



## PRESS RELEASE

### INTERIM REPORT JANUARY - SEPTEMBER 1999

(Unaudited)

- **Income before tax income increased by 15 percent to SKr 1,478m (1,288). Earnings per share after full tax rose to SKr 4.34 (3.68).**
- **Sales amounted to SKr 11,157m (11,204). This level could be maintained despite a recession in South America and weak market growth in Europe. Healthcare's sales rose by 8 percent.**
- **Operating income increased to SKr 1,446m (1,414) and the operating margin was 13.0 percent (12.6).**
- **Net cash flow from operations improved to SKr 509m (-146).**
- **Peter Sjöstrand is AGA's new chairman from October 26.**
- **Linde now owns more than 98 percent of the shares in AGA.**

#### Sales

Economic growth was relatively weak in most markets in Europe and the majority of countries in South America are in recession. The recent improvement in the business climate in Western Europe has not yet had any appreciable impact on AGA, since growth has largely occurred in the service and IT sectors and not in the industrial sectors in which AGA has its customers. In North America, growth declined slightly in the third quarter. In South America, the value of Brazilian real decreased still further.

In January-September 1999, the Group's sales amounted to SKr 11,157m (11,204). The net effect of acquired and sold operations was insignificant, while changed exchange rates had a negative effect of approximately 1 percent. The devaluations in Brazil in 1999 and in Russia in 1998 were largely compensated by higher rates for non-devalued currencies.

Sales of industrial gases decreased by 2 percent to SKr 9,537m (9,701). Sales volumes increased for pipeline deliveries and On-Site-Supply and, to some extent, for liquid air gases. Volumes also increased for carbon dioxide and shielding gases, while volumes for oxygen and acetylene in cylinders fell. The lower level of activity in the offshore industry had a negative impact on volume, particularly for AGA's Norwegian subsidiary.

Prices remained under pressure in many markets, including the market for liquid air gases in Western Europe. Sales revenues fell 3 percent in the third quarter.

Healthcare achieved a sales increase of 8 percent to SKr 1,620m (1,503), despite a substantial fall in sales in Brazil due to the devaluation. During the period, the division acquired complementary small companies in the home care sector in Sweden, Norway, the Czech Republic and Slovakia. A company in Spain was acquired in October.

AGA's product for treatment of infants with severe respiratory problems, inhaled nitric oxide (INO), is expected to receive marketing authorization in the U.S. in the near future.

### **Earnings**

The Group's operating income amounted to SKr 1,446m (1,414). The net effect of changed exchange rates was insignificant. The sale of AGA's subsidiary in the U.K. provided, after an adjustment in the third quarter, a capital gain of SKr 125m. The INO operations in the U.S., however, had a negative earnings impact of SKr 76m.

The operating margin improved to 13.0 percent (12.6). Excluding the capital gain from the sale of the U.K. subsidiary and excluding the INO costs, the margin was 12.5 percent. A build-up of resources within Healthcare had a negative impact on the margin in the third quarter. This is intended to raise quality in production and distribution of medical gases.

The 1998 operating income was charged with a SKr 720m provision for the estimated costs of the efficiency improvement programs, which were started in 1998 and will extend to the year 2001. SKr 216m of this provision has been utilized in 1999 thus far.

In the first nine months of 1999, the number of employees decreased by 521 to 9,682.

The Group's net financial items deteriorated to SKr 423m (126). The change is essentially due to a lower return on liquid assets and the financing of AGA's redemption of shares at the end of June. In addition, more than SKr 100m is attributable to exchange losses in translation to Swedish kronor, which mainly pertain to the accounts of the Brazilian subsidiary.

Income before tax amounted to SKr 1,478m (1,288), including a SKr 455m capital gain from the sale of AGA's shareholding in Industrivärden and SKr 125m from the sale of AGA's U.K. subsidiary. The tax expense amounted to SKr 454m (389), including capital gains tax of SKr 127m.

Net income for the period amounted to SKr 1,021m (896) and earnings per share after full tax amounted to SKr 4.34 (3.68).

### **Investments and financing**

The extensive investment program started in 1995 has now been completed. In January-September, AGA invested SKr 1,068m (1,515) in new plant and equipment, which corresponded to 10 percent (14) of sales. A further SKr 206m (100) was invested in complementary company acquisitions, mainly gas and welding operations and the home care companies mentioned above. A new air separation plant in Peru and a capacity extension in the U.S. went into operation, and an air separation plant is starting up in Italy.

Net cash flow from operations amounted to SKr 509m (-146) after dividends to shareholders amounting to SKr 730m (730). Cash outflow from investing activities fell to SKr 190m (1,392), since SKr 595m was provided by the sale of shares in Industrivärden and SKr 435m by the sale of subsidiaries.

