

**President and CEO Clas Reuterskiöld's Address to IndustriVärden's Annual General Meeting on April 21, 1999**

Honored shareholders and holders of convertible participating notes in IndustriVärden, ladies and gentlemen:

It is with great satisfaction to note that interest in IndustriVärden has risen sharply in recent years. Thus the number of shareholders and holders of CPNs today amounts to nearly 30,000, compared with 23,000 five years ago. I take this gratifying development as a sign that our conscious efforts at making IndustriVärden better known through regular presentations and other measures have yielded results. Naturally, in the future, too, we will maintain a high level of activity in our information and investor relations. One goal in this context is to further increase the number of shareholders and especially foreign ownership.

IndustriVärden's pledge to investors is to provide professional management of an equities portfolio whereby the investor delegates the responsibility to IndustriVärden to choose which stocks should be owned and how this ownership shall be exercised. Management is conducted at a cost that is less than 0.2 percent of managed assets. Compared with most fund management, this must be seen as a low cost at the same time that we in my view have all the resources and expertise needed to conduct effective management.

In view of the service that we offer, natural owners of IndustriVärden stock are investors without any equities management function of their own, who at the same time are interested in a balanced risk investment. Examples of such investors are foundations, various types of funds, and more or less well-to-do individuals. But it is also our pleasure to note that a large percentage of IndustriVärden's stock is owned by large institutions with own fully developed research and management resources.

Our portfolio management is characterized by continuous analysis of existing and potential holdings. In addition, one objective of our management is to serve as active owners by providing industrial and financial expertise to the portfolio companies. Through board representation we want to have a part in influencing the development and value appreciation of the companies in which we have made major investments. Our work approach requires a long-term perspective. Thus, unlike many other investors, we cannot "vote with our feet," since we would thereby lose our ability to influence.

What, then, do we mean by being active owners? The question has several answers which complement each other. One key role as an active owner is to contribute to effective resource allocation. This entails being ready to assist with capital when warranted. Just as important is ensuring that the company in question does not bind more capital than what is necessary for its operations, since capital should be transferred to the shareholders. Examples of this are SSAB, Skanska and, most recently, AGA.

Another fundamental task is to put demands on the company management concerning the company's earnings and development in general. Making demands can sound more passive than active. But this is not the case. Often it is a thankless task, but at the same time, based on experience it is my firm belief that results don't just happen. Clearly formulated demands require a company's management to make an extra effort to achieve the set objectives, regardless of whether these are expressed in quantitative or qualitative terms. In other words, it is important to make sure that the companies maintain a high level of activity and that they create value that will benefit IndustriVärden's shareholders.

On repeated occasions in the past, I have stressed that a board is a team that works on behalf of all a company's shareholders. Therefore, it is not possible to couple a certain measure to the efforts of an individual board member. Thus, in connection with accomplishments in a portfolio company, we cannot issue a statement and present examples of the activity that is constantly being conducted at IndustriVärden. Despite this, I will assert that board members with ties to IndustriVärden have played a decisive role in a large number of matters that have increased the value of the companies in which we are major shareholders.

I just pointed out that having a long-term perspective is fundamental to our credibility as an active owner. However, this does not mean that we never exit from a holding. A very recent example was the sale of our holding in PLM. As I point out in the Annual Report, an important factor underlying the sale was the changed market conditions for PLM's products. PLM's management did an exceptional job and, considering the circumstances, the company reported satisfactory earnings. However, the competition and market in general were not ready to actively participate in the necessary restructuring of the European glass packaging market. Added to this was the turn of events in Russia during the past year, with a sharp deterioration in economic and market conditions for the newly constructed can factory outside Moscow. Taken together, these factors gave us reason for concern about PLM's earnings performance in the years immediately ahead. Against this backdrop, neither IndustriVärden nor other shareholders would receive a competitive return on their invested capital. This was the reason for our sale of the shares in PLM and our demand that the buyer at the same time give the other shareholders the opportunity to relinquish their shares according to the same terms.

It is in the nature of things that a holding company with a long-term investment horizon and the ambition of being an active owner cannot present a major business deal every month. Despite this, the sale of the shares in PLM was one in a long line of deals during the past five-year period. As a result, our assets today have an entirely different composition than they did in 1994.

Then, nearly half of the market value of our assets consisted of subsidiary shareholdings, compared with just under ten percent today. Thus during the period we divested the subsidiaries Mont Blanc, Elitfönster and Thorsman/Wibe in the Inductus Group – and the real estate company Fundament – with handsome capital gains as a result. The same applies for the divestment of PLM, which took place in three steps: first a market listing with preferential rights for our own shareholders, thereafter a secondary placement, and finally, the previously mentioned sale in 1998.

In the portfolio of listed stocks, too, significant changes have taken place during the past five-year period – among other things, by investing the capital released from the above-mentioned sales in listed stocks.

In 1993 the portfolio of listed stock consisted of seven holdings: AGA, Ericsson, Euroc, SCA, Handelsbanken, Skanska and Ferro. Added to these were options in SSAB. The portfolio had a market value of SEK 10 billion.

