Annual Report 1999

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AGA

REPORT OF THE DIRECTORS

Nineteen-ninety nine was AGA's final year as an independent group. Following a public offer to AGA's shareholders on September 15, Linde AG, Wiesbaden, Germany, has acquired 99.5 percent of the number of shares and voting rights. The acquisition was approved by the EU Commission on February 9, 2000, with certain reservations. Linde AG intends to call for compulsory redemption of the remaining shares as soon as possible. The AGA Group is not included in Linde AG's consolidated financial statements for 1999.

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 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. 1999 items affecting comparability 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 for 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.

QUARTERLY DATA

SKr million	Q 1 1998	Q 2 1998	Q 3 1998	Q 4 1998	**Q 1 1999**	**Q 2 1999**	**Q 3 1999**	**Q 4 1999**
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	**1999**	1998
SKr million		
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

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. The majority of investments comprised government securities, housing bonds and commercial paper programs. The average fixed-interest term during the year was just over one year.

The Group's loans increased in 1999 by SKr 3,029m to SKr 9,238m. The average maturity for loans at year-end was 16 months and the average fixed-interest term was 8 months. Of the total outstanding loans, approximately half were denominated in U.S. dollars. The Group's borrowing is mostly conducted centrally via commercial papers and by a Swedish MTN program. Commercial papers must be covered by liquid investments or credit commitments. The latter amounted to US$ 260m at year-end. AGA also has a number of loan agreements with individual banks.

The Parent Company's lending to subsidiaries outside Latin America is made in the local currency and the currency risk is hedged through forward contracts. The subsidiaries in Latin America are mainly financed in U.S. dollars.

Parent Company

The Parent Company's activities comprise Group Management and central staffs, as well as the Swedish operations conducted on behalf of the Parent Company by the subsidiaries AGA Gas AB, AGA-CRYO AB and AGA Industrial Gas Engineering AB.

Sales from the Parent Company increased to SKr 2,166m (2,151), of which 10 percent (10) went to subsidiaries. Of purchases for the year, 2 percent (1) came from subsidiaries. Operating income decreased to SKr 175m (394). Administrative expenses increased to SKr 561m (349), of which ongoing restructuring costs accounted for SKr 60m and SKr 112m was costs related to the sale of the company. Expenditure for research, product and market development, a total of SKr 286m (274), was mainly financed by the subsidiaries according to cost allocation agreements. The Parent Company's net income amounted to SKr 1,036m (1,947).

Through AGA Gas AB, the Parent Company conducts operations that require a license under the Environmental Code. The license requirement relates to production of acetylene or nitrous oxide at four plants in Sweden, production of industrial gases other than acetylene at nine plants in Sweden and one plant that consumes between 10 and 20 tonnes of organic solvents per year. Production for which a license is required accounts for 37% of the Parent Company's sales. These plants mainly affect the environment through consumption of electricity, emissions to air and water, and noise. Licenses will be applied for in 2004 at the latest for those plants previously allowed exemption from applying for a license.

The Board and its work

During the period from the Annual General Meeting until October 1999 the Board consisted of six members elected at the Annual General Meeting and three members with one deputy elected by the employees. As a result of Linde AG's acquisition of AGA, board members Martin-Löf, Hedelius and Jeansson resigned in October, leaving only three of the members elected by the Annual General Meeting.

The President is a member of the Board. Other employees in the company participate in the meetings of the Board to submit reports. AGA's legal counsel is the Secretary to the Board. In consultation with the President and the Chairman, the Secretary plans and administers the work of the Board. In 1999, the Board held six ordinary and six extraordinary meetings. There are established procedural guidelines concerning the work of the Board and the allocation of work between the Board and the President.

Anticipated development in 2000

Following Linde AG obtaining the EU 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 implemented 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 distribution of earnings

Retained earnings as stated in the consolidated balance sheet amounted to SKr 1,695m at December 31, 1999. The distribution of earnings proposed by the subsidiaries will result in a transfer of SKr 4m to restricted equity.

The Parent Company's retained earnings amounted to:		
balance brought forward		871,344,889
net income for the year		1,035,903,460
	SKr	1,907,248,349
The Board of Directors and the President propose that:		
shareholders receive a dividend of SKr 3 per share		657,827,925
the remainder be carried forward		1,249,420,424
	SKr	1,907,248,349

March 30, 2000, is proposed as the record date with VPC and dividends are expected to be paid on April 4. Further information about the earnings and financial position of the Group and the Parent Company is provided in the following financial statements.

