



IV INDUSTRIVÄRDEN

Annual Report 1999

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Annual General Meeting

Time and place

The Annual General Meeting will be held at 2 p.m. on Friday, May 5, 2000, 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 25, 2000, and give notice of their intention to participate in the Meeting no later than 3 p.m. on Wednesday, May 3, 2000. 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 25, 2000.

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
- by phone at +46-8-666 64 00
- by fax at +46-8-661 46 28
- by e-mail at agm@industrivarden.se whereby confirmation has to be received by e-mail from the Company (within 24 hours).

Application must be received by the Company not later than 3 p.m. on Wednesday, May 3, 2000.

Dividend

The dividend for 1999 will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes May 10, 2000, as the record date. Provided that the Annual General Meeting approves the Board's proposal, payment of dividends and CPN interest are expected to be made via VPC on May 15, 2000.

Financial Calendar 2000

Interim reports will be issued on May 5 for the period January–March, on August 15 for the period January–June, and on October 31 for the period January–September 2000. All reports will also be published on Industrivärden's website: www.industrivarden.se. See also the section Market Communication, page 90.

This Annual Report is a translation of the Swedish original.



● Highlights

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- Industrivärden's stock gained 70 percent for the year, compared with 66 percent for the General Index. The total return was 76 percent, compared with 70 percent for the Findata Total Return Index.
- The value of the portfolio of listed stocks on December 31, 1999, was SEK 54,298 M (30,043). Adjusted for purchases and sales, the portfolio's value rose 87 percent from the beginning of the year, while the General Index rose 66 percent. The total return for the portfolio was 91 percent, compared with 70 percent for the Findata Total Return Index.
- Net asset value at year-end was SEK 298 (160) per share and CPN, an increase of 86 percent (7) from the beginning of the year.
- The shareholding in AGA was sold for a capital gain of SEK 3,327 M.
- The subsidiaries Hydrauto, Rapid Granulator and Timelox were sold for a combined capital gain of SEK 100 M.
- Consolidated earnings after financial items were SEK 4,603 M (2,148). Of this total, gains on sales of stocks accounted for SEK 3,635 M (1,003), dividends from listed stocks for SEK 775 M (SEK 1,067 M, including one-time dividends of SEK 392 M), and other earnings for SEK 193 M (78).
- The Board of Directors proposes that the ordinary dividend for 1999 be raised by SEK 0.50 to SEK 5.00 per share. In addition, the Board proposes a bonus dividend for 1999 of SEK 1.00 per share, and thus a total dividend for 1999 of SEK 6.00 per share. Interest per CPN would thus be SEK 6.90.



A pictorial illustration of Industrivärden's operations: a mobile phone from Ericsson, steel tube from Sandvik, a revolving door from Besam, a development meeting at Indutrade, and analysts at Industrivärden's head office.

To Our Shareholders

For Industrivärden the conclusion of the millennium was most satisfactory. Our profit after tax in 1999 was SEK 4.3 billion – the highest yearly result since the Company's start in 1944. Our reported earnings do not show the whole picture, however, as substantial surplus value was also created in our portfolio of listed stocks. Therefore, an alternative way of describing 1999 would be to add this rise in surplus value to our reported earnings. This value amounted to a full SEK 22.2 billion, giving a total "outcome" for the year of no less than SEK 26.5 billion!

This performance can be credited to own measures as well as to an extraordinarily strong year on the stock market. The Affärsvärlden General Index rose 66 percent for the year – the largest gain in a single year since 1983. Our own portfolio performed even better, and its value – adjusted for purchases and sales – rose by a full 87 percent.

Choice of stocks is the most crucial factor underlying value growth in a particular stock portfolio – in terms of risk as well as reward. This obvious fact is clearly illustrated by the wide variation in price growth shown by the various sectors included in the General Index. Telecom and IT stocks were the hottest in 1999, with gains in excess of 100 percent, while bank and pharmaceutical stocks – both of which did very well in 1998 – were quoted at essentially unchanged prices.

At the end of 1999 the value of our holding in Ericsson was worth SEK 26.2 billion, corresponding to 48 percent of the portfolio value and 45 percent of our total assets. Undeniably, this is a large proportion of the portfolio and a risk factor in terms of economic theory. However, when judging the balance in the portfolio you must not forget at the same time that Ericsson accounts for nearly 30 percent of total market capitalization on the Stockholm Stock Exchange. I do not see our overweight in Ericsson as any reason for alarm at the moment. On the contrary – I am highly confident about the company's future development. Granted, 1999 was a fairly flat year, but Ericsson rallied to a strong finish. Earnings for the final quarter, in which Ericsson posted its finest quarterly results ever, clearly illustrate the company's future potential. My view, therefore, is that even in the coming years Ericsson will continue to contribute to the good performance of Industrivärden's stock portfolio.

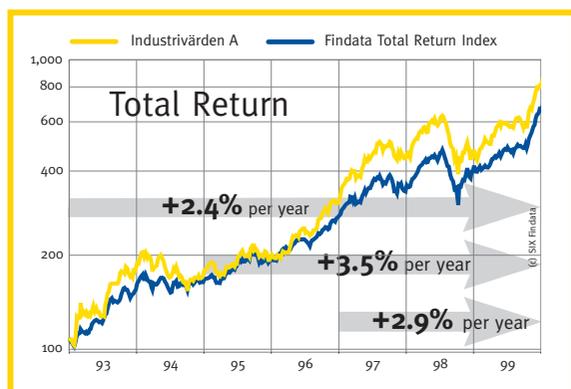
Our holding in Ericsson is not the entire explanation for our strong result, however. This can be illustrated by a comparison of the performance of our portfolio and the General Index, excluding Ericsson in both cases. Even in such a comparison, our shareholdings beat the index. I see this as solid support for my previous claims about the very high quality of Industrivärden's portfolio.

One important event during the year was our exit from AGA, with a capital gain of SEK 3.3 billion. This divestment was made in light of the restructuring that is currently under way in the gas industry. In the wake of recent years' refocusing efforts and investments in

expansion, AGA had become an attractive target. Since the alternative options – that AGA would be the acquiring party or that AGA would continue as an independent company – would have entailed a significantly lower outcome for us as a shareholder, we made the decision to sell our holding in AGA. The sale is yet another example of my intimations in last year's shareholders letter that no holding is sacred. If the companies in which we are major owners can develop better with another owner, and if we at the same time receive a share in the buyer's coordination gains, then we are always prepared to consider a deal for the benefit of Industrivärden's shareholders.

Industrivärden clearly has the lowest management costs of any holding company on the Stockholm Stock Exchange – less than 0.2 percent of managed assets. In recent years we have

Industrivärden creates sustained shareholder value



strengthened our research resources while maintaining our low level of costs. The search for and analysis of new investment opportunities is a continuous process alongside the monitoring of our existing holdings. An example of the result of our analysis work can be seen in our investment in Skandia. We began investing at an early stage and have therefore been able to benefit from Skandia's entire upswing. In all we have invested SEK 1.2 billion in Skandia, and by year-end 1999 the holding had grown to a stock market value of SEK 5.2 billion.

