



PRESS RELEASE

YEAR-END REPORT 1999

- **Income before tax for 1999 amounted to SKr 1,460m (556). Earnings per share after full tax was SKr 4.61 (1.52).**
- **Sales were largely unchanged at SKr 14,999m (15,088) after negative currency effects of approximately 2 percent.**
- **Operating income, before items affecting comparability, amounted to SKr 1,747m (1,758). The corresponding operating margin was 11.6 percent (11.7).**
- **Net cash flow from operations improved to SKr 521m (-14) after a dividend of SKr 730m (730). Capital expenditures for new plant amounted to SKr 1,450m (2,002) corresponding to 9.7 percent (13.3) of sales.**
- **The number of employees decreased by 669 persons to 9,534.**
- **Linde AG now owns 99.5 percent of the shares in AGA. On February 9, 2000, the EU Commission approved the acquisition, with certain reservations. Linde has declared its intention to call for redemption of the remaining shares.**
- **The Board of Directors proposes an unchanged dividend of SKr 3 per share.**

Sales

The AGA Group's sales in 1999 were largely unchanged compared with the previous year and amounted to SKr 14,999m (15,088). The net effect of acquired and sold operations was insignificant, while exchange rate fluctuations led to a decrease of approximately 2 percent. The negative effect of the Brazilian devaluation in January was partly compensated by higher exchange rates for other currencies.

Economic growth remained good in the U.S. but was relatively weak in most markets in Europe, and the majority of countries in South America were in recession. Some improvement in the business climate in Western Europe in the second half had no appreciable effect on AGA, because this was mainly related to the service and information technology sectors rather than the industrial sectors where AGA has its customers.

AGA's sales of industrial gases amounted to SKr 12,803m (13,050), a decline of 2 percent which was due entirely to exchange rate fluctuations. Volumes rose for pipeline deliveries and On-Site-Supply, as well as for liquid air gases. Volumes also increased somewhat for carbon dioxide and shielding gases, while they declined for oxygen and acetylene in cylinders. Price pressure continued in several markets, including the West European market for liquid air gases.

Healthcare achieved a sales increase of 8 percent to SKr 2,196m (2,038) despite a substantial fall in the sales value in Brazil due to the devaluation. During the year, Healthcare acquired complementary home care companies in Sweden, Norway, the Czech Republic, Slovakia and Spain, which contributed to a 26 percent rise in sales for home care.

AGA's product for treatment of persistent pulmonary hypertension of the newborn, INOmax, received approval as a pharmaceutical in the U.S. at the end of December and sales started in January 2000.

Earnings

Operating income for the year amounted to SKr 1,516m (783). The effect of exchange rate fluctuations was insignificant as was the effect of sold and acquired operations.

Operating income includes items affecting comparability, in total a net cost amount of SKr 231m (975). Earnings for 1998 were charged with SKr 255m for write-down of certain assets and SKr 720m in provisions for the restructuring of the Group decided at that time. In 1999, SKr 404m of this provision was utilized and an additional SKr 75m has been allocated for restructuring in conjunction with the merger with Linde. In addition, earnings for 1999 were charged with SKr 112m for costs in connection with the sale of AGA and SKr 186m in initial costs for the INO operations in the U.S., where AGA's new product was not approved as a pharmaceutical until the end of December. The items affecting comparability in 1999 also include a capital gain of SKr 142m from the sale of AGA's subsidiary in the U.K.

The operating margin amounted to 11.6 percent (11.7) excluding the items affecting comparability mentioned above. In Western Europe, the margin was 15.0 percent (15.9), in Eastern Europe 5.4 percent (-3.5), in North America 7.3 percent (7.4) and in South America 8.1 percent (7.4).

AGA's costs for research, product development and market development amounted to SKr 286m (274), of which industrial gases accounted for SKr 236m (241) and Healthcare for SKr 50m (33), excluding the costs of INO development in the U.S. Development projects mainly focus on new and improved gas applications and are carried out both within AGA and in cooperation with research institutes, customers and other companies.

The number of employees amounted to 9,534 at the end of the year, a reduction of 669 people during the year, of whom 103 in the sold U.K. company.

The Group's net financial items comprised an expense of SKr 511m (227). Of the SKr 284m increase, SKr 115m was due to exchange rate fluctuations for the year which led to a loss of SKr 87m, while in 1998 they provided a gain of SKr 28m. Otherwise, the increase was mainly due to a lower return on liquid assets and the costs of financing AGA's redemption of shares at the end of June with a net amount of SKr 3,383m.

Income before tax amounted to SKr 1,460m (556) including a capital gain of SKr 455m from the sale of AGA's shareholding in Industrivärden.

