

## Interim Report January 1 – September 30, 1999

- Growth in value of the portfolio of listed stocks for the nine months ended September 30, was 27 percent (General Index: 18 percent). Through November 1 the listed portfolio increased in value by 41 percent, while the General Index increased by 28 percent.
- Net asset value on September 30, 1999, was SEK 206 per share and CPN. On November 1 net asset value was SEK 226 per share and CPN.
- The total return for Industrivärden's stock during the period January – September was 28 percent, compared with 21 percent for the Findata total return index. Through November 1 the total return was 44 percent (31 percent for the total return index).
- In August the entire shareholding in AGA (12 percent of the capital and 20 percent of the votes) was sold to the German company Linde AG for SEK 3.6 billion, with a capital gain of SEK 3.0 billion.

### EARNINGS AND FINANCING<sup>1</sup>

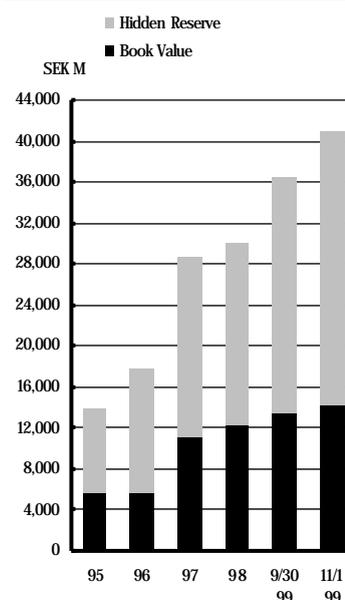
Consolidated net sales amounted to SEK 3,397 M (3,332). Earnings after financial items totaled SEK 4,356 M (1,468). Earnings included gains of SEK 3,476 M (320) on sales of listed stocks, of which the sale of the AGA shareholding, including redeemed shares, accounted for SEK 3,327 M. Dividend income amounted to SEK 774 M (1998: SEK 1,066 M, including one-time dividends of SEK 392 M).

The Group's net debt has decreased since the start of the year by SEK 2,115 M to SEK 1,235 M. The adjusted equity ratio, which includes surplus values of listed stocks, was 87 percent (83 percent at the start of the year).

#### DEVELOPMENT FOR THE PORTFOLIO OF LISTED STOCKS

The market value of the portfolio of listed stocks on September 30, 1999, was SEK 36,370 M (year-end 1998: SEK 30,043 M), and the hidden reserve was SEK 22,942 M (year-end 1998: SEK 17,749 M). Adjusted for purchases and sales, the increase since the beginning of the year was 27 percent, compared with 18 percent

Market Value of Listed Portfolio and Hidden Reserve



<sup>1</sup> Industrivärden has ownership stakes in Ericsson, SCA and Skanska which exceed 20 percent of the number of votes after full dilution. The consolidated income statement and balance sheet presented in this interim report do not include any part of these companies' reported earnings.

for the General Index.

The total return for the listed portfolio (price trend plus reinvested dividends) during the period January – September was 31 percent (21 percent for the Findata total return index).

During the first nine months of the year, purchases of listed stocks totaled SEK 2,685 M, while sales totaled SEK 4,974 M. Thus stocks were sold for a net value of SEK 2,289 M. Major purchases consisted of 3,360,000 Ericsson, 2,500,000 Scania, 919,300 Pfizer Inc., 900,000 Volvo, 1,300,000 Skandia, 1,000,000 Mandator and 229,000 Lundbeck A/S. Major sales consisted of 28,615,000 AGA (the entire holding, including 2,861,500 through redemption), 1,500,000 Ericsson, 1,430,000 Astra (the entire holding), 387,900 Skanska and 300,000 Volvo. The sales from the listed portfolio resulted in a capital gain of SEK 3,476 M.

As a result of a 3:1 stock split by Handelsbanken, the holding increased from 14,650,000 to 43,950,000 shares. Pfizer Inc. carried out a 3:1 stock split on July 1, through which the holding increased from 706,000 shares to 2,118,000 shares.

