid assets | 491 | 501 | 1,169 |
| Total current assets | 10,772 | 11,871 | 11,591 |
| TOTAL ASSETS | 33,169 | 44,785 | 33,406 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity ¹⁾ | 18,555 | 25,496 | 17,850 |
| Minority interests | 142 | 115 | 149 |
| Accruals | 3,633 | 987 | 3,681 |
| Long-term liabilities | 651 | 5,716 | 1,182 |
| Current liabilities | 10,188 | 12,471 | 10,544 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 33,169 | 44,785 | 33,406 |
| NET DEBT | 3,224 | 10,415 | 2,242 |

1) Total number of shares outstanding 344,653,288 (of which, Series A: 250,574,090, Series B: 94,079,198)

STATEMENT OF CHANGES IN FINANCIAL POSITION

| SEK M | January - June | | Full year |
|---|----------------|---------------|----------------|
| | 1999 | 1998 | 1998 |
| <i>Operating activities</i> | | | |
| Earnings after financial items | 1,577 | 1,327 | 4,991 |
| Non-cash items | 1,252 | 1,195 | 1,800 |
| | 2,829 | 2,522 | 6,791 |
| Taxes paid | -745 | -528 | -2,750 |
| | 2,084 | 1,994 | 4,041 |
| Changes in operating capital: | | | |
| Inventories | -267 | -209 | -180 |
| Receivables | -108 | -1,640 | -1,551 |
| Liabilities | -1,239 | -1,000 | 3,670 |
| Cash flow from operating activities | 470 | -855 | 5,980 |
| <i>Investment activities</i> | | | |
| Capital expenditure | -720 | -881 | -1,095 |
| Acquisitions/Divestitures, net | -395 | -209 | 985 |
| Cash flow from investment activities | -1,115 | -1,090 | -110 |
| <i>Financing activities</i> | | | |
| New issue | - | - | 342 |
| Change in short term loans | 846 | 312 | -2,694 |
| Change in long term loans | -531 | -4,348 | -8,882 |
| Change in accruals for pensions | -11 | -83 | -48 |
| Dividend paid | -344 | -684 | -684 |
| Change in financing activities | -40 | -4,803 | -11,966 |
| Cash flow this period | -685 | -6,748 | -6,096 |
| Liquid assets opening balance | 1,169 | 7,249 | 7,249 |
| Currency effect in liquid assets | 7 | - | 16 |
| Liquid assets closing balance | 491 | 501 | 1,169 |