

INDUSTRI  VÄRDEN

2000



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## Financial Calendar 2001

Interim reports will be issued on May 3 for the period January–March, on August 15 for the period January–June, and on October 31 for the period January–September 2001. All reports will also be published on Industrivärden's website: [www.industrivarden.se](http://www.industrivarden.se). See also the section Market Communication, page 88.

This Annual Report is  
a translation of the  
Swedish original.



## Annual General Meeting

### Time and place

The Annual General Meeting will be held at 2 p.m. on Thursday, May 3, 2001, at the Grand Hôtel, Vinterträdgården (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm. Coffee will be served before the Meeting.

### Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders must be listed on the printout of the shareholder register on April 23, 2001, and give notice of their intention to participate in the Meeting no later than 3 p.m. on Monday, April 30, 2001. Owners of Convertible Participating Notes (CPNs) are welcome to attend the Meeting, provided they give prior notice.

### How to become registered in the shareholder register

Shares are registered in the shareholder register maintained by the Swedish Securities Register Center (VPC AB) in the name of either the owner or the owner's trustee. Shareholders who have not arranged to have their shares registered under the trustee's name are registered therein themselves. Shareholders whose shares are managed by a third party may have chosen to have their shares registered under the trustee's name. In order to be able to participate in the Meeting, such shareholders who own trustee-registered shares must request in advance that their shares be temporarily registered in their own names as per April 23, 2001.

### Notice of attendance

Notice of intention to participate in the Meeting can be given through one of the following alternatives:

- by mail to AB Industrivärden (publ), Box 5403, SE-114 84 Stockholm, Sweden (see attached notification form)
- by phone at +46-8-666 64 00
- by fax at +46-8-661 46 28 (see attached notification form)
- by e-mail at [agm@industrivarden.se](mailto:agm@industrivarden.se), which requires the Company's confirmation by e-mail (within 24 hours) that notification has been registered.

Application must be received by the Company not later than 3 p.m., Monday, April 30, 2001.

### Dividend

The dividend for 2000 will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes May 8, 2001, as the record date. Provided that the Annual General Meeting approves the Board's proposal, dividend payments are expected to be made via VPC on May 11, 2001.

# Highlights

■ Industrivärden's stock gained 11 percent for the year, compared with a drop of 12 percent for the General Index. The total return was 14 percent, compared with -11 percent for the Findata Total Return Index.



■ The value of the portfolio of listed stocks on December 31, 2000, was SEK 54,961 M (54,298). Adjusted for purchases and sales, the portfolio's value decreased by 4 percent from the beginning of the year, while the General Index fell by 12 percent. The total return for the listed portfolio was -2 percent, compared with -11 percent for the Findata Total Return Index.

■ Net asset value at year-end was SEK 283 (298) per share and CPN.



■ Net investments of SEK 1,373 M were made during the year in the pharmaceutical industry and SEK 1,776 M in financial services.

■ Industrivärden signed an agreement with Ericsson and others to form Ericsson Venture Partners, targeting investments in mobile Internet development. The aggregate committed fund capital amounts to USD 300 M, of which Industrivärden's share is 25 percent.

■ Consolidated earnings after financial items were SEK 1,364 M (4,603). Of this total, gains on sales of stocks accounted for SEK 366 M (3,635, including 3,327 from the sale of the holding in AGA), dividends from listed stocks for SEK 821 M (775), and other earnings for SEK 177 M (193).



■ The Board of Directors proposes that the dividend for 2000, including a bonus, be raised by SEK 2.20 to SEK 8.40 per share. Interest per CPN would thus be SEK 9.66.



A pictorial illustration of Industrivärden's operations, from left: a mobile phone from Ericsson in a demanding environment, a pizza box from SCA, hockey players in need of tooth implants made of high alloy steel from Sandvik, and a flower shop owner who uses Handelsbanken's services.

# To Our Shareholders

THE TREND FOR the Stockholm Stock Exchange was negative for the first year of the new millennium, and the Affärsvärlden General Index fell by 12 percent. The price trend for our own stock was positive, however – rising 11 percent and generating a full 14 percent total return for our shareholders.

Against the background of the 66 percent rise for the Stockholm Stock Exchange in 1999, last year's downturn hardly comes as a surprise.

However, the trend during the year was exciting nonetheless. The General Index peaked on March 7 with a rise of 27 percent. This was followed by a five-week decline of 15 percent, and then a slight recovery over a four-month period. During the last four months of the year the General Index fell by more than 20 percent. The trend in certain sectors was even more dramatic. IT companies initially climbed 43 percent before falling back by 70 percent. For health care stocks, the trend was the opposite. The year began with a decline of 6 percent, followed by a gain of 40 percent.

The major movements in the stock market during the year clearly illustrate the importance

of analysis and the timing of stock transactions.

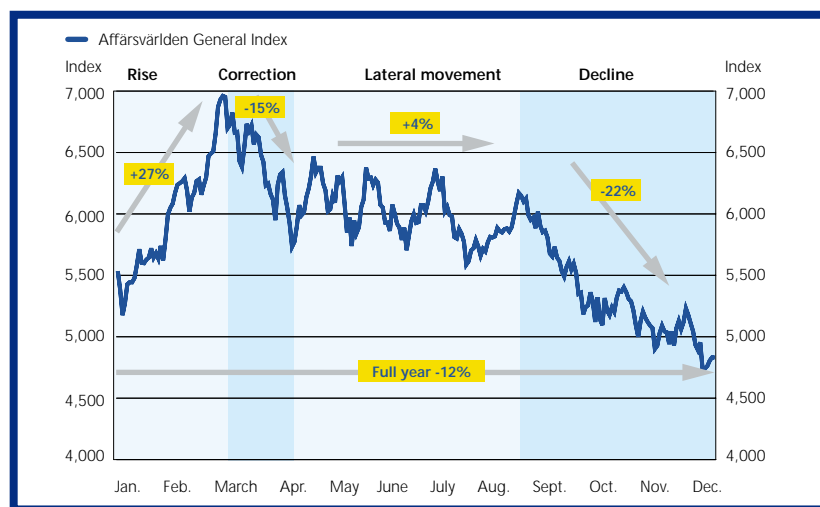
Our judgment at Industrivärden was that IT stocks were heavily overvalued during most of the year, and as a result we refrained from making investments in this sector. On the other hand, we were bullish on the pharmaceutical and banking/finance sectors. In these sectors we invested a net total of SEK 1,373 M and SEK 1,776 M during the year, respectively.

In a market characterized by sharp swings in prices, the temptation to conduct short-term trading can be great. However, stock trading is something that we abstain entirely from at Industrivärden. High transaction costs restrict profit potential at the same time that the risk level is high. Without a doubt our experience is that, over time, investments in the medium or long-term clearly generate the safest and best growth in value for our shareholders. Moreover, a long-term commitment is a precondition for our ability to influence the development of the companies in which we are major owners.

In all equity investments, prior analysis and subsequent follow-up of investment decisions are of utmost importance. Therefore, at Industrivärden we have strongly reinforced the expertise as well as resources of our research department in recent years. We have also developed a model for following up the transactions we carry out in order to maintain a high standard of quality in our investment decisions. In brief, the model is based on measuring the result of every purchase or sale of stock against the index from the date of each contract. Using this calculation model, transactions carried out during the year generated a surplus of more than SEK 2 billion, which is a key reason why our portfolio outperformed the index by 8 percentage points.

The trend for our subsidiaries was also positive during the year. All three companies improved their earnings. Combined earnings from these

Trend for the Stockholm Stock Exchange



businesses rose from SEK 384 M to SEK 458 M, of which the repayment of surplus funds from SPP accounted for SEK 37 M. The return on capital employed for the subsidiary operations was a full 32 percent (28), at the same time that cash flow to the Parent Company remained strong.

The favorable performance of Industrivärden's operations in 2000 is now history, and for the shareholders, gaining a picture of what to expect in the future is surely of greater interest. I'd have a difficult time trying to prognosticate the trend in the stock market. On the other hand, it is easy to describe the strategy that the Board has laid out for the future. Thus at Industrivärden we will be sticking to our recipe for success in which a concentrated portfolio, analysis, and active ownership are three key ingredients.

In the future we will also refrain from participating in swings in fashion in the economy or from short-term flirting with the stock market through spectacular investments with uncertain future prospects. However, we will continue to engage ourselves in the work on developing our core holdings and, supported by our research resources and combined experience, in actively managing our investments. Specifically commenting in advance on coming purchases or sales is not something we do in any case. Our focus will be on investing in companies that are judged to have good prospects for profitable growth. Examples of sectors in which these conditions exist are the pharmaceutical, savings, and telecommunications industries.

For our subsidiaries I expect continued profitable expansion – organic as well as through acquisitions. In line with this strategy, in February 2001 Indutrade made a major acquisition and thereby increased its sales by 50 percent. The acquisition will begin contributing to Indutrade's profit after full acquisition costs already this year.

Over the years I have repeatedly stressed the high quality that characterizes our portfolio,



Clas Reuterskiöld presents Industrivärden's nine-month interim report.

including stock in many of Sweden's most successful companies and a growing portion of shares in growth companies. When I look back on our performance in the past few years I see no reason to regret my optimistic comments. On the contrary – they are worth repeating. Therefore, I conclude my final "To our shareholders" by stating that I believe in a continued favorable development for Industrivärden.

A handwritten signature in black ink, which appears to read "Clas Reuterskiöld".

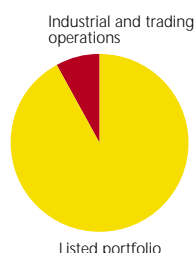
*Stockholm, Sweden, February 2001*

CLAS REUTERSKIÖLD

*President and CEO*

# Industrivärden – An Overview

## Share of Industrivärden's Market-Valued Assets



## Portfolio of Listed Stocks (93%)<sup>1</sup>

### Core Holdings

Ericsson  
Handelsbanken  
Sandvik  
SCA  
Skanska  
SSAB

### Medium-Term Holdings

Skandia  
Lundbeck A/S  
Pfizer Inc.  
Pharmacia Corp.  
Scania  
Others (<SEK 300 M per holding)

Pharmaceutical portfolio

### Industrial and Trading

#### Operations (6.5%)<sup>1</sup>

Besam  
Isaberg Rapid  
Indutrade

### Unlisted Minority Holdings (0.5%)<sup>1</sup>

Biodisk  
DHJ Media  
Ericsson Venture Partners<sup>2</sup>  
Establish  
Others

<sup>1</sup> Share of total assets.

<sup>2</sup> Investment activities will begin in 2001.

INDUSTRIVÄRDEN IS ONE of Sweden's leading holding companies, and its shares are listed on the Stockholm Stock Exchange. The Company manages sizable ownership stakes in several of Sweden's largest companies. Through active ownership Industrivärden seeks to influence the portfolio companies and thereby generate the best possible return for its shareholders. Through this active management, Industrivärden's shareholders have a stake in a diversified, balanced-risk equities portfolio that is managed at a cost of less than 2 per mill of market value.

The goal is to give shareholders both a total return and dividend that are higher than the average for the Stockholm Stock Exchange. During the last five-year period, Industrivärden has achieved this goal by a good margin.

Holding companies are subject to special tax rules in order to avoid unfair treatment of indirect share ownership. The most significant of these are exemption from capital gains taxes on sales of stocks and the right to deduct dividend payments, but with a standard earnings increment based on the stocks' market value. A more detailed discussion of the tax rules for holding companies is provided on page 85.

## Business Mission and Strategies

Industrivärden's business mission is to invest in stocks and – through active ownership – create good growth in value for the Company's shareholders. The objective is to invest in a diversified, but concentrated, portfolio of stocks primarily in listed Swedish companies, but also in foreign listed companies. In addition, a small portion of assets are invested in wholly owned subsidiaries and other unlisted companies.

The strategy for Industrivärden's equity investments is to invest in a limited number of stocks that are judged to have high return potential. The choice of stocks is based on thorough

analysis, which means, among other things, that matching the industrial composition of the Stockholm Stock Exchange's General Index is not a goal in itself. Short-term trading is not a part of Industrivärden's strategy for equity investments.

## Active Ownership Based on Analysis

The portfolio of listed stocks consists primarily of listed Swedish stocks and is divided into core holdings and medium-term holdings. The core holdings are companies in which Industrivärden has substantial ownership and thus the opportunity to exercise influence through active ownership. This active ownership is exercised primarily through participation in the board work of the core-holding companies. The directors nominated by Industrivärden have a high level of financial and industrial expertise. Based on this experience and knowledge, active ownership is exercised with a long-term approach and is focused on strategic matters such as profitability, efficiency, business development, cash flow, and so on. As support in their work, the directors with ties to Industrivärden receive continuous information from Industrivärden's research department.

An important role for Industrivärden as an active owner is to contribute to efficient resource allocation, which entails, among other things, a readiness to inject capital when justified. It is equally important to make sure that the portfolio companies do not tie up more capital than necessary for their business. Should such be the case, a transfer of capital to the shareholders would be called for.

The holdings in the listed portfolio are subject to continuous review. Fundamental analysis is a crucial aspect of the day-to-day management since decisions to hold, increase or sell a stock affect value appreciation as much as decisions to buy new stocks.

The research process comprises three steps: gathering of information, analysis, and recom-

## Industrivärden's Business Mission, Objectives and Strategy in Brief

### Business Mission

- Growth in value through active ownership based on analysis.
- Diversified equities portfolio.
- Investments primarily in listed Swedish companies.
- Small portion of investments in listed foreign equities, subsidiaries, and other unlisted companies.

### Objectives

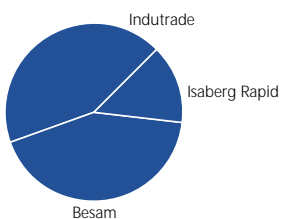
- Higher total return than the average for the Stockholm Stock Exchange.
- Higher dividend than the average for the Stockholm Stock Exchange.
- Limited debt.

### Strategy

	Core holdings	Medium-term holdings	Unlisted companies
Number of holdings	Limited	5–10	Limited
Share of equities portfolio	70–80%	10–20%	Approx. 10%
Investment horizon	Long-term	2–3 years	Long-term
Board representation	Yes	No	Yes
Growth in value through:	Active ownership and active management	Analysis and active management	Active ownership and management by objective



### Consolidated Net Sales Per Subsidiary



mended action. Basic data includes source information from the respective companies as well as information from external analysts and consultants, trade organizations, and others. Analysis involves strategic review, international industrial benchmarking, and absolute and relative valuations. This analysis leads to a basis for investment decisions and/or recommendations for action that Industrivärden should take in its capacity as an active owner.

In addition to investments in the listed portfolio, investments are also made to a certain extent in unlisted stocks – in wholly owned subsidiaries as well as in minority stakes. What is required of the subsidiaries is that they have good potential for growth in value and a positive cash flow.

### Financial Objectives and Dividend Policy

Industrivärden's financial objective is to achieve a higher total return over time than the average for the Stockholm Stock Exchange, with a level of debt in the Parent Company that is lower than 20 percent of the market value of assets held. In addition, Industrivärden's goal is to pay a dividend that gives the shareholders a yield that is higher than the average for the Stockholm Stock Exchange.

### Share Repurchases

New legal rules allowing Swedish companies to repurchase own shares took effect during the year. At the 2000 Annual General Meeting, the Board of Directors was given the mandate to repurchase a maximum of 5 million shares. The purpose of the mandate is to give the Board freedom to act in working with Industrivärden's debt-equity ratio and/or to use any repurchased shares as payment for business deals. The mandate was not used during the year.

### Investment Orientation for Portfolio of Listed Stocks

The portfolio of listed stocks consists primarily of six core holdings – companies in which Industrivärden is the largest or one of the largest shareholders. These are Ericsson, Handelsbanken, Sandvik, SCA, Skanska and SSAB. The combined market value of the core holdings on December 31, 2000, was SEK 41,887 M.

In addition to the core holdings, the listed portfolio also includes a limited number of

medium-term holdings. The largest of these holdings are Skandia and a portfolio of pharmaceutical stocks – mainly Lundbeck A/S, Pfizer Inc., and Pharmacia Corp. The goal of these investments is to achieve good growth in value while maintaining a high degree of liquidity in the investments. The investment horizon for the ongoing evaluation is two to three years. The guiding principle is management based on analysis. At year-end 2000 the medium-term portfolio had a market value of SEK 13,074 M.

The market value of the portfolio of listed stocks on December 31, 2000, was SEK 54,961 M, corresponding to 93 percent of the calculated value of Industrivärden's total assets.

### Shareholdings Reviewed Continuously

The investment horizon for the core holdings is long-term, which is a prerequisite for being able to actively influence the companies' development. Certain reallocations are made regularly throughout the year, however. For several of the core holdings, Industrivärden has been a shareholder for a long time.

However, Industrivärden is always prepared to divest a core holding if such a move would generate value added and enhance Industrivärden's own growth in value over time. Such divestitures were thus made of the former core holdings PLM (in 1998) and AGA (in 1999).

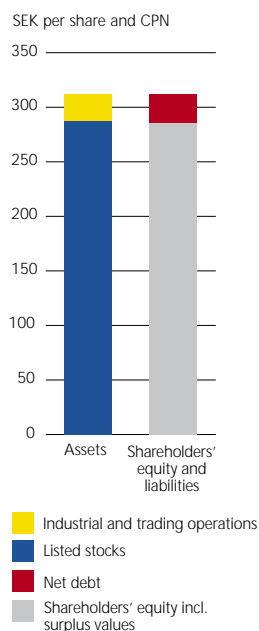
One motive for divesting a core holding is that Industrivärden's ongoing analysis shows a low likelihood of satisfactory future growth in value. The sale of a core holding can also be considered in connection with an industrial restructuring, provided that Industrivärden as the seller receives a share of any restructuring gains and that it is judged that a better, alternative return could be received.

For the medium-term portfolio, an active ownership role is not sought after. Instead, it is Industrivärden's assessment of the return potential that is pivotal for investment decisions. Medium-term holdings are sold when the stock price is judged to be favorable from a medium-term perspective.

### Wholly Owned Subsidiaries Complement the Listed Portfolio

At the end of 2000, 6.5 percent of Industrivärden's

### Parent Company's Market-Valued Assets and Capital Structure December 31, 2000





assets were in wholly owned subsidiaries. These complement the listed portfolio and give the Group access to valuable industrial know-how and a steady cash flow, thus contributing to the goal of paying a high dividend, among other things.

The subsidiaries are active in light manufacturing and trading, with a high degree of international activity.

Working from a long-term perspective, the strategy is to acquire and improve subsidiaries and to realize achieved growth in value at a suitable point in time. Divestitures come into consideration when it is judged that the subsidiaries would have better development potential in another industrial environment – with Industrivärden thereby receiving a share of the coordination gains – or when it is judged that the subsidiaries would develop better as listed companies.

The wholly owned operations comprise three industrial and trading groups with combined net sales in 2000 of SEK 4.5 billion.

The subsidiary operations are strongly decentralized, with delegated responsibility for earnings and capital budgeting. Business control is handled through a well developed planning and reporting system. Board work in the subsidiaries is conducted with the participation of outside directors.

### Unlisted Minority Holdings

In recent years Industrivärden has built up a small portfolio of minority holdings in unlisted companies working primarily with biotechnology and IT. At year-end 2000 the book value of Industrivärden's total investments in unlisted, minority holdings was SEK 235 M, spread out among six companies.

The strategy is to work on the basis of a thorough analysis in choosing from among the various, attractive investment opportunities that arise. A presentation of the largest unlisted companies held can be found on pages 33–34.

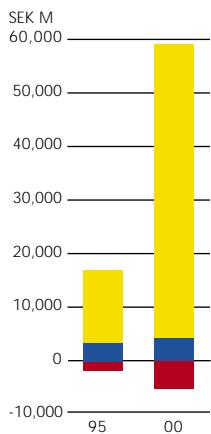
One major undertaking which was decided during the year was in the venture capital company Ericsson Venture Partners, which will be targeting mobile Internet development. Industrivärden's aim is to be a venture partner with Ericsson, Investor, and Merrill Lynch. Ericsson Venture Partners has an aggregate committed fund capital of USD 300 M, of which Industrivärden's share is 25 percent.

### Major Deals During the Past Five Years

A number of major deals have taken place during the past five years:

- PLM, acquired in 1988, was introduced on the stock market in 1995, whereby 55 percent of the shares were sold. Another 22 percent of the shares were sold in 1996. The total capital gain was SEK 1.7 billion. In addition, Industrivärden's shareholders received purchase rights in PLM worth SEK 0.6 billion. The remaining shareholding in PLM, corresponding to 23 percent of the capital stock, was sold in 1998 for SEK 1.2 billion and a capital gain of SEK 0.7 billion.
- A medium-term stock portfolio has been built up with holdings primarily in Skandia, and the pharmaceutical companies Lundbeck A/S, Pfizer Inc., and Pharmacia Corp. The portfolio was worth SEK 13.1 billion at year-end 2000, of which Skandia accounted for SEK 7.3 billion and the pharmaceutical portfolio for SEK 4.2 billion.
- A new core holding was added in 1997 through the purchase of SEK 4.1 billion in stock in Sandvik.
- The subsidiaries Thorsman and Fundament were sold in 1997, for a combined capital gain of SEK 1.6 billion.
- The shareholdings in the property companies Balder, Drott and Näckebro were sold in 1998 and 1999.
- The shareholding in Skanska was doubled in 1998 through the purchase of SEK 1.2 billion in stock. Industrivärden thereby became Skanska's largest shareholder.
- The shareholding in Ericsson was increased in 1999 through the purchase of SEK 0.6 billion in stock.
- The shareholding in AGA was sold in 1999 for SEK 4.0 billion and a capital gain of SEK 3.3 billion.
- Net investments of SEK 3.1 billion were made in 2000 in pharmaceutical and financial services companies. The total market value of investments in these sectors was SEK 19.4 billion at year-end 2000.

**Net Asset Value,  
December 31,  
1995 and 2000**



■ Listed stocks  
■ Industrial and trading operations  
■ Net debt

**Net Asset Value**

The stock market ordinarily values holding companies on the basis of their net asset value. Industrivärden therefore attaches great importance to calculation of the Group's net asset value. The listed portfolio is valued at current market value, and the value of the wholly owned industrial and trading companies has been calculated using a standard P/E-multiple model. For a more detailed description, see "Calculating the Market Value of Industrivärden's Assets" on page 84.

Industrivärden's net asset value has risen from SEK 15.9 billion at year-end 1995 to SEK 54.1 billion at year-end 2000, or by 240 percent.

Including reinvested dividends, adjusted net asset value has risen by 282 percent since the beginning of 1995. In comparison, the Findata Total Return Index rose by 209 percent during the same period.

The chart at left shows the size and composition of net asset value at the end of 1995 and 2000, respectively.

**Major Activity from the Mid-Nineties Onward**

The activity during the last five-year period, during which Industrivärden has undergone major changes, is summarized in the figure below.

**Market Values as per December 1995 and December 2000**

1995	SEK billion
Ericsson	3
AGA	3
SCA	2
PLM	2
Handelsbanken	2
Skanska	<1
SSAB	<1
Other	<1
<hr/>	
Subsidiaries (approximately 30)	4
<b>Total assets</b>	<b>18</b>

■ High level of activity  
■ Reweighted portfolio  
■ Good growth



2000	SEK billion
Ericsson	20
Handelsbanken	8
Skandia	7
Sandvik	5
SCA	4
Skanska	3
Lundbeck	2
Pfizer	1
SSAB	1
Other	4
Subsidiaries (3)	4
<hr/>	
<b>Total assets</b>	<b>59</b>

# Portfolio of Listed Stocks

INDUSTRIVÄRDEN'S BUSINESS MISSION is to create growth in value through active ownership and effective management. The basis for this work consists of the listed stocks in Industrivärden's equities portfolio. The market value of Industrivärden's shareholdings in listed companies amounted to SEK 55 billion at year-end 2000, corresponding to 93 percent of the value of the Company's total assets.

The investments in the portfolio of listed stocks are evaluated on a continuous basis, and the work on managing the portfolio is conducted according to well established principles. The return that Industrivärden delivers to its shareholders is largely dependent on how successful it is in its management of the portfolio.

## Investment Focus and Active Ownership

Active ownership entails clearly formulating and communicating the demands that Industrivärden makes as an investor. Active ownership also warrants an involvement in the formulation and realization of the portfolio companies' strategies in an effort to safeguard the companies' opportunities to live up to Industrivärden's requirements. Active ownership thus requires industrial and financial competence as well as thorough and well grounded analysis.

Achieving success as an active owner requires influence and thus the ability to impact the companies' development. To be able to have such influence, Industrivärden must be one of the largest owners in the respective companies. This influence is exercised primarily through engaged participation on the companies' boards.

Industrivärden has a flexible and unbureaucratic organization which is adapted to a limited number of companies in which active ownership is exercised.

Due to the limitation of the number of investments that may be made, along with the required

size of each investment, Industrivärden focuses primarily on large companies.

Active ownership requires not only good knowledge about the companies and their operating environments, but also a keen familiarity with the game rules, ways of working and opportunities in the financial markets. Investments are thus focused on areas or sectors in which Industrivärden has access to the required industrial and financial expertise – either through its contact network or within its own organization.

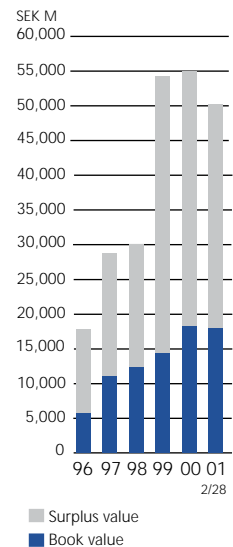
Through active ownership, Industrivärden contributes to the companies' development, which can entail extensive changes if necessary. The result of such a process of change often takes a long time to achieve. Investments in companies in which Industrivärden is an active owner are therefore made with a long-term perspective. This long-term investment horizon does not rule out significant changes in the portfolio, however. During the last five-year period, for example, an active ownership role has been undertaken in Sandvik, while the involvements in PLM and AGA have been terminated.

## Composition of the Portfolio

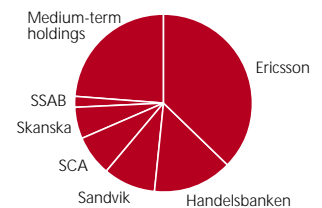
The vast majority of Industrivärden's investments consist of the portfolio's core holdings. At year-end 2000 these consisted of six companies: Ericsson, Handelsbanken, Sandvik, SCA, Skanska and SSAB. The combined market value of the investments in these companies was SEK 42 billion, corresponding to roughly 76 percent of the listed portfolio's value, or about 70 percent of the value of total assets.

The core holdings are complemented with medium-term investments in stocks with good potential for growth in value and high liquidity. By medium-term investments is meant stocks with a moving investment horizon of two to three years. Industrivärden does not take an active own-

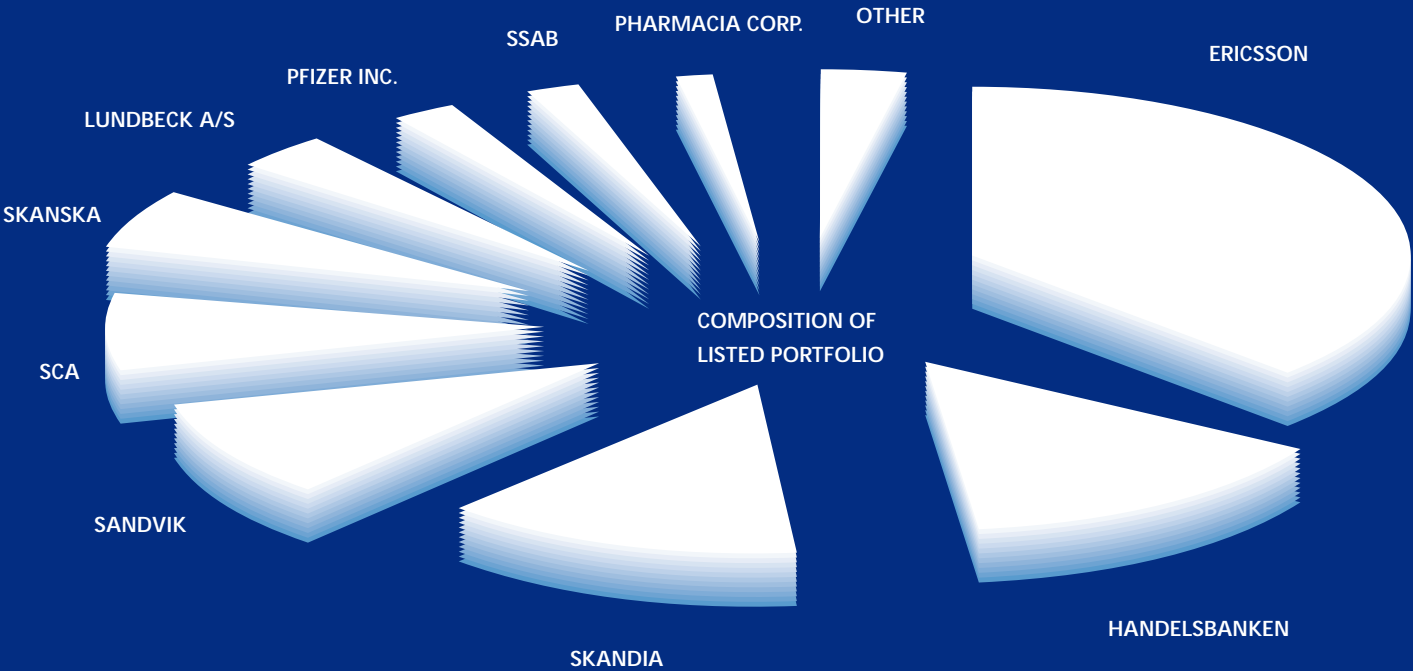
Market Value of Listed Portfolio and Surplus Value



Composition of Listed Portfolio



# Our business mission is to create growth in value through active ownership



ership role in these companies. The medium-term investments can serve as a liquidity reserve for major deals at the same time that the total portfolio's risk can be reduced through diversification. The medium-term portfolio can also include major shareholdings that can evolve into core holdings. The buildup of the medium-term portfolio was begun in 1995, and since then, a net total of SEK 5.7 billion has been invested in it. At the end of 2000 the medium-term portfolio consisted of five holdings, each with a market value in excess of SEK 300 M, and a number of smaller investments. Four companies in the medium-term portfolio had their primary listing on stock exchanges outside Sweden, namely Pfizer Inc. (New York), Lundbeck A/S (Copenhagen), Pharmacia Corp. (New York), and Nokia Oy (Helsinki). The largest holdings in terms of value were Skandia, Lundbeck A/S, Pfizer Inc., and Pharmacia Corp.

The combined market value of the medium-term portfolio at year-end 2000 was SEK 13 billion, corresponding to 24 percent of the value of the listed portfolio, or 22 percent of total assets. The value of stocks with a primary listing on other stock exchanges than the Stockholm Stock Exchange was SEK 4 billion, corresponding to 31 percent of the medium-term portfolio and 7 percent of the total listed portfolio.

### The Research Department's Work Method

Active ownership is built upon a process in which analysis of a company and its operating environment is the focal point. The research data consists of knowledge about the company and the industry, which is gained through regular contacts with company management, outside financial analysts, consultants, trade organizations and investment banks. In addition, Industrivärden draws from its experience in working with other core holdings as well as with its wholly owned, operating subsidiaries. Most of this research involves the continuous review and assessment of the companies' strategic options. Benchmarking with international competitors is another key component.

One of the main research objectives is to continuously and critically examine the core holdings' prospects for creating sustained shareholder value. This enables Industrivärden to identify areas in which it should take extra measures to have a driv-

ing role in the companies' process of change. Matters such as the core holdings' expansion strategies, capital structure, incentive programs and financial targets are examples of areas in which Industrivärden's work plays an important role.

In addition to the work with the existing core holdings, new investment candidates are evaluated on a continuous basis. A large number of investment opportunities are evaluated every year. A small number of these lead to more in-depth studies, of which a handful lead to the formation of a project group to conduct a thorough analysis of the investment. The selection criteria are stringent, and only a few of these projects lead to a decision to make a new investment.