Lidingö, February 23, 2000

Peter Sjöstrand
Chairman

Clas Reuterskiöld | Lars Lundholm | Lars-Olof Fritshagen

Jan Engman | Lennart Selander
President and CEO

CONSOLIDATED INCOME STATEMENT

SKr million		**1999**	1998
Sales		**14,999**	15,088
Cost of sales		**-9,108**	-9,176
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.)	Note 1	**-231**	-975
Other operating earnings		**285**	300
Other operating expenses		**-123**	-131
Share of income in associate companies		**35**	29
Operating income [1]	Note 2	**1,516**	783
Dividends		**–**	22
Interest income, etc.	Note 3	**152**	292
Interest expenses, etc.	Note 4	**-663**	-541
Capital gain on sale of shares in Industrivärden		**455**	–
Income before tax		**1,460**	556
Tax [2]	Note 6	**-390**	-184
Minority interests		**-4**	-2
Net income		**1,066**	370
[1] Depreciation charged to operating income	Note 1	**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		**1999**	1998
ASSETS			
Intangible fixed assets	Note 8	**1,172**	1,046
Tangible fixed assets	Note 9	**16,279**	17,804
Financial fixed assets			
Participations in associate companies	Note 12	**234**	268
Participations in other companies	Note 13	**7**	276
Long-term investments		**299**	–
Long-term operating receivables		**202**	157
Total financial fixed assets		**742**	701
Total fixed assets		**18,193**	19,551
Inventories	Note 14	**934**	939
Current receivables			
Accounts receivable, trade		**2,879**	2,606
Other receivables		**454**	393
Prepaid expenses and accrued income		**148**	136
Total current receivables		**3,481**	3,135
Short-term investments	Note 15	**1,291**	1,438
Cash and bank balances		**1,175**	996
Total current assets		**6,881**	6,508
TOTAL ASSETS		**25,074**	26,059

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets		
For own loans		
Bank deposits	**–**	70
Securities	**732**	2
Real estate mortgages	**2**	3
Total pledged assets	**734**	75
Contingent liabilities		
Guaranties	**44**	163

CONSOLIDATED BALANCE SHEET

SKr million		**1999**	1998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	Note 16		
Restricted shareholders' equity			
Share capital		**1,096**	1,217
Restricted reserves		**5,999**	6,226
Unrestricted shareholders' equity			
Retained earnings		**629**	4,403
Net income		**1,066**	370
Total shareholders' equity		**8,790**	12,216
Minority interests		**46**	87
Provisions			
Provisions for pensions	Note 18	**1,193**	1,141
Provisions for deferred tax		**2,179**	2,269
Provisions for restructuring		**390**	720
Total provisions		**3,762**	4,130
Loans			
Long-term loans	Note 19	**5,959**	2,628
Short-term loans	Note 20	**3,279**	3,581
Total loans		**9,238**	6,209
Other liabilities (noninterest-bearing)			
Long-term liabilities, etc.	Note 21	**442**	476
Advance payments from customers		**36**	54
Owed to suppliers		**962**	1,047
Accrued tax		**145**	183
Other current liabilities		**234**	448
Accrued expenses and prepaid income	Note 22	**1,419**	1,209
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		**1999**	1998
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		**2,131**	3,016
Change in working capital	Note 23	**-209**	-272
Dividends to shareholders		**-730**	-730
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.	Note 24	**-403**	-297
Sale of subsidiaries	Note 24	**455**	–
Sale of shares in Industrivärden, after tax		**595**	–
Acquisition and sale of other shares		**-7**	-34
Cash flow from investing activities		**-671**	-2 028
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		**-473**	-401
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		**2,466**	2,434

FIVE-YEAR GROUP SUMMARY

SKr million		**1999**	1998	1997	1996	1995
Sales		**14,999**	15,088	14,408	12,860	13,271
Operating income, excl. items affecting comparability		**1,747**	1,758	1,847	1,595	1,914
Operating margin, percent		**11.6**	11.7	12.8	12.4	14.4
Income before tax		**1,460**	556	1,641	1,757	2,108
Net income		**1,066**	370	1,099	2,840	2,110
Earnings per share	After paid tax, SKr	**4.83**	0.92	4.92	5.44	7.03
	After full tax, SKr	**4.61**	1.52	4.51	5.11	6.31
Dividend per share, SKr (1999 proposed)		**3.00**	3.00	3.00	2.70	2.70
Land, buildings, machinery and goodwill		**17,451**	18,850	17,878	15,708	12,537
Shares and participations		**241**	544	481	481	1,762
Long-term receivables and investments		**501**	157	195	190	221
Inventories		**934**	939	907	818	716
Current receivables		**3,481**	3,135	2,878	3,106	2,635
Liquid assets and investments		**2,466**	2,434	2,823	5,203	2,936
Shareholders'equity		**8,790**	12,216	12,275	11,755	9,398
Minority interests		**46**	87	79	88	93
Provisions for pensions		**1,193**	1,141	1,080	1,016	953
Provisions for deferred tax		**2,179**	2,269	2,339	2,230	2,130
Provisions for restructuring		**390**	720	–	–	–
Loans		**9,238**	6,209	6,246	7,082	5,148
Other liabilities		**3,238**	3,417	3,143	3,335	3,085
Total assets		**25,074**	26,059	25,162	25,506	20,807
Investments in new plant and equipment		**1,450**	2,002	2,859	2,909	2,685
Capital employed, annual average		**18,995**	19,923	19,996	17,320	14,705
Shareholders' equity, annual average		**10,456**	12,246	11,915	11,038	8,745
Net debt		**6,473**	3,775	3,423	1,879	2,212
Return on capital employed, percent		**11.2**	5.5	10.9	12.7	17.6
Return on shareholders' equity, percent		**10.2**	3.0	9.2	11.2	17.4
Net debt/equity ratio, percent		**73.6**	30.9	27.9	16.0	23.5
Equity ratio, percent		**35.2**	47.2	49.1	46.4	45.6
Interest coverage ratio		**2.5**	2.0	4.1	4.9	5.2
Sales	Western Europe	**8,388**	8,460	8,170	8,081	8,399
	Eastern Europe	**738**	751	671	493	394
	North America	**3,521**	3,277	3,102	2,075	1,909
	South America	**2,352**	2,600	2,465	2,211	2,569
	Total	**14,999**	15,088	14,408	12,860	13,271
Operating income	Western Europe	**1,259**	1,348	1,489	1,322	1,482
	Eastern Europe	**40**	-26	-46	-32	-13
	North America	**258**	244	245	112	90
	South America	**190**	192	159	193	355
	Items affecting comparability	**-231**	-975	-105	–	–
	Total	**1,516**	783	1,742	1,595	1,914
Average number of employees		**9,821**	10,516	10,975	10,521	10,531
Salaries and wages, payroll overhead		**3,530**	3,514	3,497	3,134	3,240
Per employee	Sales, SKr 000s	**1,527**	1,435	1,313	1,222	1,260
	Salaries, etc., SKr 000s	**359**	325	318	298	308