As I said above, I feel that our portfolio is of very high quality. At the same time, we have financial resources for further improvement. Among potential investments we are analyzing are companies in the pharmaceutical and IT sectors. We are also studying other growth sectors. In view of our indirect IT exposure in Ericsson, the pharmaceutical sector has highest priority. Our research points to strong growth in the industry, among other things due to the current, global shift in the age pyramid. The lackluster performance of drug stocks in 1999 does not affect our positive view of the future.

The result of our management has tangibly benefited our shareholders through the growth in value of Industrivärden's stock. In 1999 we delivered a total return of 76 percent, compared with 70 percent for the Total Return Index. This strong performance was no one-time occurrence. As the chart at opposite shows, regardless of what measurement period you look at, Industrivärden has given its shareholders an added return to the tune of 3 percentage points a year.

History repeats itself, as the saying goes. Despite this, of course I cannot guarantee the same excess return in the years immediately ahead. But I can tell you with confidence that, as a shareholder myself, I feel very secure with my investment in Industrivärden.

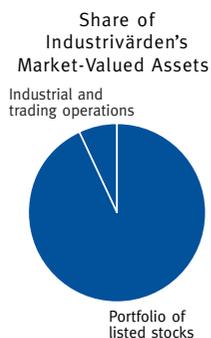


Clas Reuterskiöld
President and CEO



Clas Reuterskiöld,
President and CEO of
Industrivärden since 1994.

Industrivärden – An Overview



AB Industrivärden is one of Sweden's leading holding companies. 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. Owing to active management, Industrivärden's shareholders have a stake in a diversified, balanced-risk equities portfolio that is managed at a low cost – approximately 0.2 percent of market value.

Industrivärden's shares are listed on the Stockholm Stock Exchange. The goal is to give shareholders 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 comfortable 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 values. A more detailed discussion of the tax rules for holding companies is provided on page 87.

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. In addition, a small portion of assets are invested in wholly owned subsidiaries, other unlisted companies, and listed foreign stocks.

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 that parity with the industrial composition of the 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 almost exclusively of listed Swedish stocks and is divided into core holdings and medium-term holdings. The core holdings must be large enough to give Industrivärden substantial ownership in the respective companies and thus the opportunity to exercise influence in the companies through active ownership. This active ownership is exercised primarily through participation in the board work of the core-holding com-

Portfolio of Listed Stocks (93%)¹

Core Holdings

Ericsson
Sandvik
SCA
Handelsbanken
Skanska
SSAB

Medium-Term Holdings

Skandia
Scania
Pfizer
Volvo
Other (SEK 200 M per holding)

Industrial and Trading Operations (7%)¹

Besam
Isaberg Rapid
Indutrade

¹Share of total assets.



Kvartalsveckning 1999



Every year Industrivärden's research department evaluates a large number of business opportunities.

panies. The directors nominated by Industrivärden have a high level of financial and industrial expertise. Based on experience and knowledge, active ownership is exercised with a long-term approach and is focused on such strategic matters 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.

A key role for Industrivärden as an active owner is to contribute to efficient resource allocation, which entails a readiness to inject capital when justified. It is equally important to make sure that the 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 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 recommended action. Basic data includes information from external analysts and consultants, trade organizations, and other sources. Analysis involves strategic overviews, 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, preferably wholly owned subsidiaries. The demands on subsidiaries are that they have solid growth potential and a positive cash flow.

Financial Objectives and Dividend Policy

Industrivärden's financial objective is to achieve a higher total return over the long term 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-valued assets. 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.

Investment Orientation for Portfolio of Listed Stocks

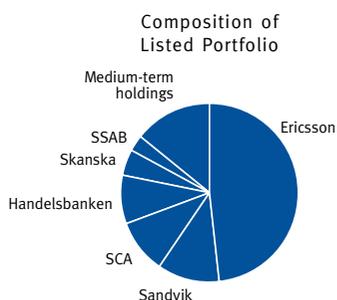
The portfolio of listed stocks consists primarily of six core holdings – companies in which Industrivärden is the largest or one of the largest shareholders. These are Ericsson, Sandvik, SCA, Handelsbanken, Skanska and SSAB. The combined market value of the core holdings on December 31, 1999, was SEK 46,587 M.

In addition to the core holdings, the listed portfolio also includes a limited number of medium-term holdings. The goal of these investments is to achieve good value appreciation while maintaining a high degree of liquidity in the investments. The investment horizon is two to three years. The guiding principle is management based on analysis. At year-end 1999 the medium-term portfolio had a market value of SEK 7,711 M.

The market value of the portfolio of listed stocks on December 31, 1999, was SEK 54,298 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

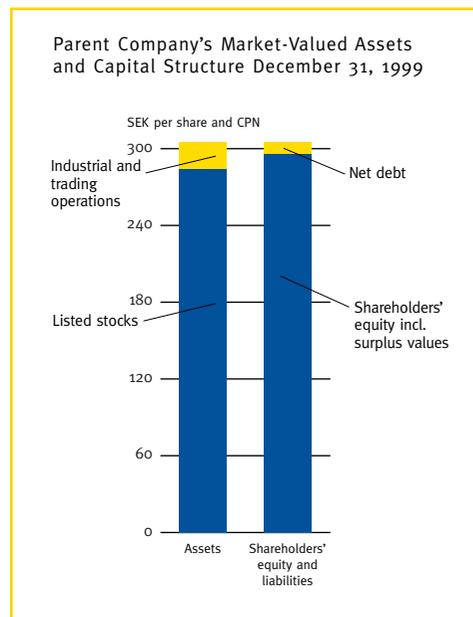


able to actively influence developments within the companies. For several of the core holdings, Industrivärden has been a shareholder for a long time. However, Industrivärden is always prepared to divest a core holding if such a move would generate value added and enhance Industrivärden's own growth in value over time. Such divestitures have been made of former core holdings: PLM in 1998, and AGA in 1999.

One motive for divesting a core holding would be 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 a seller would receive

a share in any restructuring gains and that it is judged that a better, alternative return could be received. The divestments of AGA and PLM are examples of this.

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



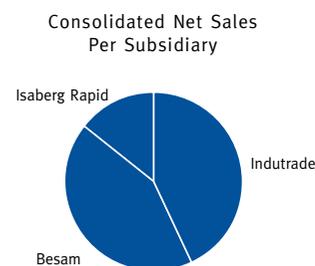
Wholly Owned Subsidiaries Complement Listed Portfolio

At the end of 1999, 7 percent of Industrivärden's assets were in wholly owned subsidiaries. These complement the listed portfolio and give the Group access to a steady cash flow, thus contributing to the goal of paying a high dividend, among other things. The subsidiary operations also keep Industrivärden's management continuously up to date with operative business management.

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

The strategy is to work from a long-term investment perspective to improve the subsidiaries and thereby create good growth in value. 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 perform better as listed companies. In 1999 the small subsidiaries Hydrauto, Rapid Granulator and Timelox were sold. The wholly owned operations thereafter comprise three industrial and trading companies with combined net sales of SEK 4 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.