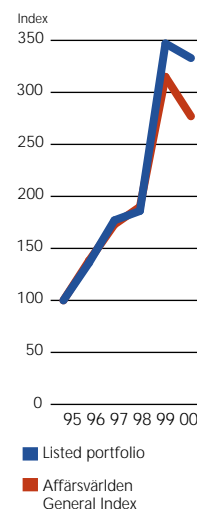
### The Stock Market in 2000

The total market capitalization on the Stockholm Stock Exchange decreased during the year by 12 percent. The trend in the market during the year was varied. The exceptionally strong market climate that characterized the close of 1999 continued into the new year, and an all-time-high was reached in the beginning of March. At that point the Stockholm Stock Exchange had gained 80 percent in four months' time. Following concerns about the biotech sector and – later – the IT/Internet sector, around the world, the Stockholm Stock Exchange dropped back to a gain of about 20 percent from the beginning of March to mid-April. From mid-April until the beginning of September, the market did not show any clear direction, but fluctuated between a 5 and 15 percent gain since the start of the year. In early September the market turned downward, which lasted through to the end of the year. During the final quarter of the year the General Index fell by more than 20 percent and closed at a level that was 12 percent lower than at the start of the year.

Compared with other major bourses around the world and calculated in U.S. dollars, the trend for the Stockholm Stock Exchange was weak during the year. Factoring in the stronger dollar, the decline ended up at 21 percent for the year. All major indexes for the major stock exchanges – including those in the U.S. – fell during the year in U.S. dollars. The Morgan Stanley World Index fell by 14 percent (see table at right).

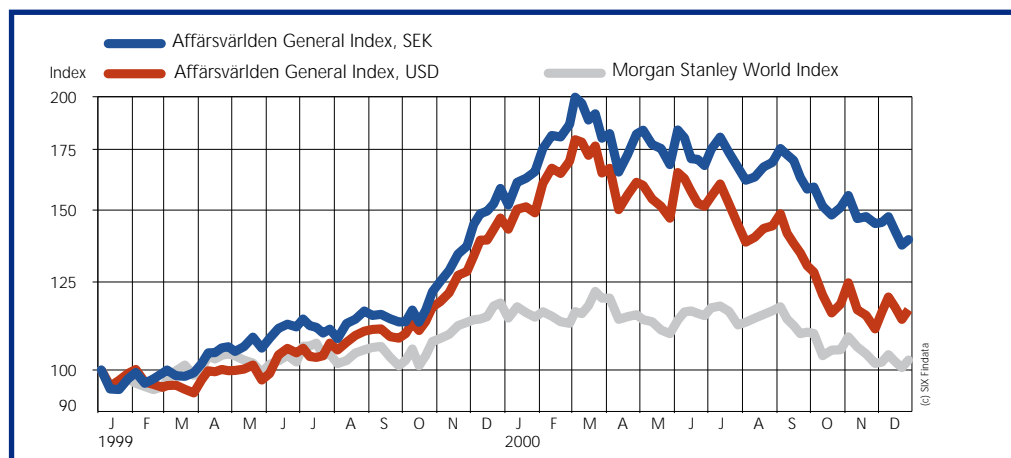
The Stockholm Stock Exchange essentially experienced a similar trend with respect to seg-

Price Trend for Listed Portfolio



Price Trend 2000 in USD	%
Morgan Stanley	
World Index	-14
New York, S&P 500	-10
Nasdaq Composite	-39
London, FTSE-100	-17
Frankfurt, DAX	-14
Tokyo, NIKX	-35
Paris, CAC 40	-8
Stockholm, AFGX	-21

## Stockholm Stock Exchange vs. World Index



ments and sectors as the major European bourses and the U.S. exchanges. During the year, stocks in *interest rate-sensitive segments* performed the best, posting average gains of 30 percent. Financial services companies led this segment, with an average gain of 32 percent. Real estate and construction stocks also performed well, gaining 23 percent. *Cyclical* companies, on the other hand, performed weakly. Basic industrial stocks fell by 13 percent, and engineering stocks fell by 16 percent. The picture was mixed in the *growth segment*. Telecom/technology stocks fell by 27 percent, while health care stocks rose by 33 percent. On the whole, the growth segment posted a decline of 21 percent<sup>1</sup> for the year.

The world economy is estimated to have grown by 4.5 percent in 2000, which is the strongest growth in over ten years. The surprisingly robust economy during the first quarter of the year, especially in the U.S., led to a series of upward adjustments of growth forecasts for the year. The trend was broken during the autumn, when most indicators pointed to a slowing of economic activity in the OECD countries. During the third and fourth quarters, signs of slowing global growth could also be seen in data from both the U.S. and Europe. The rate of growth during the second half of the year was considerably lower than during the first half.

The economic trend unfolded in parallel with sharp interest rate hikes by many central banks. The U.S. Federal Reserve raised its key lending rate successively from 4.75 percent to 6.50 percent during the period June 1999 to May 2000 in an

attempt to dampen the strong, consumer-driven growth and against the backdrop of a strained job market in the U.S. Interest rate hikes in the eurozone were even more pronounced, from 2.50 percent to 4.75 percent during the period November 1999 to October 2000, as the European central bank grew concerned about the inflationary effect of rising oil prices and higher import prices caused by the steadily weakening euro.

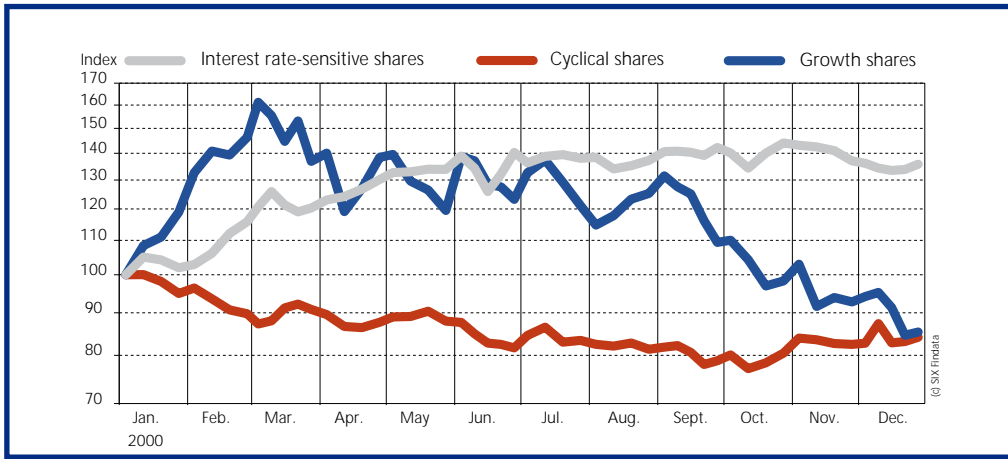
In the money markets, bill rates rose as a result of higher key rates effected by the central banks, while interest rates on long-term government securities fell due to decreasing government debt and growing confidence in lower inflation over the long term. A remarkably stable price trend in Sweden, with a lower rate of inflation compared to both the U.S. and Europe, was reflected in Sweden's interest rate, which was lower than in most industrialized countries.

At year-end 2000 values on the Stockholm Stock Exchange were more than 20 times anticipated company earnings for 2001, which was on a par with the corresponding multiples for other major stock exchanges in Europe and the U.S. However, the Stockholm Stock Exchange has a relatively high percentage of growth companies. Together with lower interest rates than in Europe and the U.S., this suggests that, in a strictly relative sense, the valuation of the Stockholm Stock Exchange cannot be considered to be strained. However, there are major differences in the valuations of various sectors.

Earnings growth in the near term is also an area of uncertainty. According to all indications

<sup>1</sup> The trend described here for the segments and sectors of the Stockholm Stock Exchange is in accordance with Enskilda Securities' definitions and sub-indices.

Price Trend for Various Sectors on the Stockholm Stock Exchange



we are moving into a phase of calmer economic development in 2001. It is likely that higher energy and raw material costs will impact profit margins. The major costs for obtaining licenses and for the buildup of new infrastructure in the telecom area are also having an impact. The second half of 2000 was characterized by an increasingly pessimistic view of the future trend in corporate profits, which is probably the chief factor behind the price declines. In their third quarter interim reports, many of the stock market's big companies reported results that were below expectations, while at the same time making cautious assessments about the coming quarters.

The underlying forces driving the expansion of the world economy with stable price development remain, however. The technology-driven and competitive global economy is stimulating productivity improvements. Together with increasingly liberalized trade and the opening of entirely new markets, this is enabling continued good growth with stable prices and low interest rates. Market watchers are also pointing at demographic shifts and essential restructuring of pension systems in most industrialized countries, which are likely to stimulate stock market savings for a long time ahead. On the whole this sets the stage for a continued positive view of stock market investment.

**Investment Activity in 2000**

Industrivärden had a high level of investment activity in 2000. The combined value of stock purchases was SEK 4.4 billion, while the com-

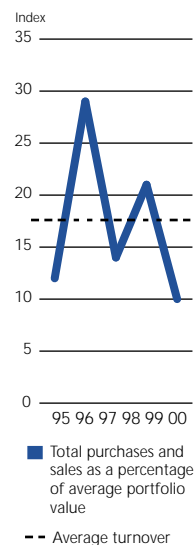
bined value of sales was SEK 1.1 billion. Together this corresponded to 10 percent of the average portfolio value during the year. The turnover rate for the listed portfolio since 1995 is shown in the chart at right.

Most stock purchases were made from January to April, and mainly in the pharmaceutical and financial sectors – a strategy that would prove to be successful. During the year an investment of SEK 812 M was made in the Danish pharmaceutical company Lundbeck A/S, and a total investment of SEK 404 M was made in Pharmacia Corp. The value of the newly purchased shares in both these companies amounted to SEK 2,404 M at year-end. Both companies were among the top tier of pharmaceutical stocks during the year, and as mentioned earlier, the pharmaceutical sector was one of the strongest in the stock market. Additional investments totaling SEK 288 M were made in Pfizer Inc. and Karo Bio. These two companies, along with Lundbeck A/S and Pharmacia Corp., make up Industrivärden's investments in the health care sector.

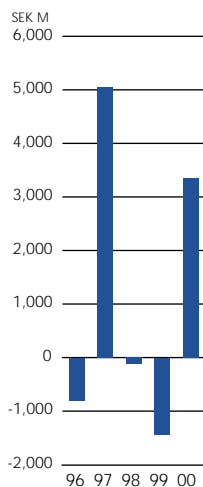
The combined market value of Industrivärden's pharmaceutical holdings was SEK 4.2 billion at year-end 2000, corresponding to 32 percent of the medium-term portfolio and 8 percent of the listed portfolio. As for investments in the financial sector, additional shares in Handelsbanken were purchased for SEK 384 M. At year-end these shares were worth SEK 552 M.

Industrivärden's largest single investment in the medium-term portfolio is Skandia, whose long-term savings business is judged to have

**Turnover, Listed Portfolio**



### Net Investments in Listed Portfolio



good growth potential. The holding has been built up gradually since 1995. In 2000 an additional net investment of SEK 1.4 billion was made in Skandia. Industrivärden has thereby invested a total of SEK 2.7 billion in Skandia during the past six years. At year-end 2000 the market value of the Skandia holding was SEK 7.3 billion.

Industrivärden's investments in the IT sector, excluding Ericsson, have been limited. This is partly because Industrivärden's internal analysis indicated that the sector was strongly overvalued. The total amount of capital invested in the IT sector amounted to less than 1 percent of total assets at year-end. Stock was purchased in companies that were judged to have unique competence and/or products. The largest single investment decision during the year pertained to the cooperation with Ericsson and others within the framework of Ericsson Venture Partners. Industrivärden has initially committed itself to investing USD 75 M in this project, which is expected to begin operating in full during the first half of 2001.

Sales of stocks totaled SEK 1,053 M. The largest sales pertained to SCA, for SEK 470 M, and Handelsbanken, for SEK 213 M. These sales were made at favorable prices during the first and fourth quarters, respectively, and contributed to the positive business result. The total capital gain on sales of listed stocks was SEK 342 M, excluding SEK 114 M in option income.

Transactions in derivative instruments were made during the year in both call and put options. Industrivärden can enhance the portfolio's return by issuing options. The total option premium included in earnings for 2000 was SEK 114 M.

One further activity aimed at enhancing returns consists of stock lending from the portfolio. Stock lending is conducted only through the major commercial banks. The total premium for loaned-out shares during 2000 was SEK 2 M. At year-end stocks with a combined market value of SEK 234 M in three companies were out on loan.

During the year Industrivärden issued call options to SSAB's executive management. The options entitle the bearers to purchase 28,950 Class A shares in SSAB through May 2005 at a price of SEK 146 per share.

### Portfolio Performance 2000

At year-end 2000 the market value of the listed portfolio was SEK 54,961 M, compared with the shares' book value of SEK 18,026 M. The surplus value thus amounted to SEK 36,935 M, compared with SEK 39,962 M at the start of the year. The portfolio's value, adjusted for purchases and sales, decreased by 4 percent during the year, which was 8 percentage points better than the Stockholm Stock Exchange's General Index, which fell by 12 percent.

A total of SEK 821 M in dividends were received during the year. The total return of the portfolio, i.e., growth in value plus reinvested dividends, was -2 percent, compared with -11 percent for the Findata Total Return Index (SIXRX).

The total returns for the portfolio holdings are shown in the table on page 16.

From year-end 2000 through February 28, 2001, the portfolio value, adjusted for purchases and sales, decreased by 9 percent, compared with a decline of 6 percent for the General Index during the same period.

### Total Return and Risk of the Listed Portfolio

The return on a stock portfolio is made up of both the price change and the dividends from the stocks in the portfolio. To gain an idea of relative performance, the Findata Total Return Index serves as a suitable benchmark for comparing the return of Industrivärden's listed portfolio. During the five-year period from 1996–2000, Industrivärden's listed portfolio generated an average annual return of 29.9 percent, or 4.3 percentage points higher per year than the Findata Total Return Index during the same period. During the last three-year period this excess return was even larger, or 4.6 percentage points per year.

In 2000 the excess return compared with the index was 8.3 percentage points. Of the ten largest investments, during 2000 it was mainly Handelsbanken that contributed a higher return than the index, while Skandia and Lundbeck also outperformed the index. The investments in Ericsson and SCA, on the other hand, performed below the index in 2000.

Industrivärden's portfolio of listed stocks is concentrated. The five largest shareholdings' weight in the listed portfolio compared with their



weight in the Affärsvärlden General Index at the end of 2000 is shown in the following table:

Company	Share of portfolio value, %	Share of General Index, %
Ericsson	37.3	23.5
Handelsbanken	14.5	3.2
Skandia	13.4	4.3
Sandvik	9.5	1.6
SCA	7.4	1.3

To be able to judge if the achieved return in relation to the index is good or poor, the risk that Industrivärden's investments have entailed in relation to the benchmark index should be taken into account.

Standard deviation is a statistical measure that can be used to quantify how a portfolio's return has varied historically along with the more long-term development or trend. Standard deviation measures the return's total variation (the risk): the higher the standard deviation, the greater the variation (risk). Individual stocks' fluctuations can even out each other and thereby reduce the portfolio's total risk calculated in this manner.

During the last five-year period, the standard deviation in the return on Industrivärden's listed portfolio was 23.5 percent, which can be compared with 20.2 percent for the Findata Total Return Index. The corresponding figures for the three-year period 1998–2000 were 27.4 percent for Industrivärden's listed portfolio and 22.8 percent for the Findata Total Return Index. By comparing the coefficient between the listed portfolio's annual return and standard deviation with the corresponding coefficient for the Findata Total Return Index, a measure of the portfolio's relative return – taking into account the level of risk – can be arrived at. A coefficient of less than 1 means that the portfolio has generated a lower return per risk unit compared with the index, while a coefficient of over 1 indicates a higher return per risk unit. For the last five- and three-year periods, these measures for Industrivärden's listed portfolio were 1.00 and 1.08, respectively.

In portfolio evaluation contexts, another statistical measure – beta – is also commonly used, which indicates the correlation between the portfolio's return and the return on the market (market risk). A portfolio's return tends to reflect the return on the market if the beta coefficient is equal

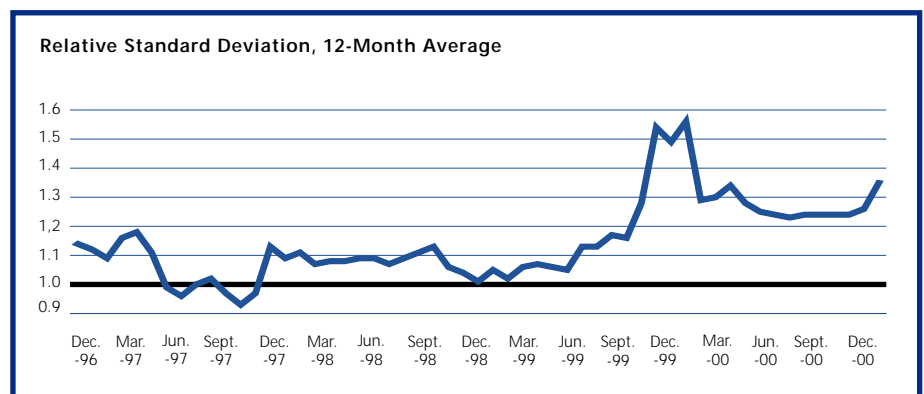
to 1. A coefficient below 1 indicates a weakening in market fluctuations (both upwards and downwards), and a coefficient over 1 indicates an intensification of market fluctuations. During the past five-year period Industrivärden's portfolio of listed Swedish stocks had a beta of 1.11.

By comparing the portfolio's achieved return with how much it should be, given the return on the market and the portfolio's market risk (beta), an alpha coefficient is arrived at. A coefficient of zero indicates an achieved return for the risk taken. A coefficient of less than zero indicates that risks have been taken that do not pay off in the form of higher returns, and vice versa. For the past five-year period Industrivärden's portfolio of listed stocks had an average alpha of 1.1 percentage points per year.

A third way of judging a stock portfolio's return relative to its risk is to calculate the relationship between "the active return," i.e., the difference between the total return of the stock portfolio and the total return index, and "the active risk," or tracking error, which is a measure of the variation in the deviation between the portfolio's return and the return of the benchmark index. For Industrivärden's portfolio of listed stocks, this information coefficient was 0.53 during the past five-year period. A positive value of this information coefficient up to around 0.5 is usually considered to be entirely satisfactory. The average coefficient for the market is around zero.

During the three-year period 1998–2000, the information coefficient for Industrivärden's stock portfolio was 0.69. In comparison, it can be mentioned that most of the Swedish open-end stock funds had negative information coefficients during the five-year period 1996–2000.

Standard deviation of the listed portfolio divided by the standard deviation for the benchmark index. Standard deviation is an expression of the total variation in the return.



## Portfolio of Listed Stocks, December 31, 2000

Company	Number	Market value, SEK M	SEK per share and CPN	Share of portfolio value, %
Ericsson	186,000,000	20,460	108	37
Handelsbanken	49,000,000	7,914	41	15
Skandia	47,846,800	7,344	38	13
Sandvik	23,000,000	5,221	27	10
SCA	20,087,532	4,056	21	7
Skanska*	8,075,689	3,150	16	6
Lundbeck A/S	2,100,000	1,943	10	4
Pfizer Inc.	3,000,000	1,312	7	2
SSAB	12,065,600	1,086	6	2
Pharmacia Corp.	1,300,000	745	4	1
Scania	3,000,000	623	3	1
Other holdings (<SEK 300 M)		1,107	6	2
<b>Total</b>		<b>54,961</b>	<b>287</b>	<b>100</b>

\* Skanska's Class A shares, which are not listed on the Stockholm Stock Exchange, have been assigned the same value as the Class B shares.

## Price Trend for Portfolio of Listed Stocks

Company	Price change 2000, %	Total return, %	Share of portfolio value, %
Ericsson	-22	-22	37
Handelsbanken	51	55	15
Skandia	19	20	13
Sandvik	-15	-13	10
SCA	-19	-16	7
Skanska	23	29	6
Lundbeck A/S	164*	166*	4
Pfizer Inc.	41*	43*	2
SSAB	-32	-29	2
Pharmacia Corp.	77	79	1
Scania	-32	-30	1
Other holdings (<SEK 300 M)			2
<b>Total</b>	<b>-4</b>	<b>-2</b>	<b>100</b>

\* Calculated in local currency. In Swedish kronor the total return was 174 percent for Lundbeck and 57 percent for Pfizer.

## Price Trend for Listed Portfolio, 1996-2000

	2000	1999	1998	1997	1996
Price trend of portfolio, %	<b>-4</b>	87	5	30	36
Index (1995 as base)	<b>333</b>	347	186	177	136
Affärsvärlden General Index, %	<b>-12</b>	66	10	25	38
Index (1995 as base)	<b>277</b>	315	190	173	138

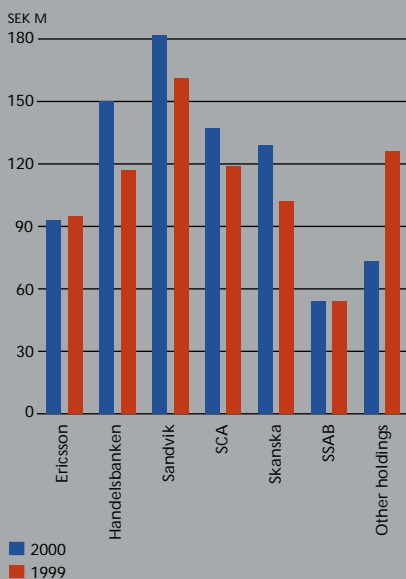
# Core Holdings in the Portfolio of Listed Stocks

The following pages include a description of the six companies that make up the core holdings in Industrivärden's portfolio of listed stocks, namely: Ericsson, Handelsbanken, Sandvik, SCA, Skanska and SSAB.

The market value of the core holdings on December 31, 2000, was SEK 41.9 billion, accounting for 76 percent of Industrivärden's portfolio of listed stocks. The combined market capitalization of these six companies at that same date was SEK 1,123 billion, or 31 percent of the total value of the Stockholm Stock Exchange.

The chart at right shows dividend income from the portfolio of listed stocks, which totaled SEK 821 M in 2000 (775).

Dividends Received from Listed Companies



In 1999 a dividend of SEK 86 M was received from AGA.

ERICSSON 

Handelsbanken

SANDVIK 

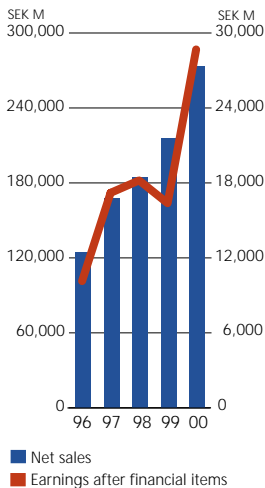
SCA 

SKANSKA

SSAB 

# Ericsson

Ericsson 1996–2000



Earnings for 2000 included a total of SEK 14,416 M in nonoperational capital gains and other items affecting comparability.

ERICSSON IS A WORLD LEADER in mobile telephony and the largest supplier of mobile systems, with approximately 30 percent of the world market. The company is also one of the world's largest suppliers of digital mobile phones and public switches.

With operations in 140 countries, Ericsson is the most globally active company in the telecom industry. Its position is now being strengthened as it plays a leading role in the development of third-generation mobile system standards.

Recent years have seen a sharp acceleration of growth in mobile telephony and an equally rapid expansion in Internet use. Ericsson's goal is to be the leading company in tomorrow's converged data and telecommunications market by focusing its strengths on solutions for mobile Internet applications and mobile telephony.

Operations are conducted in three business segments focusing on different customer categories. *Network Operators* covers mobile and wired solutions for voice and data communication in public networks. Ericsson is at least twice as large as each of its competitors in the area of mobile systems. *Consumer Products* forms the heart of the mobile phone operations. Ericsson is one of the world's three leading suppliers of mobile phones. In 2000 there were approximately 700 million mobile subscribers around the world, and this number is expected to exceed one billion in 2002. By 2004, nearly 600 million users are expected to be connected to the Internet via mobile systems, compared with less than 50 million in 2000. *Enterprise Solutions* focuses on providing complete solutions for communication needs in internal telecom networks.

Ericsson's goal is to grow faster than the market, entailing sustained yearly volume growth of at least 20 percent. The growth target is set over a five-year period and will be achieved by maintaining or improving the company's positions in

all business segments. Ericsson will be the industry leader for wireless access to the Internet.

The most important markets, ranked by size, are the U.S., China, the U.K., Mexico, Italy, Brazil, Spain, Japan, Turkey and Sweden.

## Highlights 2000

- Income after net financial items totaled SEK 28,692 M (16,386), including SEK 14,416 M in nonoperational capital gains and other items affecting comparability.
- Strong measures were taken to reinstate profitability in the loss-generating Consumer Products segment.
- Order bookings rose 31 percent, mainly due to a strong rise in demand for mobile infrastructure and mobile phones.
- Mobile Systems, accounting for 75 percent of the Network Operators business segment, posted growth of more than 35 percent.
- Ericsson Microsoft Mobile Venture was established – a joint venture between Ericsson and Microsoft targeting at mobile Internet development with the support of Ericsson's wireless applications technology and Microsoft's mobile web browser, Mobile Explorer.
- The venture capital company Ericsson Venture Partners was established in partnership with Industrivärden, Investor and Merrill Lynch, targeting mobile Internet development.

## Assessment of the Company from an Ownership Perspective

Ericsson has had good profitability for many consecutive years, despite problems in the Consumer Products segment. Industrivärden believes in continued favorable development for Ericsson in view of the company's focus on growth areas, such as third-generation mobile telephony and mobile Internet applications, as well as the measures taken in the Consumer Products segment.



It's a rainy Sunday morning, and the local rock-climbing club has gathered for training at "the wall" outside Uppsala. It's not the biggest rock in the world, but serves well enough for training grips and approaches. All training is done under natural conditions and with full safety gear. This includes Ericsson's waterproof, dirtproof and shockproof R310S mobile phone, which can be used to call for rapid assistance during training as well as in real-life situations.

**Share of votes: 28.0%**

**Share of capital: 2.3%**

Holding: 186,000,000 A-shares<sup>1</sup>

Market value on Dec. 31, 2000:

SEK 20,460 M

Share of portfolio value: 37%



**Largest owners as per Dec. 31, 2000** % of votes

Industrivärden	28.0
Investor	22.2
Wallenberg Foundations	16.5
Handelsbanken Pension Foundation	5.4
Skandia Life Insurance Company Ltd.	5.0

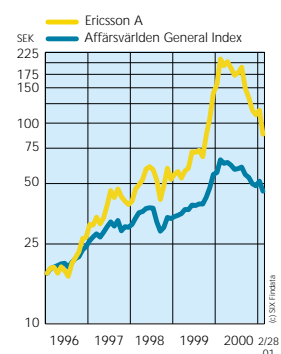
**Board members with ties to Industrivärden**

Tom Hedelius and Clas Reuterskiöld.

**Ericsson's Stock**

Ericsson's stock is listed on the Stockholm Stock Exchange and seven other bourses in Europe and the U.S. Ericsson's Class A shares fell by 22 percent in 2000, and trading volume on the Stockholm Stock Exchange was approximately SEK 1,727 billion. Ericsson's market capitalization at year-end 2000 was SEK 852 billion.

**Ericsson's Stock**



During the past five year period, Ericsson's stock has performed considerably better than the index and has thereby made a significant contribution to the portfolio's return.

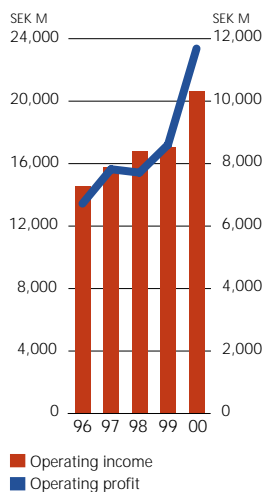
Key figures	2000	1999
Net sales, SEK M	273,569	215,403
Earnings after financial items, excl. minority interests, SEK M	28,692	16,386
Earnings per share, SEK	2.65	1.54
Dividend per share, SEK	0.50 <sup>2</sup>	0.50

<sup>1</sup> The number of shares quadrupled in May 2000 as a result of a 4:1 split. Earnings and dividend per share for 1999 have been adjusted accordingly.

<sup>2</sup> Proposed by the Board of Directors.

# Handelsbanken

Handelsbanken 1996–2000



HANDELSBANKEN IS A NORDIC, universal bank with a highly decentralized organization. The heart of the bank is its large branch network. The branches are responsible for all customers in their respective geographic areas, including major corporate clients. Customer services at the local branches are coordinated with regional and central specialists. The branches also have profitability responsibility for the bank's overall business relationship with its customers. As a result of this decentralized approach, Handelsbanken has attained a superior level of efficiency in the industry with respect to costs as well as credit assessment.

As a universal bank, Handelsbanken offers all types of banking services for corporate and private customers alike: deposits, lending, property finance, payments, investment banking, trading, fund management, factoring, leasing and life insurance.

Handelsbanken conducts universal banking throughout the Nordic region. The branch activities are conducted via ten regional banks – seven in Sweden and one each in Finland, Norway and Denmark. With nearly 500 branches, Handelsbanken covers the Swedish market better than any other commercial bank. The bank has fifty branches in the other Nordic countries, plus banking and representative offices in another fifteen or so countries.

Aside from the branch organization, the operating units consist of *Handelsbanken Markets* (which conducts trading in the money and foreign exchange markets, etc.), *Handelsbanken Investment Banking* (which conducts corporate finance, equity trading, etc.), *Handelsbanken Asset Management*, *Handelsbanken Finans* (offering finance company services such as leasing and factoring), *Handelsbanken Liv* (life insurance), *Handelsbanken Central Treasury*, and *Stadshypotek Bank*.

Handelsbanken's overall financial objective is to have higher profitability than the weighted average of other listed Swedish, Norwegian and

Finnish banks. Priority is always given to profitability before volume. Credit quality may thus never be set aside in favor of high credit volume.

Handelsbanken had the highest Internet penetration of all the Nordic banks. Online services are developed in close cooperation with the branch operations as a complement to these.

## Highlights 2000

- Profit, including nonrecurring items of SEK 343 M, improved by 32 percent to SEK 11.3 billion. Contributing factors to the result improvement included greater volume, improved net commission income and an unchanged level of costs, excluding performance-based personnel costs.
- Handelsbanken's online company banking service was named the "Best in Europe" by Global Finance magazine.
- The Swedish Quality Index survey showed once again that Handelsbanken has the highest level of customer satisfaction among Sweden's major banks.
- For the twenty-ninth year in a row, Handelsbanken reported a better return on equity than the weighted average of the other, listed commercial banks.
- In December SPP Liv and SPP Fonder, along with the SPP brand, were acquired for SEK 7.1 billion. The acquisition makes Handelsbanken a market leader in occupational pensions.

## Assessment of the Company from an Ownership Perspective

Handelsbanken has consistently developed its business concept of decentralized customer, revenue and cost responsibility. These have given the bank the industry's best average profitability for several years running. Industrivärden expects continued favorable development for Handelsbanken.



Maria Hermansson runs her own florist business. She loves her work, despite the administrative burden of running her own business. With support from her local Handelsbanken branch and the bank's online banking services, she now has more time over for her customers.

Share of votes: 7.5%<sup>1</sup>

Share of capital: 6.9%<sup>1</sup>

Holding: 49,000,000 A-shares

Market value on Dec. 31, 2000:

SEK 7,914 M

Share of portfolio value: 15%



Key figures	2000	1999
Operating income, SEK M	20,680	17,056
Operating profit, SEK M	11,683	8,607
Earnings per share, SEK	12.87	9.31
Dividend per share, SEK	4.00 <sup>2</sup>	3.00

<sup>1</sup> Handelsbanken repurchased 3.0 percent of its shares in 2000, but it has not reduced its capital stock. Industrivärden's share of votes and capital is based on all shares outstanding, including those repurchased.

<sup>2</sup> Proposed by the Board of Directors.

#### Largest owners as per Dec. 31, 2000

	% of votes
Oktogonen	10.2
Föreningsparbanken mutual funds	7.6
Industrivärden	7.5
Fourth Swedish National Pension Insurance Fund	6.0
Nordea fonder	2.8

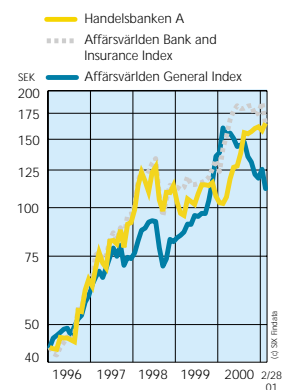
#### Board members with ties to Industrivärden

Bo Rydin, Tom Hedelius and Clas Reuterskiöld.