PARENT COMPANY INCOME STATEMENT

SKr million		**1999**	1998
Sales		**2,166**	2,151
Cost of sales		**-1,227**	-1,204
Gross income		**939**	947
Selling expenses		**-240**	-220
Administrative expenses, etc.		**-561**	-349
Research and development costs		**-286**	-274
Other operating earnings		**390**	346
Other operating expenses		**-67**	-56
Operating income [1]	Note 2	**175**	394
Result from participations in subsidiaries	Note 5	**676**	1 564
Dividends from associated companies		**10**	10
Dividends from other companies		**–**	21
Capital gain on sale of shares in Industrivärden		**455**	–
Interest income from subsidiaries		**369**	328
Other interest income, etc.	Note 3	**41**	241
Interest expenses, subsidiaries		**-41**	-83
Other interest expenses, etc.	Note 4	**-423**	-249
Income after financial items		**1,262**	2,226
Year-end provisions			
Excess depreciation	Note 7	**-46**	-95
Provision to tax allocation reserve		**-127**	-139
Reversal of tax equalization reserve		**96**	96
Income before tax		**1,185**	2,088
Tax	Note 6	**-149**	-141
Net income		**1,036**	1,947
[1] Depreciation charged to operating income	Note 7	**197**	181

PARENT COMPANY BALANCE SHEET

SKr million		**1999**	1998
ASSETS			
Intangible fixed assets	Note 8	**15**	–
Tangible fixed assets	Note 9	**1,848**	1,881
Financial fixed assets			
Participations in subsidiaries	Note 10	**5,166**	4,882
Owed by subsidiaries	Note 11	**1,455**	2,067
Participations in associate companies	Note 12	**120**	120
Participations in other companies	Note 13	**–**	268
Long-term operating receivables		**63**	–
Total financial fixed assets		**6,804**	7,337
Total fixed assets		**8,667**	9,218
Inventories	Note 14	**195**	219
Current receivables			
Accounts receivable, trade		**241**	216
Owed by subsidiaries		**5,182**	4,985
Other receivables		**4**	10
Prepaid expenses and accrued income		**66**	47
Total current receivables		**5,493**	5,258
Short-term investments	Note 15	**1,178**	1,342
Cash and bank balances		**641**	523
Total current assets		**7,507**	7,342
TOTAL ASSETS		**16,174**	16,560

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets (for own loans)		
Securities	**730**	–
Contingent liabilities		
Guaranties, for subsidiaries	**256**	447
Guaranties, other	**37**	121
Total contingent liabilities	**293**	568

PARENT COMPANY BALANCE SHEET

SKr million		**1999**	1998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	Note 16		
Restricted shareholders' equity			
Share capital		**1,096**	1,217
Statutory reserve		**1,626**	1,602
Unrestricted shareholders' equity			
Retained earnings		**871**	2,941
Net income		**1,036**	1,947
Total shareholders' equity		**4,629**	7,707
Untaxed reserves	Note 17		
Excess depreciation		**1,089**	1,042
Tax allocation reserve		**718**	590
Tax equalization reserve		**96**	193
Total untaxed reserves		**1,903**	1,825
Provisions			
Provisions for pensions	Note 18	**542**	481
External loans			
Long-term loans	Note 19	**5,271**	2,042
Short-term loans	Note 20	**2,677**	2,446
Total external loans		**7,948**	4,488
Other liabilities			
Long-term liabilities to subsidiaries		**88**	16
Other long-term liabilities, etc.	Note 21	**149**	157
Short-term liabilities to subsidiaries		**179**	1,266
Advance payments from customers		**4**	12
Owed to suppliers		**110**	131
Accrued tax		**48**	81
Other current liabilities		**36**	28
Accrued expenses and prepaid income	Note 22	**538**	368
Total other liabilities		**1,152**	2,059
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**16,174**	16,560

PARENT COMPANY STATEMENT OF CASH FLOWS

SKr million		**1999**	1998
OPERATING ACTIVITIES			
Operating income		**175**	394
Reversal of depreciation		**197**	181
Result from participations in subsidiaries		**676**	1,785
Net interest income from subsidiaries		**327**	245
Net financial expense, excl. subsidiaries		**-371**	23
Paid tax, excl. tax for shares in Industrivärden		**-22**	-141
Cash flow before change in working capital		**982**	2,487
Change in receivables and liabilities, subsidiaries		**-600**	-1,994
Change in other working capital	Note 23	**93**	315
Dividends to shareholders		**-730**	-730
Cash flow from operating activities		**-255**	78
INVESTING ACTIVITIES			
New plant and equipment		**-175**	-253
Sale of plant and equipment, etc.		**15**	7
Subsidiaries		**-308**	-312
Sale of subsidiaries		**23**	–
Acquisitions		**-18**	-34
Sale of shares in Industrivärden, after tax		**595**	–
Cash flow from investing activities		**132**	-592
NET CASH FLOW FROM OPERATIONS		**-123**	-514
FINANCING ACTIVITIES			
Redemption of shares, net		**-3,383**	–
Change in loans		**3,460**	171
Cash flow from financing activities		**77**	171
NET CASH FLOW		**-46**	-343
LIQUID ASSETS			
Liquid assets at the beginning of the year		**1,865**	2,208
Net cash flow for the period		**-46**	-343
Liquid assets at the end of the year		**1,819**	1,865

NOTES TO THE FINANCIAL STATEMENTS

Amounts in millions of SKr. Figures in parentheses refer to 1998.