Industrivärden's Business Mission, Objectives and Strategy in Brief

Business Mission

- Growth in value through active ownership
- Diversified equities portfolio
- Investments primarily in listed Swedish companies
- Small portion of investments in listed foreign equities and unlisted companies

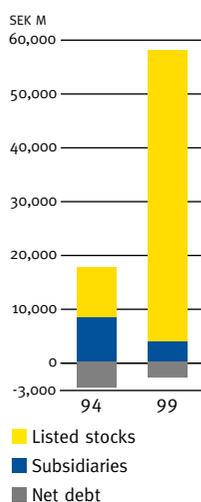
Objectives

- 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
Objective – growth in value	Through active ownership	In liquid holdings	Through profit growth

Net Asset Value,
December 31,
1994 and 1999



Net Asset Value

The stock market ordinarily values holding companies on the basis of their net asset value. To facilitate valuations for investors, Industrivärden therefore attaches great importance to calculation of the Group's net asset value. This calculation is made from the Parent Company's perspective, whereby the listed portfolio is valued at current market value and the wholly owned industrial and trading companies are normally valued using a P/E-multiple model. For a more detailed description, see "Calculating the Market Value of Industrivärden's Assets" on page 85.

Industrivärden's net asset value has risen from SEK 15.0 billion at year-end 1994 to SEK 57.0 billion at year-end 1999, or by 280 percent. Including reinvested dividends, adjusted net asset value has risen by 333 percent since the beginning of 1995. In comparison, the Findata Total Return Index rose by 323 percent during the same period.

The chart at left shows the size and composition of net asset value at the end of 1994 and 1999, respectively.

High Level of Activity During the Nineties

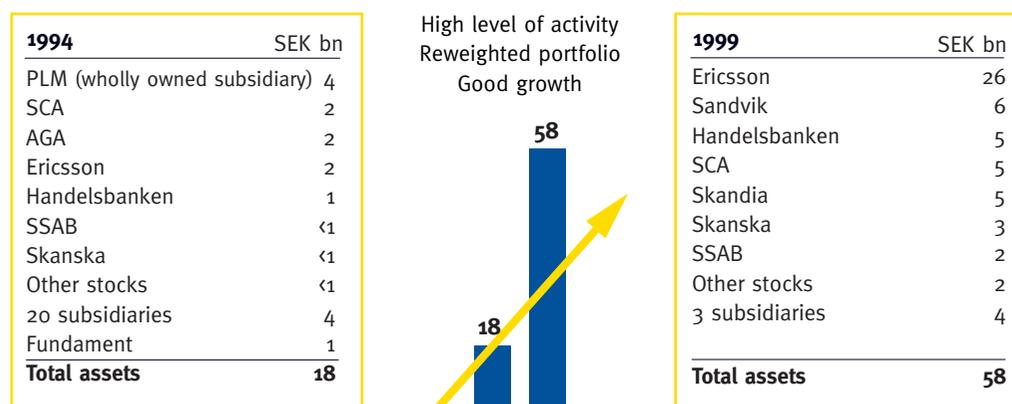
Following are some of the major deals that took place during the 1990s:

- A large shareholding in Volvo was sold in 1990/91 for SEK 0.7 billion.
- Investment AB Bahco was acquired in 1992, and Bahco's industrial operation was combined during that year with the industrial operation of Dacke, forming the Inductus industrial group.
- The number of Inductus subsidiaries decreased through divestitures, from twelve companies in 1992 to two companies in 1999, in accordance with an expressed strategy of consolidation.

- The shareholding in Euroc, which is now part of Heidelberger Zement, was divested in 1994.
- A substantial shareholding in SSAB was acquired in 1994.
- PLM, which was 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 valued at SEK 0.6 billion.
- A medium-term stock portfolio has been built up since 1995, with holdings in Skandia, Scania, Pfizer and Volvo, among other companies. The portfolio was worth SEK 7.7 billion at the end of 1999, of which Skandia accounted for SEK 5.2 billion.
- A new core holding was added in 1997 through the purchase of SEK 4.1 billion in stock in Sandvik.
- The Inductus company Thorsman was sold in 1997 for a capital gain of SEK 1.4 billion.
- The property company Fundament was sold in 1997. The shareholdings in the property companies Balder, Drott and Närkebro were sold in 1998 and 1999. The combined capital gain on these sales was SEK 0.4 billion.
- The shareholding in Skanska was doubled in 1998 through the purchase of SEK 1.2 billion in stock. Industrivärden is thereby Skanska's largest shareholder.
- The remaining shareholding in PLM, corresponding to 23 percent of the capital stock, was sold in 1998 for SEK 1.2 billion, generating a capital gain of SEK 0.7 billion.
- The shareholding in AGA was sold in 1999 for SEK 4.0 billion, generating a capital gain of SEK 3.3 billion.

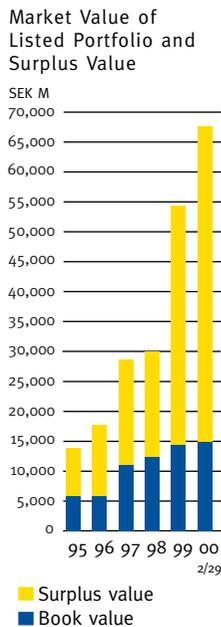
Major Activity from the Mid-Nineties Onward

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



Market values as per December 1994 and December 1999, without deduction for net debt.

Portfolio of Listed Stocks



Industrivärden's business mission is to create growth in value through active ownership. This is achieved primarily in Industrivärden's portfolio of listed stocks. The market value of this portfolio amounted to SEK 54.3 billion at year-end 1999, corresponding to 93 percent of the value of all assets. Investments in the listed portfolio are evaluated on a continuous basis, and activities surrounding the portfolio are conducted in accordance with well established principles. The return that Industrivärden can provide to its shareholders is largely dependent on how successful its work with the portfolio is.

Investment Orientation and Active Ownership

The objective of Industrivärden's investment operation is to achieve a sustained return that is higher than the average for the Stockholm Stock Exchange, without allowing the risk in the total portfolio to deviate too much from the market as a whole. The strategy is to invest in a limited number of stocks and, by serving as an active owner in the companies, to enhance the returns on their stock. Active ownership requires not only good knowledge about the companies and their operating environments, but also a keen familiarity of the game rules, ways of working and opportunities in the financial markets. Active ownership also entails clearly formulating and communicating the demands that Industrivärden makes as an investor. With active ownership comes an involvement in the formulation and realization of the portfolio companies' strategies.

Active ownership thus requires industrial as well as financial competence, thorough, well-thought-out analysis, and engaged participation on the companies' boards. The following factors affect Industrivärden's investments in the core holdings:

The number of investments must be limited – both in relation to Industrivärden's total investment capacity as well as to the combined market value of the respective investment objects. Industrivärden has a flexible and unbureaucratic organization that is adapted to a limited number of companies in which active ownership is exercised. Active ownership requires influence and the opportunity to have an impact through board work. To have such influence, Industrivärden must be one of the largest owners in the respective companies. Due to the limitation of the number of investments, coupled with the size requirement for ownership in each investment, Industrivärden focuses mainly on large companies.