#### Handelsbanken's Stock

Handelsbanken's stock is listed on the Stockholm Stock Exchange. The share price rose 51 percent in 2000, and trading volume was SEK 52 billion. Share repurchases totaled SEK 3 billion. Handelsbanken's market capitalization was SEK 115 billion at year-end 2000.

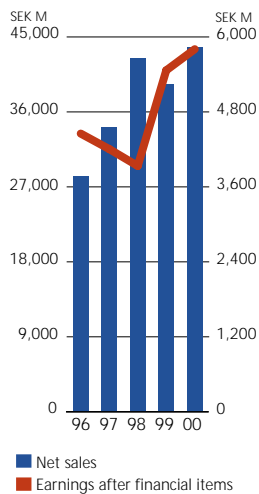
#### Handelsbanken's Stock



During the past five-year period, Handelsbanken's stock has outperformed the General Index and has performed best among the Swedish commercial banks.

# Sandvik

**Sandvik 1996–2000**



Earnings in 1999 included a capital gain of SEK 1.6 billion on the sale of the Saws and Tools business area.

SANDVIK IS A HIGH-TECHNOLOGY engineering group with a world-leading position in metal-working tools, rock-excitation tools, and cemented carbide tools and other hard materials. The company is also a leading supplier of stainless steel tube, strip, wire and bar, special alloys, and high-temperature materials. Industrial consumables account for about two-thirds of Sandvik's product line, with capital goods accounting for the remaining third. Sandvik is one of Sweden's largest export companies, with operations around the globe. Proximity to customers is a key element in Sandvik's philosophy. This is achieved through approximately 300 subsidiaries and representation in 130 countries.

Operations are conducted in three separate business areas – Tooling, Mining and Construction, and Specialty Steels – and through the partly owned subsidiary Seco Tools (61 percent). The business areas are all responsible for their own research and development, production and sales in their respective markets.

Two factors that have contributed greatly to Sandvik's development are a determined marketing effort in close contact with customers around the world, and continuous product renewal with a particularly strong focus on advanced technology.

Sandvik's growth strategy is based on wide-ranging research and development activities aimed at improving productivity and quality, creating time savings, and reducing costs. Activities are conducted primarily in the areas of materials and surface-coating technology, product and application solutions, and production and logistics systems. Sandvik invests approximately 4 percent of annual sales on R&D.

Continued high growth remains one of Sandvik's most important objectives. This will be achieved mainly through a combination of organic growth, acquisitions and the formation of joint ventures in existing areas of operation.

Sandvik has made great progress in incorporating use of the Internet into its business activities. Coromant, the largest division in the Tooling business area, sells approximately 25 percent of its products online.

Sandvik's financial goal is average volume growth, excluding acquisitions, of 6 percent per year, with an average return on net assets of 20 percent. The dividend shall amount to at least half of earnings per share over a business cycle. The total return for Sandvik's stock shall exceed the industry average. The net debt/equity ratio is today 0.3 and is expected to rise to 0.6–0.8 by year-end 2003, mainly as a result of acquisitions.

## Highlights 2000

- Invoiced sales increased by 12 percent for comparable units, calculated at constant exchange rates. Demand improved in most customer segments.
- Earnings after financial items, excluding nonrecurring items, rose 34 percent to SEK 5,144M (3,840). Higher volumes and productivity improvements in all business areas were main factors behind the earnings improvement.
- Sandvik became a venture capital partner together with a number of major Swedish industrial companies in the venture capital company b-business partners, focusing on e-commerce.
- A share repurchase program has been announced ahead of the 2001 Annual General Meeting.

## Assessment of the Company from an Ownership Perspective

Industrivärden looks positively on the focus of Sandvik's business in the three core areas – Tooling, Mining and Construction, and Specialty Steels. Rationalization measures and higher demand are expected to lead to continued earnings improvement.





Magnus Karlsson is a successful goalie for the Almtuna ice hockey club. Out on the ice he gives everything for his team, which is a must if you're going for gold. Unfortunately, accidents do happen, and players get hurt. Those who have lost the odd tooth can now put their hopes in getting a permanent implant made of high-alloy steel from Sandvik.

#### Share of capital and votes: 8.7%<sup>1</sup>

Holding: 23,000,000 shares  
 Market value on Dec. 31, 2000:  
 SEK 5,221 M  
 Share of portfolio value: 10%



<sup>1</sup> As of May 2000, Sandvik has only one class of stock.

Key figures	2000	1999
Net sales, SEK M	43,750	39,300
Earnings after financial items, SEK M	5,804	5,465
Earnings per share, SEK	14.20	14.00
Dividend per share, SEK	9.00 <sup>2</sup>	8.00

<sup>2</sup> Proposed by the Board of Directors.

#### Largest owners as per Dec. 31, 2000

	% of votes
Föreningsparbanken mutual funds	10.2
Industrivärden	8.7
Fourth Swedish National Pension Insurance Fund	4.9
Handelsbanken Pension Foundation	3.3
Alecta (formerly SPP Mutual)	3.1

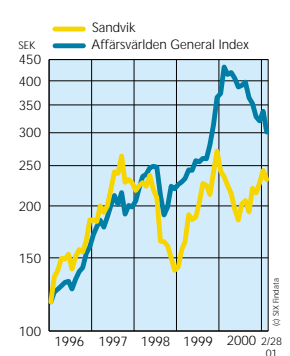
#### Industrivärden's board representative

Clas Reuterskiöld.

#### Sandvik's Stock

Sandvik's stock is listed on the Stockholm Stock Exchange. The share price fell by 15 percent in 2000, and trading volume was approximately SEK 26 billion. Sandvik's market capitalization was SEK 59 billion at year-end 2000.

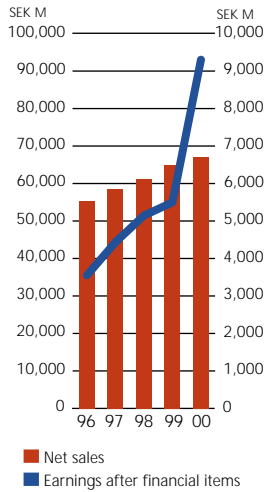
#### Sandvik's Stock



Industrivärden acquired the Sandvik holding in April 1997. Since then Sandvik's stock has performed below the index, except for in 1999, when a rationalization program had a favorable earnings impact. Stocks of cyclical companies like Sandvik and SSAB were generally weak in 2000, despite good earnings.

# SCA

SCA 1996–2000



2000 earnings included a capital gain of SEK 2,656 M on the sale of Modö Paper and provisions of SEK 625 M for restructuring measures in the tissue segment.

SCA IS AN INTEGRATED paper company that produces absorbent hygiene products, corrugated packaging and graphic paper. SCA's customers are private consumers, institutions, industry and the retail trade. Based on SCA's knowledge about user needs and the properties of paper materials, products are developed and adapted to meet demands in terms of moisture absorption (hygiene products), strength (packaging) and quality printing surfaces (graphic paper and packaging).

SCA strives to minimize consumption of natural resources. More than 95 percent of the company's products are made of renewable and recyclable material. SCA uses equal quantities of recycled fiber and fresh wood fiber in its production.

SCA's overall objective is to create shareholder value. An important part of its value-creation strategy is to increase the percentage of highly processed products, particularly in the hygiene products and packaging operations. This will take place organically as well as through acquisitions, while taking an active role in the ongoing consolidation processes in the hygiene products and packaging markets. Substantial R&D outlays are contributing to the development of even more high quality products.

SCA's financial target is that net debt over a business cycle shall amount to 0.7–1.0 times reported shareholders' equity. In addition, cash earnings should amount to 30–35 percent of net debt. With this target debt/equity ratio, the required rate of return for 2000 was 11 percent for shareholders' equity and 12 percent for capital employed. The outcome excluding nonrecurring items was a 14 percent return on capital employed and 15 percent on total capital.

Europe is the most important geographic market, with a concentration in the U.K., Germany, France and Sweden. Sales outside Sweden account for more than 90 percent of total.

## Highlights 2000

- Earnings after financial items improved by 32 percent to SEK 7,296 M, adjusted for nonrecurring items. Greater demand, higher sales prices and rationalization measures had a positive earnings impact. Earnings improved for all business units.
- The associated company Modö Paper, in which SCA had a 50 percent ownership stake, was sold to the Finnish company Metsä Serla, for a capital gain of SEK 2,656 M. In connection with this deal, Metsä Corrugated was acquired from Metsä Serla.
- An important breakthrough was made in the North American market in early 2001 with the acquisition of a tissue paper operation worth SEK 8 billion and a packaging company worth SEK 2 billion.

## Assessment of the Company from an Ownership Perspective

SCA's strategy of gradually increasing the share of highly processed products has contributed to a positive earnings trend during the past five years. Industrivärden foresees continued strong potential for earnings improvement.



Pizza is popular all over the world. Pictured here is an Italian pizza baker at his own pizzeria in Nice, France. According to tradition, he bakes his pizzas in a wood-fired oven and takes great pains to keep his customers satisfied. Pizza boxes from SCA ensure that his pizzas will taste just as good at home as in his quaint restaurant.

Share of votes: 24.2%

Share of capital: 8.6%

Holding: 18,982,000 A-shares and

1,105,532 B-shares

Market value on Dec. 31, 2000:

SEK 4,056 M

Share of portfolio value: 7%



#### Key figures

	2000	1999
Net sales, SEK M	67,157	64,896
Earnings after financial items, SEK M	9,327	5,521
Earnings per share, SEK	30.86	16.85
Dividend per share, SEK	7.75 <sup>1</sup>	6.80

<sup>1</sup> Proposed by the Board of Directors.

#### Largest owners as per Dec. 31, 2000 % of votes

Industrivärden	24.1
Custos <sup>2</sup>	20.2
Handelsbanken <sup>3</sup>	10.8
Fourth Swedish National Pension Insurance Fund	5.9
SEB <sup>3</sup>	4.5

<sup>2</sup> A resolution was passed at an extraordinary general meeting of Custos to carry out a redemption of shares against payment in SCA stock. The redemption program was carried out in February 2001.

<sup>3</sup> Pension foundations, employee foundations and funds.

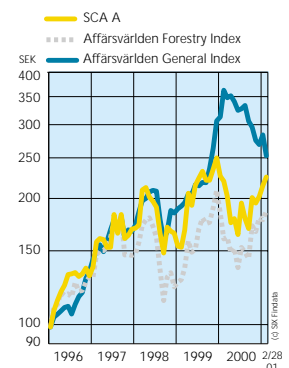
#### Board members with ties to Industrivärden

Bo Rydin, Tom Hedelius and Clas Reuterskiöld.

#### SCA's Stock

SCA's stock is listed on the Stockholm Stock Exchange and the London Stock Exchange. The stock is also available to U.S. investors through an American Depositary Receipt program. The share price fell by 19 percent in 2000, and trading volume was SEK 47 billion, of which SEK 30 billion was on the Stockholm Stock Exchange. SCA's market capitalization was SEK 46 billion at year-end 2000.

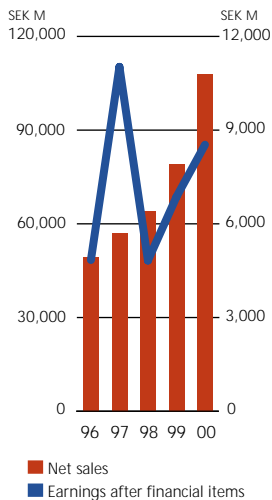
#### SCA's Stock



During the past five years SCA's stock has performed better than the Forestry Index, but below the General Index.

# Skanska

Skanska 1996–2000



1997 earnings included a capital gain of SEK 9.1 billion on the sale of most of the shares in Sandvik.  
 1999 earnings included a capital gain of SEK 3.3 billion on the sale of the shareholding in Scancem.  
 2000 earnings included combined capital gains of SEK 3.3 billion on the sales of the shareholdings in SKF, JM, Norrporten, Piren, and other companies.

SKANSKA IS ONE OF the five largest construction companies in Europe and North America, and a major property owner in Sweden. Skanska's mission is to develop, build and maintain the physical environment for living, traveling and working. Its vision is to be a world leader – the client's first choice – in construction-related services and project development.

Skanska is a global name in construction, with operations in some 50 countries, normally through local subsidiaries. In addition to Sweden, Skanska considers the U.S., Finland, Norway, Denmark, Eastern Europe and the U.K. to be home markets. The share of foreign revenues has risen from about 10 percent at the end of the 1980s to more than 85 percent today. The U.S. is now Skanska's largest market and accounted for 46 percent of sales in 2000.

Operations are conducted in five business areas: Skanska Sweden, Skanska Europe, Skanska USA, Skanska Services, and Skanska Project Development and Real Estate. The three geographic business areas are responsible for the Group's building and civil construction projects in their respective markets. Skanska Services is responsible for facilities management and strategic services.

Project development with a long-term investment horizon and real estate management are conducted by the Project Development and Real Estate business area.

Skanska's goal is to be a leader in its principal markets in the fields of construction-related services and project development. Its financial targets are to have annual growth in net sales and operating income of at least 12 percent and an average annual return on shareholders' equity of at least 15 percent over an economic cycle.

Skanska's strategy is to continue its successful world leader in construction-related services and project development. The North American oper-

ations will continue to expand organically as well as through acquisitions. In Sweden, Skanska is focusing its resources on regions with the greatest development opportunities. Elsewhere in Europe, Skanska is focusing on strengthening its position while also becoming a leading domestic player in markets with growth potential.

Skanska's strength is its ability to offer a comprehensive range of services in the construction process – from construction to assuming responsibility for building maintenance.

## Highlights 2000

- Acquisitions were carried out of the construction companies Kvaerner Construction in England, Selmer in Norway, Baugh Enterprises in the U.S., Exbud in Poland, and IPS in the Czech Republic.
- Earnings after financial items for the core businesses improved to SEK 4,416 M (2,677).
- The shareholdings in SKF, JM, Norrporten and Piren were sold for a capital gain of SEK 3.3 billion.
- The non-core construction component companies were sold.

## Assessment of the Company from an Ownership Perspective

Skanska has expanded dramatically during the last five-year period. Profitability has improved by focusing on the core businesses of building, civil construction and project development. Skanska's overcapitalization has decreased through stock redemptions, buybacks, and the distribution of the property company Drott, for a combined value of approximately SEK 20 billion. Industrivärden anticipates continued favorable development.



Jesus Mangual heads a work crew at Skanska Slattery, which is a participating contractor in the extensive modernization of the Times Square subway station in New York. In order to cause as little disruption to Manhattan's hectic traffic as possible, most of the work is done at night.

Share of votes: 29.8%<sup>1</sup>

Share of capital: 7.1%<sup>1</sup>



Holding: 5,575,689 A-shares  
and 2,500,000 B-shares  
Market value on Dec. 31, 2000:  
SEK 3,150 M  
Share of portfolio value: 6%

<sup>1</sup> Skanska repurchased 6.4 percent of its shares in 2000, but it has not reduced the capital stock. Industrivärden's share of votes and capital is based on all shares outstanding, including those repurchased.

Key figures	2000	1999
Net sales, SEK M	108,022	79,128
Earnings after financial items, SEK M	8,531	6,862
Earnings per share, SEK	53.60	37.60
Dividend per share, SEK	13.50 <sup>2</sup>	16.00

<sup>2</sup> Proposed by the Board of Directors. The dividend for 1999 included an extra dividend of SEK 4.00 per share.

Largest owners as per Dec. 31, 2000 % of votes

Industrivärden	29.8
Inter Ikea Investment	10.1
Föreningsparbanken mutual funds	6.6
AMF Pension	3.4
Handelsbanken Pension Foundation	2.6

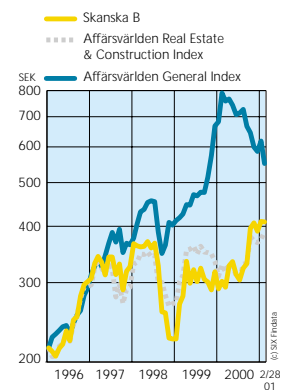
Board members with ties to Industrivärden

Bo Rydin, Finn Johnsson and Clas Reuterskiöld.

Skanska's Stock

Skanska's stock is listed on the Stockholm Stock Exchange. The share price rose 23 percent in 2000, and trading volume was SEK 23 billion. Stock repurchases totaled SEK 2.6 billion. Skanska's market capitalization was SEK 44 billion at year-end 2000.

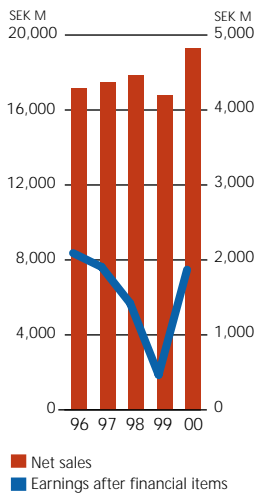
Skanska's Stock



Skanska's stock has performed on a par with the Real Estate and Construction Index but below the General Index during the past five years. The stock price in 1998 was affected by the distribution of Drott shares, which were worth SEK 65 each at the time of their distribution.

# SSAB

SSAB 1996–2000



SSAB IS ONE OF THE most efficient and profitable steel companies in Europe. The company is pursuing a deliberate niche strategy designed to consolidate its position as one of the leading manufacturers of high-strength sheet and quenched steels within the plate segment. Through this niche focus and close cooperation with customers, SSAB has achieved a position as a specialist steel supplier in the commercial steel sector. The product program is concentrated on steel sheet and plate.

SSAB specializes in high-strength steel sheet, where it is one of the leading suppliers in Europe. The steel sheet product line includes hot-rolled, cold-rolled, metal-coated and organic-coated sheet. High-strength steel sheet is used in the automotive industry and by crane manufacturers, among others. Ordinary sheet is used primarily in the engineering and construction industries.

In the plate segment, SSAB is the world's leading manufacturer of quenched steels, i.e., high-strength construction steels and abrasion-resistant steels. Quenched steels are used in construction machinery, mining equipment, cranes and bridges, among other things. The plate product range also includes ordinary steels which are sold in the local markets for use in the shipbuilding and general manufacturing industries.

SSAB has an approximate 50 percent market share in Sweden. This strong market position has been achieved through further processing by the wholly owned subsidiaries Plannja, SSAB HardTech and Dickson, and through the partly owned (85 percent) trading company Tibnor.

Plannja organic-coats and profiles steel and aluminum building sheet. SSAB HardTech manufactures press-hardened safety components for the automotive industry. Dickson prefinishes steel sheet. Tibnor accounts for a large share of steel trading in Sweden.

Sales outside Sweden account for approximately 50 percent of total.

## Highlights 2000

- Earnings after financial items, excluding non-recurring items, improved by SEK 861 M to SEK 1,283 M. The earnings improvement is attributable to greater volume and higher margins in the steel tube operations.
- A new SEK 950 M blast furnace was put in operation. In connection with this, a smaller blast furnace was decommissioned, entailing a substantial gain in efficiency.

## Assessment of the Company from an Ownership Perspective

The international steel market took a turn for the worse in late 1998 and early 1999, which led to sagging profitability for the industry. SSAB's earnings decline was minimized due to the company's successful specialization on highly processed steel, and SSAB thereby remained one of the most profitable companies in the industry. Earnings improved substantially in 2000, and the portion of highly processed products is expected to continue rising in 2001.



Bedtime is approaching, and 11-year-old Ossian stops by the kitchen for a late-night snack. He's just gotten his hands on a string of sausages when the family's dog Cesar shows up. The refrigerator is a natural gathering point, most people will agree. What they probably don't know is that their refrigerator is very likely made of coated steel sheet from SSAB.

Share of votes: 14.2%<sup>1</sup>

Share of capital: 10.8%<sup>1</sup>

Holding: 12,065,600 A-shares  
 Market value on Dec. 31, 2000:  
 SEK 1,086 M  
 Share of portfolio value: 2%

<sup>1</sup> SSAB repurchased 8.5 percent of its shares in 2000, but it has not reduced its capital stock. Industrivärden's share of votes and capital is based on all shares outstanding, including those repurchased.

Key figures	2000	1999
Net sales, SEK M	19,271	16,807
Earnings after financial items, SEK M	1,870	467
Earnings per share, SEK	12.00	2.50
Dividend per share, SEK	5.00 <sup>2</sup>	4.50

<sup>2</sup> Proposed by the Board of Directors.

Largest owners as per Dec. 31, 2000 % of votes

Industrivärden	14.2
Föreningsparbanken mutual funds	8.6
Fourth Swedish National Pension Insurance Fund	7.5
LKAB	5.7
AMF Pension	5.3

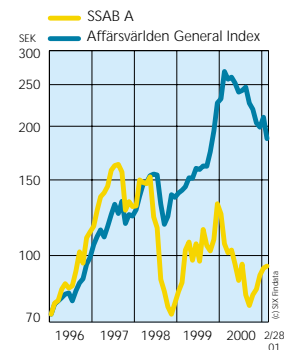
Board member with ties to Industrivärden

Carl-Erik Feinsilber.

#### SSAB's Stock

SSAB's stock is listed on the Stockholm Stock Exchange. The share price fell 32 percent in 2000, and trading volume was SEK 6 billion. Stock buybacks totaled SEK 0.8 billion. SSAB's market capitalization was SEK 10 billion at year-end 2000.

#### SSAB's Stock



During the past five-year period SSAB's stock has performed below the index, mainly due to the weak steel market in 1998 and 1999. Stocks of cyclical companies like Sandvik and SSAB were generally weak in 2000, despite good earnings.

# Major Medium-Term Holdings

Industrivärden began building up a medium-term stock portfolio in 1995. The goal is to achieve good growth in value while maintaining high liquidity in the holdings. At year-end 2000 the medium-term listed portfolio included 17 holdings with a combined market value of SEK 13.1 billion. The largest holdings were Skandia and

the pharmaceutical companies Lundbeck A/S, Pfizer Inc. and Pharmacia Corp. Other holdings with a market value exceeding SEK 100 M were Scania and Volvo (manufacturing), Karo Bio (biotech), and Eniro (media). The portfolio included another nine, smaller holdings.





# Skandia

Skandia is an international savings and insurance group with operations in more than 20 countries. Its core businesses are conducted in the Long-Term Savings and Asset Management business units. Property & casualty insurance is conducted in the partly owned (56 percent of the capital, 50 percent of the votes) subsidiary If, which is planning for an IPO.

Skandia's long-term savings business is conducted primarily via Assurance & Financial Services (AFS) in Europe, North and South America, and Asia. The largest product group is unit linked assurance, which is adapted to the legislation and market conditions of each country. Skandia AFS cooperates with some 100 of the world's foremost fund companies, including Goldman Sachs, Fidelity, Morgan Stanley and Merrill Lynch, which together represent an offering of more than a thousand different funds. The aim is to be

able to offer the best funds on the market and thereby give customers the best return on their invested assets.

The most important markets for Skandia AFS, ranked by size, are the U.S., the U.K. and Sweden.

Skandia Asset Management has investment offices in Stockholm, Bergen, Hong Kong, London and New York. Activities encompass global investments in equities, fixed-income securities and real estate.

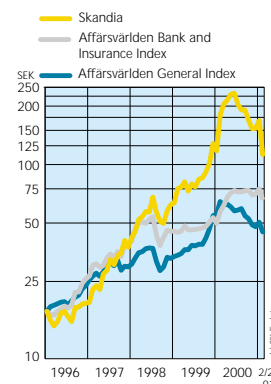
#### Share of votes and capital: 4.5%



Holding: 47,846,800 shares<sup>1</sup>  
 Market value on Dec. 31, 2000:  
 SEK 7,344 M  
 Share of portfolio value: 13%

<sup>1</sup> The number of shares doubled in May 2000 as a result of a 1:1 stock dividend.

#### Skandia's Stock



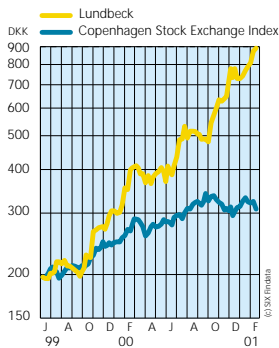
In recent years Skandia has performed considerably better than the General Index as well as the Bank and Insurance Index. A sizable international operation has been built up in the Long-Term Savings business unit.



The family is a central pillar in Japanese culture, and much importance is put on ensuring families' financial security. "Seven Year-Olds' Day" is an important event in a Japanese girl's life. It's a celebration that calls for her to dress up in traditional clothing along with a family visit to the annual spring festival. Japan is a new and very interesting market for Skandia's savings products.

# Lundbeck

**Lundbeck's Stock**



Since its IPO in June 1999, Lundbeck has performed considerably better than the Copenhagen Stock Exchange Index.

Lundbeck is a Danish pharmaceutical company engaged in the development, manufacture and marketing of drugs for central nervous system diseases. The company's flagship product is the antidepressive drug citalopram, which is marketed under the names Cipramil, Celexa and Seropram, among others. Celexa has been launched in the U.S. with major success.

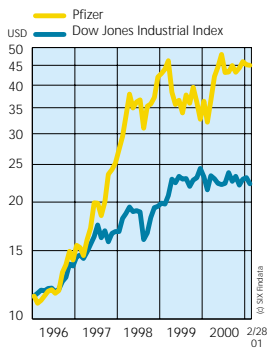
Lundbeck's goal is to be one of the world's leading pharmaceutical companies in the fields of psychiatry and neurology – regarding research as well as marketing. Lundbeck's R&D is focused entirely on developing novel medicines for combating central nervous system diseases.



Holding: 2,100,000 shares  
Market value on Dec. 31, 2000: SEK 1,943 M  
Share of portfolio value: 4%

# Pfizer

**Pfizer's Stock**



Pfizer has outperformed the NYSE Dow Jones Index for the past five years.

Pfizer is an American pharmaceutical company and the largest in the world, measured by market value. Pfizer's main products consist of cholesterol-reducing, antihypertensive, and antidepressive drugs. In recent years the company has also launched pioneering products for impotence and pain control.

Cardiovascular drugs account for approximately 35 percent of sales, anti-infection agents for approximately 15 percent, and central nervous system drugs for roughly 10 percent. Geographically, 60 percent of sales are derived from North America and 40 percent from the rest of the world.



Holding: 3,000,000 shares  
Market value on Dec. 31, 2000: SEK 1,312 M  
Share of portfolio value: 2%

# Unlisted Holdings

In recent years a limited portfolio of unlisted holdings has been built up. At the close of 2000 Industrivärden's total investment in unlisted companies was SEK 235 M, broken down into six holdings, mainly IT companies.

Following is a presentation of the largest unlisted holdings.

## Ericsson Venture Partners

(25 percent of the votes and capital)

Industrivärden's largest potential undertaking in unlisted companies pertains to the venture capital company Ericsson Venture Partners, which Industrivärden decided to form during the year in partnership with Ericsson, Investor and Merrill Lynch. The aggregate fund capital amounts to USD 300 M, of which Industrivärden's share is 25 percent. Activities are expected to get started during the first half of 2001.

The intention is that Ericsson Venture Partners will be targeting primarily companies and technologies focusing on mobile Internet development, mainly in Europe and the U.S. Investments will be made in all aspects of mobile Internet technology, including infrastructure, services and applications.

Within three years, it is expected that there will be more users of mobile Internet systems than fixed systems, which would entail great demand for distribution networks as well as new systems.

## DHJ Media

(22 percent of the votes and capital)

DHJ Media was established in 1996 by three entrepreneurs in the advertising and media business. The company has its origins in a project for digitalizing film, which evolved into a technique for booking, distributing and presenting digitalized advertising.

Text and images are distributed to electronic screens or projectors via a central computer system. Information can be provided in real time, which is important for consumer advertising, which uses digitalized advertising.

DHJ Media has delivered a number of pilot projects to date, including the Arlanda Railway Shuttle, Arlanda Airport, and the London Underground. Commercial-scale deliveries are expected to begin in late 2001 at the earliest.

## Establish

(20 percent of the votes and capital)

Internet consulting company Establish designs and implements technically qualified IT solutions. Establish is a growth company focusing on integrated e-commerce solutions. Its logistics and business know-how ensures that delivered systems will contribute to the enhancement of customers' competitiveness and profitability.

With its unique expertise in both logistics and e-commerce, Establish is in a position to rapidly deliver customized e-commerce solutions.

Invoiced sales in 2000 amounted to SEK 100 M. The surplus generated during the year has been invested in international expansion.

## Biodisk

(22 percent of the votes and 37 percent of the capital)

Founded by a researcher at the Karolinska Institute in Stockholm to promote the efficient use of antibiotics, Biodisk develops high-quality products for diagnostic tests. The most prominent product is Etest, which is a highly recognized trademark in all significant markets. Etest has attained world recognition as an effective method for testing resistance to antibiotics.

Biodisk allocates substantial resources to research surrounding high-quality products for diagnostic tests, partly in collaboration with other laboratories around the world.

With head offices in the Stockholm suburb of Solna, Biodisk has subsidiaries in the U.S. and Germany, and a network of distributors in some sixty countries.

Biodisk reported sales of SEK 88 M for the 1999/2000 fiscal year. Earnings after financial items totaled SEK 49 M.

## Interpeak

(20 percent of the votes and capital)

Interpeak is a minor development company, which was established during the year. Interpeak develops and sells technically qualified software designed to provide security for embedded systems used on the Internet.

In the years immediately ahead embedded systems are expected to be used online, creating an immense need for security solutions. Embedded systems are computers that are built into cars, mobile phones, manufacturing machinery, and so on. Interpeak is at the cutting edge in developing software that enables the secure use of embedded systems on the Internet.

# Industrivärden and the Environment



AS A HOLDING COMPANY Industrivärden must make demands on the environmental work of its wholly owned subsidiaries as well as of the listed companies in which it is a major owner.

Industrivärden's wholly owned subsidiaries all have their own detailed environmental plans. Verification that set targets are achieved is conducted on a continuous basis. Environmental work is assigned priority in various environmental areas, depending on the focus and operating conditions of the individual subsidiary. Priority areas within the Group are: products and their recycling, energy consumption, handling and choice of chemicals, emissions to water and the air, waste management, and transports. To obtain a picture of the subsidiaries' continuing environ-

mental work and current environmental issues, environmental inventories are taken regularly. The result of these inventories forms the basis of the subsidiaries' ongoing environmental effort. Using these environmental inventories as a base, the subsidiaries have all formulated their own environmental policies and set up own environmental targets.

Isaberg Rapid has operations at a surface treatment plant that require a permit in accordance with the environmental code. Industrivärden's other subsidiaries do not conduct any operations that require a permit in accordance with the environmental code. Isaberg Rapid is environmentally certified according to ISO 14001.

## Industrivärden's Environmental Policy

Industrivärden's business mission is to create good growth in shareholder value through active ownership.

Toward the fulfillment of this business mission, the following environmental policy has been adopted:

Industrivärden shall act to ensure that its subsidiaries and companies defined as core holdings adopt environmental policies – based on their respective operating conditions – that put special emphasis on the following areas:

### **The Market**

The companies shall be responsive to customers' preferences and to the market's environmental demands.

### **Environmental Impact**

The companies shall be aware of their environmental impact and work actively to reduce this impact and their use of resources.

### **Legislation**

Legal regulations shall be viewed as a minimum requirement.

### **Environmental Management**

Targets must be quantifiable and followed up on a continuous basis.

## Environmental Policy for Industrivärden's Core Holdings

Following is a summary of points that the respective core holdings cover in the environment sections of their annual reports.

### Ericsson

Ericsson's environmental policy prescribes that environmental awareness shall be an integral part of the day-to-day business activities, that life cycle analyses shall be used to minimize the environmental impact of products and systems, that environmental management systems shall be introduced in all manufacturing units and other operations, that the statutory environmental requirements shall be met or exceeded, and that the company's environmental work shall be communicated internally as well as externally.

A group-wide environmental management system in accordance with ISO 14001 was implemented in 2000 and will be certified in 2001.

The telecommunications industry has great opportunities to contribute to environmental improvements by replacing physical products and services with information technology-based functions and services. Products are becoming smaller and smaller, but with greater functionality. Telephone answering machines are a prime example of a product that can be replaced by the same service that is available over the telephone network.

Ericsson has set up the following objectives for its environmental work: to reduce energy consumption by existing products and systems, to reduce transport costs by reducing the weight and volume of products, to remove hazardous substances from products, and to incorporate recycling considerations into product design.

### Handelsbanken

Handelsbanken is a signatory of the International Chamber of Commerce's Business Charter for Sustainable Development and is affiliated with the UN's Banks and the Environment program. Handelsbanken aims to take measures to minimize adverse environmental impact as far as technically and economically possible and to the extent that this is compatible with the bank's undertakings. Environmental considerations are taken into

account in all investment and purchasing decisions. The bank has entered into a number of central, nationwide agreements for waste-sorting and recycling of electronic equipment and other office machines, such as PCs, toner cassettes, paper, plastic packaging, light sources, and so on.