### **Price Trend for the Six Largest Shareholdings**

The trend during the first nine months for the six largest shareholdings, which accounted for 90 percent of the portfolio's value on September 30, was as follows:

<u>Company</u>	<u>Share of portfolio value on Sept. 30, %</u>	<u>Price change Jan.-Sept., %</u>
Ericsson	35	30
Sandvik	14	58
Handelsbanken	14	0
SCA	11	34
Skandia	9	38
Skanska	7	36

Ericsson had strong price development and performed better than the General Index. A new series of mobile phones based on a new technical platform was launched during the autumn. The products have met a very positive reception in the market.

Despite strong earnings, Handelsbanken performed worse than both the bank & financial services index and the General Index.

Sandvik performed better than both the General Index and the engineering index. Cyclical stocks like Sandvik and SSAB performed strongly during the nine-month period.

SCA performed better than the General Index.

Skandia performed better than the General Index as well as comparable international insurance companies.

Skanska performed better than both the General Index and the real estate and construction index.

**Development for the Listed Portfolio Through November 1**

The market value of the listed portfolio on November 1, 1999, was SEK 40,878 M, and the hidden reserve was SEK 26,577 M. Adjusted for purchases and sales, the portfolio increased in value by 41 percent since the beginning of the year. The General Index increased by 28 percent during the same period. The total return for the listed portfolio from the beginning of the year through November 1 was 44 percent (31 percent for the total return index).

**INDUCTUS**

Inductus' net sales for the period amounted to SEK 2,063 M (2,066). Earnings after financial items improved by SEK 41 M to SEK 154 M, mainly due to the profitable expansion of Besam's service operations for automated doors.

In October Industrivärden sold the wholly owned company Hydrauto, a manufacturer of mobile hydraulics. Hydrauto had sales of SEK 263 M in 1998 and today has about 240 employees. The new owners are the Swedish National Pension Insurance Fund (Sixth Fund Board) and newly formed company Hydrauto Holding AB.

**INDUTRADE**

Indutrade's net sales amounted to SEK 1,279 M (1,226), an increase of 4 percent. Earnings after financial items totaled SEK 100 M (1998: SEK 127 M, including capital gains of SEK 9 M). Following a weak start of the year, demand has gradually improved.

**Y2K COMPLIANCE**

The work carried out within the Industrivärden Group to eliminate any effects associated with the turn of the millennium has essentially been completed. To the best of the company's knowledge and belief, there are no remaining problems.

**CALCULATED NET ASSET VALUE**

Industrivärden's net asset value<sup>2</sup> as per September 30 has been calculated at SEK 39.4 billion, or SEK 206 per share and CPN. Net asset value at November 1 has been calculated at SEK 226 per share and CPN.

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Net Asset Value per Share  
and CPN

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Stockholm, November 4, 1999

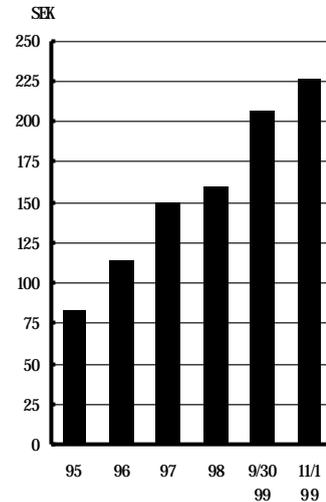
Clas Reuterskiöld  
President and CEO

**AUDITORS' EXAMINATION**

This report has not been examined by the Company's auditors.

**FINANCIAL CALENDAR**

A year-end report on 1999 results will be released on February 15, 2000.  
The 1999 Annual Report will be published at the end of March 2000.  
The Annual General Meeting will be held in Stockholm on May 5, 2000  
An interim report for the first quarter of 2000 will be released on May 5, 2000.



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<sup>2</sup>The composition of net asset value is shown on page 9.