Accounting principles

AGA follows the recommendations of the Swedish Financial Accounting Standards Council. Tax legislation in Sweden, in certain cases, allows larger deductions for depreciation and provisions than are economically motivated, provided they are included in the accounts. For the Parent Company, AGA AB, such items are reported separately, in the income statement as year-end provisions and in the balance sheet as untaxed reserves.

The consolidated financial statements include the Parent Company, AGA AB, and companies in which the Parent Company, directly or through subsidiaries, owned more than 50 percent of the voting rights at the end of the year. Acquired companies are included for the part of the year during which they belonged to the Group. Major associate companies, i.e. companies in which AGA has a long-term holding of at least 20 and not more than 50 percent, are reported according to the equity method, which means that AGA's share of equity in these companies is reported as the value of shareholdings in the balance sheet.

The consolidated balance sheet is prepared according to the purchase method. The difference between the acquisition value of the shares and the market value of assets and liabilities in acquired subsidiaries constitutes consolidated goodwill, which is amortized during its estimated economic life, however, over a maximum period of 20 years.

When the income statements and balance sheets of subsidiaries outside Sweden are translated into Swedish kronor, SKr, all foreign AGA subsidiaries are treated as independent subsidiaries, the statements of which are translated according to the current rate method, except for companies in high inflation countries, whose statements are translated using the monetary method. In this respect AGA regards Russia, Ukraine, Romania, Colombia, Ecuador and Venezuela as high-inflation countries. The financial statements of these companies are first translated into U.S. dollars, which is considered to be their functional currency, and then translated into SKr using the current rate method.

The former high-inflation countries, Poland, Hungary, Argentina, Brazil, Chile, Mexico, Peru and Uruguay were reclassified during the year which means that the current rate method is applied when translating financial statements from these countries.

The current rate method means that all assets, liabilities and provisions are translated into SKr according to the closing date exchange rate and all items in the income statement are translated according to the average exchange rate for the year. Any translation differences thus arising are taken directly to shareholders' equity.

The monetary method means that all monetary assets, liabilities and provisions are translated at the closing date rate, while non-monetary balance sheet items, such as plant and equipment, and similar items in the income statement, such as depreciation, are translated according to the exchange rate in the investment year. Other items in the income statement are translated according to the average rate for the year. Any translation differences thus arising affect net income for the year.

Valuation principles, etc.

Research and development costs are charged against earnings in the year in which they are incurred.

Capital gains and losses on the sale of fixed assets and shares held are included in operating income, with the exception of the sale of shares in Industrivärden in 1999, Gullspångs Kraft in 1996 and Avesta Sheffield in 1995.

Significant finance leasing contracts are reported in the balance sheet as an asset and liability, respectively, and in the income statement leasing costs are divided into depreciation and interest. Other leasing commitments, i.e. operating leases and finance leases of little value, such as cars, are not reported in the balance sheet, and the entire cost is reported as an operating expense.

Land, buildings and machinery are reported after deduction of accumulated normal depreciation. This is based on the acquisition values of the assets and is calculated according to their estimated economic lives: 25 years for buildings, 20 years for gas cylinders, 16 years for gas machinery, and 5-10 years for vehicles, other machinery and equipment. Depreciation is carried out at half these rates during the year of acquisition. In the Parent Company, in line with Swedish practice, the difference between normal depreciation and depreciation carried out for tax purposes is reported as an untaxed reserve.

Receivables and liabilities denominated in foreign currencies are valued at closing date exchange rates or at the rate secured through a forward contract. Exchange differences on operating receivables and liabilities are stated in operating income, while differences on financial receivables and liabilities are stated among financial items.

Inventories are valued at the lower of acquisition value according to the first-in – first-out principle and current value, i.e. net realizable value. Internal gains on sales between Group companies are eliminated.

Deferred tax is reported on a separate line in the consolidated income statement, and deferred tax liability is stated among provisions. Tax is calculated according to the effective tax rates in the respective country.

Finance policy

In order to reduce the financial risks in connection with the Group’s operations, AGA applies a finance policy which provides clear guidelines. The main financial risks are currency risk, interest-rate risk, financing risk, and counterpart risk.

Currency risk can either be a transaction risk on payments in foreign currencies, or a translation risk when changes in exchange rates affect the value of foreign net assets. The Group’s payment flows in foreign currencies are hedged from case to case. The amounts are relatively small, since the Group’s operations are mainly local and the flow of goods across borders is therefore limited.

Interest-rate risk is defined as the risk that changes in interest rates will have a negative effect on the Group’s earnings. The total risk for the Group’s financial instruments is limited by a stipulated maximum fixed-interest period. The risk connected with borrowing is assessed thoroughly from case to case.