Handelsbanken's environmental policy states that in addition to a customer's ability to pay, environmental considerations should also be taken into account when granting loans. Environmental matters are therefore an integral part of credit assessment at Handelsbanken. Failure to comply with environmental regulations could lead to the incurrence of environment-related liabilities which could jeopardize the customer's repayment capacity.

Environmental aspects are reviewed at least once a year for each commercial customer in an effort to assess the effects of the company's environmental impact, if any, on its financial development opportunities.

### Sandvik

Sandvik's environmental awareness is an integral element of its total business operations. Environmental considerations are always taken into account in the development of new products, changes in processes and production methods, and in assessments of investments and acquisitions.

Decisions related to business activities that affect the environment are guided by considerations of what is ecologically justified, technically possible and economically feasible. Sandvik's aim is to minimize consumption of energy and scarce resources and the use of materials that are harmful to humans or the environment. Sandvik's policy is thus to comply with all agreements pertaining to the natural and working environments as well as with generally accepted industrial practice in the countries in which it operates.

Sandvik is gradually establishing environmental management systems in its production facilities in accordance with ISO 14001. Most of the facilities will have received certification by 2001.

Many of Sandvik's products help customers improve the environment, such as the extremely thin strip steel used in vehicle catalytic converters, and Sandvik's advanced, stainless steel heat-exchanger tubes, which can withstand highly corrosive environments.

## **SCA**

SCA's environmental policy is based on the principles that SCA assumes responsibility for the environment, that all decisions shall include environmental considerations, that environmental responsibility shall be a natural aspect of all operations, and that information about SCA's environmental efforts shall be open and freely available. SCA's environmental work is to be characterized by continuous improvement and review. Moreover, SCA shall meet customer expectations for environmentally sound products and actively disseminate information aimed at stimulating demand for these products.

SCA's environmental policy and closed-loop concept play a central role in the company's environmental strategy. The aim is to reduce the relative use of nonrenewable and nonrecoverable resources in the company's production and distribution, in terms of both materials and energy.

SCA has environmentally certified all of its forestry operations in accordance with ISO 14001 and the management of its own forest stands in accordance with FSC (the Forest Stewardship Council) criteria. At year-end 2000 the majority of the company's paper mills were ISO 14001 certified or registered in accordance with EMAS (the EU's Eco Management and Audit Scheme).

## **Skanska**

Skanska's environmental policy emphasizes the importance that the Group's employees take individual responsibility for preventing and minimizing environmental impact. Environmental work is focused on resource-efficient construction that allows a reduction in energy and material consumption throughout the life cycle of a structure.

Skanska has established overriding environmental goals in all business operations. Environmental management systems are necessary tools for pursuing effective environmental work that minimizes environmental risks and facilitates the task of creating environmentally sound operations. All Skanska units were certified according to the ISO 14001 international environmental management standard by the end of 2000. Skanska is thus the first global construction company to have obtained environmental certification for all of its operations. Companies acquired after

1998 will be environmentally certified not later than two years after their acquisition.

As clients increase their environmental demands on potential contractors, Skanska seeks to strengthen its market position by conducting successful environmental work. Skanska abstains from participating in construction projects that it believes will result in serious risks to the environment or to society at large.

## **SSAB**

SSAB strives to maintain a leading position in the steel industry in the environmental compatibility of its products and processes. Its environmental policy emphasizes, among other things, continuous improvement in the environmental qualities of steel products and the use of resource-efficient manufacturing processes that are also technically and commercially viable.

Steel can be reused without its main constituent, iron, losing any of its original properties. Thus scrap steel can be melted down endlessly and be used to produce new steel products. Today nearly 50 percent of the world's steel production is based on recycled scrap steel. In combination with advanced recycling systems, steel thus has the fundamental qualities to meet societal demands for ecocycle compliance.

SSAB continues to develop ever stronger and more resistant types of steel with a lower consumption of resources. For instance, one newly developed corrosion-resistant steel from SSAB has the same life span as ordinary steel despite an 80 percent reduction in the materials used.

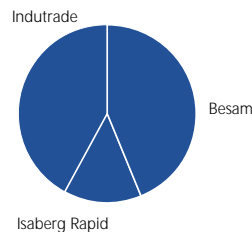
SSAB conducts active environmental work with the aim of developing and securing the operations in order to minimize the impact on the surrounding environment as much as possible. This work covers emissions into the air and water, conservation of energy and raw materials, the handling of by-products and chemicals, risk analyses, and preparedness for environmental accidents.

Many processes and products are developed from a life cycle perspective.

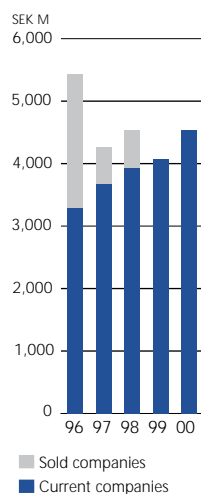
SSAB applies many key parts of the established EMAS and ISO 14001 environmental management systems. Certification of the environmental management systems in accordance with ISO 14001 will begin in 2001.

# Subsidiaries

Net Sales per Subsidiary



Net Sales Subsidiaries



The following structural changes took place during the period:  
 1996: Sale of Elit Fonster  
 1997: Sale of Thorsman  
 1999: Sale of Hydrauto and Rapid Granulator

INDUSTRIVÄRDEN'S WHOLLY OWNED subsidiaries complement the portfolio of listed stocks and give the Group access to valuable industrial know-how and a stable cash flow. The subsidiary group comprises two industrial companies and one trading company. Besam and Isaberg Rapid are active in light engineering. Indutrade is a group of trading companies with a substantial degree of international business. Together the subsidiaries had approximately 3,000 employees at year-end, of whom approximately 1,800 were outside Sweden.

The subsidiaries are required to have a certain minimum size, a market-leading position, an international focus and good prospects for organic growth, among other things. Good earnings capacity and profitability are also required. The operations should not be too capital-intensive.

## Organization

The subsidiary operations are highly decentralized, and each company is fully responsible for its earnings, business development and capital budgeting. This means that the subsidiaries must have a complete organization and thus may not be dependent on continuing operative support from corporate management.

The strategy of decentralization and management by objective has proved to work well. Thoroughly implemented, decentralized management is especially important for enabling decisions to be made as near to the market as possible.

Corporate management focuses on strategic planning, business management and control using a highly developed planning and reporting system. Board work in the subsidiaries is directed by a chairman from Industrivärden and involves the active participation of outside directors.

## Internationalization

A high degree of internationalization is a key ele-

ment in Industrivärden's subsidiary company strategy. Besam and Isaberg Rapid both have more than 90 percent of their sales outside Sweden. More than half of Indutrade's sales are derived from other countries than Sweden, and more than 90 percent of its suppliers are located outside the Nordic countries.

## Market Position

Besam is the world's largest supplier of automatic door systems. Isaberg Rapid is one of the world's leading manufacturers of fine-wire stapling products. Indutrade is one of the leading trading companies in the Nordic countries.

## Sales and Earnings

Invoiced sales amounted to SEK 4,538 M (4,069), an increase of 12 percent for comparable units. Measured at constant exchange rates, invoiced sales rose 11 percent.

Earnings after financial items totaled SEK 458 M (384). Earnings for the year include the discounted present value of surplus client-company funds from SPP insurance company, totaling SEK 37 M.

*Besam* noted good volume development, particularly in aftermarket sales, and invoiced sales rose 14 percent to SEK 1,977 M (1,735). Earnings improved by SEK 35 M to SEK 217 M (182).

*Isaberg Rapid's* invoiced sales rose 10 percent to SEK 642 M (583). Earnings totaled SEK 65 M (64).

*Indutrade* increased its invoiced sales by 10 percent, to SEK 1,919 M (1,751), mainly in the domestic market. Earnings totaled SEK 176 M (138), including SEK 26 M in repaid surplus funds from SPP.

Of the subsidiaries' invoiced sales, 25 percent pertained to Sweden, 16 percent to the other Nordic countries, 37 percent to other European countries and 22 percent to the rest of the world.



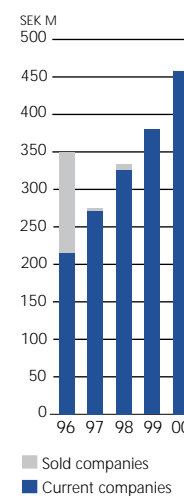
## Return on Capital Employed

The profitability requirement for Industrivärden's subsidiaries is that they generate an average return on capital employed of at least 20 percent over a business cycle. During 2000 all three subsidiaries had a return that exceeded the 20 percent requirement. The composite return on capital employed for the subsidiaries was 32 percent (28), excluding the repayment of surplus funds from SPP.

## Euro Accounting

The European subsidiaries located in the countries included in the European Monetary Union (EMU) will begin invoicing in euros in 2001. Their share capital will be reported in euros by the end of 2001 at the latest. A euro summary for the Industrivärden Group for the period 1996–2000 can be found on page 65.

## Earnings After Financial Items, Subsidiaries



Hydrauto and Rapid Granulator were sold 1999, Thorsman 1997 and Elit Fönster 1996.

Subsidiaries	2000	1999	1998	1997	1996
Net sales, SEK M	<b>4,538</b>	4,069	4,531	4,268	5,436
of which, outside Sweden, %	<b>75</b>	75	75	76	69
Operating earnings, SEK M	<b>473</b>	400	358	298	367
Earnings after financial items, SEK M	<b>458</b>	384	334	275	350
Return on capital employed, %	<b>32*</b>	28	24	21	19
Capital expenditures, SEK M	<b>113</b>	92	144	129	240
Average number of employees	<b>2,922</b>	2,894	3,361	3,313	4,534
of whom, outside Sweden	<b>1,749</b>	1,744	1,781	1,791	2,309

\* Excluding repayment of surplus funds from SPP, totalling SEK 37 M.

# Besam

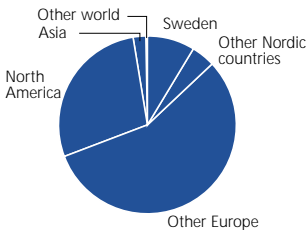


Peter Aru, President of Besam

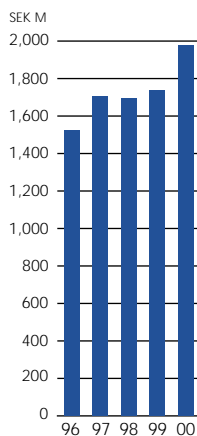
## Board of Directors

Clas Reuterskiöld (Chairman),  
 Peter Aru (President), Jan Blomberg,  
 Carl-Olof By, Eva Gidlöf,  
 Per Jalmbö, Stig Kjellman,  
 Bertil Samuelsson and  
 Anders Unger

## Net Sales per Market



## Net Sales



Net sales increased by an average of 7 percent per year from 1996-2000.

## Products

BESAM PRODUCES AUTOMATIC door systems, including automatic swing doors, sliding doors, and revolving doors. The product line also includes special products, such as folding doors and balance doors. Aftermarket sales – i.e., service and maintenance of installed systems – account for a growing share of business.

Automatic door systems are used indoors and in building entrances. The largest application areas are in supermarkets and commercial premises, as well as in hospitals and other health care facilities. Automatic doors are becoming increasingly common in terminals, banks, administration buildings, hotels, nursing homes and other public areas. In some countries they are also used widely by private shop owners.

## Markets

The use of automatic doors has been on the rise for many years. The door automation market is expected to continue expanding geographically as well as in terms of application areas. However, the previous rapid growth slowed during the 1990s. Growth today is mainly in the areas of service and maintenance.

As the world's largest supplier of automatic doors, Besam is penetrating all major markets in the Western world. It is the market leader in most of the countries in which it has own subsidiaries. As the only global supplier of door automation systems, Besam has subsidiaries in some 20 countries in Europe, North America and Asia, plus some 40 independent distributors in countries where it lacks own representation. The largest single markets are the U.S., the Benelux countries, Germany, the U.K., Sweden and France. In all, business outside Sweden accounted for 93 percent of sales and 79 percent of the work force in 2000.

## Customers

Retail stores and health care facilities are Besam's most important customer segments. In recent years Besam has directed its sales efforts at global accounts for international retail chains, service stations, hotels, and so on, where customers put high demands on function, reliability, and geographic presence.

## Competitors

The chief competitors are in the U.S. (Stanley and Horton), Germany (Dorma and Geze), Switzerland (Record and Kaba-Gilgen) and the Netherlands (Boon). Japan also has numerous manufacturers, with sales primarily in Asia. A common characteristic of most the major competitors is that automatic doors account for a minor portion of total sales. Besam is one of the few players in the business that is dedicated exclusively to automatic doors. None of the competitors can match Besam's overall market coverage.

## The Besam Concept

The Besam concept is built on the following points:

- centralized product development
- subcontracted component manufacture
- product sales and service primarily through own subsidiaries.

This concept gives the company great production flexibility with a limited capital requirement, at the same time that the various markets can be handled according to local conditions.

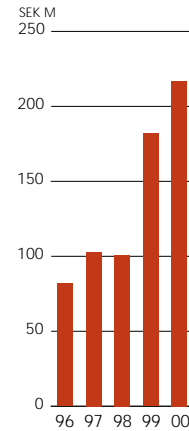
## Development Potential

Besam's principal strategy is to augment organic growth with strategic acquisitions. Although automatic doors are viewed increasingly as a mature product, many markets and application areas are still characterized by low use of automatic doors. The aftermarket is today the most expansive



Automatic doors are a big help in the restaurant business. At the Opera Bar in Stockholm a steady stream of servers passes through the kitchen doors, which open and close automatically.

#### Earnings After Financial Items



part of the business. A higher degree of standardization and deeper penetration of existing customer segments, coupled with continued expansion of the service organization, is thus essential for sustained earnings development.

Besam's buildup of service organizations in most markets gives it good prospects for maintaining positive volume growth.

#### Product Development

Besam conducts extensive development work in the aim of making its products technological leaders, while still being the most cost-effective alternative for customers. During the year a new, automatic swing door system was launched, and a new, high-security sliding door system is currently being launched.

#### Production

Besam has assembly plants in Sweden, Germany and the U.S. All component manufacture is handled by subcontractors.

#### ISO Certification

Besam's manufacturing plants are certified according to the international ISO 9001 standard.

#### Business Trend 2000

Invoiced sales rose 14 percent to SEK 1,977 M (1,735). Measured at constant exchange rates, the increase was 11 percent. The increase is attributable primarily to service and maintenance of installed systems.

Earnings after financial items totaled SEK 217 M (182), including SEK 5 M in repaid surplus funds from SPP. The earnings improvement is attributable primarily to volume growth and improved productivity. The return on capital employed exceeded the profitability target of a 20 percent return by a good margin.

#### Besam Worldwide



Key figures	2000	1999	1998	1997	1996
Net sales, SEK M	1,977	1,735	1,692	1,707	1,525
of which, outside Sweden, %	92	91	92	92	92
Operating earnings, SEK M	222	187	112	111	90
Earnings after financial items, SEK M	217	182	101	103	82
Capital expenditures, SEK M	36	33	25	40	78
Visible equity ratio, %	37	36	36	36	35
Average number of employees	1,368	1,390	1,437	1,520	1,497
of whom, outside Sweden	1,083	1,091	1,127	1,177	1,150

# Isaberg Rapid

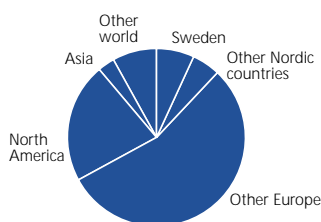


Pelle Holm, President of Isaberg Rapid

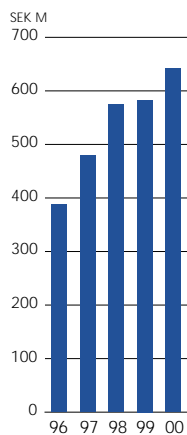
## Board of Directors

Carl-Olof By (Chairman),  
Bo Damberg, Per Erik Fylking,  
Pelle Holm (President),  
Hasse Johansson, Lennart Myrén,  
Bertil Torén and Anders Unger

## Net Sales per Market



## Net Sales



Net sales increased by an average of 13 percent per year from 1996–2000.

## Products

ISABERG RAPID PRODUCES staplers and fine-wire staples for use in offices and crafts, and are marketed under the Rapid brand. The product line includes manual and electric staplers.

Desktop staplers and stapling pliers are used in offices, while electric tackers and hammer tackers are used to fasten textiles, molding, moisture-barrier film and tar paper, mainly by professional craftsmen but also by private persons for hobby activities. For the OEM market, Isaberg Rapid develops staplers that are built into photocopiers, among other things.

## Markets

Isaberg Rapid is one of Europe's leading companies in stapling. Its products are sold in more than 100 countries, and more than 90 percent of sales are outside Sweden. Europe and North America are the most important markets. Isaberg Rapid's products are also sold through a network of dealers in South America, the Middle East, Africa, the Far East, Australia and New Zealand. The company's Rapid brand is well known and has the broadest market coverage in the world in its product area.

## Customers

Isaberg Rapid's products are sold in three primary markets: office, tools and OEM. Office products are sold via distributors or own subsidiaries to office supply stores, which have undergone a substantial consolidation in recent years. Tools are sold by hardware stores to professional users as well as to the do-it-yourself market. The OEM segment consists of the world's leading manufacturers of photocopiers.

## Competitors

Aside from Isaberg Rapid, the industry consists of a handful of global, brand-name producers with strong positions in their respective home markets,

like Arrow, Bostitch, Max, ACCO and Esselte. A number of markets are also served by smaller, local manufacturers.

## Development Potential

By acquiring and establishing its own sales companies in France, the U.K., Germany and the Netherlands, Isaberg Rapid has created potential in recent years for greater market shares and thus higher production volumes. However, a large portion of sales are made through local distributors, which are also responsible for service. Additional future growth is being sought by establishing direct contact with end-customers.

International office-supply chains, which have been a driving force behind the changing distribution pattern, are an important customer category. Isaberg Rapid has been designated as a preferred supplier of staplers and staples by most of the major office supply chains.

Isaberg Rapid has good opportunities to achieve continued volume and earnings growth by developing new products and distribution forms. The joint venture started in China in 1998 has added a line of medium-priced products which will enable penetration of new market segments. Sales in China are conducted in collaboration with the Chinese part-owner, while exports are handled by Isaberg Rapid. Starting in 2001 the Chinese company will be included in the Isaberg Rapid Group's accounts.

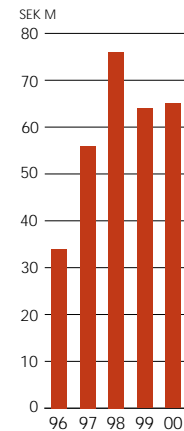
## Product Development

Product development is a cornerstone in Isaberg Rapid's strategy of enabling volume growth. Isaberg Rapid has developed a specially engineered electric stapler with a patented staple cassette for incorporation into office photocopiers. Deliveries of these photocopier staplers have risen sharply in recent years, as have aftermarket sales of accompanying staple cassettes. Deliveries of new product



Thanks to built-in photocopier staplers from Isaberg Rapid, large volumes of documents can be copied and stapled in an integrated process.

#### Earnings After Financial Items



variants will begin successively in the years immediately ahead. Continued good growth is anticipated for both photocopier staplers and staple cassettes.

#### Production

Isaberg Rapid's staplers are manufactured in Hestra and Östra Frölunda, Sweden, while staples are manufactured in Lutzelbourg, France. The Chinese joint-venture company manufactures staplers and staples. During the year, some staple production was transferred from France to China. Production capacity in China will be further expanded.

#### ISO Certification

Isaberg Rapid's Swedish manufacturing units are certified in accordance with the international ISO 9001 quality standard. Environmental certification in accordance with ISO 14001 was received in 1999.

#### Business Trend 2000

Invoiced sales rose 10 percent to SEK 642 M (583). Measured at constant exchange the increase was 10 percent rates as well.

Earnings after financial items totaled SEK 65 M (64), including SEK 6 M in repaid surplus funds from SPP. The return on capital employed exceeded the profitability target of a 20 percent return.

#### Isaberg Rapid Worldwide



<sup>1</sup> Joint-venture with 51 percent ownership share.

#### Key figures

	2000	1999	1998	1997	1996
Net sales, SEK M	642	583	574	479	388
of which, outside Sweden, %	93	93	93	93	92
Operating earnings, SEK M	73	70	81	59	36
Earnings after financial items, SEK M	65	64	76	56	34
Capital expenditures, SEK M	53	34	60	34	24
Visible equity ratio, %	29	29	27	28	31
Average number of employees	708	686	658	581	547
of whom, outside Sweden	216	199	173	162	148

# Indutrade

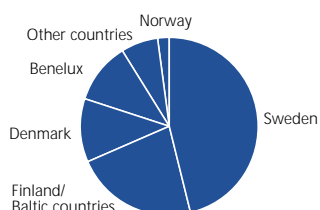


Gunnar Tindberg,  
President of Indutrade

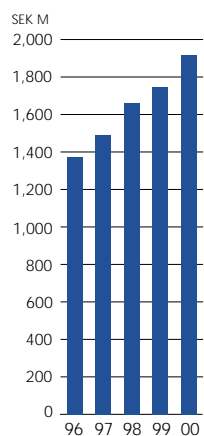
## Board of Directors

Clas Reuterskiöld (Chairman),  
Carl-Olof By, Jan Carlborg,  
Eva Färnstrand,  
Börje Nordenö and  
Gunnar Tindberg (President)

## Net Sales per Market



## Net Sales



Net sales rose by an average of 9 percent per year during the period 1996-2000.

## Operations

INDUTRADE IS A TRADING COMPANY whose overriding business concept is to provide imported components to industrial companies with a recurring need, and in connection with this, to offer qualified, technical system solutions. Indutrade's suppliers consist of international companies with brand-name products and major development resources, as well as niche manufacturers. Most of the products are leaders in their respective segments.

Customers are increasingly demanding system and design solutions in which Indutrade provides technical competence along with purchasing and logistics know-how. This requires that Indutrade's sales staff serve as technical consultants, which puts high demands on competence in technical service, installation and problem-solving.

Indutrade's principal markets are Sweden, Denmark, Finland and the Benelux countries. The company is also active in Norway, the Baltic countries and Russia.

## Organization and Management Philosophy

Indutrade's management philosophy is to delegate earnings responsibility to the companies or units that generate the business. The group's large companies are organized in product-oriented divisions with full profit responsibility. Indutrade can thus be said to comprise some forty profit centers, each with sales of between SEK 10 M and 130 M, and employing between 10 and 100 people.

Indutrade's objective is to add a certain amount of business volume each year through company acquisitions. This can also entail the addition of new product areas. New companies and product areas must fit into Indutrade's business concept.

## Structural Changes

During the year Indutrade acquired the Swedish

pump technology company Processpumpar i Motala AB. The company has annual sales of approximately SEK 50 M and 15 employees. Indutrade also made a few additional, minor acquisitions in Sweden and Finland.

## Products and Markets

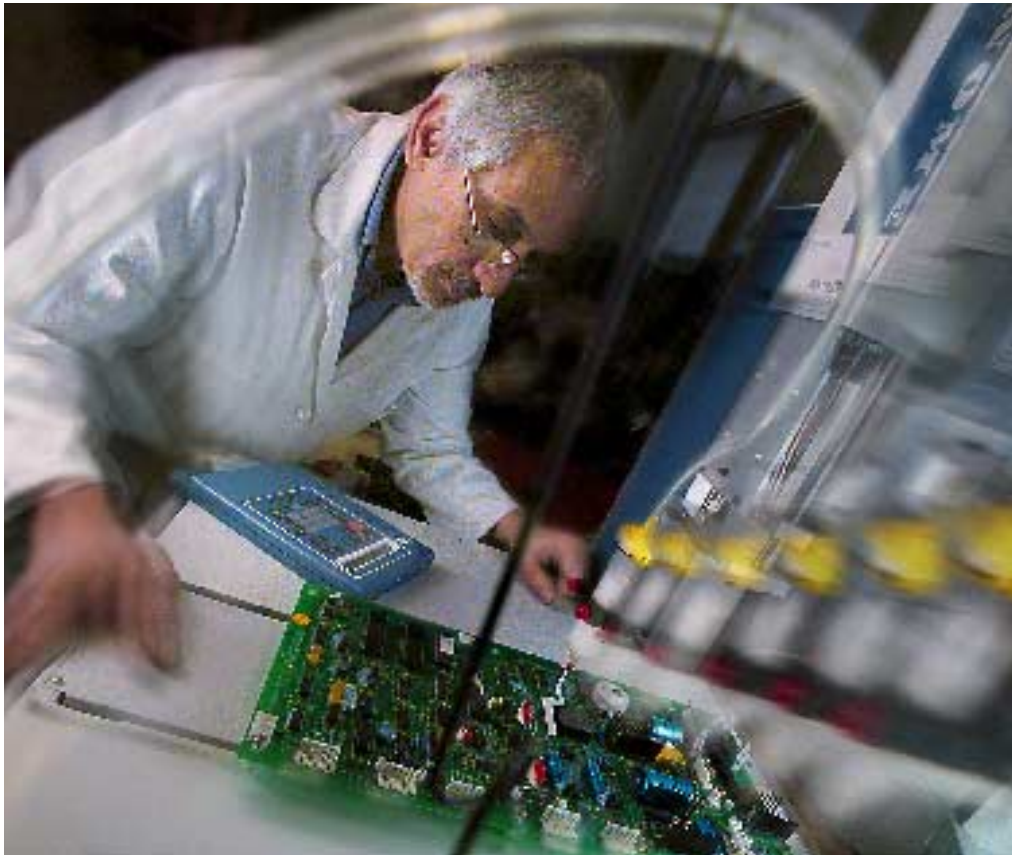
Indutrade's business involves the import and sale of technical components to industrial companies with a recurring need in the Nordic countries, the Baltic countries and the Benelux countries. The products are targeted at local industry, while the offering of consumer and capital goods is negligible. Business is conducted in the following nine product areas:

- filters and process control technology
- adhesives, sealants, lubricants and silicone products
- fasteners and assembly technology
- tools and machine shop technology
- structural plastics
- compressed air, pneumatics and fluid control technology
- transmission technology, lifts and conveyors
- electrical components
- glass and packaging technology.

In addition to qualified technical products and problem-solving by specialized sales engineers, customers are offered technical support from well equipped laboratories. Some of the group's companies also have efficient workshops where customers can receive technical service and product improvement assistance, mainly in plastics.

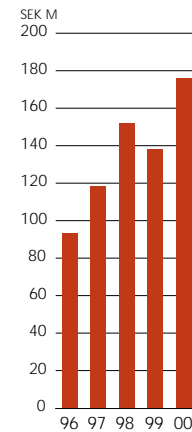
## Suppliers

Indutrade's suppliers are mainly in western Europe, the U.S. and Japan. As a rule, Indutrade's companies have exclusive agency agreements in their respective geographic markets. Indutrade



Application robots from the Indutrade company G A Lindberg ensure quality and precision in mounting electronic components by glue.

#### Earnings After Financial Items



requires that its suppliers are stable companies with leading positions in their respective product niches, that they are actively engaged in product development, and that they have resources for technical problem-solving.

#### Customers

The customers of the Indutrade companies represent a cross-section of industry, with a concentration in the engineering and process industries. The pharmaceutical and food industries are growing customer groups.

#### Business Trend 2000

The economic situation in Sweden improved during the year. Demand in the Benelux countries was largely unchanged, while it weakened in Denmark and Finland.

In total, invoiced sales in 2000 amounted to SEK 1,919 M (1,751), an increase of 10 percent. New agencies and acquired companies accounted for 6 percentage points of this increase,

and thus the increase for comparable units was 4 percent. Price increases were negligible.

Indutrade's earnings after financial items totaled SEK 176 M (138), including SEK 26 M in repaid surplus funds from SPP. The return on capital employed exceeded the Group's target return of 20 percent by a good margin.

Key figures	2000	1999	1998	1997	1996
Net sales, SEK M	1,919	1,751	1,662	1,492	1,372
of which, outside Sweden, %	51	54	54	55	49
Operating earnings, SEK M	178	143	151	122	99
Earnings after financial items, SEK M	176	138	152	118	93
Capital expenditures, SEK M	28	25	39	22	30
Visible equity ratio, %	37	36	37	35	35
Average number of employees	846	818	766	713	694
of whom, outside Sweden	450	454	413	385	359

## Sweden

The Swedish operations accounted for 55 percent (51) of Indutrade's sales and are thus the largest single market. Business is conducted in all product areas except compressed air, pneumatics and fluid control technology, and glass and packaging technology.

Invoiced sales in the Swedish operations rose from SEK 909 M to SEK 1,050 M, which was 5 percent higher than 1999 for comparable units.

Earnings after financial items totaled SEK 129 M (93), including SEK 26 M in repaid surplus funds from SPP.

## Denmark

Compressed air, pneumatics and fluid control technology, and structural plastics are the largest product areas in Denmark. Business is also conducted in filters and process control technology; adhesives, sealants, lubricants and silicone products; and tools and machine shop technology.

Indutrade's invoiced sales in Denmark amounted to SEK 182 M, compared with SEK 201 M in 1999. Earnings after financial items totaled SEK 8 M (10).

## Finland and the Baltic Countries

In Finland, Indutrade operates in all its business areas except electrical components, and glass and packaging technology. As a result of recent years' acquisitions of industrial component companies, the previous high dependence on the public sector has been reduced.

Invoiced sales totaled SEK 458 M, an increase of 4 percent compared with 1999. Earnings after financial items totaled SEK 34 M (38).

In recent years Indutrade has established subsidiaries in Estonia, Latvia, Lithuania, and St. Petersburg, Russia. These are mainly active in filters and process control technology. Total invoiced sales in the region amounted to SEK 59 M (44), with a small profit.

Country/ product area	Filters & process control technology	Adhesives, sealants, lubricants, sili- cone products	Fasteners & assembly technology	Tools & machine shop technology	Structural plastics	Compressed air, pneu- matics & fluid control technology	Transmission technology, lifts & conveyors	Electrical compo- nents	Glass & packag- ing tech- nology
<b>Sweden</b>	Alnab	G A Lindberg	Colly Comp	Colly Comp.	Carlsson & Möller		Bengtssons	Novum	
	GPA		Mandorf	Edeco Tool	Colly Comp.		ETP		
	Euronord			ETP					
	Ventim			GA Lindberg					
	Colly Filtreringsteknik			Mandorf					
	Belos								
	Lyma								
	Processpumpar								
<b>Denmark</b>	Colly Comp.	Diatom	Diatom	Diatom	Linatex	Granzow			
	Granzow								
<b>Finland</b>	Colly Comp.	Colly Comp.	Colly Comp.	Maanterä	Colly Comp.		Lining		
	Lining	YTM	Vipmek						
	YTM		Kinnikke- Kolmio						
	Pinteco								
<b>Norway</b>	GPA								
<b>Netherlands</b>	Hitma								Aluglas
<b>Baltic countries</b>	Industek, Estonia			Industek, Estonia					
	Indutek, Latvia								
	Indutek, Lithuania								
<b>Russia</b>	Indutek						Indutek		



## Benelux

Indutrade is represented by the Hitma Group in the Netherlands and Belgium. Hitma's companies are active in filters and process control technology, and glass and packaging technology.

Total invoiced sales in the Benelux region amounted to SEK 194 M (195), and earnings after financial items were SEK 16 M (10).

## Substantial Expansion

Indutrade has been part of the Industrivärden Group since 1989. The trend in sales and earnings after financial items during the past ten years is shown in the chart below.

Indutrade's expansion has taken place through organic growth as well as through yearly acquisitions of small and medium-sized trading companies, often privately held. As a rule, the former owner has been offered to remain as president, at the same time that the acquired company is integrated into Indutrade's organization and business culture. Indutrade has well developed routines for the review and risk assessment of acquisition targets, as well as routines for integrating new companies into the Group.