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**IndustriVärden Consolidated Income Statement**


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SEK M	<b>1999</b>	1998	1998
	<b>Jan.-Sept.</b>	Jan.-Sept.	Jan.-Dec.
Net sales	<b>3,397</b>	3,332	4,580
Cost of goods sold	<b>-2,251</b>	-2,232	-3,057
<b>Gross earnings</b>	<b>1,146</b>	1,100	1,523
Development costs	<b>-57</b>	-60	-83
Selling costs	<b>-551</b>	-522	-741
Administrative costs	<b>-311</b>	-319	-431
Other operating income and expenses	<b>-3</b>	2	8
<b>Operating earnings</b>	<b>224</b>	201	276
Dividend income from listed stocks	<b>774</b>	1,066	1,067
Capital gains on sales of listed stocks	<b>3,476</b>	320	974
Capital gains on sales of other stocks	<b>0</b>	21	29
<b>Earnings before financial items</b>	<b>4,474</b>	1,608	2,346
Interest income	<b>31</b>	11	17
Interest expense (excl. CPN interest)	<b>-162</b>	-164	-232
Other financial items	<b>13</b>	13	17
<b>Earnings after financial items</b>	<b>4,356</b>	1,468	2,148
CPN interest	<b>-76</b>	-63	-101
<b>Earnings before taxes</b>	<b>4,280</b>	1,405	2,047
Tax on earnings for the period	<b>-141</b>	-157	-129
<b>Net earnings for the period</b>	<b>4,139</b>	1,248	1,918

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**Breakdown by Business Unit**


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SEK M	Net sales		Earnings after financial items	
	<b>1999</b> <b>Jan.-Sept.</b>	1998 Jan.-Sept.	<b>1999</b> <b>Jan.-Sept.</b>	1998 Jan.-Sept.
Inductus	<b>2,063</b>	2,066	<b>154</b>	113
Indutrade	<b>1,279</b>	1,226	<b>100</b>	127
Dividends from listed stocks	-	-	<b>774</b>	1,066
Other, net	<b>55</b>	40	<b>-148</b>	-158
	<b>3,397</b>	3,332	<b>880</b>	1,148
Capital gains on sales of listed stocks	-	-	<b>3,476</b>	320
	<b>3,397</b>	3,332	<b>4,356</b>	1,468

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**IndustriVärden Consolidated Balance Sheet**

SEK M	<b>Sept. 30 1999</b>	Sept. 30 1998	Dec. 31 1998
Intangible assets	<b>92</b>	99	101
Tangible assets	<b>683</b>	716	706
Shares and participations	<b>13,549</b>	12,808	12,382
Other financial assets	<b>1,644</b>	78	71
Inventories	<b>755</b>	736	718
Accounts receivable, trade	<b>869</b>	851	878
Other current receivables	<b>148</b>	89	117
Liquid assets	<b>1,628</b>	199	1,200
<b>Total assets</b>	<b>19,368</b>	15,576	16,173
Shareholders' equity	<b>13,329</b>	9,289	9,974
CPN loans	<b>448</b>	448	448
Provisions	<b>333</b>	347	323
Interest-bearing long-term liabilities	<b>1,123</b>	1,728	1,709
Interest-bearing current liabilities	<b>3,163</b>	2,861	2,709
Noninterest-bearing current liabilities	<b>972</b>	903	1,010
<b>Total shareholders' equity and liabilities</b>	<b>19,368</b>	15,576	16,173
Visible equity ratio, percent	<b>72</b>	63	64
Adjusted equity ratio, percent <sup>3</sup>	<b>87</b>	81	83

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<sup>3</sup> Includes surplus values of listed stocks.