The Group's financial net debt, i.e. loans minus liquid assets and investments, increased during the period by SKr 2.457m to SKr 6.232m. The redemption of every tenth share for SKr 140 per share for a total of SKr 3,408m decided by the Annual General Meeting was carried out in June. This increase in net debt was partly compensated by the positive cash flow from operations. Liquid assets decreased by SKr 750m to SKr 1,684m and loans increased by SKr 2,015m to SKr 8,224m. The net debt/equity ratio therefore increased to 72 percent from 31 percent at the beginning of the year. The Group's equity ratio amounted to 37 percent at September 30 compared with 47 percent at the beginning of the year.

### **Linde's acquisition of AGA**

Following a public offer to AGA's shareholders on September 15, Linde AG has now acquired more than 98 percent of the shares and voting rights in AGA AB. An application for approval of this acquisition was submitted to the relevant competition authorities on September 1. At the beginning of October, the EU Commission decided to extend the period for examination of this matter by four months, i.e. until the beginning of February 2000.

Lidingö, October 27, 1999  
AGA AB (publ)

Lennart Selander  
President and CEO

**CONSOLIDATED INCOME STATEMENT**

SKr million

	<b>Jan.-Sep. 1999</b>	Jan.-Sep. 1998	Full Year 1998
Sales	<b>11,157</b>	11,204	15,088
Cost of sales	<b>-6,763</b>	-6,826	-9,176
<b>Gross income</b>	<b>4,394</b>	4,378	5,912
Selling, R & D, and administrative expenses	<b>-3,229</b>	-3,085	-4,352
Restructuring costs, etc.	—	—	-975
Other operating earnings, net	<b>271</b>	99	169
Share of income in associate companies	<b>10</b>	22	29
<b>Operating income *</b>	<b>1,446</b>	1,414	783
Net financial items	<b>-423</b>	-126	-227
Capital gain on sale of shares in Industrivärden	<b>455</b>	—	—
<b>Income before tax</b>	<b>1,478</b>	1,288	556
Tax **	<b>-454</b>	-389	-184
Minority interests	<b>-3</b>	-3	-2
<b>Net income</b>	<b>1,021</b>	896	370
<b>Earnings per share after full tax</b>			
SKr, 1998 before restructuring costs	<b>4.34</b>	3.68	4.46
* Depreciation charged to operating income	<b>1,398</b>	1,352	1,822
** Paid tax	<b>291</b>	299	330

**QUARTERLY DATA**

SKr million	Q 1 <u>1998</u>	Q 2 <u>1998</u>	Q 3 <u>1998</u>	Q 4 <u>1998</u>	Q 1 <u>1999</u>	Q 2 <u>1999</u>	Q 3 <u>1999</u>
Sales	3,752	3,719	3,733	3,884	<b>3,683</b>	<b>3,800</b>	<b>3,674</b>
Operating income, excl. restructuring, INO costs and capital gains	501	461	452	344	<b>492</b>	<b>500</b>	<b>405</b>
Operating margin, percent	13,4	12,4	12,1	8,9	<b>13,4</b>	<b>13,2</b>	<b>11,0</b>
Net financial items	-40	-11	-75	-101	<b>-162</b>	<b>-128</b>	<b>-133</b>
Income after financial items, excl. restructuring, INO costs and capital gains	461	450	377	243	<b>313</b>	<b>343</b>	<b>242</b>
Restructuring costs, etc.	—	—	—	-975	<b>-17</b>	<b>-29</b>	<b>-30</b>
Capital gains	—	—	—	—	<b>455</b>	<b>70</b>	<b>55</b>
Net income	319	306	271	-526	<b>518</b>	<b>313</b>	<b>190</b>
Earnings per share, SKr after full tax	1.31	1.26	1.11	-2.16	<b>2.13</b>	<b>1.28</b>	<b>0.93</b>
No. of employees, end of period	10,720	10,494	10,291	10,203	<b>10,146</b>	<b>9,881</b>	<b>9,682</b>

**PER GEOGRAPHIC MARKET**

	Jan.-Sep. <b>1999</b>	Jan.-Sep. 1998	Full Year 1998
<b>Sales</b>			
SKr million			
Western Europe	<b>6,217</b>	6,200	8,460
Eastern Europe	<b>541</b>	562	751
North America	<b>2,625</b>	2,470	3,277
South America	<b>1,774</b>	1,972	2,600
Total	<b>11,157</b>	11,204	15,088
Of which Industrial Gases	<b>9,537</b>	9,701	13,050
Of which Healthcare	<b>1,620</b>	1,503	2,038

**Operating Income**

SKr million, excl. restructuring costs			
Western Europe, excl. capital gain	<b>951</b>	1,055	1,348
- Capital gain	<b>125</b>	—	—
Eastern Europe	<b>26</b>	-13	-26
North America, excl. INO costs	<b>187</b>	215	244
- INO costs	<b>-76</b>	—	—
South America	<b>233</b>	157	192
Total	<b>1,446</b>	1,414	1,758