## Major Acquisitions in 2001

In February 2001 Indutrade signed an agreement with Hexagon to acquire most of the operations

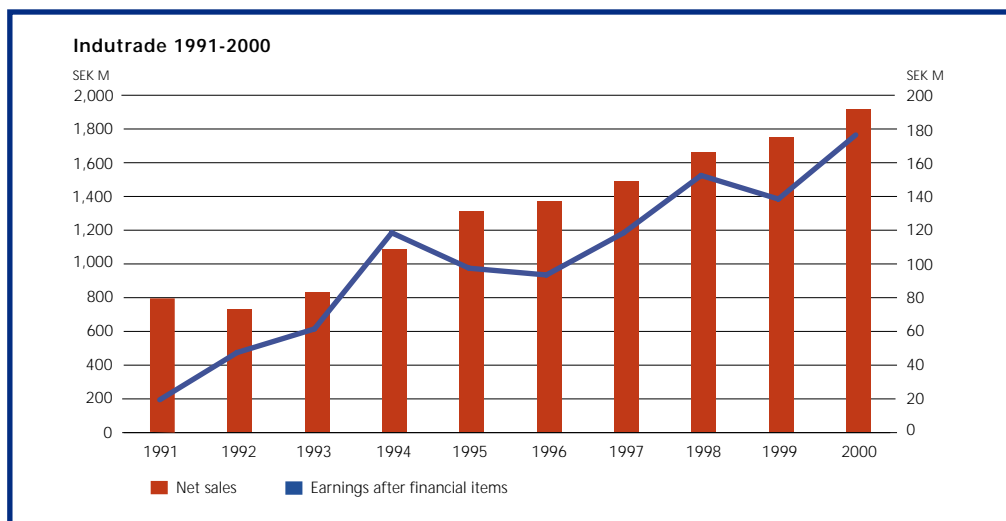
of the trading companies AKA and Fagerberg. As a result of these acquisitions, Indutrade's sales will increase by nearly SEK 1 billion to approximately SEK 3 billion. The acquired companies had combined sales in 2000 of approximately SEK 950 M, with some 500 employees. The parts acquired by Indutrade are:

- *Tecalemit* – a Finnish trading company with products in the areas of hydraulics, working environments, flow control for the processing industry, automotive service equipment, and cutting tools for machining;
- *EIE Maskin* – a Swedish trading company with agencies in mechanical transmission;
- *Fagerberg* – a group of trading companies in Sweden, Norway, Denmark and Finland, with agencies in industrial fittings and measuring equipment. The acquisition also includes *Pentronic*, active in temperature sensors, and the German valve company *Gefa*.

As a result of the acquisitions, Indutrade has strengthened its position as one of the leading trading companies in the Nordic region.

## Earnings Contribution in 2001

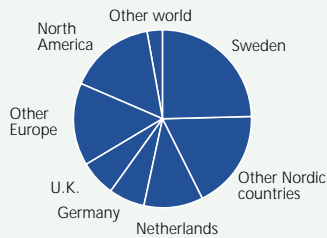
The acquisitions are expected to make a positive contribution to Indutrade's earnings in 2001.



# Report of the Board of Directors

Registered Number SE 556043-4200

**Consolidated Net Sales Per Market**



THE BOARD OF DIRECTORS and President of AB Industrivärden (publ) herewith submit their annual report and consolidated accounts for the 2000 fiscal year.

## Composition and Work of the Board of Directors

The Board of Directors consisted of seven members in 2000. A presentation of the Board can be found on page 86.

In 2000 the Board held seven meetings, including the statutory meeting. Aside from strategic planning, the largest individual matters of business pertained to the proposal to the Annual General Meeting to authorize the Board to make decisions on repurchases of the Company's own stock, purchases and sales of stocks in listed and unlisted companies, the future financing structure, and the recruitment of a new Group CEO. For a more detailed account of the Board's duties, regular items of business, committees, and so on, see the section "Governing Bodies and Management," pages 78-79.

## Changes in Group Composition

Indutrade acquired Processpumpar i Motala AB, with agencies in pump technology. The company has annual sales of approximately SEK 50 M and 15 employees.

## Net Sales and Earnings

Consolidated net sales amounted to SEK 4,540 M (4,071), an increase of 12 percent compared with the preceding year for comparable units. Sales outside Sweden accounted for 75 percent (75) of total.

Earnings before financial items amounted to SEK 1,605 M (4,735). This includes capital gains on sales of listed stocks, totaling SEK 456 M (3,535), and a loss of SEK 90 M on sales of other stocks (1999: gain of 100). The year-earlier figure includes the sale of the shareholding in AGA, which generated a capital gain of SEK 3,327 M.

Dividends from the portfolio of listed stocks amounted to SEK 821 M (775).

Net financial items amounted to SEK -241 M (-132). Earnings after financial items totaled SEK 1,364 M (4,603).

The interest expense for CPN loans was SEK 192 M (134). After taxes of SEK -145 M (-135), reported net earnings for the year were SEK 1,027 M (4,334).

A breakdown of the Group's net sales and earnings after financial items by business unit is provided in a table on page 52 under the Income Statement.

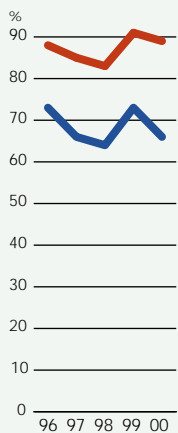
## Capital Expenditures

Capital expenditures during the year in tangible fixed assets amounted to SEK 130 M (105), and scheduled depreciation totaled SEK 100 M (101).

## Financing and Equity Ratio

During the year Industrivärden was assigned international corporate credit ratings of A+/Stable/A-1 from Standard & Poor's. A five-year EUR 600 M syndicated loan was subscribed, and the Group's Medium-Term Notes program was increased from SEK 2 billion to SEK 5 billion.

**Group Equity Ratio**



■ Adjusted equity ratio  
■ Visible equity ratio

The Group's liquid assets and fixed-income investments amounted to SEK 573 M (2,413), including long-term interest-bearing investments of SEK 100 M (1,260). Interest-bearing liabilities and provisions increased by SEK 2,153 M to SEK 6,236 M (4,083), including SEK 172 M (158) in pension provisions. Of total interest-bearing liabilities, SEK 3,521 M (1,051) consisted of long-term loans. Net borrowing increased by SEK 3,993 M to SEK 5,663 M.

The visible equity ratio was 65 percent (73), while the adjusted equity ratio, which includes surplus values of listed stocks, was 87 percent (91).

### Employees

The average number of employees in the Group was 2,947 (2,916), of whom 1,749 (1,744) were outside Sweden. A breakdown of the number of employees, and information on wages, salaries, remuneration and social security costs for the Board, the President, and other employees, is provided in notes 2 and 3. A more detailed description of Industrivärden's organization and employee structure is provided on page 80.

### Portfolio of Listed Stocks

The value of the portfolio of listed stocks at year-end was SEK 54,961 M (54,298). The surplus value was SEK 36,935 M (39,962). Purchases of listed stocks during the year totaled SEK 4,400 M (3,731) and sales totaled SEK 1,053 M (SEK 5,168 M, of which the sale of all shares in AGA accounted for SEK 4,032 M). Stocks were thus purchased for a net amount of SEK 3,347 M (1999: net sales of SEK 1,437 M). Sales from the portfolio of listed stocks resulted in a capital gain of SEK 456 M (SEK 3,535 M, of which the sale of the AGA holding accounted for SEK 3,327 M).

Adjusted for purchases and sales, the value of the portfolio decreased by 4 percent during the year (1999: increase of 87 percent). The Affärs-

världen General Index fell by 12 percent during the same period (1999: increase of 66 percent). The total return for the portfolio of listed stocks was -2 percent, compared with -11 percent for the Findata Total Return Index.

Dividend income amounted to SEK 821 M (775).

Major net purchases consisted of 7,596,800 shares of Skandia, 1,871,000 Lundbeck A/S, 4,350,000 Handelsbanken A, 750,000 SCA A, 1,151,250 Pharmacia Corp., 550,000 Pfizer Inc., and 455,000 Karo Bio. Major net sales consisted of 1,977,000 SCA B and 200,000 Volvo A and B.

The number of shares in Ericsson increased as a result of a 4:1 split, and the number of shares in Skandia increased as a result of a 1:1 stock dividend. Pharmacia Corp. was formed through the merger of Pharmacia & Upjohn and Monsanto, whereby 1.19 shares in Pharmacia Corp. were received for each share held in Pharmacia & Upjohn.

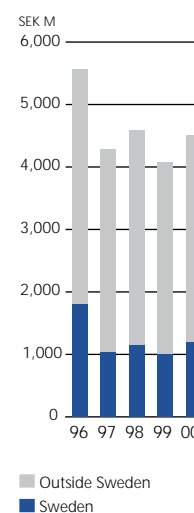
Industrivärden signed an agreement with Ericsson and others to form Ericsson Venture Partners, targeting investments in mobile Internet development. The aggregate committed fund capital amounts to USD 300 M, of which Industrivärden's share is 25 percent.

### Subsidiaries

Net sales of Industrivärden's subsidiaries totaled SEK 4,538 M (4,069), an increase of 12 percent for comparable units. Measured at constant exchange rates, net sales increased by 11 percent.

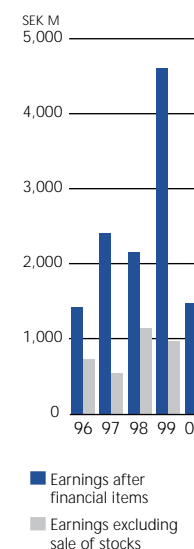
Earnings after financial items totaled SEK 458 M (384). Earnings for the year include the discounted present value of surplus client-company funds allocated to the Group from SPP insurance company, totaling SEK 37 M. The return on capital employed was 32 percent (28), excluding the allocated surplus funds from SPP.

### Consolidated Net Sales

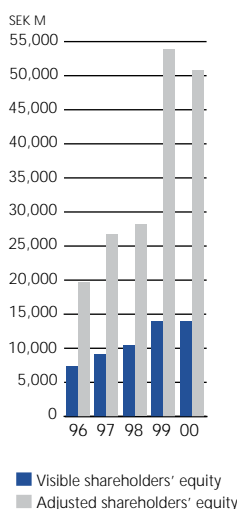


The following structural changes took place during the period:  
 1996: Sale of Elii Fonster  
 1997: Sale of Thorsman  
 1999: Sale of Hydrauto and Rapid Granulator

### Consolidated Earnings



## Group Shareholders' Equity



*Besam's* net sales increased by 14 percent, to SEK 1,977 M (1,735). Earnings after financial items totaled SEK 217 M (182), including SEK 5 M in allocated surplus funds from SPP.

*Isabery Rapid's* net sales totaled SEK 642 M (583), an increase of 10 percent. Earnings after financial items totaled SEK 65 M (64), including SEK 6 M in allocated surplus funds from SPP.

*Indutrade's* net sales amounted to SEK 1,919 M (1,751), an increase of 10 percent. Earnings after financial items totaled SEK 176 M (138), including SEK 26 M in allocated surplus funds from SPP.

Capital expenditures made by the subsidiaries amounted to SEK 113 M (92), and scheduled depreciation totaled SEK 89 M (90).

## Parent Company

The Parent Company, AB Industrivärden, manages the Group's portfolio of listed stocks, subsidiary shareholdings, and other unlisted stocks.

The Parent Company's dividend income from listed companies amounted to SEK 821 M (775). Including income of SEK 366 M (3,654) from sales of listed stocks and other stocks, and net administrative costs of SEK 81 M (71), earnings amounted to SEK 1,106 M (4,358), of which SEK 14 M pertained to allocated surplus funds from SPP.

After net financial items of SEK -225 M (-128), earnings totaled SEK 881 M (4,230). After costs for CPN interest, totaling SEK 192 M (134), and taxes of SEK +11 M (-11), a net profit of SEK 700 M (4,085) is reported for the year.

## Stock Repurchases

The 2000 Annual General Meeting authorized the Board to decide on stock repurchases and transfers of up to a maximum of 5 million shares of the Company's own stock. This mandate was not exercised during the year.

## Proposed Dividend

The Board of Directors proposes an ordinary dividend of SEK 5.00 per share (5.00), plus a bonus dividend of SEK 3.40 per share (1.20), for a total of 8.40 per share (6.20). Interest per CPN would thus be SEK 9.66. The proposal entails that no tax will be paid by the Parent Company.

## Environmental Impact

AB Industrivärden does not conduct any operations requiring a permit according to the environmental code. An account of the environmental policies of subsidiaries and the listed companies making up Industrivärden's core holdings is provided on pages 35-37.

## Significant Event After the End of the Fiscal Year

After the close of the fiscal year, Indutrade signed an agreement to acquire most of the operations of the trading companies AKA and Fagerberg. As a result of this acquisition, Indutrade's sales will increase by nearly SEK 1 billion to approximately SEK 3 billion. The acquired companies had combined sales in 2000 of approximately SEK 950 M, with some 500 employees.

# Proposed Distribution of Earnings

According to the Consolidated Balance Sheet, the Group's unrestricted shareholders' equity amounts to SEK 11,715 M, of which SEK 1,027 M represents net earnings for the year. No provisions to restricted reserves are required.

The following earnings of the Parent Company are at the disposal of the Annual General Meeting:

Retained earnings	SEK 9,799 M
Net earnings for the year	<u>SEK 700 M</u>
	SEK 10,499 M

The Board of Directors and President propose that the earnings be disposed of as follows:

To shareholders, a dividend of SEK 5.00 per share, plus a bonus dividend of SEK 3.40 per share, or SEK 8.40 per share altogether, totaling	SEK 1,443 M
To be carried forward	<u>SEK 9,056 M</u>
	SEK 10,499 M

The Group's and Parent Company's earnings and financial position are shown in the following income statements, balance sheets, statements of cash flows and notes to the financial statements.

Stockholm, February 20, 2001

BO RYDIN  
*Chairman*

TOM HEDELIUS  
*Vice Chairman*

INGA-BRITT AHLENIUS

CARL-ERIK FEINSILBER

FINN JOHNSON

LENNART NILSSON

CLAS REUTERSKIÖLD  
*President and CEO*

Our Audit Report was submitted on February 20, 2001.

Öhrlings PricewaterhouseCoopers AB

INGVAR PRAMHÄLL  
*Authorized Public Accountant*

# Consolidated Income Statement

SEK M	Note	2000	1999
Net sales	1	4,540	4,071
Cost of goods sold		-2,998	-2,636
<b>Gross earnings</b>		<b>1,542</b>	<b>1,435</b>
Development costs		-63	-55
Selling costs		-723	-675
Administrative costs		-421	-378
Other operating income and expenses	6	83	-2
<b>Operating earnings</b>	1-5, 7	<b>418</b>	<b>325</b>
Dividend income from listed stocks	18	821	775
Capital gains on sales of listed stocks	8	456	3,535
Result of sales of other stocks	9	-90	100
<b>Earnings before financial items</b>		<b>1,605</b>	<b>4,735</b>
Interest income		91	68
Interest expenses (excl. CPN interest)		-307	-210
Other financial income	10	24	14
Other financial expenses	11	-49	-4
<b>Earnings after financial items</b>		<b>1,364</b>	<b>4,603</b>
CPN interest	12	-192	-134
<b>Earnings before taxes</b>		<b>1,172</b>	<b>4,469</b>
Tax on earnings for the year	13	-145	-135
<b>Net earnings for the year</b>		<b>1,027</b>	<b>4,334</b>

## Breakdown by Business Unit

SEK M	Net sales		Earnings after financial items	
	2000	1999	2000	1999
Besam	1,977	1,735	217	182
Isaberg Rapid	642	583	65	64
Indutrade	1,919	1,751	176	138
Dividend income from listed stocks	-	-	821	775
Other, net	2	2	-281	-191
	<b>4,540</b>	<b>4,071</b>	<b>998</b>	<b>968</b>
Capital gains on sales of listed stocks	-	-	456	3,535
Result of sales of other stocks	-	-	-90	100
	<b>4,540</b>	<b>4,071</b>	<b>1,364</b>	<b>4,603</b>

## Comments on the Consolidated Income Statement

Consolidated net sales rose 12 percent, to SEK 4,540 M (4,071). Net sales increased by 10 percent or more for all three subsidiaries. For comparable units the increase was 11 percent, measured at constant exchange rates.

Operating earnings improved by SEK 93 M to SEK 418 M, of which the repayment of surplus funds from SPP accounted for SEK 64 M. Combined operating earnings of the subsidiaries, excluding the surplus funds from SPP, increased from SEK 400 M to SEK 436 M. Of this total, Besam accounted for SEK 217 M, Isaberg Rapid for SEK 67 M, and Indutrade for SEK 152 M.

Dividend income from listed stocks totaled SEK 821 M (775), an increase of 6 percent. Dividend income a year earlier included SEK 86 M from AGA, which was divested in 1999.

Capital gains on sales of listed stocks decreased from SEK 3,535 M to SEK 456 M. The single-largest capital gain was SEK 193 M on the sale of the Class B shares in SCA and SEK 114 M in

realized option premiums. The figure for the preceding year included a capital gain of SEK 3,327 M on the sale of all shares in AGA.

Net financial items for the Group amounted to SEK -241 M (-132). Net debt increased by SEK 3,993 M due to, among other things, stock purchases totaling SEK 4,400 M, including SEK 3,149 M in the pharmaceuticals and financial services sectors.

Earnings after financial items decreased from SEK 4,603 M to SEK 1,364 M, due to the fact that total capital gains on sales of stocks were SEK 3,269 M lower than in the preceding year. Excluding sales of stocks, earnings after financial items totaled SEK 998 M (968), as shown in a separate table on page 52. Subsidiary earnings after financial items improved from SEK 384 M to SEK 458 M.

The tax charge for the year was SEK -145 M (-135). Of this total, company taxes accounted for SEK -144 M (-145) and deferred taxes for SEK -1 M (10). Of company taxes, SEK -99 M (-98) pertained to Swedish taxes and SEK -45 M (-47) to foreign taxes.

# Consolidated Balance Sheet

SEK M	Note	12/31/00	12/31/99
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Goodwill	14	75	89
Intangible rights	14	7	6
<b>Total intangible fixed assets</b>		<b>82</b>	95
<b>Tangible fixed assets</b>			
Land and buildings	15	301	299
Machinery	15	124	106
Equipment	15,16	159	157
Construction in progress	15	7	8
<b>Total tangible fixed assets</b>		<b>591</b>	570
<b>Financial fixed assets</b>			
Shares in listed companies	17,18	18,026	14,336
Shares and participations in other companies	17,18	259	141
Other long-term receivables		208	1,318
<b>Total financial fixed assets</b>	19	<b>18,493</b>	15,795
<b>Total fixed assets</b>		<b>19,166</b>	16,460
<b>Current assets</b>			
<b>Inventories</b>	20	<b>711</b>	649
<b>Current receivables</b>			
Accounts receivable, trade		916	811
Other receivables		145	39
Prepaid expenses and accrued income	21	63	106
<b>Total current receivables</b>		<b>1,124</b>	956
Short-term investments		59	965
Cash and bank balances		414	188
<b>Liquid assets</b>		<b>473</b>	1,153
<b>Total current assets</b>		<b>2,308</b>	2,758
<b>TOTAL ASSETS</b>		<b>21,474</b>	19,218

SEK M	Note	12/31/00	12/31/99
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted shareholders' equity</b>			
Capital stock	23	859	859
Restricted reserves		928	927
		<b>1,787</b>	1,786
<b>Unrestricted shareholders' equity</b>			
Unrestricted reserves		10,688	7,405
Net earnings for the year		1,027	4,334
		<b>11,715</b>	11,739
<b>Total shareholders' equity</b>		<b>13,502</b>	13,525
<b>Convertible participating debenture loan</b>			
	12	447	448
<b>Provisions</b>			
Provision for pensions	24	172	158
Provision for taxes		18	19
Other provisions	26	107	128
<b>Total provisions</b>	25	<b>297</b>	305
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	16,27	3,521	1,051
<b>Total long-term liabilities</b>	28	<b>3,521</b>	1,051
<b>Current liabilities</b>			
Accounts payable, trade		339	319
Accrued expenses and deferred income	29	629	445
Other noninterest-bearing liabilities		196	251
<b>Total current noninterest-bearing liabilities</b>		<b>1,164</b>	1,015
Current interest-bearing liabilities	16,30	2,543	2,874
<b>Total current liabilities</b>		<b>3,707</b>	3,889
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>21,474</b>	19,218
Pledged assets	31	109	81
Contingent liabilities	32	5	8



## Comments on the Consolidated Balance Sheet

Capital expenditures in tangible assets for the year amounted to SEK 130 M, while scheduled depreciation totaled SEK 100 M.

Financial fixed assets pertain mainly to the book value of the Group's holdings of listed stocks. Listed stocks were purchased for a net total of SEK 3,347 M during the year (1999: net sale of SEK 1,437 M) and included SEK 1,393 M in net purchases of Skandia, SEK 812 M in Lundbeck A/S, SEK 404 M in Pharmacia Corp., SEK 383 M in Handelsbanken, and SEK 157 M in Pfizer Inc., while the net sale of SCA accounted for SEK 331 M. The market value of the portfolio of listed stocks, adjusted for purchases and sales, decreased by 4 percent, while the General Index fell by 12 percent.

Long-term receivables decreased by SEK 1,110 M primarily through the divestment of fixed-income securities, as part of the financing of stock purchases during the year.

Accounts receivable, trade, and inventories totaled SEK 1,627 M (1,460). The inventory's share of net sales for the year was unchanged at 16 percent, while the corresponding share for accounts receivable was also unchanged, at 20 percent.

Shareholders' equity decreased by SEK 23 M to SEK 13,502 M. The change is mainly attributable to net earnings for the year, totaling SEK 1,027 M, less the dividend payout of SEK 1,064 M for 1999, corresponding to SEK 6.20 per share.

Interest-bearing liabilities increased by SEK 2,153 M, to SEK 6,236 M. On the whole, net interest-bearing debt increased from SEK 1,670 M to SEK 5,663 M, mainly due to net purchases of listed stocks, totaling SEK 3,347 M.

The visible equity ratio decreased to 65 percent (73), while the adjusted equity ratio, which takes into account the market value of the listed stocks, was 87 percent (91).

# Parent Company Income Statement

SEK M	Note	2000	1999
Dividend income from listed stocks		821	775
Capital gains on sales of listed stocks	8	456	3,535
Result of sales of other stocks	9	-90	119
Administrative costs		-95	-71
Other operating income and expenses	6	14	-
<b>Operating earnings</b>	2-4	<b>1,106</b>	4,358
<i>Interest income</i>			
Subsidiaries		13	13
Other		<u>82</u>	<u>63</u>
		95	76
<i>Interest expenses</i>			
Subsidiaries		-23	-15
Other		<u>-289</u>	<u>-198</u>
		-312	-213
Other financial income	10	21	12
Other financial expenses	11	-29	-3
		-8	9
<b>Earnings after financial items</b>		<b>881</b>	4,230
CPN interest	12	-192	-134
<b>Earnings before taxes</b>		<b>689</b>	4,096
Tax on earnings for the year	13	11	-11
<b>Net earnings for the year</b>		<b>700</b>	4,085

# Parent Company Balance Sheet

SEK M	Note	12/31/00	12/31/99
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Shares and participations in subsidiaries	17	457	451
Shares in listed companies	17	17,939	14,250
Shares and participations in other companies	17	235	117
Long-term receivables		115	1,257
<b>Total financial fixed assets</b>	19	<b>18,746</b>	16,075
<b>Total fixed assets</b>		<b>18,746</b>	16,075
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from subsidiaries		252	318
Other receivables		124	2
Prepaid expenses and accrued income	21	28	74
<b>Total current receivables</b>		<b>404</b>	394
Short-term investments		59	965
Cash and bank balances		265	44
<b>Liquid assets</b>		<b>324</b>	1,009
<b>Total current assets</b>		<b>728</b>	1,403
<b>TOTAL ASSETS</b>		<b>19,474</b>	17,478

SEK M	Note	12/31/00	12/31/99
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	22		
<b>Restricted shareholders' equity</b>			
Capital stock	23	859	859
Share premium reserve		2	1
Statutory reserve		720	720
		<b>1,581</b>	1,580
<b>Unrestricted shareholders' equity</b>			
Retained earnings		9,799	6,778
Net earnings for the year		700	4,085
		<b>10,499</b>	10,863
<b>Total shareholders' equity</b>		<b>12,080</b>	12,443
<b>Convertible participating debenture loan</b>	12	<b>447</b>	448
<b>Provisions</b>			
Provisions for pensions	24,25	42	35
<b>Total provisions</b>		<b>42</b>	35
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	27	3,467	1,001
<b>Total long-term liabilities</b>		<b>3,467</b>	1,001
<b>Current liabilities</b>			
Liabilities to subsidiaries		18	35
Accrued expenses and deferred income	29	381	220
Other noninterest-bearing liabilities		5	35
<b>Total current noninterest- bearing liabilities</b>		<b>404</b>	290
Liabilities to subsidiaries		650	487
Other interest-bearing liabilities	30	2,384	2,774
<b>Total current interest-bearing liabilities</b>		<b>3,034</b>	3,261
<b>Total current liabilities</b>		<b>3,438</b>	3,551
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>19,474</b>	17,478
Pledged assets	31	44	11
Contingent liabilities	32	4	4

# Statements of Cash Flows, Group and Parent Company

SEK M	Group		Parent Company		
	2000	1999	2000	1999	
<b>Operating activities</b>					
Earnings after financial items	1,364	4,603	881	4,230	
Adjustment for items not included in cash flows:					
Depreciation	127	125	-	-	
Result of sales of listed stocks	-456	-3,535	-456	-3,535	
Result of sales of other stocks	90	-100	90	-119	
Reversal of other items not affecting cash flows	-9	4	6	8	
Paid tax	-161	-140	-23	-57	
<b>Cash flow from operating activities before changes in working capital</b>	<b>955</b>	<b>957</b>	<b>498</b>	<b>527</b>	
Cash flow from changes in working capital	-199	89	211	308	
<b>Net cash flow from operating activities</b>	<b>756</b>	<b>1,046</b>	<b>709</b>	<b>835</b>	
<b>Investing activities</b>					
Purchases of listed stocks	-4,400	-3,731	-4,400	-3,731	
Sales of listed stocks	1,053	5,168	1,053	5,168	
Sales of stock options	160	40	160	40	
Net purchase/sale of other stocks	-241	144	-213	186	
Net purchase/sale of long-term fixed-income securities	1,160	-1,260	1,160	-1,251	
Net purchase/sale of other fixed assets	-107	-75	-	-	
<b>Net cash flow from investing activities</b>	<b>-2,375</b>	<b>286</b>	<b>-2,240</b>	<b>412</b>	
<b>Financing activities</b>					
Loans raised and amortization of debt	2,139	-493	2,075	-472	
Dividends and CPN interest paid out	-1,204	-874	-1,204	-874	
Repayment of shareholders' contribution	-	-	-25	63	
<b>Net cash flow from financing activities</b>	<b>935</b>	<b>-1,367</b>	<b>846</b>	<b>-1,283</b>	
<b>Net cash flow for the year</b>	<b>-684</b>	<b>-35</b>	<b>-685</b>	<b>-36</b>	
<b>Liquid assets at start of year</b>	<b>1,153</b>	<b>1,200</b>	<b>1,009</b>	<b>1,045</b>	
<b>Exchange rate differences in liquid assets</b>	<b>4</b>	<b>-12</b>	<b>-</b>	<b>-</b>	
<b>Liquid assets at end of year</b>	<b>473</b>	<b>1,153</b>	<b>324</b>	<b>1,009</b>	
<b>GROUP</b>					
Change in interest-bearing net debt	12/31/99	Cash flow	Change in loans	Other changes	12/31/00
Liquid assets	1,153	-684	-	4	473
Long-term fixed-income securities	1,260	-	-	-1,160	100
Long-term interest-bearing liabilities	1,051	-	2,470	-	3,521
Current interest-bearing liabilities	2,874	-	-331	-	2,543
Interest-bearing pension provisions	158	-	-	14	172
<b>Net interest-bearing debt</b>	<b>1,670</b>	<b>684</b>	<b>2,139</b>	<b>1,170</b>	<b>5,663</b>

## Comments on the Group Statement of Cash Flows

While the statement of changes in financial position, which was applied through 1998, was based on a comparison of the balance sheets at the beginning and end of the year, the statement of cash flows is designed to reflect the flows of cash payments.

The statement of cash flows is based on reported earnings after financial items, totaling SEK 1,364 M (4,603), which includes SEK 821 M (775) in dividend income. In addition, adjustment is made for earnings items not included in the cash flow, such as depreciation and capital gains, totaling SEK -248 M (-3,506).

Certain items in the income statement are reported on an accrual basis to show the actual revenue or expense. Thus, interest income was SEK 91 M (68), while the actual amount of interest paid in was SEK 119 M (22). Of interest expenses, totaling SEK 307 M (210) (excluding CPN interest), the actual amount paid was SEK 264 M (198).

Paid tax amounted to SEK 161 M (140), while the tax charge was SEK 145 M (135). Cash flow from the operating activities was thus SEK 955 M (957).

Cash flow from changes in working capital was SEK -199 M (89) and pertained mainly to changes in accounts receivable and inventories.

The investing activities involve primarily payments in connection with sales and purchases of listed stocks, totaling SEK -3,347 M, net (1,437). They also include payment of SEK 160 M (40) for sold stock options and net cash after purchases and sales of other stock, totaling SEK -241 M (144). The latter amount includes net purchases of unlisted stocks, totaling SEK -212 M (-53), and purchases and sales of subsidiaries which, in terms of liquidity affected the Group in the amount of SEK -29 M (197). See table at right. Total purchases of subsidiaries amounted to SEK 26 M (40) during the year, and sales totaled SEK 4 M (226). The investing activities also include

sales of long-term fixed-income securities, totaling SEK 1,160 M (-1,260), and net purchases of other fixed assets, totaling SEK -107 M (-75).

The financing activities involve the net sum of loans raised and amortization of debt, which was an increase in borrowings of SEK 2,139 M (-493), and payment of the dividend and CPN interest, totaling SEK 1,204 M (874), of which the dividend accounted for SEK 1,064 M (773).

The net of the various cash flow items was SEK -684 M (-35). Liquid assets were also affected by an exchange rate difference of SEK 4 M, and thus total liquid assets decreased during the year by SEK 680 M to SEK 473 M (1,153).

Interest-bearing net debt was also affected by, in addition to the SEK 680 M decrease in liquid assets, the divestment of fixed-income securities, totaling SEK 1,160 M (1999: investment of SEK 1,260 M), and a change in borrowings and interest-bearing pension liability, together amounting to SEK 2,153 M (467). Net interest-bearing debt thereby increased by a total of SEK 3,993 M to SEK 5,663 M (1,670).

### Value in the Group of acquired/divested assets and liabilities in purchased/sold subsidiaries

SEK M	2000	1999
Fixed assets	-17	108
Current assets	-20	262
Long-term liabilities and provisions	3	-43
Current liabilities	8	-241
Capital gains	4	100
<b>Total purchase price</b>	<b>-22</b>	<b>186</b>
Unsettled portion of purchase price	8	10
Liquid assets in affected companies	6	-2
<b>Effect on the Group's liquid assets</b>	<b>-8</b>	<b>194</b>
Amortization of receivable/ liability pertaining to previously acquired/sold companies	-21	3
<b>Total cash flow pertaining to affected companies</b>	<b>-29</b>	<b>197</b>

# Major Subsidiaries

SEK M	Besam	Isaberg Rapid	Indutrade
<b>INCOME STATEMENTS</b>			
Net sales	1,977	642	1,919
Cost of goods sold	-1,303	-423	-1,276
<b>Gross earnings</b>	<b>674</b>	<b>219</b>	<b>643</b>
Business overheads, etc.	452	-146	-465
<b>Operating earnings</b>	<b>222</b>	<b>73</b>	<b>178</b>
Financial income and expenses	-5	-8	-2
<b>Earnings after financial items</b>	<b>217</b>	<b>65</b>	<b>176</b>
Taxes	-26	-4	-20
<b>Net earnings for the year</b>	<b>191</b>	<b>61</b>	<b>156</b>
<b>BALANCE SHEETS</b>			
<b>Assets</b>			
Land and buildings	81	26	69
Plant and equipment	75	122	62
Other	71	36	89
<b>Total fixed assets</b>	<b>227</b>	<b>184</b>	<b>220</b>
Inventories	218	111	382
Receivables	664	168	293
Liquid assets	51	15	119
<b>Total current assets</b>	<b>933</b>	<b>294</b>	<b>794</b>
<b>Total assets</b>	<b>1,160</b>	<b>478</b>	<b>1,014</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>	<b>424</b>	<b>136</b>	<b>375</b>
<b>Provisions</b>	<b>99</b>	<b>41</b>	<b>67</b>
<b>Long-term interest-bearing liabilities</b>	<b>12</b>	<b>33</b>	<b>11</b>
Current noninterest-bearing liabilities	304	118	300
Current interest-bearing liabilities	321	150	261
<b>Total current liabilities</b>	<b>625</b>	<b>268</b>	<b>561</b>
<b>Total shareholders' equity and liabilities</b>	<b>1,160</b>	<b>478</b>	<b>1,014</b>

# Notes to the Financial Statements

## Accounting Principles

The same accounting principles as in the preceding year have been used. Industrivärden follows the recommendations of the Swedish Financial Accounting Standards Council.