Financing risk is defined as the risk of being unable to raise the funds required. According to AGA’s policy, the loan requirements for the next six months have to be covered by liquid assets or committed credit facilities.

Counterpart risk is defined as the risk of a counterpart being unable to meet his commitments. AGA only concludes financial agreements with counterparts approved in advance with a high credit rating, and management decides on the limits and maturities for each such counterpart. Liquid assets are only invested in securities with high liquidity and low risk.

Definition of Key Ratios

Earnings per share is consolidated net income divided by the average number of shares. Earnings per share is reported both after paid tax and after full tax, i.e. including deferred tax.

Return on capital employed is consolidated operating income, plus financial revenue, expressed as a percentage of the annual average of consolidated assets less noninterest-bearing liabilities.

Return on shareholders' equity is consolidated net income expressed as a percentage of average shareholders' equity.

Interest coverage ratio is consolidated operating income plus financial revenue in relation to interest expenses.

Net debt/equity ratio is the Group's loans less cash, bank deposits and investments expressed as a percentage of equity at year-end.

Equity ratio is equity plus minority interests, expressed as a percentage of total assets at year-end.

Note 1. Non-recurring items

Group	1999	1998
Provision for future restructuring	-75	-720
Write-down of plant and working capital	–	-255
Costs in connection with the sale of AGA	-112	–
Initial costs for INO operations in the U.S.	-186	–
Gain from sale of the subsidiary in U.K.	142	–
Total	-231	-975

Note 2. Charges for operating leases

AGA uses operating leases to a limited extent. The Parent Company's leasing charges amounted to 24 (22) for machinery, etc., and 47 (44) for premises. Subsidiaries' leasing charges amounted to 107 (92) for machinery, etc., and 51 (47) for premises.

Note 3. Other interest income, etc.

Group	1999	1998
Income from investment shares	–	60
Income from equity hedging	32	71
Other interest income, etc.	120	161
Total	152	292

Parent Company		
Income from investment shares	–	60
Interest income, etc.	41	181
Total	41	241

Note 4. Other interest expenses, etc.

Group	1999	1998
Interest on pension liability	52	54
Other interest expenses, etc.	524	515
Exchange differences, net	87	-28
Total	663	541
Parent Company		
Interest on pension liability	18	22
Other interest expenses, etc.	349	274
Exchange differences, net	56	-47
Total	423	249

Note 5. Income from shares in subsidiaries

Parent Company	1999	1998
Dividends	552	1,917
Group contributions received	7	28
Group contributions given	-33	-10
Shareholder's contribution given	–	-150
Shareholder's contribution returned	150	–
Write-down of shares	–	-221
Total	676	1,564

Note 6. Tax

The Group's tax expense comprised 27 percent (33) of income after financial items. The capital gain from the sale of the British subsidiary is tax exempt. Tax in associate companies is included at 14 (11).
Deferred tax decreased in 1999 by 18 due to changed tax rates.
If the Parent Company, like the Group, had reported deferred tax, this would have amounted to 22 (35).

Note 7. Depreciation

Group	1999	1998
Normal depreciation:		
Goodwill	105	90
Buildings and land improvements	124	136
Machinery and equipment	1,651	1,596
Total	1,880	1,822
Parent Company		
Normal depreciation:		
Goodwill	3	–
Buildings and land improvements	12	11
Machinery and equipment	182	170
Total	197	181
Excess depreciation:		
Buildings	-1	-1
Machinery and equipment	47	96
Total	46	95

Note 8. Intangible fixed assets

Goodwill	Group	Parent Company
Net value at the beginning of the year	1,046	–
Accumulated acquisition values:		
Opening balance	1,361	–
Company acquisitions	189	18
Fully depreciated goodwill	-87	
Translation differences for the year	50	
Closing balance	1,513	18
Accumulated depreciation:		
Opening balance	315	–
Depreciation for the year	105	3
Fully depreciated goodwill	-87	
Translation differences for the year	8	
Closing balance	341	3
Net value at year-end	1,172	15

Goodwill relating to large gas companies which work in stable markets is judged by AGA to have an economic life of at least 20 years.

Note 9. Tangible fixed assets

Buildings and land	Group	Parent Company
Net value at the beginning of the year	2,627	230
Accumulated acquisition values:		
Opening balance	3,984	335
In acquired and sold subsidiaries, etc.	-2	
Capitalized buildings and land	99	3
Sales and disposals	-73	
Translation differences for the year	-241	
Closing balance	3,767	338
Accumulated normal depreciation:		
Opening balance	1,357	105
In acquired and sold subsidiaries, etc.	8	
Sales and disposals	-41	
Depreciation for the year	124	12
Translation differences for the year	-83	
Closing balance	1,365	117
Write-down:		
Transferred from machinery and equipment	28	
Closing balance	28	
Net value at year-end	2,347	221
Tax assessment value in Sweden	249	239

Note 9. Tangible fixed assets, cont'd

Machinery and equipment	Group	Parent Company
Net value at the beginning of the year	14,537	1,621
Accumulated acquisition values:		
Opening balance	28,002	2,955
In acquired and sold subsidiaries, etc.	43	
Capitalized machinery and equipment	1,680	139
Sales and disposals	-454	-39
Translation differences for the year	1,631	
Closing balance	27,640	3,055
Accumulated normal depreciation:		
Opening balance	13,305	1,334
In acquired and sold subsidiaries, etc.	108	
Sales and disposals	-348	-25
Depreciation for the year	1,651	182
Translation differences for the year	-828	
Closing balance	13,888	1,491
Write-down		
Opening balance	160	
Transferred to buildings and land	-28	
Translation differences for the year	1	
Closing balance	133	
Net value at year-end	13,619	1,564

At AGA, the equipment group called fixtures and fittings in the Annual Accounts Act comprise a totally insignificant part of the total values for machinery and equipment and is therefore not reported separately.