The investments must be concentrated in sectors or industries in which Industrivärden has – or through its contact network has access to – the required industrial and financial competence. Industrivärden has steadily built up such knowledge in the industries in which its investments have been made, at the same time that competence is being built up in new investment areas.

A third factor pertains to the time horizon of investments. Through active ownership, Industrivärden participates in the development of the portfolio companies. This can involve implementing major changes in the companies when necessary. From this it follows that investments in the core holdings should be made with a long-term perspective. Having a long-term investment horizon does not rule out significant changes in the portfolio, however. Thus, during the last five-year period, Sandvik has been added as a core holding, while PLM and AGA have been divested.

Composition of the Portfolio

Most of Industrivärden's investments consist of holdings in which Industrivärden is an

active owner – the portfolio's core holdings. At year-end 1999 these consisted of Ericsson, Sandvik, SCA, Handelsbanken, Skanska and SSAB. The combined market value of the investments in these companies was SEK 46.6 billion, corresponding to roughly 85 percent of the listed portfolio's value.

The core holdings are complemented with medium-term investments. Industrivärden does not take an active ownership role in these companies. Such investments are made in listed stocks with good growth potential and high liquidity. By medium-term investments is meant holdings with a moving investment horizon of two to three years. The medium-term investments can serve as a liquidity reserve for major deals while reducing the overall risk in the portfolio. At the end of 1999, the largest medium-term holdings were in Skandia, Scania, Pfizer and Volvo. The combined market value of the medium-term portfolio was SEK 7.7 billion, corresponding to approximately 15 percent of the listed portfolio's value, or about 13 percent of total assets.

Buildup and Development of the Medium-Term Portfolio

Since 1995 a net sum of SEK 2.4 billion has been invested in the medium-term portfolio. Its combined value at year-end 1999 was SEK 7.7 billion. Total purchases have amounted to SEK 4.8 billion, while total sales have amounted to SEK 2.4 billion. The guiding principle for this part of the investment operation is an attractive return potential. The intention is that the medium-term portfolio should account for 10–20 percent of total assets. Investments are preceded by thorough, fundamental analysis. An overview of the medium-term investment operation is presented in the following table.

SEK M	1995	1996	1997	1998	1999	Total 1995–1999
Total:						
investments	568	469	965	510	2,266	4,778
divestments	244	115	585	836	594	2,374
Net investment	324	354	380	-326	1,672	2,404
Value as per December 31	569	1,202	2,201	3,257	7,711	
Share of total assets	3%	5%	7%	10%	13%	

The buildup of the medium-term portfolio was begun in 1995. A net sum of SEK 324 M was invested during the year, and at the start of 1996 the medium-term holdings had a combined value of SEK 569 M, corresponding to 3 percent of total assets. Major holdings consisted of Skandia, Volvo and Custos.

In 1996 the investments in Skandia continued. Astra was added to the medium-term portfolio. A net sum of SEK 354 M was invested during the year, and at year-end the portfolio had a total value of SEK 1.2 billion, or 5 percent of total assets.

In 1997, additional investments were made in Skandia and Volvo. Gambro and SAS were added to the portfolio. During the year, all the shares in Custos were sold. The combined investments during the year amounted to SEK 380 M, net, and at year-end the portfolio was worth SEK 2.2 billion, corresponding to 7 percent of total assets.

In 1998, exposure to the pharmaceutical industry was increased, and Industrivärden

turned to the New York Stock Exchange for the first time, investing a total of SEK 376 M in the American company Pfizer. The shares in the real estate companies Drott and Näckebro, which were received as dividends from Skanska and Handelsbanken, respectively, were sold for a total of SEK 528 M. At year-end the combined value of the portfolio was SEK 3.3 billion, or 10 percent of total assets, thanks in large part to the strong performance of Skandia. In 1998 Skandia's stock gained 66 percent, compared with 10 percent for the Stockholm Stock Exchange.

Activity increased further in 1999. New investments amounted to SEK 2.3 billion, while sales totaled SEK 594 M. The investments in Skandia, Pfizer and Volvo were increased by a total of SEK 956 M. The largest new investment was in Scania, where a net sum of SEK 924 M was invested after Volvo's bid for the company. Other new holdings included Mandator, Intenia, Pharmacia & Upjohn, and the Danish company Lundbeck. All the shares in Astra and Balder were sold. The latter of these shareholdings was received as a dividend in 1998. Skandia's stock had yet another tremendous year and gained 109 percent, compared with 66 percent for the Stockholm Stock Exchange. At year-end the medium-term portfolio accounted for 13 percent of total assets.

A total of SEK 1.2 billion was invested in Skandia during the entire five-year period from 1995–1999. At year-end 1999 the market value of the Skandia holding was SEK 5.2 billion.

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 the company's management, outside financial analysts, consultants 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 global competitors is another vital component.

One of the main objectives of this research 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 a particularly driving 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 plays a key role.

In addition to the work with the core holdings, new-investment candidates are evaluated on a continuous basis. Naturally, staying informed about potential investment candidates is an important task for Industrivärden's investment organization. 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 projects involving in-depth analysis. A team is then formed to conduct a total analysis and review of the investment target. Only a few of these projects lead to a decision to make a new investment.

Sale of AGA Shares

Throughout the 1990s, AGA was in the process of refining and consolidating its gas operations. Through the sale of its subsidiaries Frigoscandia and Uddeholm/Gullspång, as well

as its shareholdings in Avesta-Sheffield and Industrivärden, AGA shifted its focus entirely to industrial and medical gases. In connection with this redefining process, AGA's management adopted a strategic plan aimed at giving shareholders an enduring, competitive return. Acquisitions and aggressive investments in plant, coupled with rationalization measures designed to improve profitability, were the chief components of this strategy which was to lay the foundation for the creation of sustained shareholder value. Industrivärden provided continuous support to this ongoing restructuring work. In addition, Industrivärden was a driving force in the work on coming up with a more suitable capital structure for AGA, which culminated in the redemption program that was implemented in spring 1999.