**Operating Margin**

Percent			
Western Europe, excl. capital gain	<b>15.3</b>	17.0	15.9
Eastern Europe	<b>4.8</b>	-2.3	-3.5
North America, excl. INO costs	<b>7.1</b>	8.7	7.4
South America	<b>13.1</b>	8.0	7.4
Total	<b>13.0</b>	12.6	11.7

**CONSOLIDATED BALANCE SHEET**

SKr million

**Sep. 30**  
**1999****Dec.31**  
**1998****ASSETS**

Goodwill	<b>1,097</b>	1,046
Plant and equipment	<b>16,076</b>	17,804
Shareholdings	<b>259</b>	544
Long-term investments	<b>308</b>	—
Long-term operating receivables	<b>186</b>	157
<b>Total fixed assets</b>	<b>17,926</b>	19,551

Inventories	<b>981</b>	939
Current receivables	<b>3,235</b>	3,135
Liquid assets and investments	<b>1,684</b>	2,434
<b>Total current assets</b>	<b>5,900</b>	6,508

<b>TOTAL ASSETS</b>	<b>23,826</b>	26,059
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**SHAREHOLDERS' EQUITY AND LIABILITIES**

Share capital	<b>1,218</b>	1,217
Restricted and free reserves	<b>6,403</b>	10,629
Net income	<b>1,021</b>	370
<b>Total shareholders' equity</b>	<b>8,642</b>	12,216

<b>Minority interests</b>	<b>80</b>	87
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Provisions for pensions	<b>1,167</b>	1,141
Provisions for deferred tax	<b>2,303</b>	2,269
Provisions for restructuring	<b>504</b>	720
<b>Total provisions</b>	<b>3,974</b>	4,130

Long-term loans	<b>6,144</b>	2,628
Short-term loans	<b>2,080</b>	3,581
<b>Total loans</b>	<b>8,224</b>	6,209

Other long-term liabilities	<b>486</b>	476
Other current liabilities	<b>2,420</b>	2,941
<b>Total other liabilities</b>	<b>2,906</b>	3,417

<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>23,826</b>	26,059
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Net debt	<b>6.232</b>	3.775
Net debt/equity ratio, percent	<b>72.1</b>	30.9
Equity ratio, percent	<b>36.6</b>	47.2

**CONSOLIDATED STATEMENT OF CASH FLOWS**

SKr million	Jan.-Sep. 1999	Jan.-Sep. 1998	Full Year 1998
<b>OPERATING ACTIVITIES</b>			
Operating income	1,446	1,414	783
Reversal of depreciation	1,398	1,352	1,822
Reversal of restructuring reserve, etc.	-276	—	975
Reversal of capital gains	-129	—	—
Adjustment for associate companies	—	-12	-18
Net financial expense	-423	-126	-227
Paid tax	-154	-291	-319
<b>Cash flow before change in working capital</b>	<b>1,862</b>	<b>2,337</b>	<b>3,016</b>
<b>Change in working capital</b>	<b>-433</b>	<b>-361</b>	<b>-272</b>
<b>Dividends to shareholders</b>	<b>-730</b>	<b>-730</b>	<b>-730</b>
<b>Cash flow from operating activities</b>	<b>699</b>	<b>1,246</b>	<b>2,014</b>
<b>INVESTING ACTIVITIES</b>			
New plant and equipment	-1,068	-1,515	-2,002
Sale of plant and equipment, etc.	54	223	305
Acquisitions, etc.	-206	-100	-331
Sale of subsidiaries	435	—	—
Sale of shares in Industrivärden	595	—	—
<b>Cash flow from investing activities</b>	<b>-190</b>	<b>-1,392</b>	<b>-2,028</b>
<b>NET CASH FLOW FROM OPERATIONS</b>	<b>509</b>	<b>-146</b>	<b>-14</b>
<b>FINANCING ACTIVITIES</b>			
Redemption of shares	-3,408	—	—
New issue of shares	147	—	—
Change in loans	2,348	-138	-401
Change in long-term investments	-308	—	—
<b>Cash flow from financing activities</b>	<b>-1,221</b>	<b>-138</b>	<b>-401</b>
<b>NET CASH FLOW</b>	<b>-712</b>	<b>-284</b>	<b>-415</b>
<b>LIQUID ASSETS</b>			
Liquid assets at beginning of the year	2,434	2,823	2,823
Net cash flow for the period	-712	-284	-415
Exchange rate adjustment	-38	13	26
<b>Liquid assets at the end of the period</b>	<b>1,684</b>	<b>2,552</b>	<b>2,434</b>