## Principles of Consolidation

The consolidated financial statements apply to the Parent Company and all companies in which the Parent Company directly or indirectly owns more than 50 percent of the voting rights.

The consolidated balance sheet is prepared according to the purchase method. This entails that the Parent Company's acquisition value of stock in subsidiaries is eliminated against the subsidiaries' shareholders' equity at the time of acquisition. Thus only earnings that have arisen after the date of acquisition are included in the Group's shareholders' equity. Shareholders' equity in acquired subsidiaries is determined on the basis of a market valuation of assets and liabilities at the time of acquisition. If necessary, a provision is made at the time of acquisition for e.g., restructuring and work force reductions in the acquired business (a restructuring reserve). In cases where the acquisition value of stock in subsidiaries exceeds the acquired shareholders' equity in accordance with the above, the difference is reported as a goodwill item in the balance sheet. In accordance with the provisions of the Swedish Annual Accounts Act, goodwill amortization is based on estimated economic life. Goodwill is amortized over a period of five years if another amortization period cannot be justified.

Subsidiaries that have been divested during the year are not included in the consolidated accounts.

The consolidated financial statements contain no appropriations or untaxed reserves. Instead, deferred taxes on these items are included in the year's tax expense or provision for taxes, respectively.

## Associated Company Reporting

Industrivärden has ownership stakes of at least 20 percent of the number of votes after full dilution in the companies listed in note 18. The presumption

in the Swedish Annual Accounts Act is that companies in which holdings of votes are at least 20 percent shall be classified as associated companies and reported according to the equity method. Since such reporting is difficult to interpret for holding companies, and moreover, since it cannot be prepared until all the associated companies' year-end financial statements have been published, Industrivärden has chosen to provide information on earnings and position using the equity method according to a special arrangement (see note 18). As previously, day-to-day developments in the stock portfolio are reported through publication of changes in the combined stock market value. This information is provided to the market in interim reports and year-end reports.

## Translation of Foreign Subsidiaries' Financial Statements

All foreign subsidiaries have been classified as independent, and thus their assets and liabilities are translated to Swedish kronor (SEK) at year-end exchange rates. Income statements of foreign subsidiaries are translated at average exchange rates for the year. Translation differences are transferred directly to shareholders' equity and do not affect earnings for the year. To reduce the Group's currency exposure, shareholders' equity in foreign subsidiaries is hedged through forward exchange contracts and/or loans in foreign currencies. In the consolidated financial statements, exchange rate differences that arise on these forward exchange contracts and/or loans are offset against translation differences that arise in the foreign subsidiaries' shareholders' equity. See also the section, "Financing and Currency Matters."

## Translation of Receivables and Liabilities in Foreign Currency

Receivables and liabilities in foreign currency are valued at year-end exchange rates. Receivables or liabilities that are hedged are valued at the hedge rate. Unrealized exchange gains and losses have been taken to earnings.

### **Inventories**

The Group's inventories are stated at the lower of cost or market value.

### **Depreciation**

Plant and equipment have been depreciated according to plan based on their acquisition values. The depreciation rates are based on the estimated economic lives of the assets. As a rule, fixed asset properties are depreciated by the highest amount allowed by tax rules.

### **Leasing Contracts**

Leasing contracts of limited value (such as for office machinery), which are classified as financial leases, are reported as operating leases. In other respects the Swedish Financial Accounting Standards Council's recommendation for financial leasing is followed.

## **Financing and Currency Matters**

### **Organizational Matters**

Industrivärden's subsidiaries are independently responsible for the management of their financial risks within the limits set by the Parent Company in a financial policy approved by the Board of Directors. The subsidiaries manage their risks primarily in relation to AB Industrivärden's treasury unit, which is a central unit of the Parent Company and serves as the Group's internal bank.

### **Financing**

AB Industrivärden's short-term borrowing is conducted through a SEK 2.0 billion domestic commercial paper program and through bank borrowing. Medium-term borrowing consists of a SEK 5 billion Medium-Term Note program and a five-year EUR 600 M international syndicated loan. The loans raised in foreign currency are converted to Swedish kronor through swaps. Industrivärden has been assigned international corporate credit ratings of A+/Stable/A-1 by Standard & Poor's. Industrivärden's commercial paper program has been assigned a K1 credit rating by the same agency.

The principal rule within the Group is that the Swedish subsidiaries finance their operations through loans from AB Industrivärden, and the foreign subsidiaries primarily through local borrowing. Due to its size, AB Industrivärden can effectively manage its total lending portfolio in the Swedish and international markets in order to obtain the best possible outcome with regard to interest rates and risk.

Of the total confirmed credit limit of SEK 7.2 billion, SEK 1.0 billion was utilized at year-end (year-end 1999: SEK 0.9 billion). Additionally, a total of SEK 11.4 billion is available through unconfirmed credit lines.

### **Flows and Investments in Foreign Currencies**

The Industrivärden Group's industrial and trading operations consist of Swedish companies engaged in trade both to and from Sweden, as well as foreign companies engaged in their own cross-border trade. Of the Industrivärden Group's net sales, 25 percent are derived from Sweden, 53 percent from the rest of Europe, and 22 percent from the rest of the world.

Exports from Sweden in 2000 amounted to SEK 1,099 M. About 76 percent of this was invoiced in foreign currency. In cases where net sales were in Swedish kronor, the prices are set according to the levels in the respective markets. The Group's imports to Sweden totaled SEK 644 M in 2000, of which 97 percent were invoiced in foreign currencies. The foreign subsidiaries invoice most of their sales in their local markets.

Since the Group's Swedish units conduct substantial trade abroad, the value of the Swedish krona in relation to other currencies has a significant impact on consolidated earnings. Each subsidiary is responsible for its own currency management. Currency flows to and from Sweden are matched, and the net flows are hedged in Industrivärden's internal bank.

The Group's net flows, in turn, are matched and hedged to varying degrees in the banking system, ordinarily from 50 to 75 percent. The hedges are made for a period not exceeding the coming



five quarters. The most important calculated net currency flows to and from Sweden in 2001, and the Parent Company's outstanding forward contracts at the end of 2000, are described in the table on the page 64.

Reported shareholders' equity in foreign subsidiaries is hedged primarily through forward exchange contracts and loans in the currencies of the respective companies. In the consolidated balance sheet, translation differences in subsidiaries' shareholders' equity have been offset against exchange rate differences in forward exchange contracts and loans.

Investments in foreign, listed stocks are not hedged. The currency risk on these investments is considered as part of the total change in value of the listed portfolio.

#### Industrivärden and the Euro

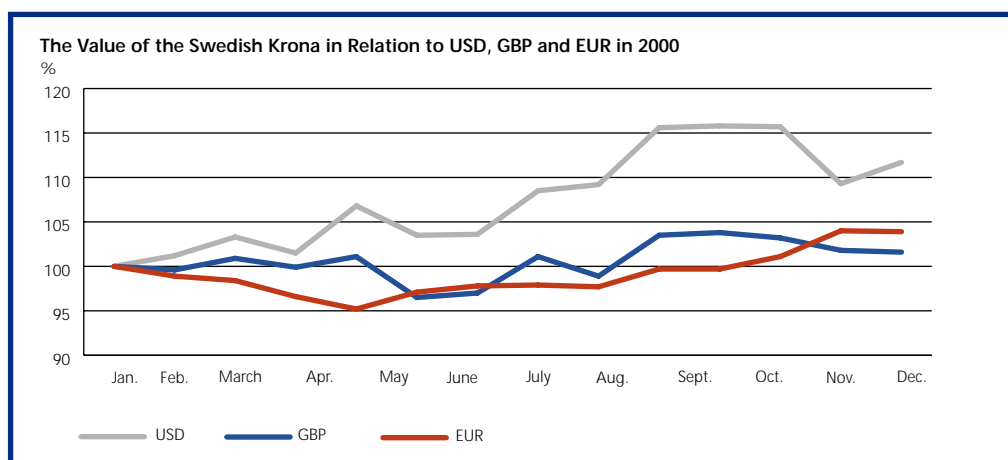
The euro was introduced in 1999. This has an effect on the Industrivärden Group even though Sweden remains outside of the European Economic and Monetary Union (EMU). The European subsidiaries that have joined the EMU will begin invoicing in euros in 2001. Their capital stock will also be stated in euros by the end of 2001 at the latest. Industrivärden intends, until further notice, to not introduce the euro into the Swedish subsidiaries' accounting. Net sales in the euro-zone countries amounted to approximately 37 per-

cent of the Group's total invoiced sales in 2000. A Group summary expressed in euros for the period 1996-2000 is presented on page 65.

The TCW trade-balanced currency index changed from 124 on December 31, 1999, to 128 on December 31, 2000. If the Industrivärden Group's consolidated balance sheet for 2000 had been consolidated at average exchange rates for 1999, invoiced sales would have been approximately SEK 20 M lower. Earnings after financial items would not have been affected more than marginally.

#### Year-End Exchange Rates

	Year-end rate		Average rate	
	2000	1999	2000	1999
GBP	<b>14.18</b>	13.80	<b>13.91</b>	13.37
USD	<b>9.51</b>	8.53	<b>9.17</b>	8.26
EUR	<b>8.85</b>	8.56	<b>8.45</b>	8.81
CHF	<b>5.81</b>	5.34	<b>5.42</b>	5.51
DKK	<b>1.19</b>	1.15	<b>1.13</b>	1.19
NOK	<b>1.07</b>	1.06	<b>1.04</b>	1.06



In 2000 the Swedish krona was relatively stable against the euro and the British pound but it weakened by 11 percent against the dollar, mainly due to the euro's 6 percent weakening against the dollar.

### Currency Risk in Transaction Exposure, December 31, 2000

The net currency flows, currency hedges and outstanding currency risk at year-end 2000 for currencies whose net flow exceeds SEK 15 M are shown in the following table, which is expressed in millions in local currency.

Currency	Estimated net flow 2001 (+ inflow) (– outflow)	Hedged through forward contracts Dec. 31, 2000	Forward rate	Outstanding currency risk (local currency) (+ inflow) (– outflow)	Share of outstanding currency risk of net flows 2001, %
USD	14.5	-9.0	8.8870	5.5	38
GBP	2.5	-1.2	13.6226	1.3	52
EUR	4.1	–	–	4.1	100
SGD	3.8	-0.9	5.3735	2.9	76
CHF	-3.1	–	–	-3.1	100



In 2000 Industrivärden issued a five year, EUR 600 M Multi Currency Revolving Credit Facility with Fuji Bank and Handelsbanken as the arranging banks. The photo shows the tombstone published to announce that the facility was fully subscribed.

# Group Summary – Euros

Millions of euros <sup>1</sup>	2000	1999	1998	1997	1996
<b>Income Statements</b>					
Net sales	513	476	483	450	585
Operating earnings	47	38	29	27	38
Dividend income from listed stocks	93	91	112	45	52
Capital gains on sales of listed stocks	53	413	103	29	72
Result of sales of other stocks	-10	12	3	168	1
Earnings after financial items	154	538	226	253	149
Earnings before taxes	132	522	216	244	142
Net earnings for the year	116	506	202	240	136
<b>Balance Sheets</b>					
Fixed assets	2,165	1,923	1,397	1,262	797
Current assets	261	322	307	203	269
Total assets	2,426	2,245	1,704	1,466	1,066
Shareholders' equity	1,526	1,580	1,051	914	732
CPN loans	50	52	47	47	47
Provisions for pensions	19	18	14	13	19
Interest-bearing liabilities	685	459	466	379	143
Noninterest-bearing liabilities	146	136	127	112	125
<b>Key Ratios</b>					
Visible shareholders' equity	1,577	1,632	1,098	961	779
Adjusted shareholders' equity	5,750	6,301	2,968	2,820	2,084
Net asset value	6,111	6,662	3,224	3,013	2,290
Visible equity ratio, %	65	73	64	66	73
Adjusted equity ratio, %	87	91	83	85	88
Capital expenditures	15	12	17	15	28
Average number of employees	2,947	2,916	3,428	3,332	4,561
of whom, outside Sweden	1,749	1,744	1,797	1,791	2,309
<b>Euros per Share and CPN</b>					
Net asset value	31.98	34.81	16.86	15.81	12.01
Adjusted shareholders' equity	30.06	32.94	15.49	14.75	10.85
Visible shareholders' equity	8.25	8.53	5.80	5.06	4.11
Earnings per share after full tax	0.72	2.73	1.11	1.30	0.75
Cash flow per share <sup>2</sup>	-0.40	-0.02	0.50	-	-
Stock price, December 31					
Class A shares	23.16	21.61	11.49	11.70	8.22
Class C shares	21.81	20.68	10.75	11.49	8.01
Dividend	0.95 <sup>3</sup>	0.72	0.47	0.40	0.34
Dividend growth, % per year	35	38	20	15	18
Dividend yield, %	4.1	3.4	4.1	3.4	4.2
Total return, %	14	76	1	48	59
CPN interest	1.09 <sup>3</sup>	0.83	0.55	0.45	0.39

<sup>1</sup> All values for the years 1996-1998 are recalculated from Swedish kronor to euros using the year-end exchange rate of 9.49 as per December 31, 1998. For 1999 a year-end exchange rate of 8.56 has been used, and for 2000 a year-end rate of 8.85 has been used.

<sup>2</sup> A statement of cash flows was not prepared for the years 1996-1997.

<sup>3</sup> Proposed by the Board of Directors.

# Notes

(Amounts in SEK M unless stated otherwise)

## ■ Note 1 Breakdown of Net Sales and Operating Earnings

Breakdown of net sales by geographic market.

Group	Net sales	
	2000	1999
Sweden	1,143	1,001
Other Nordic countries	740	734
Europe, excl. Nordic countries	1,672	1,582
North America	851	639
Other markets	134	115
<b>Total, Group</b>	<b>4,540</b>	<b>4,071</b>

Breakdown of net sales and operating earnings by operating unit.

Group	Net sales		Operating earnings	
	2000	1999	2000	1999
Besam	1,977	1,735	222	187
Isaberg Rapid	642	583	73	70
Indutrade	1,919	1,751	178	143
Other, net	2	2	-55	-75
<b>Total, Group</b>	<b>4,540</b>	<b>4,071</b>	<b>418</b>	<b>325</b>

## ■ Note 2 Average Number of Employees

	2000		1999	
	No. of employees	Of whom, women	No. of employees	Of whom, women
<b>Parent Company</b>	<b>25</b>	<b>7</b>	22	7
<b>Subsidiaries in Sweden</b>	<b>1,173</b>	<b>358</b>	1,150	341
Total, Sweden	1,198	365	1,172	348
<b>Subsidiaries outside Sweden</b>				
Austria	53	16	53	14
Belgium	42	10	41	8
Denmark	159	31	171	32
Finland	197	40	191	36
France	244	104	224	87
Germany	175	40	183	38
Italy	32	17	30	13
Netherlands	239	51	250	60
Singapore	27	9	27	9
Spain	32	8	32	8
U.K.	131	28	139	24
USA	324	68	321	64
Other	94	22	82	19
Total	1,749	444	1,744	412
<b>Total, Group</b>	<b>2,947</b>	<b>809</b>	<b>2,916</b>	<b>760</b>

■ **Note 3 Wages, Salaries and Other Remuneration; Social Security Costs**

	2000			1999		
	Wages, salaries and other remuneration	Social security costs	Of which pension costs	Wages, salaries and other remuneration	Social security costs	Of which pension costs
<b>Parent Company<sup>1</sup></b>	<b>29</b>	<b>26</b>	<b>10</b>	20	16	10
<b>Subsidiaries in Sweden</b>	<b>318</b>	<b>150</b>	<b>37</b>	298	142	34
Total, Sweden	<b>347</b>	<b>176</b>	<b>47</b>	318	158	44
<b>Subsidiaries outside Sweden</b>						
Austria	17	5	2	18	5	3
Belgium	10	4	0	10	2	1
Denmark	69	3	2	71	4	0
Finland	56	13	9	54	13	9
France	46	18	3	45	17	3
Germany	59	11	5	66	12	5
Italy	9	3	2	7	3	0
Netherlands	69	16	7	67	14	6
Singapore	6	1	1	6	1	1
Spain	7	2	2	8	2	1
U.K.	46	7	3	43	8	4
USA	160	28	11	139	24	9
Other	18	1	0	11	3	3
Total	<b>572</b>	<b>112</b>	<b>47</b>	545	108	45
<b>Total, Group</b>	<b>919</b>	<b>288</b>	<b>94</b>	863	266	89

Of the Parent Company's pension cost, SEK 5 M (5) pertains to the Board of Directors and President. The corresponding amount for the Group was SEK 17 M (18).

**Wages, salaries and other remuneration, broken down by country and between board members, etc., and other employees**

	2000			1999		
	Board of directors and presidents	Of which bonuses and similar	Other employees	Board of directors and presidents	Of which bonuses and similar	Other employees
<b>Parent Company<sup>1</sup></b>	<b>10</b>	<b>2</b>	<b>19</b>	6	–	14
<b>Subsidiaries in Sweden</b>	<b>24</b>	<b>4</b>	<b>294</b>	21	2	277
Total, Sweden	<b>34</b>	<b>6</b>	<b>313</b>	27	2	291
<b>Subsidiaries outside Sweden</b>						
Austria	1	0	16	1	0	17
Belgium	0	0	10	0	–	10
Denmark	5	–	64	5	0	66
Finland	6	1	50	6	1	48
France	3	0	43	3	1	42
Germany	3	0	56	3	–	63
Italy	1	–	8	1	0	6
Netherlands	4	0	65	3	0	64
Singapore	2	0	4	2	0	4
Spain	0	–	7	1	0	7
U.K.	3	0	43	2	–	41
USA	4	–	156	3	–	136
Other	2	1	16	2	0	9
Total	<b>34</b>	<b>2</b>	<b>538</b>	32	2	513
<b>Total, Group</b>	<b>68</b>	<b>8</b>	<b>851</b>	59	4	804

**<sup>1</sup>Specification of note 3**

In accordance with the decision of the Annual General Meeting in 2000, a total of SEK 1.8 M in fees was paid to the members of the Board of Directors. Of this total, the Chairman received SEK 0.6 M.

The CEO has received salary and other benefits amounting to SEK 4.9 M, including fees from external directorships that have been directly linked to his position and have therefore been paid to the Company. The CEO is entitled to pension according to the national ITP plan from 60 years of age, based on premium payments made toward previous pension agreements. In addition, the CEO is entitled to pension from 62–75 years of age with a level of pay, including general pension benefits, that is equivalent to approximately 40 percent of his salary. In addition, the CEO is entitled to a yearly direct pension amounting to approximately 4 times the Swedish Base Amount (Base Amount in 2000 = SEK 37,300) from 60 to 75 years of age, accrued from previous employment in Group companies. The Company must give three years' notice if it should terminate the CEO's employment contract.

Other members of the executive management are entitled to pension from 60 years of age. In the event the Company gives notice, one member of the executive management is entitled to severance pay equivalent to three years' salary, and two are entitled to severance pay equivalent to two years' salary.

A bonus program has been in effect since 1998 for the employees of the Parent Company, AB Industrivärden. Under the program, bonuses are payable if total return of the Industrivärden stock beats the Findata Total Return Index over a period of two years. The bonus can amount to a maximum of 25 percent of the employee's salary. For 2000 the maximum bonus, totaling SEK 6 M including social security charges, was paid.

In 1999 the Third Swedish National Pension Insurance Fund, (formerly Fifth Fund Board), offered stock options on Industrivärden shares to all employees of the Parent Company, AB Industrivärden. The options give the bearer the right to purchase Industrivärden Class A stock during the exercise period, March 15, 1999 – March 15, 2004. The option premium was SEK 13.60 and the exercise price is SEK 145 per share. Options may be transferred without restriction throughout the exercise period. A total of 303,000 stock options were subscribed.

## ■ Note 4 Auditors' Fees

	Group		Parent Company <sup>1</sup>	
	2000	1999	2000	1999
Auditing fees				
Öhrlings PricewaterhouseCoopers	7.4	7.1	0.8	0.7
Other auditing firms	0.3	0.1	–	–
Total auditing fees	7.7	7.2	0.8	0.7
Other consulting fees				
Öhrlings PricewaterhouseCoopers	4.5	4.1	1.0	1.5
Other auditing firms	0.1	0.1	–	–
Total fees, other consulting	4.6	4.2	1.0	1.5
Total auditors' fees	12.3	11.4	1.8	2.2

<sup>1</sup> Including value added tax.

## ■ Note 5 Depreciation

The income statement's sub-items include depreciation of intangible fixed assets and tangible fixed assets as follows:

Group	2000	1999
Cost of goods sold	72	69
Development costs	1	1
Selling costs	26	25
Administrative costs	28	30
Total depreciation	127	125

## ■ Note 6 Other Operating Income

The client-company surplus funds that have been generated in SPP Insurance Company and which were allocated to the Group amount to SEK 75 M, of which SEK 18 M pertain to the Parent Company. The discounted present value of this amounts to SEK 64 M, of which SEK 14 M pertains to the Parent Company, and is reported as other operating income. It is judged that the surplus funds can be used within three to six years.

## ■ Note 7 Operating Leases

Group	2000	1999
Leasing fees paid during the year	58	43
Future, contracted leasing fees		
Expiration in 1 year	53	40
Expiration in 2 years	38	28
Expiration in 3 years	28	18
Expiration in 4 years	11	13
Expiration in 5 years	8	8
Expiration in 6- years	6	29
Total future leasing fees	144	136

## ■ Note 8 Result of Sales of Listed Stocks

Group and Parent Company	2000	1999
Sale of:		
SCA B	193	–
Handelsbanken A	124	–
Skandia	50	–
Cell Network	-85	–
AGA A	–	3,327
Astra B	–	56
Skanska B	–	47
Other <sup>1</sup>	174	105
Total	456	3,535

<sup>1</sup> Of which, realized option premium 114 20

## ■ Note 9 Result of Sales of Other Stocks, etc.

	Group		Parent Company	
	2000	1999	2000	1999
Capital gains on sales of subsidiaries	4	100	4	119
Capital gains of sales of other companies	-62	–	-62	–
Write-down of shares	-32	–	-32	–
Total	-90	100	-90	119

## ■ Note 10 Other Financial Income

	Group		Parent Company	
	2000	1999	2000	1999
Exchange rate differences	2	2	–	–
Dividends	18	12	18	12
Other	4	–	3	–
Total	24	14	21	12

## ■ Note 11 Other Financial Expenses

	Group		Parent Company	
	2000	1999	2000	1999
Exchange rate differences	-25	-4	-7	-3
Bank charges <sup>1</sup>	-22	-	-22	-
Other	-2	-	-	-
<b>Total</b>	<b>-49</b>	<b>-4</b>	<b>-29</b>	<b>-3</b>

<sup>1</sup> Of which, arrangement fee for EUR 600 M loan

	-15	-	-15	-
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## ■ Note 12 Convertible Participating Debenture Loan

AB Industrivärden raised a convertible debenture loan through the issuance of convertible participating notes (CPNs) in connection with the Company's acquisition in 1988 and 1989 of stock in and convertible debentures issued by PLM AB. The terms of the loan are described in the prospectus issued in December 1987. The loan matures in 2028. Each CPN has a par value of SEK 23, which is equivalent to the conversion price of one share. Interest is paid yearly, in arrears, to CPN holders on the third banking day after the record date for dividends, the interest maturity date. Interest per CPN amounts to 115 percent of the dividend per share decided by the Annual General Meeting for the previous fiscal year. The liability is equivalent to the par value of 19,430,664 CPNs. Earnings are charged with the calculated CPN interest based on the year's proposed dividend.

## ■ Note 13 Tax on Earnings for the Year

	Group		Parent Company	
	2000	1999	2000	1999
Paid tax	-144	-145	11	-11
Deferred tax	-1	10	-	-
<b>Total</b>	<b>-145</b>	<b>-135</b>	<b>11</b>	<b>-11</b>

The tax authority has decided to review AB Industrivärden's taxation for the fiscal years 1997-1999 with respect to the standard income reported for shares in subsidiaries. In total this review entails additional tax of SEK 55 M, including charges and interest. Industrivärden has followed the recommendations issued by the National Tax Board for valuation of holding company shares in subsidiaries and has therefore appealed the tax authority's decision. Thus no tax liability has been booked.

## ■ Note 14 Intangible Fixed Assets

Group	Goodwill	Intangible rights	Total intangible fixed assets
Opening acquisition value	186	18	204
Investments during the year	11	3	14
Sales and disposals	-	-3	-3
Translation differences	4	1	5
Closing accumulated acquisition value	201	19	220
Opening depreciation	97	12	109
Depreciation for the year	25	2	27
Sales and disposals	-	-3	-3
Translation differences	4	1	5
Closing accumulated depreciation	126	12	138
<b>Planned residual value, Dec. 31, 2000</b>	<b>75</b>	<b>7</b>	<b>82</b>
Planned residual value, Dec. 31, 1999	89	6	95

## ■ Note 15 Tangible Fixed Assets

Group	Land and buildings	Machinery	Equipment	Construction in progress	Total tangible fixed assets
Opening acquisition value	417	298	472	8	1,195
Investments during the year	5	46	72	7	130
Company acquisitions	6	–	4	–	10
Sales and disposals	–	-3	-58	-8	-69
Translation differences	5	2	12	–	19
Closing accumulated acquisition value	433	343	502	7	1,285
Opening depreciation	118	192	315	–	625
Depreciation for the year	12	27	61	–	100
Company acquisitions	–	–	2	–	2
Sales and disposals	–	-1	-45	–	-46
Translation differences	2	1	10	–	13
Closing accumulated depreciation	132	219	343	–	694
<b>Planned residual value, Dec. 31, 2000</b>	<b>301</b>	<b>124</b>	<b>159</b>	<b>7</b>	<b>591</b>
Planned residual value, Dec. 31, 1999	299	106	157	8	570

The tax assessment value of Swedish real estate was SEK 178 M (185).

## ■ Note 16 Financial Leases

Group	2000	1999
Acquisition value	6	4
Accumulated planned depreciation	-1	-3
Remaining liability	5	1
Of which, current liability (year 1)	2	1
Of which, long-term liability (years 2-5)	3	–

## ■ Note 17 Shares and Participations

### Parent Company holdings of shares and participations in subsidiaries

	Reg. no.	Domicile	Share of capital, %	Number of shares	Book value
Besam AB	556084-1768	Landskrona	100	5,000,000	196
Cunductus AB	556287-8826	Stockholm	100	42	5
Gedevo AB	556032-3593	Stockholm	100	1,000	17
Inductus AB	556088-4644	Stockholm	100	1,000	2
Indus Innovation AB	556364-7758	Stockholm	100	100,000	1
Industrivärden Service AB	556289-9160	Stockholm	100	10,000	1
Indutrade AB	556017-9367	Stockholm	100	25,000	137
Indutrade Fastighets AB	556180-8428	Stockholm	100	2,950	39
Isaberg Rapid AB	556035-6684	Hestra	100	400,000	58
Other					1
					457

### Parent Company holdings of shares and participations in other companies

	Reg. no.	Domicile	Share of capital, %	Share of votes, %	Number of shares	Book value
AB Biodisk	556115-6844	Stockholm	37.1	22.2	63,064	21
AB L M Ericsson Finans	556008-8550	Stockholm	5.0	29.8	8,998	4
Ericsson Project Finance AB	556058-5936	Stockholm	4.7	25.4	220,000	26
DHJ Media AB	556526-2515	Stockholm	22.0	22.0	3,278	101
Establish AB	556511-6083	Stockholm	20.0	20.0	2,353,762	74
Interpeak AB	556586-9517	Täby	20.0	20.0	250,000	9

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## Parent Company and Group holdings of shares in listed companies

	Number of shares	Share of capital, %	Share of votes, %	Market value	Book value
C Technologies	500,000	1.1	1.1	51	58
Cell Network	1,445,062	1.8	1.8	25	25
Eniro	1,500,000	1.0	1.0	142	125
Ericsson A	186,000,000	2.3	28.0	20,460	1,763
Handelsbanken A	49,000,000	6.9	7.5	7,914	1,638
Hennes & Mauritz B	500,000	0.1	0.0	73	101
Industrivärden CPN A	228,653			47	30
Industrivärden CPN C	509,367			98	64
Intentia convertibles	Nom. EUR 6 M			38	53
Karo Bio	555,000	4.7	4.7	164	140
Lundbeck A/S	2,100,000	3.6	3.6	1,943	858
Nokia	200,000	0.0	0.0	83	79
Pfizer Inc.	3,000,000	0.0	0.0	1,312	899
Pharmacia Corp.	1,300,000	0.1	0.1	745	452
Readsoft	1,410,000	4.2	2.9	76	67
Sandvik	23,000,000	8.7	8.7	5,221	4,312
SAS Sverige	300,000	0.4	0.4	27	35
SCA A <sup>1</sup>	18,982,000	8.6	24.2	3,834	927
SCA B	1,105,532			222	155
Scania A	1,824,500	1.5	1.8	376	562
Scania B	1,175,500			247	362
Skandia	47,846,800	4.5	4.5	7,344	2,678
Skanska A	5,575,689	7.1	29.8	2,175	1,053
Skanska B	2,500,000			975	475
SSAB A <sup>2,3</sup>	12,065,600	10.8	14.2	1,086	624
Tele 1 Europe	100,000	0.0	0.0	4	19
Volvo A	1,260,000	0.4	0.8	195	267
Volvo B	540,000			84	118
Parent Company holdings of shares in listed companies <sup>4</sup>				54,961	17,939
Group adjustment					87
Group holdings of shares in listed companies					18,026

## Group holdings of shares and participations in other companies

	Reg. no.	Domicile	Share of capital, %	Share of votes, %	Number of shares	Book value
AB Biodisk	556115-6844	Stockholm	37.1	22.2	63,064	21
AB L M Ericsson Finans	556008-8550	Stockholm	5.0	29.8	8,998	4
Ericsson Project Finance AB	556058-5936	Stockholm	4.7	25.4	220,000	26
DHJ Media AB	556526-2515	Stockholm	22.0	22.0	3,278	101
Establish AB	556511-6083	Stockholm	20.0	20.0	2,353,762	74
Interpeak AB	556586-9517	Täby	20.0	20.0	250,000	9
Sci Rue de Canal		France	50.0	50.0	100	1
Shanghai Rapid Yuan Chang Stationery Company Ltd.		China	51.0	51.0		22
Other shares and participations <sup>5</sup>						1
						259

<sup>1</sup> Industrivärden – together with Custos and Skandia – issued a total of 942,000 call options for SCA Class B stock to the company's management group. Industrivärden accounted for 94,000 of these options. Each call option entitles the bearer to purchase one share of SCA Class B stock for SEK 283 during the period April 26, 2004 to May 28, 2004. The total book value of the corresponding shares is SEK 13,174 K. The total value of the exercise price and expensed premium is SEK 28,482 K.

<sup>2</sup> In 1999 Industrivärden issued 61,049 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 151.50 during the period May 28, 1999 to May 28, 2004. The total book value of the corresponding shares is SEK 3,155 K. The total value of the exercise price and expensed premium is SEK 10,006 K.

<sup>3</sup> In 2000 Industrivärden issued a total of 28,950 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 146 during the period May 25, 2000 to May 31, 2005. The total book value of the corresponding shares is SEK 1,496 K. The total value of the exercise price and expensed premium is SEK 4,667 K.

<sup>4</sup> Including stocks out on loan at the end of 2000: 20,000 Skandia, 176,900 SCA B and 500,000 Skanska B.

<sup>5</sup> Individual holdings with a book value below SEK 300 K.