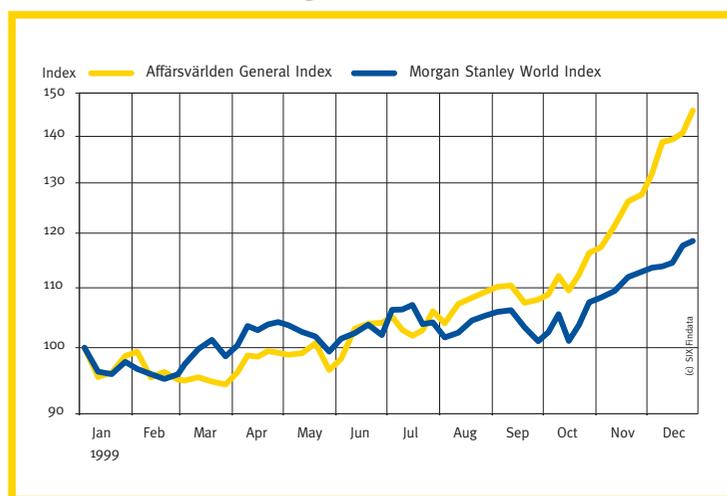
With its restructuring now completed, AGA became attractive as a partner in the restructuring of the gas industry, which saw several acquisitions in 1999. In August, talks were taken up with the German gas company Linde on the sale of AGA. As a result of these negotiations, Industrivärden received an attractive offer which exceeded the value of alternative options by a wide margin. As a condition for accepting the offer, Industrivärden required that all of AGA's shareholders would be guaranteed the same offer price. The decision to sell the AGA holding was based on an analysis of AGA's profitability potential as an independent company and the likely stock price trend in the years immediately ahead, in relation to the offer price and the anticipated return on alternative investments. A comparison with the valuations of other major companies in the gas industry also showed that the offer was clearly attractive.

During the ten-year period 1990–1999, the total annual return on AGA shares was 15 percent, which was one percentage point higher per year than the Findata Total Return Index during the same period. The total return for AGA shares during the last five-year period was lower than the Total Return Index, however.

The Stock Market in 1999

The world's stock markets recovered quickly after the financial turbulence that rocked the markets in the autumn of 1998. Both the Stockholm and New York stock exchanges reached new highs in 1999. The total value of the Stockholm Stock Exchange rose during

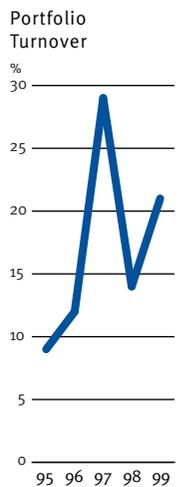
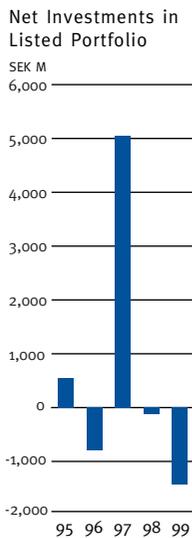
Stockholm Stock Exchange vs. World Index¹



¹ Both indexes measured in USD.

the year by 66 percent, which was the largest single-year gain since 1983.

The outlook for the international economy and business in Sweden grew increasingly optimistic during the year. This, together with continued confidence in price stability, strong public finances, rising levels of disposable



Total purchases and sales as a percentage of average portfolio value.

household income, and corporate profit growth, contributed to the favorable stock market trend. The trend in 1999 was thus considerably more positive than what was believed possible just over a year earlier, when the state of the global economy was considered to be most precarious. Looking ahead at 1999, there were widespread concerns about financial turbulence in the wake of the collapse of the speculative U.S. LTCM fund, the Russian crisis, and the negative trend in the Japanese bank system. Against this backdrop, the actual development in 1999 was surprisingly positive.

For the Swedish stock market, the year started out with a trend that can best be described as a lateral movement. During a period of rising long-term interest rates, cyclical sectors such as forestry and engineering performed well, while the more growth-oriented industries were considerably more lackluster. Investment capital was moved away to a greater extent from growth stocks to cyclicals. In the raw materials markets, the negative trend in recent years reversed, and early 1999 marked the beginning of a period with sharply rising oil prices, among other things. By mid-March the forestry and engineering indexes had advanced nearly 10 percent, while the stock market as a whole had risen by a couple percent. This can be compared with IT stocks, which had fallen by nearly 20 percent by the end of March. Following the first quarter came three months of mixed stock market activity, in which April and June were strong months. At mid-year the stock market as a whole had gained 17 percent, and cyclical stocks continued to outperform the General Index. The engineering sector led this development with a gain of more than 35 percent, while the IT and financial sectors were lagging far behind. During the third quarter the Stockholm Stock Exchange showed a more subdued price trend. At the end of September the market had gained 18 percent since the start of the year. The forestry sector performed very strongly from mid-July through mid-August, and by the end of September it was the top performer with a gain of more than 40 percent since the start of the year. Bank and IT stocks were still at about the same levels as at the start of the year. October, November and December were very strong months for the stock market, with gains of 8, 12 and 16 percent, respectively, making the final quarter one of the strongest during the entire 1990s. IT stocks rallied dramatically in November and December. The Affärsvärlden IT index rose a full 108 percent during the final quarter and thereby more than amply compensated for the IT sector's weak performance relative to the General Index since the start of the year.

Long-term interest rates in the U.S. and Europe were clearly pointing upward in 1999. Since the Fed raised its key lending rate in June, long-term rates in the U.S. have remained at the level they were at prior to LTCM's collapse and the Russian crisis in autumn 1998.

Shares on the Stockholm Stock Exchange were valued at the close of 1999 at an average P/E multiple of about 30, based on earnings forecasts for 2000, according to Reuters. Compared with the current stock market situation in the U.S. and based on such fundamental factors as earnings anticipations and interest rates, the Stockholm Stock Exchange appears to be highly, but not unreasonably, valued. However, the current valuation of the New York Stock Exchange in relation to the enigmatic U.S. economy is a factor of uncertainty in view of the Swedish stock market's conformity to the U.S. stock market. When you compare the anticipated return on equities with the return on long-term government bonds, the New York Stock Exchange is at a historically very high level.

Investment Activities in 1999

Industrivärden's elevated investment activity continued in 1999. The year included a number of deals which together enhance Industrivärden's ability to create value. The combined value of stock purchases was SEK 3.7 billion, while the combined value of sales was SEK 5.2 billion. Together this corresponded to 21 percent of the average portfolio value during the year. The turnover rate for the listed portfolio during the past five years is shown in the chart at opposite.

The most significant deal during the year was the above-mentioned sale of all of Industrivärden's shares in the core holding AGA to the German company Linde. In connection with the deal, Linde announced an acquisition offer directed to the other shareholders of AGA. Industrivärden received SEK 3.6 billion from the sale and thereby earned a capital gain of SEK 3.0 billion in addition to the gain of SEK 327 M it earned in connection with AGA's stock redemption earlier in the year. The decision to sell the holding in AGA was based on an analysis of AGA's profitability potential as an independent company.