Net profit for the year was SKr 1,066m (370) after deduction for tax of SKr 390m (184).

Earnings per share after full tax amounted to SKr 4.61, while earnings per share in 1998 were SKr 1.52 after the year's provision for restructuring costs.

Capital expenditures

The extensive investment program started in 1995 has now been completed. In 1999, AGA invested SKr 1,450m (2,002) in new plant and equipment, corresponding to 9.7 percent (13.3) of the Group's sales. 52 percent of investments were made in Western Europe, 6 percent in Eastern Europe, 31 percent in North America and 11 percent in South America. A further SKr 403m (297) was invested in complementary acquisitions.

In 1999, new air separation plants went into operation in Peru and in Italy as well as an extension to a plant in the U.S. In addition, a number of OSS installations were built for gas production on customer premises.

Two more gas distributors were acquired in the U.S. and in Germany the previously 50-percent owned production company in Bremen was taken into the Group. AGA also acquired a propane business in Finland and gas operations in Ecuador, the latter in exchange for AGA's company in Bolivia. As already mentioned, a number of home care companies were acquired within Healthcare.

Financing

Net cash flow from operating activities amounted to SKr 521m (-14) after dividends to shareholders of SKr 730m (730). The cash flow from investing activities decreased to SKr 671m (2,028), after the sale of shares in Industrivärden provided SKr 595m and the sale of subsidiaries SKr 455m. Furthermore, investments in new plant and equipment were SKr 552m lower than in the previous year.

The Group's financial net debt, i.e. loans minus liquid assets and investments, increased during the period by SKr 2,698m to SKr 6,473m. The redemption of every tenth share decided by the Annual General Meeting was carried out at the end of June for a net of SKr 3,383m. This increase in net debt was counteracted to some extent by the positive net cash flow from operating activities. The net debt/equity ratio rose to 74 percent from 31 percent in the previous year. The Group's equity ratio at year-end was 35 percent compared with 47 percent at the beginning of the year.

Liquid assets and short-term investments increased during the year by SKr 32m to SKr 2,466m and the Group's loans increased by SKr 3,029m to SKr 9,238m.

Anticipated development in 2000

Following Linde AG obtaining the European Commission's approval of the acquisition on February 9, 2000, AGA's operations will be incorporated into Linde's gas division with Linde Gas AG in Germany as the parent company. A new organization will be drawn up and introduced before July. AGA's entire operations in Austria as well as the cylinder gas operations in the Netherlands will be sold in accordance with the EU Commission's requirements.

Proposed dividend, etc.

The Board of Directors proposes an unchanged dividend of SKr 3 per share, a total of SKr 658m. The Annual General Meeting will be held on March 27, 2000 in AGA's offices at Lidingö. March 30 is proposed as the record date with VPC and dividends are expected to be paid from VPC on April 4.

AGA's Annual Report will be available in the Company's offices from March 1. It can be ordered from AGA AB by e-mail: info@aga.com, fax: +46 8 731 12 78 or phone: +46 8 731 10 85.

Lidingö, February 23, 2000

AGA AB (publ)

Lennart Selander
President and CEO

QUARTERLY DATA

SKr million	<u>Q 1</u> <u>1998</u>	<u>Q 2</u> <u>1998</u>	<u>Q 3</u> <u>1998</u>	<u>Q 4</u> <u>1998</u>	<u>Q 1</u> <u>1999</u>	<u>Q 2</u> <u>1999</u>	<u>Q 3</u> <u>1999</u>	<u>Q 4</u> <u>1999</u>
Sales	3,752	3,719	3,733	3,884	3,683	3,800	3,674	3,842
Operating income excl. items affecting comparability	501	461	452	344	492	500	405	350
Operating margin, percent	13.4	12.4	12.1	8.9	13.4	13.2	11.0	9.1
Net financial items	-40	-11	-75	-101	-162	-128	-133	-88
Income before tax excl. items affecting comparability and capital gains	461	450	377	243	330	372	272	262
Cost items affecting comparability	—	—	—	-975	-17	-29	-30	-297
Capital gains	—	—	—	—	455	70	55	17
Earnings per share after full tax, SKr	1.31	1.26	1.11	-2.16	2.13	1.28	0.93	0.27
No. of employees, end of period	10,720	10,494	10,291	10,203	10,146	9,881	9,682	9,534

DATA BY GEOGRAPHIC MARKET

Sales SKr million	<u>1999</u>	<u>1998</u>
Western Europe	8,388	8,460
Eastern Europe	738	751
North America	3,521	3,277
South America	2,352	2,600
Total	14,999	15,088
Of which, Industrial gas operations	12,803	13,050
Of which, Healthcare	2,196	2,038