Construction in progress and advance payments for tangible assets	Group	Parent Company
Opening balance	640	30
In acquired subsidiaries	2	
Investments in new fixed assets	1,450	175
Less capitalized investments	-1,779	-142
Translation differences for the year	-27	
Closing balance	286	63

Note 10. Participations in subsidiaries

Holdings are specified in Note 29.	Parent Company
Book value at the beginning of the year	4,882
Accumulated acquisition values:	
Opening balance	5,047
Purchases and capital increases	308
Sales	-24
Closing balance	5,331
Accumulated write-ups:	
At beginning and end of the year	585
Accumulated write-downs:	
At beginning and end of the year	750
Book value at year-end	5,166

Note 11. Long-term receivables from subsidiaries

The Parent Company's long-term receivables from subsidiaries comprise operations-related loans of 1,455 (2,067).

Note 12. Participations in associate companies

Holdings are specified in Note 30.	Group	Parent Company
Opening balance	268	120
Transfer of an associate company to subsidiary	-33	
Purchases and capital increases	8	
AGA's share of income for the year after tax	21	
Dividends received	-12	
Translation differences for the year	-18	
Closing book value	234	120

Note 13. Participations in other companies

	Group	Parent Company
Accumulated acquisition values:		
Opening balance	276	268
Sales	-268	-268
Translation differences for the year	-1	
Closing balance	7	–

Note 14. Inventories

Group	1999	1998
Raw materials and consumables	155	198
Work in progress	34	61
Finished products	739	672
Advance payments to suppliers	7	8
Total	934	939
Parent Company		
Raw materials and consumables	63	71
Work in progress	23	34
Finished products	107	112
Advance payments to suppliers	2	2
Total	195	219

Note 15. Short-term investments

Parent Company	1999	1998
Interest-bearing securities	1,178	1,342
Subsidiaries		
Interest-bearing securities	113	96
Group total	1,291	1,438

Short-term investments have been valued according to the lower of cost or market value.

Note 16. Shareholders' equity

Group	Share capital	Restricted reserves	Unrestricted equity
Opening balance	1,217	6,226	4,773
Dividend from Parent Company	–	–	-730
New shares issued	123	24	–
Redemption of shares	-244	–	-3,287
Translation differences for the year	–	–	-553
Effect of equity hedging	–	–	175
Transfer between restricted and unrestricted equity	–	-251	251
Net income for the year	–	–	1,066
Closing balance	1,096	5,999	1,695

Parent Company	Share capital	Statutory reserve	Unrestricted equity
Opening balance	1,217	1,602	4,888
Dividend	–	–	-730
New B shares issued	1	24	–
New C shares issued	122	–	–
Redemption of A, B and C shares	-244	–	-3,287
Net income for the year	–	–	1,036
Closing balance	1,096	1,626	1,907

December 31, 1999, the Parent Company had 117,132,535 A shares and 102,143,440 B shares. Par value per share is SKr 5. Voting rights are 1 for A shares and 1/10 for B shares.

Note 17. Untaxed reserves

Parent Company	1999	1998
Excess depreciation:		
Buildings and land	47	48
Machinery and equipment	1,042	994
Total	1,089	1,042
Tax allocation reserves:		
Provision for 1995	16	16
Provision for 1996	353	353
Provision for 1997	82	82
Provision for 1998	139	139
Provision for 1999	128	
Total	718	590
Tax equalization reserve	96	193

Of the Parent Company's total untaxed reserves of 1,903 (1,825), 533 (511) comprises deferred tax, which is not included in the Company's balance sheet but is included in the consolidated balance sheet.

Note 18. Provisions for pensions

The provisions correspond to the actual pension liability calculated according to the rules applying in each country. Of the Parent Company's provisions for pensions 394 (375) pertained to PRI pensions and 148 (106) to other pensions.

Note 19. Long-term loans

Parent Company	1999	1998
Loans in Swedish kronor	1,620	–
Loans in foreign currencies	3,651	2,042
Total	5,271	2,042
Subsidiaries		
Liabilities for finance lease contracts	–	314
Other long-term loans	887	745
Less: Amortization due in following year	-199	-473
Total	688	586
Group total	5,959	2,628

Amortization schedule:	Group	Parent Company
2001	1,295	1,188
2002	1,428	1,256
2003	1,323	1,274
2004	1,601	1,553
2005 and later	312	–

Of the Parent Company's loans, 1,450 are formally short-term, but stated as long-term since the Company has a US$ 170m long-term borrowing facility in the international market. These loans are passed on to foreign subsidiaries.

Note 20. Short-term loans

Parent Company	1999	1998
Loan for bond repurchase agreement in SKr	730	–
Loans in foreign currencies	1,947	2,446
Total	2,677	2,446
Subsidiaries		
Amortization of long-term loans due next year	199	473
Unutilized overdraft facilities	58	375
Other short-term loans	345	287
Total	602	1,135
Group total	3,279	3,581

Note 21. Other long-term liabilities, etc.