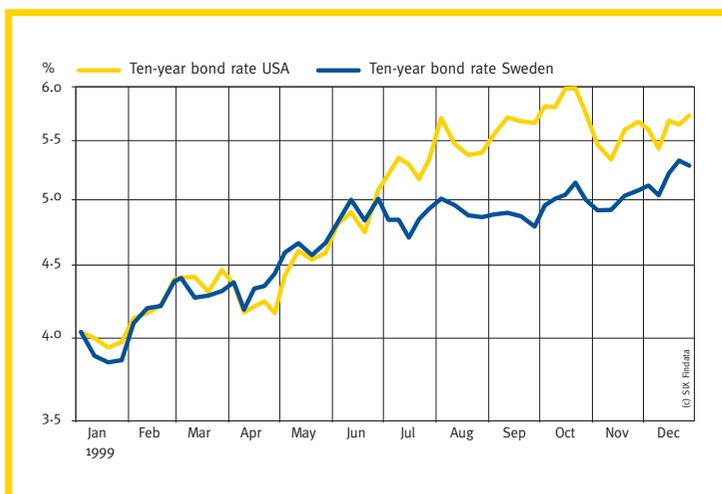
During the first quarter, SEK 470 M, net, were invested in Ericsson. By the end of 1999 this investment had increased in value to SEK 1.2 billion, a rise of more than 160 percent. In addition, Industrivärden participated full out in the new issue that SCA carried out during the autumn, entailing an investment of SEK 426 M. An additional SEK 77 M were invested in Handelsbanken, while Skanska shares were sold for SEK 121 M.

Industrivärden's largest investment in the medium-term portfolio is Skandia. Industrivärden judged at an early stage that Skandia's long-term savings business had good development potential, and the holding has been built up gradually since 1995. In 1999 an additional SEK 467 M were invested in Skandia. Industrivärden has thus invested SEK 1.2 billion during the last four years. At the end of 1999 the market value of the Skandia shareholding was SEK 5.2 billion.

The year's largest addition to the medium-term portfolio in terms of value was the truck manufacturer Scania, in which Industrivärden invested a total of SEK 924 M after Volvo had made a public offer for the entire company. After Skandia, Scania is thereby the largest investment in terms of value in the medium-term portfolio. Volvo's offer corresponds to a value of

SEK 945 M for the Scania holding. The intention was to accept the offer once the deal had been cleared by the pertinent antitrust regulators and thereby conclude an arbitrage deal. Industrivärden's previous holding in Volvo was also increased during the year through an investment totaling SEK 123 M.

Long-Term Interest Rates in USA and Sweden



During the year, continued investments were made in the U.S. pharmaceutical company Pfizer, totaling SEK 366 M. Additional investments in the pharmaceutical and health care sector included SEK 47 M in the Danish drug firm Lundbeck, in connection with its introduction on the Copenhagen Stock Exchange. Also, an investment of SEK 48 M was made in Pharmacia & Upjohn. The entire holding in Astra was sold at the beginning of the year. Pfizer, Pharmacia & Upjohn and Lundbeck make up – together with the Swedish companies Gambro and Karo Bio – Industrivärden's investments in the pharmaceutical and health care sectors.

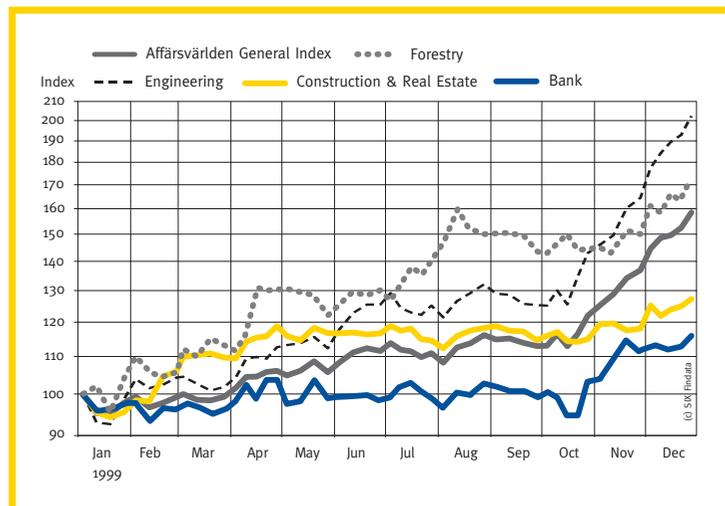
Industrivärden's buildup of investments in the IT sector was begun during the year with purchases of two new stocks. An investment of SEK 55 M was made in the consulting company Mandator, which is judged to have very good growth potential. An investment of SEK 53 M was made in the business systems company Intenia, through the purchase of convertible debentures with a five-year duration.

Transactions in derivative instruments were made during the year in both call and put options. At year-end there were outstanding put options issued by Industrivärden in Skandia and Handelsbanken, with expiration in February and March 2000. By issuing options Industrivärden can enhance the portfolio's return and/or carry out purchases and sales of equities at attractive prices. The total option premium included in earnings for 1999 was SEK 20 M.

One further activity aimed to enhance returns consists of stock-lending from the portfolio. At year-end stocks with a combined market value of SEK 352 M in five companies were out on loan. Stock lending is conducted only through the major commercial banks.

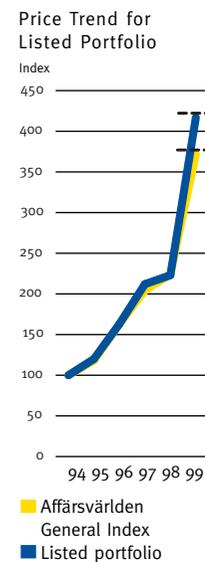
During the year Industrivärden issued, together with Custos and Skandia, call options to SCA's management. The call options issued by Industrivärden entitle the bearers to purchase 94,000 Class B shares in SCA in April–May 2004 at a price of SEK 283 per share. In addition, Industrivärden issued call options to SSAB's management. These call options entitle the bearers to purchase 61,049 Class B shares in SSAB through May 2004 at a price of SEK 151.50 per share.

Index Development for Various Sectors on the Stockholm Stock Exchange



Price Trend for Portfolio of Listed Stocks

Company	Change in value 1999, %	Total return, %	Share of port- folio value, %
Ericsson	172	175	48
Sandvik	89	97	11
SCA	52	56	10
Skandia	109	110	10
Handelsbanken	-6	-4	9
Skanska	41	48	5
SSAB	70	78	3
Scania	104	112	2
Pfizer, Inc.	-22	-20	1
Volvo	18	21	0
Other holdings (<SEK 200 M)			1
Total	87	91	100



Portfolio Performance 1999

At year-end 1999 the market value of the listed portfolio was SEK 54,298 M, compared with the shares' book value of SEK 14,336 M. The surplus value thus amounted to SEK 39,962 M, compared with SEK 17,749 M at the start of the year. The portfolio's value, adjusted for purchases and sales, increased by 87 percent during the year. This considerably exceeded the Stockholm Stock Exchange's General Index, which rose by 66 percent. A total of SEK 775 M in dividends were received during the year. The total return of the portfolio, i.e., growth in value plus dividends, was 91 percent, compared with 70 percent for the Findata Total Return Index.

Ericsson's stock has taken an increasingly dominant position in Industrivärden's equities portfolio as well as on the Stockholm Stock Exchange, in terms of value. At year-end 1999, Ericsson accounted for 29 percent (16) of the stock market's total value, compared with 48 percent (31) of the listed portfolio. The value of the listed portfolio, excluding the Ericsson shareholding and adjusted for purchase and sales, grew by 43 percent, whereas the General Index excluding Ericsson increased by 41 percent, which illustrates the quality of Industrivärden's listed portfolio.