## ■ Note 18 Associated Company Accounting

Accounting in accordance with the equity method pertains to the following companies:

	Reg. no.	Domicile	Shareholders' equity	Earnings after taxes	Share of capital, %	Share of votes, %	Number of shares 000's	Book value
Ericsson	556016-0680	Stockholm	91,686	21,018	2.3	28.0	186,000	1,763
SCA	556012-6293	Stockholm	40,457	7,148	8.6	24.2	20,088	1,169
Skanska	556000-4615	Malmö/Sthlm	18,358	5,953	7.1	29.8	8,076	1,528
Biodisk	556115-6844	Stockholm	83	31	37.1	22.2	63	21
DHJ Media	556526-2515	Stockholm	62	-67	22.0	22.0	3	101
Establish	556511-6083	Stockholm	95	-3	20.0	20.0	2,354	74
Interpeak	556586-9517	Täby	8	-1	20.0	20.0	250	9
								4,665

Application of the equity method would result in the following earnings:

Group	2000	1999
Net earnings according to the income statement	<b>1,027</b>	4,334
Less: Dividend income from listed stocks	<b>-359</b>	-316
Capital gains on sales of listed stocks	<b>-206</b>	-3,344
Other financial income	<b>-12</b>	-9
Plus: Share in associated companies' earnings after tax	<b>1,402</b>	771
Capital gains on sales of associated companies	<b>194</b>	2,727
Net earnings through application of the equity method	<b>2,046</b>	4,163

A balance sheet prepared using the equity method would result in the following:

	Balance as per balance sheet	Change using equity method	Balance sheet using equity method	
	12/31/00		12/31/00	12/31/99
Shares in listed companies	<b>18,026</b>	-4,460	<b>13,566</b>	9,737
Other shares and participations	<b>259</b>	-205	<b>54</b>	120
Shares and participations in associated companies	-	8,079	<b>8,079</b>	6,979
		3,414		
Equity method reserve	-	3,414	<b>3,414</b>	2,359
Unrestricted reserves	<b>10,688</b>	-1,019	<b>9,669</b>	7,576
Net earnings for the year	<b>1,027</b>	1,019	<b>2,046</b>	4,163
		3,414		

## ■ Note 19 Financial Fixed Assets

	Shares and participations in subsidiaries		Shares in listed companies			
	Parent Company		Group		Parent Company	
	2000	1999	2000	1999	2000	1999
Opening acquisition value	451	534	14,336	12,294	14,250	12,207
Sales	-	-108	-558	-1,688	-558	-1,688
Purchases	6	-	4,400	3,731	4,400	3,731
Write-downs	-	-	-152	-	-152	-
Shareholder contribution	-	25	-	-	-	-
Closing accumulated acquisition value	457	451	18,026	14,336	17,939	14,250

	Shares and participations in other companies			
	Group		Parent Company	
	2000	1999	2000	1999
Opening acquisition value	141	88	117	77
Sales	-67	-	-67	-
Purchases	215	53	215	40
Write-downs	-30	-	-30	-
Closing accumulated acquisition value	259	141	235	117

	Other long-term receivables <sup>1</sup>			
	Group		Parent Company	
	2000	1999	2000	1999
Opening acquisition value	1,318	71	1,257	6
Company divestitures	-	-13	-	-
Increase for the year <sup>2</sup>	39	1,261	10	1,252
Decrease for the year <sup>2</sup>	-1,152	-1	-1,152	-1
Translation differences	3	-	-	-
Closing accumulated acquisition value	208	1,318	115	1,257

<sup>1</sup> Other long-term receivables of the Group include SEK 48 M (46) in deferred taxes recoverable.

<sup>2</sup> Pertains primarily to the Parent Company's investments in and divestments of long-term fixed-income securities.

## ■ Note 20 Inventories

Inventories are broken down into the following items:

Group	2000	1999
Raw materials and supplies	134	143
Goods in process	28	22
Finished products and goods for resale	480	417
Work in process on behalf of others	69	67
Total	711	649

## ■ Note 21 Prepaid Expenses and Accrued Income

	Group		Parent Company	
	2000	1999	2000	1999
Rents paid in advance	8	9	4	5
Accrued interest income	20	67	20	67
Service and maintenance charges paid in advance	16	16	1	-
Other items	19	14	3	2
Total	63	106	28	74

## ■ Note 22 Shareholders' Equity

Group	Capital stock	Restricted reserves	Unrestricted shareholders' equity	Total shareholders' equity
Amount at beginning of year	859	927	11,739	13,525
Dividend to shareholders <sup>1</sup>	–	–	-1,064	-1,064
Conversion of CPNs	0	1	–	1
Transfers between unrestricted and restricted shareholders' equity	–	-6	6	0
Translation differences	–	6	7	13
Net earnings for the year	–	–	1,027	1,027
<b>Amount at end of year</b>	<b>859</b>	<b>928</b>	<b>11,715</b>	<b>13,502</b>

Parent Company	Capital stock	Premium reserve	Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
Amount at beginning of year	859	1	720	10,863	12,443
Dividend to shareholders <sup>1</sup>	–	–	–	-1,064	-1,064
Conversion of CPNs	–	1	–	–	1
Net earnings for the year	–	–	–	700	700
<b>Amount at end of year</b>	<b>859</b>	<b>2</b>	<b>720</b>	<b>10,499</b>	<b>12,080</b>

<sup>1</sup> The 2000 Annual General Meeting set the dividend for 1999 at SEK 6.20 per share, or SEK 1,064 M, after the Board had raised its original proposal by SEK 0.20 per share, or by SEK 34 M.

## ■ Note 23 Capital Stock

The capital stock on December 31, 2000, consisted of 171,776,320 shares with a par value of SEK 5 each. Of these, 124,965,004 were Class A shares and 46,811,316 Class C shares. In 2000, 64,368 convertible participating notes were converted to stock, of which 3,716 were Class A shares and 60,652 Class C shares.

## ■ Note 24 Provision for Pensions

	Group		Parent Company	
	2000	1999	2000	1999
PRI pensions	97	91	9	7
Other pensions	75	67	33	28
Total	172	158	42	35

## ■ Note 25 Commitments to Board Members and Presidents

The Group's provisions include SEK 70 M (67) for pensions and similar benefits for present and former board members and presidents in the Group. The corresponding amount for the Parent Company is SEK 29 M (23).

## ■ Note 26 Other Provisions

Group	2000	1999
Guarantees	21	31
Restructuring measures decided on	0	9
Product liability	33	28
Additional purchase price	7	13
Other items	46	47
Total	107	128

## ■ Note 27 Long-Term Interest-Bearing Liabilities

	Group		Parent Company	
	2000	1999	2000	1999
Bond issues	1,683	400	1,683	400
Utilized lines of credit	38	33	–	–
Other interest-bearing liabilities	1,800	618	1,784	601
Total	3,521	1,051	3,467	1,001

Confirmed lines of overdraft facilities amount to SEK 1,226 M (1,197) for the Group and SEK 1,050 M (1,050) for the Parent Company.

Maturity dates:	Group
	2000
–2002	1,081
–2003	850
–2004	1,175
–2005	414
–2006 or later	1
Total	3,521

## ■ Note 28 Long-Term Liabilities

Listed below is the portion of long-term liabilities that fall due for payment later than five years after the balance sheet date.

Group	2000	1999
Long-term interest-bearing liabilities	1	14

## ■ Note 29 Accrued Expenses and Deferred Income

	Group		Parent Company	
	2000	1999	2000	1999
Accrued interest expenses	283	188	283	188
Accrued staff-related expenses	166	137	21	7
Other	180	120	77	25
Total	629	445	381	220

## ■ Note 30 Current Interest-Bearing Liabilities

	Group		Parent Company	
	2000	1999	2000	1999
Commercial paper	858	691	858	691
Bond issues	400	600	400	600
Current portion of long-term liabilities	205	6	200	–
Other interest-bearing liabilities	1,080	1,577	926	1,483
Total	2,543	2,874	2,384	2,774

## ■ Note 31 Pledged Assets

	Group		Parent Company	
	2000	1999	2000	1999
<b>For own liabilities and provisions</b>				
Pertaining to provision for pensions				
Endowment insurance	6	6	6	6
Pertaining to interest-bearing liabilities				
Chattel mortgages	20	20	-	-
Property mortgages	17	21	-	-
Total pertaining to own liabilities and provisions	43	47	6	6
<b>For overdraft facilities</b>				
Chattel mortgages	6	1	-	-
Property mortgages	1	2	-	-
Total pertaining to overdraft facilities	7	3	-	-
<b>General bank guarantee</b>				
Chattel mortgages	9	19	-	-
Property mortgages	10	5	-	-
Total pertaining to general bank guarantee	19	24	-	-
<b>Other</b>				
Equities	38	5	38	5
Chattel mortgages	1	1	-	-
Property mortgages	1	1	-	-
Total other	40	7	38	5
Total pledged assets	109	81	44	11

## ■ Note 32 Contingent Liabilities

	Group		Parent Company	
	2000	1999	2000	1999
Contingent liabilities on behalf of other				
Group companies	-	-	4	4
Other contingent liabilities	5	8	0	0
Total contingent liabilities	5	8	4	4

The Parent Company has a contingent liability on behalf of a subsidiary regarding product liability for a sold operation. Provisions considered necessary for this contingent liability have been made in the balance sheets of the subsidiary and the Group.

# Audit Report

*To the Annual General Meeting of the shareholders of AB Industrivärden (publ):*

WE HAVE AUDITED the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Industrivärden (publ) for the year 2000. 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 circumstances of the company in order to be able to determine whether any board member or the President has 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 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, Sweden, February 20, 2001

Öhrlings PricewaterhouseCoopers AB

INGVAR PRAMHÄLL  
*Authorized Public Accountant*

# Governing Bodies and Management

INDUSTRIVÄRDEN'S GOVERNING BODIES are the General Meeting, the Board of Directors, the President and CEO, and the auditors. At the Annual General Meeting the shareholders elect a board, which appoints the President and CEO. The auditors are responsible, under assignment of the Annual General Meeting, for auditing the accounts as well as the Board's and President's administration during the fiscal year. The auditors report to the Annual General Meeting on their audit in a special audit report, presented here on page 77.

## Annual General Meeting

The Annual General Meeting is Industrivärden's highest governing body. At the Annual General Meeting, which is held in April or May, the Annual Report is adopted, the dividend is decided on, the Board of Directors and auditors are elected, their fees are determined, and other items of legally ordained business are conducted.

The notice for the Annual General Meeting, scheduled for May 3, 2001, was published in Swedish daily newspapers and on Industrivärden's website on March 23, 2001. This notice contains a detailed agenda, including proposals for the election of board members and their fees.

According to the Swedish Companies Act, shareholders have the right to have a matter taken up for consideration by the Annual General Meeting if a request for such is submitted to the Board of Directors in time. Shareholders also have the right to ask questions at the Annual Meeting.

Minutes from the Annual General Meeting will be available within two weeks after the Annual General Meeting. Shareholders who so desire can request a copy of the minutes by mail or e-mail.

## Board of Directors

Industrivärden's board of directors currently consists of seven members who are elected by the Annual General Meeting. Among these directors are persons with ties to Industrivärden's major shareholders as well as persons independent of the shareholders. The members of the Board are presented on page 86. Other Company executives participate in board meetings by submitting reports or as secretaries.

## Duties of the Board

Aside from responsibility for the Company's organization and management, the Board's most important duty is to act on strategic matters based on an analysis of the operating environment.

In general, the Board acts on matters of material importance for the Group, such as:

- business and profitability targets, and strategic plans
- acquisitions and sales of companies or operations
- major purchases and sales of listed stocks
- establishment of a finance policy.

## Board Meetings

In addition to the statutory Board meeting, which is held directly after the Annual General Meeting, the Board normally meets five times a year (regular meetings). Extra meetings are held if required by special circumstances.

## Regular Items of Business at Board Meetings

At the statutory meeting the Chairman and Vice Chairman are elected, the Board's work plan is adopted, and decisions are made on the Company's signatories, persons to check the minutes of Board meetings, and apportionment of directors' fees.



At the regular meeting at the beginning of the year, the Board deals with the year-end accounts, the administration report, the proposed distribution of earnings and the year-end report. In connection with this, the Company's Chief Auditor presents a report of the auditors' observations and remarks.

At regular meetings later in the year, the Board approves and releases the Company's interim reports, or delegates this task to the CEO. At the last meeting of the year, the budget for the coming year is presented.

At every regular meeting a report is presented on the current financial result of operations and the performance of the stock portfolio. In addition, ordinarily a special review is conducted of one or more of the companies in which the Company has holdings, or one of the subsidiaries. As a rule, each year a meeting is held at a subsidiary or core-holding company, with a company visit in conjunction therewith.

**Important Matters During the 2000 Fiscal Year**  
In 2000 the Board held a total of six meetings, in addition to the statutory meeting, of which five were regular meetings and one an extra meeting. Aside from strategic planning, the largest single items of business in 2000 concerned the sale and purchase of stock in listed and unlisted companies, the Group's future financing structure, and the recruitment of a new CEO. In addition, the Board discussed a proposal which was subsequently made to the 2000 Annual General Meeting, to authorize the Board to decide on purchases and transfers of the Company's own stock.

#### Committees

The Board has appointed a compensation committee to set the salary and remuneration of the President and CEO and executive management.

The 2000 Annual General Meeting appointed a nominating committee, whose task is to propose new Board members. Committee members are listed on page 86.

#### The Chairman's Role

In addition to directing the Board's work, the Chairman monitors the Group's performance through continuous contact with the CEO on strategic matters, and represents the Company in matters concerning its ownership structure. The Chairman serves as a discussion partner for the CEO between Board meetings.

#### The President and CEO

The President and CEO is responsible for the Company's day-to-day management, which includes all matters not reserved for the Board. The CEO's authorization to decide on investments and purchases and sales of listed stocks – and concerning financing matters – is subject to rules established by the Board of Directors. The CEO consults with the Chairman and keeps him informed between Board meetings.

The Chairman, the CEO and three other board members are each directors of one or more of the companies in which Industrivärden is a major owner and has a significant influence. In consultation with other board members, the directors nominated by Industrivärden act on various matters in accordance with the principles of active ownership. See also the section "Industrivärden – an Overview," page 4.

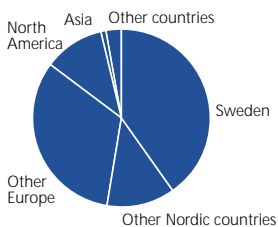
In addition, Industrivärden's CEO and chief financial officer hold chairman positions in the wholly owned subsidiaries.

# Organization and Employees

## AB Industrivärden's Organizational Scheme



## Number of Employees per Country



THE INDUSTRIVÄRDEN GROUP had a total of 3,056 employees (2,962) at year-end 2000, of whom 25 (21) were in the Parent Company and 3,031 (2,941) in the three wholly owned subsidiaries.

### Parent Company

During the last ten-year period the number of employees in the Parent Company has increased from approximately 10 to 25. In recent years the biggest addition has been made in Industrivärden's research resources, and the research department is thus the largest in terms of staffing.

Corporate management consists of four persons (see page 87). In addition to the president and CEO, it includes two executive vice presidents – in charge of portfolio management and research, and accounting and finance, respectively – and the Group's general counsel.

The portfolio management and research department includes nine employees, the accounting and finance departments seven employees, the information and IT department two employees, and other Group-support functions and reception three employees.

The research department's activities include analysis and recommendations concerning the expansion strategy for the core holdings, their capital structure and financial objectives. In addition to work with the core holdings, new investment projects are evaluated on a regular basis.

The finance department serves as the Group's internal bank. Industrivärden's subsidiaries are responsible for their own financial risks within the framework of the Group's finance policy. The accounting and control department is responsible for the Group's financial control system and the day-to-day operational follow-up of the wholly owned subsidiaries. The information and IT department is responsible for investor relations, information coordination, and the Parent Company's IT system.

Industrivärden's organization is characterized by flexibility and short decision-making channels. Through the staff additions made in recent years, Industrivärden has the resources needed for active, effective, high quality investment management. Despite the staff increases, administrative costs have been kept at a low level and amount to less than two per mill of the market value of total assets.

### Subsidiaries

The three subsidiaries have different characters and thus also different personnel structures. Besam is an engineering company with a low degree of value-added due to its high utilization of component subcontractors. Isaberg Rapid, on the other hand, is an engineering company which manufactures most of its products from raw material to finished product. Indutrade is a group of trading companies in which most employees work directly or indirectly in sales.

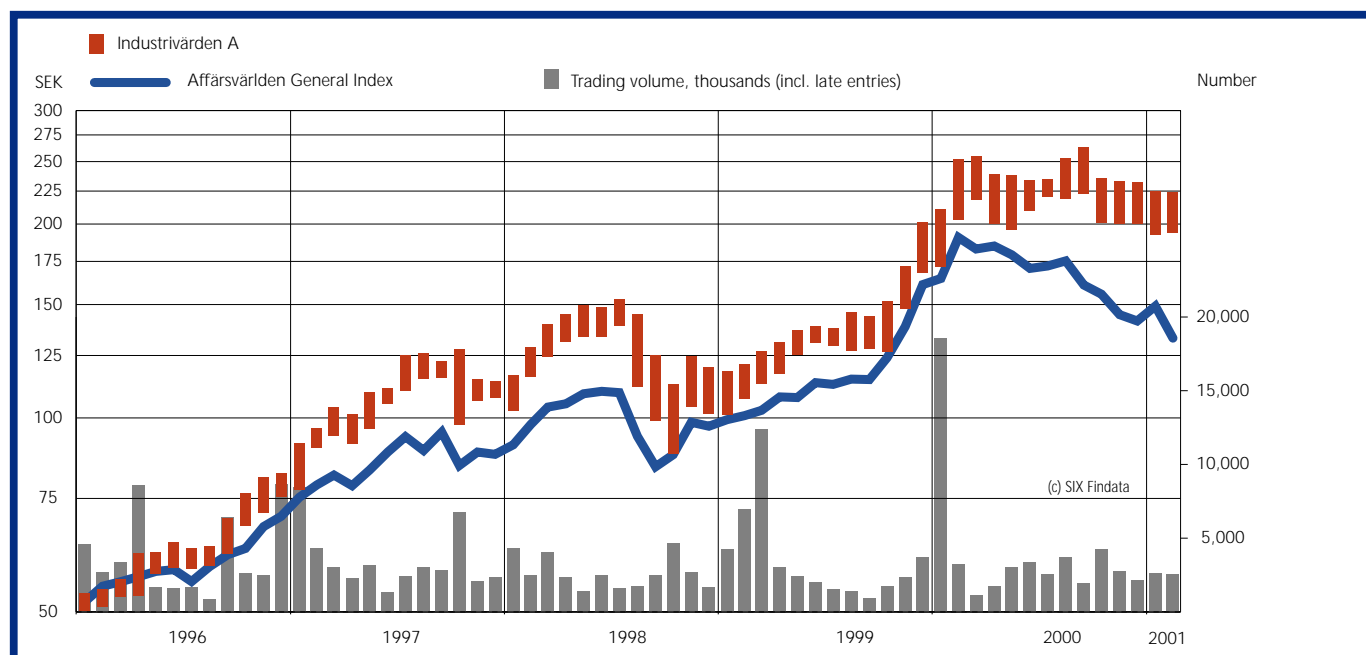
*Besam* had 1,408 employees (1,386) at year-end 2000, of whom 1,112 were outside Sweden. Of the various employee categories, 434 employees were fitters and service technicians, 384 were salespersons and sales support staff, 167 were production assemblers, and 423 were engaged in marketing and administration.

*Isaberg Rapid* had 752 employees (751) at year-end 2000, of whom 222 were in other countries than Sweden. Among the various employee categories, approximately 610 employees were production assemblers, approximately 80 were salespersons and sales support staff, and approximately 60 were engaged in marketing and administration.

The number of employees at *Indutrade* was 871 (804) at year-end 2000, of whom 450 were outside Sweden. Among the various employee categories, 507 employees were salespersons or sales support staff, 141 were engaged in marketing and administration, and 223 were warehouse staff and production assemblers.

# Industrivärden's Stock and CPNs

## Price Trend of Industrivärden's Stock



INDUSTRIVÄRDEN'S STOCK IS QUOTED on the Stockholm Stock Exchange's list of most actively traded issues. The price of Class A shares rose 11 percent during the year. At year-end Industrivärden's market capitalization was SEK 39 billion, including CPNs with a total market value of SEK 4 billion.

### Industrivärden's Stock

The number of shares and breakdown by class is shown in the table at right.

Each A-share carries entitlement to one vote, and each C-share carries entitlement to one-tenth of a vote. All shares carry equal entitlement to a share of the Company's assets and profits. The shares have a par value of SEK 5 each. Both classes of stock are registered on the Stockholm Stock Exchange.

### Capital Stock

Number of shares	Par value, SEK M	Percentage of	
		votes	shares
124,965,004 Class A shares	624.8	96	73
46,811,316 Class C shares	234.1	4	27
171,776,320	858.9	100	100

### Total Return, Industrivärden's Stock

	2000	1999	1998	1997	1996
Total return for Class A shares, %	14	76	1	48	59
Index (base: Dec. 31, 1995)	478	419	238	235	159
Findata Total Return Index, %	-11	70	13	28	41
Index (base: Dec. 31, 1995)	309	347	204	180	141

### Codes Assigned to Industrivärden's Stock

Industrivärden's class A stock has been assigned the code INDUa.ST by Reuters and INDUA.SS by Bloomberg

## Capital Stock Development

SEK M	Capital stock	Number of shares
1991 Conversion of CPNs	710.8	35,541,101
Exercise of warrants	760.8	38,038,886
1992 Conversion of CPNs	761.0	38,051,694
1993 Conversion of CPNs	778.7	38,935,870
1994 Conversion of CPNs	858.2	42,911,222
1995 Conversion of CPNs	858.3	42,912,781
1996 Conversion of CPNs	858.3	42,912,813
1997 No change during the year	858.3	42,912,813
1998 Stock split 4:1	858.3	171,651,252
Conversion of CPNs	858.6	171,711,252
1999 Conversion of CPNs	858.6	171,711,952
2000 Conversion of CPNs	858.9	171,776,320
2001 Conversion of CPNs (January 1–20)	858.9	171,776,320

## Industrivärden's CPNs

Number of CPNs	Par value, SEK M	Percentage of number of CPNs
8,465,496 A-CPNs	194.7	44
10,965,168 C-CPNs	252.2	56
19,430,664	446.9	100

## Dividends and CPN Interest

	2000	1999	1998	1997	1996
Dividend	8.40 <sup>1</sup>	6.20	4.50	3.75	3.25
Annual growth in dividend, % <sup>2</sup>	35	38	20	15	18
CPN interest	9.66 <sup>1</sup>	7.13	5.18	4.31	3.74
Dividend yield, %	4.1	3.4	4.1	3.4	4.2
Dividend yield for Stockholm Stock Exchange, % <sup>3</sup>	1.9	1.4	2.0	2.3	2.2

<sup>1</sup> Proposed by the Board of Directors.

<sup>2</sup> Average annual dividend growth during the past five years was 25 percent.

<sup>3</sup> Source: SIX Findata. Preliminary figures for 2000.

Industrivärden's stock performed better than the market average in 2000. The General Index fell during the year by 12 percent, while Industrivärden's Class A shares increased by 11 percent, from SEK 185 to SEK 205 per share. The total return, including reinvested dividends, was 14 percent in 2000, compared with -11 percent for Stockholm Stock Exchange.

A comparison of Industrivärden's total return with the Findata Total Return Index during the period 1996–2000 is shown in the table on page 81.

The Class A shares' beta coefficient was 1.08 in 2000. If a stock has a beta that is greater than one,

this suggests that it is more sensitive to market swings than the average issue, and if it has a beta that is less than one, it suggests that the stock is less sensitive than the average issue.

Trading volume for Industrivärden stock on the Stockholm Stock Exchange during 2000 amounted to SEK 13 billion, corresponding to a turnover rate of 37 percent for the A-shares and 28 percent for the C-shares.

## Capital Stock Development

During 2000, 64,368 CPNs were converted to stock, of which 3,716 were Class A shares and 60,652 Class C shares. No additional conversion took place as per the record date, January 20, 2001. The total number of shares that carry entitlement to the dividend for 2000 is thus 171,776,320. The growth in capital stock during the last ten years is shown in the table at left.

## Industrivärden's Convertible Participating Notes (CPNs)

In 1988 Industrivärden raised a convertible debenture loan through the issuance of convertible participating notes (CPNs). Additional CPNs were issued in 1989. The loan matures on January 31, 2028. The terms of the loans are provided in the prospectus published in 1987.

Class A and C convertible participating notes are registered on the Stockholm Stock Exchange. CPNs can be converted to stock at any time. CPNs do not carry any voting rights at general meetings of Industrivärden's shareholders, however, CPN holders are given the opportunity to attend the general meetings.

The yield is paid in the form of interest per CPN, amounting to 115 percent of the dividend per share decided by the Annual General Meeting in the previous fiscal year. CPN interest is paid out in connection with the payment of dividends.

Each CPN may be converted to one share of the same class. CPNs have a par value of SEK 23 each.

Trading in Industrivärden's CPNs on the Stockholm Stock Exchange during 2000 amounted to SEK 0.1 billion, corresponding to a turnover rate of 3 percent.

The number of CPNs and breakdown by class is shown in the table above.

## Stock Repurchases

The Board was authorized by the 2000 Annual General Meeting to decide on repurchases and transfers of up to 5 million shares of the Company's own stock during the period up until the next Annual General Meeting. This mandate was not exercised during the year.

## Dividend and CPN Interest

Industrivärden's dividend policy is to give shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange. This target has been met every year during the past five-year period.

The Board of Directors proposes that the Annual General Meeting declare a dividend of SEK 5.00 per share (5.00), plus a bonus dividend of SEK 3.40 per share (1.20), for a total of SEK 8.40 per share (6.20). If the AGM resolves in accordance with the Board's proposal, CPN interest will amount to SEK 9.66 per CPN (7.13). The proposal entails that the Parent Company will not need to pay taxes for the year. If the Annual General Meeting votes in favor of the Board's proposal, average annual dividend growth during the past five years will amount to 25 percent. The trend for the dividend and CPN interest is shown in a table on page 82.

## Warrants for Class A Shares

Since early 1998 UBS Warburg Dillon Read has been issuing warrants for Industrivärden Class A shares. In October 1999, warrants were issued which entitle the holders to purchase 0.2 Class A shares at a price of SEK 150 per share. In March 2000 additional warrants were issued which give the holders the right to purchase 0.1 shares at a price of SEK 300 per share. Holders are entitled in both cases to exercise their options during the entire exercise period through June 15, 2001. Both warrants are quoted on the Stockholm Stock Exchange.

## Calculated Net Asset Value

Net asset value is a measure of the shareholders' and CPN holders' combined net wealth, which is defined as the assets' actual market values and calculated values less liabilities. The principles that form the basis of calculating the Company's net wealth are presented on page 84.

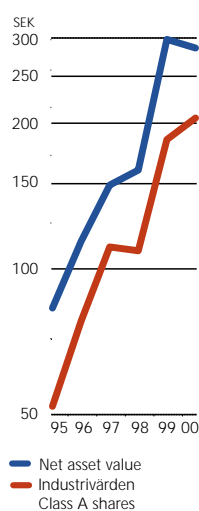
## Composition and Growth of Net Asset Value

SEK/share and CPN	2000	1999	1998	1997	1996
<b>Assets</b>					
Listed stocks	287	284	157	150	93
Industrial and trading operations	22	21	19	16	20
Investment properties	-	-	-	-	5
	<b>309</b>	<b>305</b>	<b>176</b>	<b>166</b>	<b>118</b>
<b>Liabilities and shareholders' equity</b>					
Net indebtedness	26	7	16	16	4
Shareholders' equity <sup>1</sup>	<b>283</b>	<b>298</b>	<b>160</b>	<b>150</b>	<b>114</b>
	<b>309</b>	<b>305</b>	<b>176</b>	<b>166</b>	<b>118</b>
Net asset value	<b>283</b>	298	160	150	114
Market price, Dec. 31, Class A shares	<b>205</b>	185	109	111	78
Discount to net asset value, % <sup>2</sup>	<b>29</b>	38	32	26	31

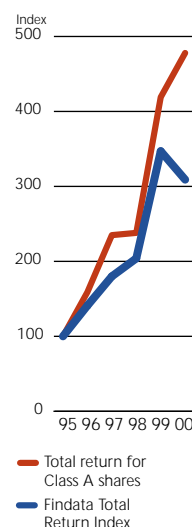
<sup>1</sup> Reported shareholders' equity, CPN loans and surplus values.

<sup>2</sup> The difference between net asset value and the share price, expressed as a percentage of net asset value.

**Net Asset Value per Share and CPN, and Market Price of Industrivärden's Stock**



**Total Return of Industrivärden's Stock**



Net asset value at December 31, 2000 was calculated at SEK 54.1 billion, or SEK 283 per share and CPN. The growth of net asset value during the past five years is shown in the table above.

On February 28, 2001, the discount to net asset value amounted to 22 percent.

**Ownership at December 31, 2000<sup>1</sup>**

	Number of shares	Percentage of	
		votes	shares
Wallander & Hedelius Foundation	11,100,000	8.6	6.5
Sixth Swedish National Pension Insurance Fund	9,163,400	6.8	5.3
Third Swedish National Pension Insurance Fund <sup>2</sup>	7,602,400	5.6	4.4
Handelsbanken Pension Foundation	6,520,000	5.0	3.8
Oktogonen	6,500,000	5.0	3.8
Handelsbanken Pension Fund	6,480,000	5.0	3.8
SCA <sup>3</sup>	6,459,916	5.0	3.8
SCA convertible holders <sup>3</sup>	5,984,832	4.6	3.5
AMF Pension	16,054,000	4.3	9.3
Inter IKEA Investment AB	6,010,304	4.0	3.5
SCA Pension Foundation	3,750,192	2.9	2.2
Handelsbanken mutual funds	2,783,000	2.1	1.6
Skandia	4,714,711	1.2	2.7
Alecta (former SPP Mutual)	8,342,166	1.0	4.9

<sup>1</sup> Direct and nominee shareholdings. Source: Swedish Securities Register Center (VPC).

<sup>2</sup> On January 1, 2001, the Swedish National Pension Insurance Fund, Third Fund Board's holding was divided up into four equal parts to the First through the Fourth Pension Insurance Funds.

<sup>3</sup> In 1997 SCA issued five-year DEM-denominated debt instruments (exchangeables), which can be exchanged for 7,320,000 shares in Industrivärden. During the term of the debentures SCA intends to waive its voting rights for the underlying shares.

**Ownership Statistics on December 31, 2000<sup>1</sup>**

Size class	Number of shareholders as % of total	Total holding as % of capital
1– 500	60.9	1.8
501–1,000	16.3	1.9
1,001–10,000	20.6	8.9
10,001–50,000	1.6	4.8
50,001–	0.6	82.6
	100.0	100.0

<sup>1</sup> Direct and nominee shareholders. Source: Swedish Securities Register Center (VPC).

**Calculating the Market****Value of Industrivärden's Assets**

To show the breakdown of net asset value from a Group perspective, in the Parent Company's balance sheet, the book values of listed stocks and stock in subsidiaries have been replaced by the corresponding actual market values of the listed portfolio and the calculated values of the Group's business operations, respectively. Net asset value has been calculated as the difference between the values of assets and net liabilities calculated in this manner. An alternative approach would be to start with the Group's shareholders' equity as reported in the consolidated balance sheet and add the calculated surplus values (the difference between the calculated market values and the book values reported by the Group).

In this way, an estimate can be obtained of what the Group's shareholders' equity would amount to if the assets were divested on a particular date. Since holding companies are exempt from capital gains taxes on sales of stocks, the calculations are not charged with any capital gains taxes.

**Valuation of the Portfolio of Listed Stocks**

The portfolio of listed stocks has been reported at its actual market value on the accounting date. The holding of Skanska A-shares, which have strong voting power and are not listed, has been valued at the same price as the B-shares.

**Valuation of the Industrial and Trading Operations**

For 2000 the industrial and trading operations have been assigned a calculated value for a conceived future stock market introduction by multiplying the year's earnings after net financial items – less a standard 28 percent tax – by a P/E multiple of 13.

**Largest Shareholders**

Industrivärden has approximately 27,000 shareholders. Taking CPN holders also into account, the total number of investors in the Company's stock and CPNs is approximately 28,000. Institutional investors, such as pension foundations, insurance companies and investment companies, own approximately 84 percent of the shares. Foreign ownership in the Company is approximately 6 percent.

# Tax Rules for Holding Companies

FOR A COMPANY to be defined as a holding company for tax purposes, the requirements are that the company is engaged exclusively or essentially exclusively in the management of securities, that the company's stock is spread among a large number of shareholders, and that the portfolio of securities is well distributed.