Group	1999	1998
Accrued rental income	387	418
Other liabilities	55	58
Total	442	476
Parent Company		
Accrued rental income	111	111
Other liabilities	38	46
Total	149	157

Note 22. Accrued expenses and prepaid income

Group	1999	1998
Accrued rental income	275	305
Other	1,144	904
Total	1,419	1,209

Parent Company		
Accrued rental income	86	89
Other	452	279
Total	538	368

Note 23. Change in working capital

Group	1999	1998
Long-term operating receivables	-69	28
Inventories	-13	3
Customer receivables	-364	-119
Other short-term receivables, etc.	32	-64
Long-term liabilities, etc.	90	-17
Short-term liabilities, etc.	166	71
Liquidity effect of liability for equity hedging	-51	-174
Total	-209	-272

Parent Company		
Long-term operating receivables	-63	–
Inventories	24	265
Customer receivables	-25	-5
Other short-term receivables, etc.	-14	-8
Long-term liabilities, etc.	54	16
Short-term liabilities, etc.	117	47
Total	93	315

Note 24. Acquisitions and sales of subsidiaries

Effects on consolidated balance sheet, 1999	Acquisitions	Sales
Goodwill	189	–
Material fixed assets	217	-289
Shares in associate companies	-33	–
Working capital	5	-54
Liquid assets	1	-165
Loans	-52	212
Other liabilities	-7	-34
Minority interests	32	–
Capital gains	–	-146
Total proceeds	352	-408
Financial net debt of the companies	51	-47
Total effect on consolidated net debt	403	-455

Note 25. Salaries, wages, other remuneration and payroll overhead

Parent Company	1999	Of which to President, etc.	1998
Remuneration to Board and President	7	7	7
Salaries and wages to other employees	396		404
Pension costs	118	22	45
Other payroll overhead	167		156
Total	688		612
Group total			
Salaries and wages	2,568		2,579
Pension costs	250		165
Other social security costs	712		770
Total	3,530		3,514
Salaries and wages in subsidiaries			
Western Europe	1,067		1,078
Eastern Europe	89		94
North America	699		594
South America	310		402
Total	2,165		2,168

The Parent Company's pension commitments to the Chairman of the Board, and the present and former Presidents amount to 86 (79). Relevant information about salaries, wages and remuneration to presidents in subsidiaries cannot be provided, mainly due to the extensive reorganization carried out in 1999.

Note 26. Group Management's terms of employment

The Chief Executive Officer, Lennart Selander, received remuneration in the form of salary and other benefits to a value of SKr 4.8m. He is entitled to a pension at the age of 60 and the company is then entitled to request his retirement. Between the age of 60 and 65 the pension will be 70 percent of salary at retirement and 50 percent from the age of 65. A notice period of 12 months applies to the CEO. After this period, pension will be paid on the terms described above.

Other members of Group Management, provided they are still employed in the Group at the age of 60, are entitled to a pension corresponding to 70 percent of salary at retirement between the age of 60 and 65, and 50 percent thereafter. The company is entitled to require them to retire at the age of 60. In the event of earlier termination of employment on the part of the company, they are entitled to severance pay corresponding to two annual salaries including other benefits.

The CEO and other Group Management members are included in a bonus program based on the development of certain key figures per area of responsibility. No significant bonus amounts were paid for 1999.

The Chairman of the Board of Directors during January-April, Sven Ågrup, received remuneration and other benefits to a value of 0.7 in 1999. The Chairman during May-October, Sverker Martin-Löf, received remuneration of 0.8 and the Chairman during November-December, Peter Sjöstrand received remuneration of 0.3.

Note 27. Auditors' fees

In 1999, the Parent Company paid 1.8 for audit fees and 0.8 for other fees and subsidiaries paid 2.1 for audit fees and 0.4 for other fees to PricewaterhouseCoopers. To other audit firms, subsidiaries paid audit fees of 9.4.

Note 28. Number of employees

Average	1999	Of whom women	1998	Of whom women
Parent Company				
Sweden	1,129	210	1,187	232
Russia	–	–	2	–
Subsidiaries				
Germany	684	124	727	131
France	619	172	641	177
Finland	416	93	400	98
Norway	313	61	308	66
Austria	268	52	265	53
Netherlands	257	46	256	45
Other countries in Western Europe	460	60	523	94
Russia	361	144	438	141
Poland	244	72	239	72
Ukraine	212	68	344	120
Other countries in Eastern Europe	723	175	709	172
USA	1,422	262	1,366	224
Mexico	440	53	450	53
Other countries in North America	230	45	244	46
Brazil	682	134	768	118
Colombia	334	62	371	70
Venezuela	259	39	278	37
Argentina	239	58	348	59
Chile	221	24	244	24
Other countries in South America	308	39	408	41
Group total	9,821	1,993	10,516	2,073
Number of employees, December 31	9,534		10,203	