The total returns for the portfolio holdings are shown in the table above. Among the larger holdings, Ericsson, Sandvik, Skandia and SSAB had better total returns than the Findata Total Return Index.

From year-end 1999 through February 29, 2000, the adjusted portfolio value increased by 24 percent compared with the General Index, which gained 18 percent.

Effective Return and Risk in the Listed Portfolio

The return on a stock portfolio is made up of both the price movement and the dividends on the stocks in the portfolio. The listed portfolio's return is best compared with the Findata Total Return Index in order to gain an idea of the relative performance. During the five-year period from 1995–1999, Industrivärden's listed portfolio generated an average

annual return of 36 percent, or two percentage points higher per year than the Findata Total Return Index during the same period. Of the largest investments, Ericsson – above all – contributed with a higher return than the index, although Skandia also outperformed the index by a good margin. The investments in AGA and SCA, among others, had lower returns than the index, however.

The five largest shareholdings' weight in the listed portfolio compared with their relative weight in the General Index at the end of 1999 is shown in the following table:

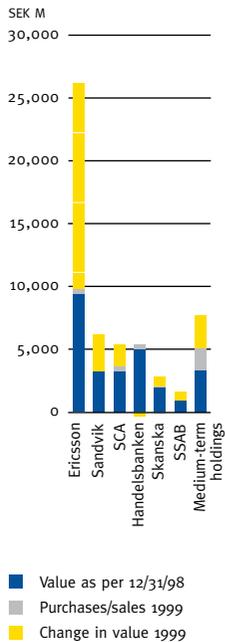
Company	Share of portfolio value, %	Relative weight in General Index, %
Ericsson	48	29
Sandvik	11	2
SCA	10	2
Skandia	10	4
Handelsbanken	9	2

To be able to judge if the achieved return in relation to the index is good or poor requires a consideration of the risk that Industrivärden's investments have entailed in relation to the index. By risk is meant in this context only how a stock's price, and thus its return, has varied within the scope of the more long-term development or trend. The individual stocks' fluctuations can even out each other and thereby reduce the portfolio's total risk calculated in this manner.

One way of judging a stock portfolio's return with consideration for its risk is to calculate the relationship between, on the one hand, "the active return," i.e., the difference between the total return for the stock portfolio and the total return index, and on the other hand, "the active risk," i.e., the variations in the active return. For Industrivärden's stock portfolio, this so-called information ratio amounted to 0.3 during the five-year period under review. The average for the market as a whole, using this ratio, was around zero. A positive value of this information ratio between zero and one is usually considered to be satisfactory. In comparison it can be mentioned that about 75 percent of the Swedish stock funds had negative information ratios during the five-year period 1995–1999.

Thus during the last five-year period, Industrivärden's listed portfolio achieved a return that was higher than the market average, even taking risk into account.

Industrivärden's Listed Stocks



Price Trend for Listed Portfolio, 1995–1999

	1999	1998	1997	1996	1995
Price trend of portfolio, %	87	5	30	36	20
Index (1994 as base)	417	223	212	163	120
Affärsvärlden General Index, %	66	10	25	38	18
Index (1994 as base)	372	224	204	163	118

Portfolio of Listed Stocks, December 31, 1999

Company	Number	Market value, SEK M	SEK per share and CPN	Share of portfolio value, %
Ericsson	46,520,000	26,191	137	48
Sandvik	23,000,000	6,130	32	11
SCA	21,314,532	5,335	28	10
Skandia	20,125,000	5,172	27	10
Handelsbanken	44,650,000	4,778	25	9
Skanska ¹	8,075,689	2,560	13	5
SSAB	12,065,600	1,593	8	3
Scania	3,000,000	916	5	2
Pfizer, Inc.	2,450,000	684	4	1
Volvo	2,000,000	433	2	0
Other holdings (≪SEK 200 M)		506	3	1
Total		54,298	284	100

¹Skanska's Class A shares, which are not listed on the Stockholm Stock Exchange, have been assigned the same value as the Class B shares.

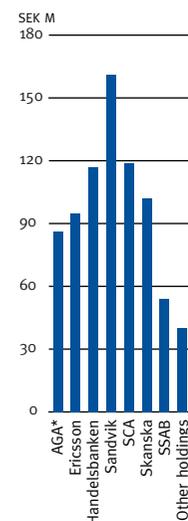
● Core Holdings in the Portfolio of Listed Stocks

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

The total market value of the core holdings on December 31, 1999, was SEK 46.6 billion, accounting for 86 percent of Industrivärden's portfolio of listed stocks. The combined market capitalization of these six companies on that same date was SEK 1,327 billion, accounting for 36 percent of the total value of the Stockholm Stock Exchange.

The chart at right shows the amount of dividends received from the portfolio of listed stocks, which totaled SEK 775 M in 1999.

Dividends Received from Listed Companies



* The shareholding in AGA was sold after the dividend payout.

Ericsson

Ericsson is a world leader in mobile telephony. It is the largest supplier of mobile systems, with over 30 percent of the world market. The company is also one of the largest in the markets for digital mobile phones and public switches.

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

Technologies and services are currently in the process of converging in the telecom industry. Voice and data are merging into a single industry. Fixed and mobile telephony are uniting as one, increasing accessibility. This process is being driven by the rapid development of the Internet and telecom deregulation in many countries.

Operations are conducted in three business segments which focus 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* is at the heart of the mobile phone operations. Ericsson is one of the three leading suppliers of mobile phones in the world. The number of mobile phone subscribers in the world is expected to exceed one billion by the year 2003, compared with approximately 300 million subscribers at the end of 1999. *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 volume growth of at least 20 percent per year.

In 1998 Ericsson adopted a new strategy aimed at incorporating wireless communication and Internet-based technology to position the company in a leading role.

The most important markets in 1999, ranked by size, were the U.S., China, the U.K., Brazil, Spain, Italy, Turkey, Japan and Sweden.

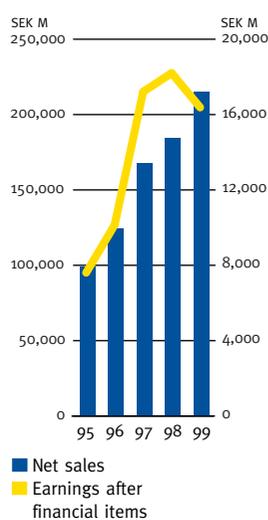
Highlights 1999

- New corporate executive team appointed, with Kurt Hellström as President and Lars Ramqvist as CEO.
- Income after net financial items, which totaled SEK 16,386 M (18,210), was affected by a lower operating margin in Consumer Products, restructuring costs, and provisions for market risks and customer financing.
- Mobile Systems, which accounts for more than 70 percent of the Network Operators business segment, showed growth in excess of 40 percent.
- Ericsson and Microsoft formed a jointly owned company to develop mobile Internet services with the support of Ericsson's WAP (Wireless Application Protocol) technology and Microsoft's coming mobile Web browser, Mobile Explorer.
- A new line of mobile phones based on a new technical platform was very well received by the market.