Today's portfolio is more than three times as large and includes stocks in nearly twenty companies. The shares in Euroc and Ferro have been sold, and a number of new stocks have been added. The options in SSAB have been exercised, and IndustriVärden has thereby become one of the company's largest owners. The holding in Skanska has been doubled, and IndustriVärden has taken on the role of prime mover with respect to execution of the company's ongoing restructuring.

A new, large holding has been added through the purchase of stock in Sandvik. Added to this is the buildup of what we call the medium-term portfolio, valued at between three and four billion kronor, or approximately ten percent of our total assets. The most significant holdings are Skandia – where we are now one of the three largest owners – and Pfizer, which represents the high growth pharmaceutical industry. Both Skandia and Pfizer are good examples of our research and management competence. The purchases in Skandia began in 1996. To date we have invested approximately SEK 800 M in the company, with a current value of approximately SEK 2.7 billion – a growth in value of nearly two billion kronor. The purchases in Pfizer, which began almost a year ago to this date, have amounted to approximately SEK 500 M to date and have shown in good value appreciation.

The changes carried out in our assets have been conducted according to a well-thought-out plan and after careful consideration of each business decision.

Although the number of companies in which we are shareholders has risen, a central aspect of our strategy is that our portfolio should be concentrated to a limited number of companies. This is a crucial prerequisite in order for us to satisfactorily be able to exercise our role as an active owner. It is also a requirement in order for us to be able to monitor and have insight into the various holdings. Another positive result of our concentration strategy for us as well as the stock market – and this applies for the listed portfolio as well as our wholly owned operations – is that it is easier for current and future shareholders to analyze IndustriVärden's stock.

In addition to the transactions mentioned above, a large number of small transactions have been carried out and an even larger number have been analyzed and considered without being carried out. A financial investor like IndustriVärden is continuously evaluating its own business proposals as well as proposals from external parties. It is in the nature of things that such evaluation must be conducted under secrecy. If not, the external flow of ideas would quickly cease. Against this background, it is our policy to never comment on questions about or otherwise comment on deals between ordinary reporting occasions whether or not they have been carried out, or even been taken up for consideration. Naturally, we provide information if required by the stock exchange's or other rule systems, such as in connection with major increases or decreases in ownership positions. Choosing a model in which we

would comment in certain cases but not others would quickly lead to a situation in which we would not be able to guarantee our pledge of secrecy to our business partners, at the same time that our credibility with the media would quickly run the risk of being undermined.

Our policy has been respected by the market and journalists, and has worked well. However, just over a month ago it caused some problems from an information standpoint. The background to this was that we received an offer from the Wallander and Hedelius Foundation to purchase 2.66 million Class A shares in Ericsson. The proposal was considered carefully in view of Ericsson's heavy weighting in our portfolio, and on the other hand, its valuation as a growth stock. Our response after careful deliberation was that we wished to acquire the offered shares. The purchase was conducted at the current market price, without a premium, and as a direct deal without transaction costs. The purchase totaled SEK 572 M and was partly financed through the sale of Ericsson B-shares. The decision was made by the executive management within the investment limits set by the Board of Directors.

I want to emphasize that the deal was based on strictly commercial grounds and according to the same criteria as all other transactions, that is, that it would contribute to the objective that the value of our assets should perform better than the stock market average. Anything else for me and the company management would be most odd, not least in view of the substantial personal investments we have made in stocks and options in Industrivärden, while the result of our bonus program is dependent on the return of Industrivärden's stock.

Our interim report for the first quarter will be ready for distribution on May 4. In the meantime, I can already say that 1999 has gotten off to a decent start for Industrivärden. Growth in value of the portfolio of listed stocks from January 1 through April 19 was 12 percent, compared with 11 percent for the General Index.

Our own stock has also performed well, advancing 18 percent as of April 19, which is 7 percentage points better than the index. We thus once again have a development that is very attractive compared with other holding companies.

Over the years I have learned that making forecasts is very difficult not only concerning the weather, but just as much when it comes to stock prices. Despite this, I look optimistically on Industrivärden's future and the future of its stock price, and I do so with the knowledge about the high quality of our listed as well as unlisted shareholdings.

Clas Reuterskiöld

Industrivärden's Annual General Meeting was held at the Grand Hotel in Stockholm on April 21, with Chairman of the Board Bo Rydin presiding.

- In his address to the Meeting President Clas Reuterskiöld reported on the development of the portfolio of listed stocks during 1999. Through April 19 the listed portfolio grew in value by 12 percent, compared with 11 percent for the General Index.
- Industrivärden's Class A stock rose by 18 percent through April 19, which was 7 percentage points better than the General Index.
- The Meeting decided to raise the dividend by 20 percent, to SEK 4.50 per share. CPN interest thus amounts to SEK 5.18. The record date for the dividend was set at April 26, and thus the dividend and CPN interest are expected to be paid out through VPC on May 3.
- Directors reelected to the Company's Board were Bo Rydin (Chairman), Inga-Britt Ahlenius, Carl-Erik Feinsilber, Tom Hedelius (Vice Chairman), Lennart Nilsson, Clas Reuterskiöld (President and CEO) and Björn Wolrath.
- As auditors, the chartered accounting firm Öhrlings Coopers & Lybrand AB was elected for the period through the 2002 Annual General Meeting.