Note 29. Participations in subsidiaries, Dec. 31, 1999

		Parent Company holding		Group
		Book value	Share of capital	holding, percent
Sweden	AGA-CRYO AB, Göteborg, 556041-3576	0.1	100	100
	AGA Gas AB. Sundbyberg. 556069-8119	0.1	100	100
	AGA Industrial Gas Engineering AB (IGE). Lidingö. 556188-3082	0.1	100	100
	AGA International Investment AB. Lidingö. 556286-7043	0.1	100	100
	AGA RE Försäkrings AB. Lidingö. 516401-7674	6.1	100	100
	Agatronic AB. Stockholm. 556038-1823	0.3	100	100
	Dormant companies in Sweden	18.2		
Argentina	AGA S.A.	220.4	100	100
Austria	AGA GmbH	189.3	98	98
Barbados	Panamerican Trading Ltd.	0	100	100
Belgium	AGA nv/sa	–	–	100
Brazil	AGA S.A.	221.1	100	100
	Aganor Gases e Equipamentos S.A.	–	–	96
Chile	AGA S.A.	9.0	27	100
	AGA Link Ltda	108.6	100	100
Colombia	AGA-FANO. Fábrica Nacional de Oxígeno S.A.	84.2	100	100
Czech Republic	AGA Gas spol.s r.o.	342.8	67	99
	Gemma 92 s r.o.	–	–	99
Denmark	AGA A/S	27.0	100	100
Dominican Republic	AGA-Quinsa S.A.	26.9	100	100
Ecuador	AGA S.A.	29.4	100	100
	Agua y Gas de Sillunchi S.A.	–	–	100
	Gases Industriales del Pacifico S.A.	32.3	100	100
Estonia	AS Eesti AGA	–	–	100
Finland	Oy AGA Ab	–	–	100
France	AGA s.a.	547.4	25	100
	AGA Médical s.a.	–	–	100
	Euregaz S.A.R.L.	–	–	100
Germany	AGA Holding GmbH	415.2	97	100
	AGA-CRYO GmbH	–	–	100
	AGA Gas GmbH & Co. KG	–	–	100
	Bremer Industriegas GmbH	–	–	100
	Unterbichler GmbH	–	–	100
Hungary	AGA Gáz Kft.	122.6	49	99
Iceland	ÍSAGA hf.	0.5	100	100
Italy	AGA S.R.L.	–	–	100
	FORER S.R.L.	–	–	95
	AGA Medicale S.R.L.	–	–	100
Latvia	AGA SIA	62.1	100	100
Lithuania	AGA UAB	60.2	100	100
	UAB Liet-AGA	7.3	88	88
Mexico	AGA S.A. de C.V.	246.3	100	100
	AGA de México S.A. de C.V.	0	0	100
Netherlands	AGA International B.V.	103.7	100	100
	AGA Invest B.V.	364.9	100	100
	AGA-CRYO Service B.V.	–	–	100
	AGA Gas B.V.	–	–	100
Norway	AGA AS	110.9	100	100
Peru	AGA S.A.	4,3	100	100
Poland	AGA Gaz Sp.z o.o.	–	–	96

Note 29. Participations in subsidiaries, Dec. 31, 1999, cont'd

		Parent Company holding		Group
		Book value	Share of capital	holding, percent
Puerto Rico	AGA Puerto Rico Corp.	72.7	100	100
	General Gases Corp.	48.8	100	100
Romania	AGA Gaz S.R.L.	74.9	100	100
	Acetilena Brazi S.R.L.	4.2	51	51
	Carbid Acetilena S.R.L.	–	–	95
Russia	AGA AO, St Petersburg	0	100	100
	AO AGA-KAZ, Kaliningrad	0	100	100
	AO Balashikhinsky Kislorodny Zavod (BKZ)	30.2	100	100
Slovakia	AGA Gas spol.s r.o.	–	–	98
	Aries 94 s r.o.	–	–	98
Slovenia	AGA d.o.o.	–	–	98
Spain	AGA S.A.	33.5	100	100
	Servicio Oxígeno Medicinal S.L.	–	–	100
Switzerland	AGA AG	102.5	96	96
Ukraine	OAO Dneprokislorod	5.8	97	97
Uruguay	AGA S.A.	34.4	100	100
USA	AGA. Inc.	1,191.7	100	100
	AGA Gas. Inc.	–	–	100
	INO Therapeutics. Inc.	–	–	100
U.S. Virgin Islands	General Gases of the Virgin Islands. Inc.	–	–	100
Venezuela	AGA Gas C.A.	206.0	100	100
–	Dormant companies outside Sweden	0.2		
Total participations in subsidiaries		5,166.3		

Note 30. Participations in associate companies, Dec. 31, 1999

		Book value	Share of equity	Holding, percent
Held by Parent Company				
Sweden	Gas Control Equipment AB, Malmö, 556286-8710	35.0	79.9	50
Czech Rep.	AGA-Vítkovice a.s.	64.0	62.7	50
Romania	AGA CUG Gaz S.R.L.	21.4	21.1	50
Total held by Parent Company		120.4	163.7	
Held by subsidiaries				
Austria	Klara Kohlensäure Ges.m.b.H. & Co. KG		2.6	25
Colombia	CO_2 Colombiana Ltda		10.8	50
Denmark	AGA Føroya Sp/f		0.9	50
Finland	Oy Innogas Ab		5.4	50
France	F.O.S.O.R. S.A.		1.4	50
Spain	Oxígeno de Andalucía S.A.		0.3	49
Switzerland	Intergas AG		49.3	33
Total held by subsidiaries			70.7	
Total participations in associate companies			234.4	

Audit Report

To the Annual General Meeting of Shareholders

of AGA AB (publ)

Corporate identity number 556009-1331

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AGA AB for the year 1999. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and the circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting of Shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 24, 2000

ÖHRLINGS PRICEWATERHOUSECOOPERS AB

Bertil Edlund
Authorized Public Accountant