## Intermediaries

Holding companies, along with mutual funds, are usually classified as intermediaries. The principles of legislation in this area are:

- that neutrality between direct and indirect ownership requires that the intermediary is not subjected to taxation,
- that indirect ownership shall not be more advantageous than direct ownership,
- that intermediaries such as holding companies and mutual funds shall be taxed equally, and
- that taxation shall enable reinvestment of the shareholding with the intermediary.

## Tax Rules

The main principles concerning taxation of holding companies are:

- that interest income is taxable, while interest expenses and administrative costs are tax deductible,
- that dividends received are taxable, while dividends rendered are tax deductible, and
- that capital gains on sales of stocks are tax exempt, but in return, a standard tax rate is assessed, amounting to 2 percent of the stock portfolio's market value at the beginning of the tax year.

Through these rules, multiple taxation is eliminated. The purpose of the standard income assumption is to smoothen the positive effect that arises through the fact that the intermediary can reinvest the entire capital gain while the direct owner can only reinvest the portion that remains after the tax on the capital gain is paid.

In a joint letter written in autumn 2000, Swedish holding companies petitioned the government for a reduction in the standard income assumption. A study has shown that the current tax rules put indirect ownership at a disadvantage compared with direct ownership. The government's decision on action to be taken in view of the holding companies' request is expected in mid-2001 at the earliest.

## Change in Tax Status

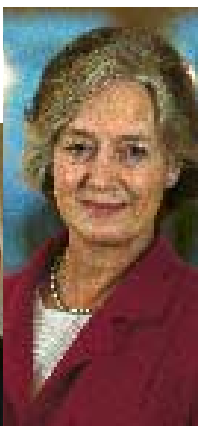
If a company can no longer meet the qualification criteria for a holding company, then it acquires a new tax status. The rules that apply for changes in tax status are as follows:

An amount corresponding to 16 percent of the highest value of the securities holding at the start of the tax year or any of the five preceding years shall be taken up for taxation. If, for example, the change in status is due to the fact that the holding company no longer fulfills the requirement for broad ownership, then only the portion of the portfolio value that corresponds to the portion of the holding company's shares that were not traded during the year shall be taken up for taxation. If another holding company is the buyer or owner, then no tax shall be assessed. In addition, if a holding company changes its status, the market value at the time of the change in status shall make up the taxable acquisition value of the securities holding.

# Board of Directors, Corporate Management and Auditors



Bo Rydin



Inga-Britt Ahlenius



Carl-Erik Feinsilber



Lennart Nilsson



Clas Reuterskiöld



Tom Hedelius



Finn Johnsson

## Board of Directors

### Bo Rydin

MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering, b.1932, Stockholm. Chairman. Director since 1973. Chairman of SCA, Skanska and Graninge. Vice Chairman of Svenska Handelsbanken and SAS's Assembly of Representatives. Shareholding: 30,000.

### Inga-Britt Ahlenius

MBA, b. 1939, Danderyd. Director General and Head of the National Audit Bureau. Director since 1994. Director of the Industrial Council for Social and Economic Studies (SNS) and member of the Royal Swedish Academy of Engineering Sciences.

### Carl-Erik Feinsilber

LLB, b. 1931, Lidingö. Director since 1988. Vice Chairman of SSAB. Director of Bonnier AB, among other companies. Shareholding: 10,000.

### Tom Hedelius

MBA, Honorary Doctor of Economics, b. 1939, Stockholm. Vice Chairman. Director since 1991. Chairman of Svenska Handelsbanken and Bergman & Beving. Vice Chairman of Ericsson. Director of SCA, SAS's Assembly of Representatives and Volvo, among other companies. Shareholding: 10,000.

### Finn Johnsson

MBA, b. 1946, Gothenburg. Director since 2000. President and CEO of Mölnlycke Health Care AB. Chairman of MVI Ltd., Wilson Logistics Holding AB, Bilisten AB and Svenska Handelsbanken Western Sweden Region. Director of Volvo, Skanska, Perstorp, Kalmar Industries, Thomas Concrete Group, and Facile & Co. Shareholding: 2,000.

### Lennart Nilsson

M. Eng., Honorary Doctor of Economics, b. 1941, Lund. Director since 1997. Chairman of Lund University and the Association of Swedish Engineering Industries. Vice Chairman of Cardo and Trelleborg. Director of the Crafoordska Foundation, the Henry and Gerda Dunkers Foundation and Donation fund No. 2. Shareholding: 3,000.

### Clas Reuterskiöld

MBA, b. 1939, Stocksund. President and Chief Executive Officer of Industrivärden. Director since 1994. Director of Ericsson, Sandvik, Skanska, Svenska Handelsbanken and SCA, among other companies. Shareholding: 51,020. Stock options: 50,000.

### Committees

**Compensation committee**, to decide the salaries, benefits and pensions for the President and Executive Management: Bo Rydin and Tom Hedelius.

**Nominating committee** appointed by the 2000 Annual General Meeting for election of the Board of Directors: Bo Damberg, Tor Marthin, Tomas Nicolin, Bo Rydin and Peter Sandberg (subsequently replaced by Erling Gustafsson).



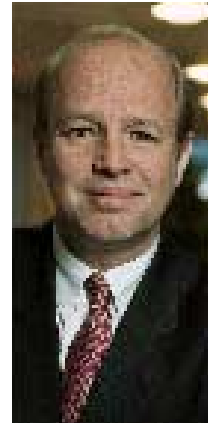


Carl-Olof By      Thomas Nordvallér      Clas Reuterskiöld      Lennart Engström

## New President and CEO, with effect from May 3, 2001

### Anders Nyrén, New CEO

At the Annual General Meeting on May 3, 2001, Clas Reuterskiöld will be leaving his position as President and CEO of Industrivärden. Anders Nyrén (MBA, b. 1954, former Executive Vice President, Finance, of Skanska AB) has been named as his successor. Shareholding: 8,000.



Anders Nyrén

## Senior Executives

### Lars von Celsing, b. 1946.

Head of the Group's Internal Bank and Finance. Employed by Industrivärden since 1992. Stock options: 1,000.

### Jacob Röjdmärk, b. 1965.

Head of Research. Employed by Industrivärden since 1996. Stock options: 33,000.

### Claes-Göran Pettersson, b. 1956,

Head of Accounting and Control. Employed by Industrivärden since 2000.

### Sverker Sivall, b.1970.

Information Coordinator. Employed by Industrivärden since 1997. Stock options: 8,000.

## Executive Management

**Clas Reuterskiöld**, b. 1939. President and Chief Executive Officer. Employed by Industrivärden since 1994. Shareholding: 51,020. Stock options: 50,000.

**Carl-Olof By**, b. 1945. Executive Vice President and Chief Financial Officer. Employed by Industrivärden since 1990. Shareholding: 10,000. Stock options: 50,000.

**Lennart Engström**, b. 1959. Executive Vice President and Head of Portfolio Management and Research. Employed by Industrivärden since 1996. Shareholding: 8,000. Stock options: 50,000.

**Thomas Nordvallér**, b. 1944. General Counsel and Company Secretary. Employed by Industrivärden since 1992. Shareholding: 4,000. Stock options: 17,000.

## Auditor

Öhrlings PricewaterhouseCoopers AB.

Chief Auditor:

**Ingvar Pramhäll**, Authorized Public Accountant. Born 1942, Lidingö.

# Market Communication

INDUSTRIVÄRDEN AIMS TO meet high demands on its communication with its owners and the stock market in general. Information to the market must maintain a high standard of quality and be made quickly available to all interested parties. Through a close dialog with market participants, we strive to continuously develop and improve our communication. This cooperation has been mutually beneficial to all parties and has enabled us to offer high-class information for many years. Following is a recent sampling of independent assessments made of some of our information channels:

*Swedish Shareholders' Association's assessment of the half-year interim reports of listed Swedish companies in 2000 (1999):*

- Ranked 6 (9) of 345 (340) participating companies, which was the best company on the A-list/most actively traded issues list.

*Swedish Shareholders' Association's assessment of 1999 (1998) reports of listed Swedish companies:*

- Ranked 24 (18) of 281 (200) participating companies, and ranked 1 (1) of 14 (14) holding companies.

*Dagens Industri's competition of the best listed company information practices in 2000 (1999):*

- Ranked 12 (14) of 345 (284) participating companies, and ranked 1 (3) of 14 (14) holding companies.

*Hallvarsson & Halvarsson's assessment of Swedish listed companies' websites in 2000 (1999):*

- Ranked 5 (9) of 374 (317) participating companies.

With the support of modern technology, Industrivärden can today offer a wide range of alternative information channels, including Industrivär-

den's website and up-to-date information accessed via pocket computers or WAP cell phones.

## Publication Dates 2001

Interim reports will be published on the following dates in 2001:

- May 3 for the period January–March (also the date of the Annual General Meeting)
- August 15 for the period January–June
- October 31 for the period January–September

## Information Channels

Publications

Interim reports, year-end reports, annual reports and press releases can be ordered using one of the following alternatives

- by mail from AB Industrivärden (publ), Box 5403, SE-114 84 Stockholm, Sweden
- by phone, at +46-8-666 64 00
- by fax, at +46-8-661 46 28, or
- by e-mail at: [info@industrivarden.se](mailto:info@industrivarden.se)

Industrivärden Online

Industrivärden's website, [www.industrivarden.se](http://www.industrivarden.se), is a vital complement to our other information channels. It presents current information about the Company and the major shareholdings, including the latest stock prices, press releases, and a database with recent press clippings about Industrivärden. In addition, press releases, interim reports and year-end reports are available in their entirety in connection with their publication. Visitors to the website can use the Interactive Analysis Tools to help them conduct their own analyses of Industrivärden's stock and of Industrivärden's major shareholdings. The website also includes an extensive description of Industrivärden as a company and equity investment.

#### Press Release "Direct"

All interested parties with access to the Internet can subscribe to Industrivärden's press releases simply by registering their e-mail addresses at [www.industrivarden.se](http://www.industrivarden.se) or [www.bit.se](http://www.bit.se). In connection with the publication of press releases, subscribers will be sent an e-mail containing the press release in question.

#### Investor Contact

Information Coordinator

SVERKER SIVALL, phone +46-8-666 64 19,  
e-mail: [sverker.sivall@industrivarden.se](mailto:sverker.sivall@industrivarden.se)

#### Investor Activities

Investment Fairs

Industrivärden participates regularly in various investment seminars and fairs to inform about the Company and its stock. Requests for presentations of the Company are always welcome.

#### Selection of Analysts Who Monitor Industrivärden

Stockbrokers

Alfred Berg Fondkommission	John Hernander	+46-8-723 60 00
Aragon Fondkommission	Håkan Persson	+46-8-791 35 00
Aros Maizels Fondkommission	Rikard Österman	+46-8-407 92 54
Carnegie Fondkommission	Fredrik Grevelius	+46-8-676 88 00
Credit Agricole Indosuez Cheuvreux	Tomas Ramsälv	+46-8-723 51 72
Enskilda Securities	Anders Westin	+44-207 246 4000
Handelsbanken Markets	Martin de Verdier	+46-8-701 51 18
Swedbank Fondkommission	Patrik Nygård	+46-8-58 59 37 04
UBS Warburg	Per Afrell	+46-8-453 73 00
Öhman Fondkommission/ Nordic Partners	Anders Roslund	+46-8-402 52 69

International Corporate Credit Rating and Rating of Commercial Paper Program

Standard & Poor's Peter Nilsson +46-8-440 59 00

# Glossary and Definitions

- **Adjusted equity ratio** Visible shareholders' equity and minority shares, plus the surplus value of listed stocks, in relation to total assets and surplus values of listed stocks. Prior to 1997, surplus values were also included in investment properties.
- **Adjusted shareholders' equity** Visible shareholders' equity and surplus values of listed stocks. Prior to 1997, surplus values were also included in investment properties.
- **Alpha coefficient** The anticipated value of a stock or stock portfolio's total return with known market rates of return and portfolio risk (beta, see below). A stock with an alpha coefficient of zero generates a return that corresponds to the risk taken.
- **Beta coefficient** The covariance of a stock's or stock portfolio's return in relation to the market's rate of return. A portfolio with a beta of 1 has a return that is equal to the market's rate of return, while a portfolio with a beta that is greater than 1 indicates that it has a higher degree of volatility than the market.
- **Capital expenditures** Investment in tangible fixed assets, i.e., buildings, land, machinery and equipment.
- **Core holding** Listed company in which Industrivärden is the largest or one of the largest shareholders. The investment horizon is long-term. Industrivärden's ownership is exercised through participation in the work of the core holding companies' boards.
- **CPN** Convertible participating note. See page 82.
- **Debt-equity ratio** Net borrowings in relation to the market value of total assets.
- **Discount to net asset value** The difference between net asset value and the stock price, measures in relation to net asset value.
- **Dividend yield** Dividend per share in relation to the price of Class A shares as per December 31.
- **Earnings per share** Earnings after tax divided by the number of shares after full dilution, i.e., the number of shares outstanding and the maximal number of shares that would be created through the conversion of existing CPNs. The tax cost is charged to the Group's earnings after financial items, adjusted for tax-exempt capital gains on sales of stocks, tax-deductible dividends paid, and the standard earnings value that applies at any given time in accordance with the tax rules for holding companies. Full tax is equal to reported tax.
- **Environmental certification** International systems such as ISO 14001 and EMAS guarantee that certified companies meet specified environmental criteria.
- **Fundamental analysis** Equities analysis is either technical, i.e., based strictly on a statistical assessment of a stock's price trend, or fundamental. Fundamental equities analysis is based on broad and in-depth research that results in a comprehensive analysis of a stock's performance.
- **Goodwill** If the acquisition value of stock in a subsidiary exceeds the value of the acquired shareholders' equity, the difference is reported as goodwill in the consolidated balance sheet. Goodwill is normally amortized over a period of at least five years.
- **Hedging** To reduce exposure to currencies in a corporate group, shareholders' equity in foreign subsidiaries is "hedged" through foreign exchange contracts or by taking up loans in foreign currency. Foreign exchange differences on these loans can be used to offset translation differences in the foreign subsidiaries' shareholders' equity.
- **Information coefficient** The difference between the return from a portfolio of listed stocks and the return of its benchmark index. A positive value of around 0.5 is considered satisfactory. The information coefficient for the market as a whole is around zero.
- **Medium-term holding** A holding that is continuously reviewed, with an investment horizon of two to three years.
- **Net asset value** The net book value of assets including surplus values of listed stocks and shares in subsidiaries.
- **P/E multiple** A common way of measuring how a stock is valued is to measure its price per share in relation to anticipated earnings per share. P/E multiples vary from sector to sector, depending on the anticipated level of volume and earnings growth.
- **Return on capital employed** Operating earnings and interest income plus dividends in relation to average total assets, less average noninterest-bearing liabilities and provisions.
- **Risk** The risk in a stock portfolio is measured as the return's variation (standard deviation) with respect to the more long-term development or trend.
- **Stock split** A split is carried out to reduce the cost of buying a block of shares, usually 100 shares. The number of shares outstanding increases proportionately to the reduction in the stock's value.
- **Surplus value** The difference between the market value and book value of listed stocks. For shares in subsidiaries or other companies, the difference between the calculated value and book value.
- **Swap** In a swap transaction, two parties exchange currency situations or interest-rate flows with each other. For example, a borrower may be interested in switching a loan with variable interest for one with fixed interest. In this case, a swap agreement would entail that the bank pays the variable rate to the borrower in exchange for receiving a fixed rate of interest.
- **Total return** The return of Class A shares, defined as the change in the share price plus reinvested dividends.
- **Visible equity** Reported shareholders' equity and CPN loans.
- **Visible equity ratio** Visible shareholders' equity and minority interests in relation to total assets.

# Group Summary

SEK M	2000	1999	1998	1997	1996
<b>Income Statements</b>					
Net sales	4,540	4,071	4,580	4,275	5,547
Operating earnings	418	325	276	260	361
Dividend income from listed stocks	821	775	1,067	426	490
Capital gains on sales of listed stocks	456	3,535	974	273	679
Result of sales of other stocks	-90	100	29	1,592	8
Earnings after financial items	1,364	4,603	2,148	2,404	1,417
Earnings before taxes	1,172	4,469	2,047	2,320	1,344
Net earnings for the year	1,027	4,334	1,918	2,274	1,286
<b>Balance Sheets</b>					
Fixed assets	19,166	16,460	13,260	11,978	7,562
Current assets	2,308	2,758	2,913	1,930	2,551
Total assets	21,474	19,218	16,173	13,908	10,113
Shareholders' equity	13,502	13,525	9,974	8,674	6,945
CPN loans	447	448	448	450	450
Provision for pensions	172	158	132	126	181
Interest-bearing liabilities	6,064	3,925	4,418	3,595	1,355
Noninterest-bearing liabilities	1,289	1,162	1,201	1,063	1,182
<b>Key Ratios</b>					
Visible shareholders' equity	13,949	13,973	10,422	9,124	7,395
Adjusted shareholders' equity	50,884	53,935	28,171	26,759	19,774
Net asset value	54,081	57,027	30,597	28,596	21,730
Visible equity ratio, %	65	73	64	66	73
Adjusted equity ratio, %	87	91	83	85	88
Capital expenditures	130	105	157	144	265
Average number of employees	2,947	2,916	3,428	3,332	4,561
of whom, outside Sweden	1,749	1,744	1,797	1,791	2,309
<b>SEK per Share and CPN<sup>1</sup></b>					
Net asset value	283	298	160	150	114
Adjusted shareholders' equity	266	282	147	140	103
Visible shareholders' equity	73	73	55	48	39
Earnings per share after full tax	6.38	23.37	10.56	12.33	7.10
Cash flow per share <sup>2</sup>	-3.58	-0.18	4.74	-	-
Stock price, December 31					
Class A shares	205	185	109	111	78
Class C shares	193	177	102	109	76
Dividend	8.40 <sup>3</sup>	6.20	4.50	3.75	3.25
Dividend growth, % per year	35	38	20	15	18
Dividend yield, %	4.1	3.4	4.1	3.4	4.2
Total return, %	14	76	1	48	59
CPN interest	9.66 <sup>3</sup>	7.13	5.18	4.31	3.74

<sup>1</sup> A Group summary prepared in euros is presented on page 65.

<sup>2</sup> A statement of cash flows was not prepared for the 1996–1997 financial years.

<sup>3</sup> Proposed by the Board of Directors.

# Addresses

## AB INDUSTRIVÅRDEN

Storgatan 10  
Box 5403  
SE-114 84 Stockholm  
Phone +46-8-666 64 00  
Fax +46-8-661 46 28  
info@industrivarden.se  
www.Industrivarden.se

## BESAM

**Besam AB**  
Lodjursgatan 10  
Box 131  
SE-261 22 Landskrona  
Phone +46-418-511 00  
Fax +46-418-238 00  
www.besam.com  
President Peter Aru

## Austria

**Besam**  
Maschinenhandels-  
gesellschaft mbH  
Vienna  
Phone +43-1914 55 37  
Fax +43-1914 92 98  
President Heinz Schwab

## Belgium

**Besam NV**  
Houthalen  
Phone +32-11 609 500  
Fax +32-11 25 58 72  
President Geert De Smet

## Czech Republic

**Besam Bohemia**  
spol Sro  
Prague  
Phone +420-2850 17 14  
Fax +420-2850 11 28  
President David Horyna

## Denmark

**Besam A/S**  
Herlev  
Phone +45-44 53 70 80  
Fax +45-44 53 20 22  
President Knud Bryde

## Finland

**Besam OY**  
Helsinki  
Phone +358-97 288 5400  
Fax +358-97 99 292  
President Juan Vargues

## France

**Besam SA**  
Bonneuil  
Phone +33-143 77 55 66  
Fax +33-14 33 95 600  
President Michel Fargier

## Besam Service SNC

Bonneuil  
Phone +33-143 39 12 00  
Fax +33-143 39 13 00  
President Jean-Claude  
Johanan

## Germany

**Besam GmbH**  
Dieburg  
Phone +49-6071 20 80  
Fax +49-6071 20 81 11  
President Stefan Harder

## Hungary

**Besam Kft**  
Budapest  
Phone +36-1281 10 40  
Fax +36-1282 27 53  
President Heinz Schwab

## Italy

**Besam SpA**  
S. Pietro all'Olmo  
Phone +39-02 936 11 311  
Fax +39-02 936 21 16  
President Franco Favini

## Netherlands

**Besam Nederland BV**  
Ede  
Phone +31-318 69 89 69  
Fax +31-318 63 83 46  
President Wim Ploekhoij

## Poland

**Besam Polska Spzoo**  
Warszaw  
Phone +48-22 664 35 45  
Fax +48-22 664 79 99  
President  
Marek Kossakowski

## Singapore

**Besam (Manufacturing)**  
Pte. Ltd.  
Singapore  
Phone +65-745 62 28  
Fax +65-745 73 22  
President Jeannie Si

## Spain

**Besam Ibérica SA**  
Madrid  
Phone +34-91 657 48 60  
Fax +34-91 661 43 80  
President  
Gonzalo Fernández

## Sweden

**Besam Export AB**  
Landskrona  
Phone +46-418-514 00  
Fax +46-418-513 55  
President Lars Karlsson

## Besam Production AB

Landskrona  
Phone +46-418-512 00  
Fax +46-418-512 68  
President Peter Bergman

## Besam Svensk

**Försäljning AB**  
Landskrona  
Phone +46-418-510 00  
Fax +46-418-140 60  
President Per Henriksson

## U.K.

**Besam Limited**  
Sunbury on Thames  
Phone +44-1932 765 888  
Fax +44-1932 766 429  
President Mark Conway

## USA

**Besam Automated**  
Entrance System Inc.  
Hightstown, New Jersey  
Phone +1-609 443 5800  
Fax +1-609 443 3440  
President Joseph V Loria

## ISABERG RAPID

**Isaberg Rapid AB**  
Metallgatan 15  
Box 115  
SE-330 27 Hestra  
Phone +46-370-33 95 00  
Fax +46-370-33 95 02  
www.isaberg-rapid.com  
President Pelle Holm

## France

**Rapid Agrafage SA**  
Lognes  
Phone +33-1 6462 9861  
Fax +33-1 6462 9859  
President Jacob Wibom

## Rapid Staples SA

Lutzembourg  
Phone +33-387 25 3005  
Fax +33-387 25 3399  
President Hans Linnér

## Germany

**Esco-Rapid**  
Befestigungstechnik  
GmbH  
Ahrensburg  
Phone +49-4102 479 70  
Fax +49-4102 400 30  
President Pelle Holm

## Netherlands

**Rapid Zobel NV**  
Zaltbommel  
Phone +31-418 57 0170  
Fax +31-418 57 0175  
President Peter van Loon

## U.K.

**Rapid (UK) Ltd.**  
London  
Phone +44-020 8563 7888  
Fax +44-020 8563 2129  
President Barry Griffiths

## INDUTRADE

**Indutrade AB**  
Raseborgsgatan 9  
Box 6044  
SE-164 06 Kista  
Phone +46-8-703 02 00  
Fax +46-8-752 79 39  
www.indutrade.se  
President  
Gunnar Tindberg

## Alnab Armatur AB

Partille  
Phone +46-31-44 94 50  
Fax +46-31-44 24 55  
www.alnab.se  
President Peter Eriksson

## Bengtssons Maskin AB

Arlöv  
Phone +46-40-680 73 00  
Fax +46-40-43 02 71  
www.bengtssons-  
maskin.se  
President Håkan Svensson

## Industri Belos AB

Uppsala  
Phone +46-18-67 67 80  
Fax +46-18-67 67 90  
www.belos.se  
President Göte Mattsson

## AB Carlsson & Möller

Helsingborg  
Phone +46-42-25 38 00  
Fax +46-42-18 47 22  
www.carlssonochmoller.se  
President Joachim Otto

## Colly Company AB

Kista  
Phone +46-8-703 01 00  
Fax +46-8-750 46 28  
www.colly.se  
President Hans Lövgren

## Colly Components AB

Kista  
Phone +46-8-703 01 00  
Fax +46-8-703 98 41  
www.colly.se  
President Olof Paulsson

## Colly

**Filterringsteknik AB**  
Kista  
Phone +46-8-703 01 00  
Fax +46-8-703 95 36  
www.colly.se  
President Olof Paulsson

## Edeco Tool AB

Karlstad  
Phone +46-54-55 80 00  
Fax +46-54-55 80 35  
President Anders Höögh

## ETP Transmission AB

Linköping  
Phone +46-13-24 71 00  
Fax +46-13-14 47 08  
www.etptrans.se  
President Björn Ohlson

## Euronord WTM AB

Gävle  
Phone +46-26-54 65 50  
Fax +46-26-54 65 69  
President Göte Mattsson

## GPA Plast AB

Hjärnarp  
Phone +46-431-45 44 25  
Fax +46-431-45 46 66  
www.gpaplast.com  
President  
Per-Olow Jansson

## LYMA Kemiteknik AB

Ärlöv  
Phone +46-40-43 88 00  
Fax +46-40-43 74 00  
President Björn Lydén

## G A Lindberg AB

Kista  
Phone +46-8-703 02 00  
Fax +46-8-751 40 41  
www.galindberg.se  
President Gunnar  
Tindberg

## AB Kaj Mandorf

Mölnlycke  
Phone +46-31-338 27 00  
Fax +46-31-88 55 18  
www.mandorf.se  
President Roar Vik

## AB Novum

Helsingborg  
Phone +46-42-15 10 30  
Fax +46-42-16 16 66  
www.abnovum.se  
President Lars Nordström

## Processpumpar i

**Motala AB**  
Motala  
Phone +46-141-500 00  
Fax +46-141-562 30  
www.processpumparab.se  
President Mats Andersson

## Ventim AB

Kalmar  
Phone +46-480-42 91 00  
Fax +46-480-42 91 20  
President Conny Petersson

## Finland

**Akamex Oy**  
Jyväskylä  
Phone +358-14 378 3100  
Fax +358-14 378 3400  
www.akamex.fi  
President Aarno Kangas

## Oy Colly Company Ab

Vantaa  
Phone +358-9 476 25 11  
Fax +358-9 476 25 301  
www.colly.fi  
President Björn Lindström

## Indutrade Oy

Vantaa  
Phone +358-9 4764 611  
Fax +358-9 4764 6220  
www.indutrade.fi  
President Kaj Österlund

## Kiinnike-Kolmio Oy

Tampere  
Phone +358-3 253 1880  
Fax +358-3 253 1990  
President Markku Moisio

## Oy Lining Ab

Vantaa  
Phone +358-9 4764 611  
Fax +358-9 4764 6220  
www.lining.fi  
President Kaj Österlund

## Lining Components Oy

Espoo  
Phone +358-9 4764 611  
Fax +358-9 4764 6226  
www.lining.fi  
President Simo Hirvonen

## Oy Maantera Ab

Vantaa  
Phone +358-9 615 322  
Fax +358-9 6153 2350  
www.maantera.fi  
President Kaj Österlund

## Pinteco Oy

Vantaa  
Phone +358-9 836 2950  
Fax +358-9 8362 9511  
www.pinteco.fi  
President Matti Jakonen

## Oy Teollisuusapu Ab

Lohja  
Phone +358-19 340 231  
Fax +358-19 340 247  
www.teollisuusapu.fi  
President Simo Hirvonen

## Vipmek Oy

Vantaa  
Phone +358-9 4762 5800  
Fax +358-9 8240 6640  
www.vipmek.fi  
President Björn Lindström

## YTM Industrial Oy

Vantaa  
Phone +358-9 4764 613  
Fax +358-9 4764 6440  
www.ytm.fi  
President Martti Eskelinen

## Denmark

**Diatom Vaerktoej A/S**  
Hvidovre  
Phone +45-36 77 36 00  
Fax +45-36 77 36 33  
www.diatom.dk  
President  
Christian Paulsen

## Granzow A/S

Glostrup  
Phone +45-43 20 26 00  
Fax +45-43 20 26 99  
www.granzow.dk  
President Peter Rassing

## Linatex A/S

Vallensbaek Strand  
Phone +45-43 53 88 44  
Fax +45-43 53 11 62  
www.linatex.dk  
President Joachim Otto

## Norway

**GPA Plast A/S**  
Ski  
Phone +47-64 87 69 20  
Fax +47-64 87 69 09  
www.gpaplast.com  
President  
Guttorm Thoresen

## Netherlands

**HITMA BV**  
Uithoorn  
Phone +31-297 514 614  
Fax +31-297 514 777  
www.hitmagroep.nl  
President Piet Steenkist

## Estonia

**A/S Industek**  
Tallinn  
Phone +372-620 5095  
Fax +372-620 5090  
President Neeme Kasser

## Latvia

**SIA Indutek LV**  
Riga  
Phone +371-754 55 55  
Fax +371-754 54 33  
www.indutek.lv  
President Martins Klegeris

## Lithuania

**UAB Indutek**  
Vilnius  
Phone +370-2 700 225  
Fax +370-2 700 227  
President Vaidas Ragaisis

## Russia

**ZAO Indutek STP**  
St. Petersburg  
Phone +7-812 326 95 00  
Fax +7-812 326 95 01  
President  
Markku Leminen

# Invitation to Attend the Annual General Meeting, May 3, 2001

The Annual General Meeting of AB Industrivärden (publ) will be held at 2 p.m. on Thursday, May 3, 2001, at the Grand Hôtel, Vinterträdgården (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm. The doors will open at 1 p.m., and registration will take place until 2 p.m., at which time the doors will be closed. Coffee will be served before the Meeting.

## Participation

Shareholders who wish to participate in the Meeting must

- be listed on the printout made on Monday April 23, 2001, of the shareholder register maintained by the Swedish Securities Register Center (VPC), and
- give notice of their intention to participate in the Meeting not later than 3 p.m. on Monday, April 30, 2001, preferably by mailing the notification form at the back of the Annual Report by April 27, 2001, at the latest.

Notification can also be made by phone at +46-8-666 64 00, by fax at +46-8-661 46 28, or by e-mail at [agm@industrivarden.se](mailto:agm@industrivarden.se).

Notification by e-mail requires receipt of our confirmation (within 24 hours) that notification has been made.

## Shares Held in Trust

Shareholders whose shares are held in the name of a trustee must arrange to have their shares registered in their own names by Monday, April 23, 2001, in order to be entitled to participate in the Meeting. Such re-registration must be requested in time before April 23, 2001.

## Owners of CPNs

Owners of Convertible Participating Notes (CPNs) are welcome to attend the Meeting, provided they notify the Company as instructed above.

## Proxies

Shareholders may exercise their entitlement to participate in the Meeting via proxy. Please use the power of attorney statement provided on the notification form. For representation of legal persons by proxy, the power of attorney must be signed by an authorized signatory of the company/organization, and a copy of the registration certificate, which indicates the company's/organization's authorized signatories, must be attached.

## Other

Persons wishing to gain entrance to the Meeting must be able to verify their identity by showing some form of identification.

Text: Industrivärden.  
Design and production: Wildeco.  
Photos: O Image AB and Tiofoto.  
Translation: Joseph Brennan.  
Printing: Arne Löfgren Offset, 2001  
Paper: Silverblade Silk.





AB Industrivärden (publ)

Reg. no. 556043-4200

Storgatan 10

Box 5403, SE-114 84 Stockholm, Sweden

Phone +46-8-666 64 00

Fax +46-8-661 46 28

[www.industrivarden.se](http://www.industrivarden.se)

E-mail: [info@industrivarden.se](mailto:info@industrivarden.se)



Affix stamp  
here

Svarspost  
110 595 100

Industrivärden  
SE-110 05  
Stockholm  
Sweden



Tape here

**Notification to attend the Annual General Meeting of AB Industrivärden (publ). This application form must be received by AB Industrivärden (publ) not later than April 30, 2001, at 3 p.m.**

## Notification

---

Shareholder's/CPN owner's name (BLOCK LETTERS)

---

Swedish social security number/reg. no.

---

Street address

---

Postal code and city/town/country

---

Telephone (daytime)

Attending meeting in person

Represented by proxy as per below

Tear off this side along perforation at left, fold down center, and tape according to marking.

---

## Proxy for

---

Proxy's name (BLOCK LETTERS)

---

Swedish social security number/reg. no.

---

Street address

---

Postal code and city/town/country

---

Telephone (daytime)

to represent all my shares in the Company at the Annual General Meeting of AB Industrivärden (publ) on May 3, 2001.

---

Date

Location

---

Shareholder signature

Name (BLOCK LETTERS)