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**Industrivärden Consolidated Statement of Cash Flows**


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SEK M	<b>1999</b>	1998	1998
	<b>Jan.-Sept.</b>	Jan.-Sept.	Jan.-Dec.
<b>OPERATING ACTIVITIES</b>			
Earnings after financial items	<b>4,356</b>	1,468	2,148
Adjustment of items not included in cash flows:			
Depreciation	<b>111</b>	109	144
Reversal of result of sales of stocks	<b>-3,476</b>	-341	-1,003
Reversal of other items not affecting cash flows	<b>16</b>	-381	-373
Taxes paid	<b>-129</b>	-45	-46
<b>Cash flow from operating activities before changes in working capital</b>	<b>878</b>	810	870
Cash flow from changes in working capital	<b>-61</b>	-72	-40
<b>Net cash flow from operating activities</b>	<b>817</b>	738	830
<b>INVESTING ACTIVITIES</b>			
Purchases of listed stocks	<b>-2,685</b>	-580	-2,025
Sales of listed stocks	<b>4,975</b>	792	2,149
Net purchase/sale of other fixed assets	<b>-1,653</b>	-103	-134
<b>Net cash flow from investing activities</b>	<b>637</b>	109	-10
<b>FINANCING ACTIVITIES</b>			
Loans raised and amortization of debt	<b>-142</b>	-218	814
Dividends and CPN interest paid out	<b>-874</b>	-728	-728
<b>Net cash flow from financing activities</b>	<b>-1,016</b>	-946	86
<b>Net cash flow for the period</b>	<b>438</b>	-99	906

**Change in net debt**

	12/31/98	Cash flow	Change in loans	Other changes	<b>Outcome 9/30/99</b>
Liquid assets	1,200	438	-	-10	<b>1,628</b>
Long-term fixed income instruments	0	-	-	1,563	<b>1,563</b>
Long-term interest-bearing liabilities	1,709	-	-586	-	<b>1,123</b>
Current interest-bearing liabilities	2,709	-	444	10	<b>3,163</b>
Interest-bearing pension provision	132	-	-	8	<b>140</b>
<b>Net debt</b>	<b>3,350</b>	<b>-438</b>	<b>-142</b>	<b>-1,535</b>	<b>1,235</b>

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**Portfolio of Listed Stocks as per September 30, 1999**


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	Number	Market value		Percent of portfolio's value
		SEK M	SEK per share and CPN	
Ericsson	46,520,000	12,653	66	35
Sandvik	23,000,000	5,118	27	14
Handelsbanken	44,220,000	5,063	27	14
SCA <sup>4</sup>	18,269,600	4,284	22	11
Skandia	18,500,000	3,164	17	9
Skanska	8,075,689	2,463	13	7
SSAB	12,063,600	1,273	7	4
Scania	2,500,000	776	4	2
Pfizer Inc.	2,233,000	654	3	2
Volvo	2,000,000	462	2	1
Other (<SEK 200 M)		460	2	1
<b>Total</b>		<b>36,370</b>	<b>190</b>	<b>100</b>

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The listed portfolio above included the following stocks which were out on loan:

	<u>Number</u>
Handelsbanken	367,400
Scania	774,400
Sandvik	23,000
Volvo	17,000
SSAB	2,000
Other	4,100

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<sup>4</sup> Including 18,269,600 subscription rights for SCA's new issue.

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### Composition of Net Asset Value

	SEK billion		SEK per share and CPN	
	Nov. 1	Sept. 30	Nov. 1	Sept. 30
Listed stocks	40.9	36.4	214	190
Industrial and trading operations	3.9	3.9	20	20
	44.8	40.3	234	210
Other assets and liabilities	-1.6	-0.9	-8	-4
	<b>43.2</b>	<b>39.4</b>	<b>226</b>	<b>206</b>

Total number of shares and CPNs: 191,206,984

The portfolio of listed stocks has been valued at current market value. The industrial and trading operations have been valued using a P/E multiple of 15 (the same as at year-end 1998), based on current forecasts of the companies' earnings for 1999. The P/E multiple for the engineering industry according to the Affärsvärlden equities indicator was 21 at year-end 1998, 26 at September 30, and 28 at the end of October 1999.

For data on the composition of net asset value on all reporting occasions during the past five years, see Interactive Analysis on Industrivärden's website.