Operating income

SKr million, excl. items affecting comparability

Western Europe	1,259	1,348
Eastern Europe	40	-26
North America	258	244
South America	190	192
Total	1,747	1,758

Operating margin

Percent, excl. items affecting comparability

Western Europe	15.0	15.9
Eastern Europe	5.4	-3.5
North America	7.3	7.4
South America	8.1	7.4
Total	11.6	11.7

CONSOLIDATED INCOME STATEMENT

SKr million

	<u>1999</u>	<u>1998</u>
Sales	14,999	15,088
Cost of sales	<u>-9,108</u>	<u>-9,176</u>
Gross income	5,891	5,912
Selling expenses	-2,619	-2,589
Administrative expenses, etc.	-1,436	-1,489
Research and development costs	-286	-274
Items affecting comparability (restructuring, etc.)	-231	-975
Other operating earnings	285	300
Other operating expenses	-123	-131
Share of income in associate companies	35	29
Operating income ¹	1,516	783
Dividends	–	22
Interest income, etc.	152	292
Interest expenses, etc.	-663	-541
Capital gain on sale of shares in Industrivärden	455	–
Income before tax	1,460	556
Tax ²	-390	-184
Minority interests	<u>-4</u>	<u>-2</u>
Net income	1,066	370
¹ Depreciation charged to operating income	1,880	1,822
² Paid tax	338	330
Earnings per share, SKr		
After paid tax	4.83	0.92
After full tax	4.61	1.52
Return, percent		
On capital employed	11.2	5.5
On shareholders' equity	10.2	3.0

CONSOLIDATED BALANCE SHEET

SKr million

ASSETS	<u>1999</u>	<u>1998</u>
Goodwill	1,172	1,046
Plant and equipment	16,279	17,804
Shareholdings	241	544
Long-term investments	299	—
Long-term operating receivables	202	157
Total fixed assets	18,193	19,551
Inventories	934	939
Current receivables	3,481	3,135
Short-term investments	1,291	1,438
Liquid assets	1,175	996
Total current assets	6,881	6,508
TOTAL ASSETS	25,074	26,059
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	1,096	1,217
Restricted reserves	5,999	6,226
Retained earnings	629	4,403
Net income	1,066	370
Total shareholders' equity	8,790	12,216
Minority interests	46	87
Provisions for pensions	1,193	1,141
Provisions for deferred tax	2,179	2,269
Provisions for restructuring	390	720
Total provisions	3,762	4,130
Long-term loans	5,959	2,628
Short-term loans	3,279	3,581
Total loans	9,238	6,209
Other long-term liabilities	442	476
Other current liabilities	2,796	2,941
Total other liabilities	3,238	3,417
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	25,074	26,059
Net debt	6,473	3,775
Net debt/equity ratio, percent	73.6	30.9
Equity ratio, percent	35.2	47.2

CONSOLIDATED STATEMENT OF CASH FLOWS

SKr million

	<u>1999</u>	<u>1998</u>
OPERATING ACTIVITIES		
Operating income	1,516	783
Reversal of depreciation	1,880	1,822
Reversal of restructuring reserve, etc.	-388	975
Reversal of capital gains	-146	–
Adjustment for associate companies	-23	-18
Net financial expense	-511	-227
Paid tax, excl. tax for shares in Industrivärden	-197	-319
Cash flow before change in working capital	<u>2,131</u>	<u>3,016</u>
Change in working capital	-209	-272
Dividends to shareholders	<u>-730</u>	<u>-730</u>
Cash flow from operating activities	1,192	2,014
INVESTING ACTIVITIES		
New plant and equipment	-1,450	-2,002
Sale of plant and equipment, etc.	139	305
Acquisitions, etc.	-403	-297
Sale of subsidiaries	455	–
Sale of shares in Industrivärden, after tax	595	–
Acquisition and sale of other shares	-7	-34
Cash flow from investing activities	<u>-671</u>	<u>-2 028</u>
NET CASH FLOW FROM OPERATIONS	521	-14
FINANCING ACTIVITIES		
Redemption of shares, net	-3,383	–
Change in loans	3,240	-401
Change in long-term investments	-330	–
Cash flow from financing activities	<u>-473</u>	<u>-401</u>
NET CASH FLOW	48	-415
LIQUID ASSETS		
Liquid assets at the beginning of the year	2,434	2,823
Net cash flow for the period	48	-415
Exchange rate adjustment	-16	26
Liquid assets at the end of the year	<u>2,466</u>	<u>2,434</u>