Assessment of the Company from an Ownership Perspective

Ericsson is a world leader in telecommunications and has had good profitability for many consecutive years. Industrivärden believes in continued favorable development for Ericsson, particularly in view of the company's investments in product development in growth areas.

Ericsson 1995–1999



Share of votes: 28.1%.
Share of capital: 2.4%.

Holding: 46,520,000 A-shares.

Market value on Dec. 31, 1999:
SEK 26,191 M.



← Share of portfolio value: 48%.

SEK M	1999	1998
Net sales	215,403	184,438
Earnings after financial items, excl. minority interests	16,386	18,210
Earnings per share, SEK	6.17	6.66
Dividend per share, SEK	2.00¹	2.00

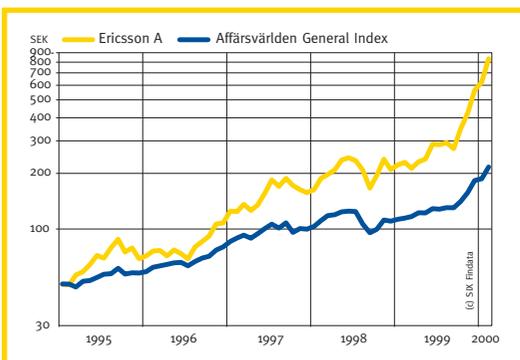
¹Proposed by the Board of Directors.

Largest owners as per Dec. 31, 1999	% of votes
Industrivärden	28.1
Investor	22.3
Wallenberg Foundations	16.5
Handelsbanken Pension Foundation	5.6
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 gained 172 percent in 1999, and trading volume was approximately SEK 720 billion. Ericsson's market capitalization at year-end 1999 was SEK 1,072 billion.



During the past three years Ericsson's stock has performed considerably better than the index and has thereby made a sizable contribution to the portfolio's return.





Sandvik is an international materials engineering company and a global leader in metalworking, rock-drilling tools and cemented carbide blanks. The company is also a leading supplier of stainless steel tube, strip, wire and bar, specialty metals, and resistance heating materials. Industrial consumables account for about two-thirds of Sandvik's product portfolio, 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 300 subsidiaries and representation in 130 countries.

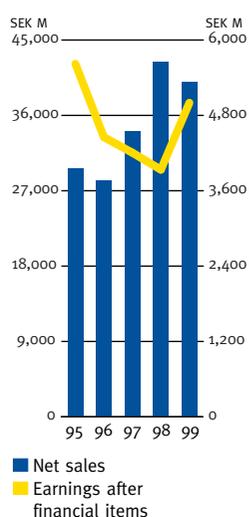
Operations are conducted in three separate business areas – Tooling, Mining and Construction, and Specialty Steels – and through the partly owned subsidiary Seco Tools (61 percent). Each business area has subsidiaries or divisions within joint Sandvik companies, in all major markets.

Sandvik's growth strategy is based on sophisticated and comprehensive research and development activities aimed at improving productivity and quality, creating time savings, and reducing costs. Activities are conducted primarily in materials and surface-coating technology, product and application solutions, production and process technology, and information, communications and logistics systems. Sandvik invests roughly SEK 1.5 billion a year on R&D, or 4 percent of sales.

Continued business growth is an important objective for Sandvik. This will be achieved mainly through a combination of organic growth, acquisitions and the formation of joint ventures in existing business areas.

Sandvik's financial goal is average volume growth, including acquisitions, of 6 percent per year, with an average return on capital employed 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. During the past five-year period, annual growth was 11 percent and the return on capital employed was 19 percent.

Sandvik 1995–1999



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

Highlights 1999

- Invoiced sales fell 8 percent for comparable units, calculated at constant exchange rates. Demand improved gradually during the year.
- Earnings after financial items, excluding capital gains, fell 2 percent to SEK 3,840 M (3,935). Lower volumes and falling prices during the first half of the year had a negative impact on earnings.
- A restructuring program aimed at reducing the number of employees by 2,300 was carried out according to plan.
- The Saws and Tools business area was sold to the American company Snap-on for SEK 3.3 billion, generating a capital gain of SEK 1.6 billion.

Assessment of the Company from an Ownership Perspective

Industrivärden looks positively on Sandvik's focus of its business in three core areas – Tooling, Mining and Construction, and Specialty Steels – and on the company's prospects for a gradual earnings improvement as a result of implemented rationalization measures and higher demand.

Share of votes: 11.7%.
Share of capital: 8.9%.

Holding: 23,000,000 A-shares.

Market value on Dec. 31, 1999:
SEK 6,130 M.



← Share of portfolio value: 11%.

SEK M	1999	1998
Net sales	39,300	42,400
Earnings after financial items	5,465	3,935
Earnings per share, SEK	14.00	8.10
Dividend per share, SEK	8.00¹	7.00

¹ Proposed by the Board of Directors.

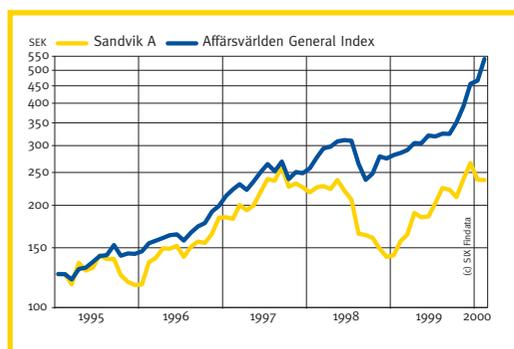
Largest owners as per Dec. 31, 1999: % of votes

Förenings sparbanken mutual funds	14.9
Industrivärden	11.7
Swedish National Pension Insurance Fund, Fourth Fund Board	9.7
Handelsbanken Pension Foundation	5.5
SPP	3.9

Board member with ties to Industrivärden:
Clas Reuterskiöld

Sandvik's Stock

Sandvik's stock is listed on the Stockholm Stock Exchange. The share price rose 89 percent in 1999, and trading volume was approximately SEK 39 billion. Sandvik's market capitalization was SEK 69 billion at year-end 1999.



Industrivärden acquired the Sandvik holding in April 1997. In 1998 the stock performed below the index, mainly due to a drop in demand in Asia. As a result of favorable conditions for the engineering sector and positive effects of a rationalization program, the stock outperformed the index in 1999.





SCA is an integrated paper company that produces absorbent hygiene products, corrugated packaging, and graphic paper. SCA's customers are private consumers (retail sales), institutions, industry and commercial 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's business concept involves achieving profitability from a base of high value-added products, with a strong focus on minimizing consumption of natural resources. Approximately 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 strategy is to use active product development to increase its range of high value-added products and secure its leading market position, particularly in the hygiene products and packaging operations. This strategy lays the foundation for satisfactory, sustained profitability. A vital part of this strategy is also SCA's integrated industrial structure, which creates valuable synergies, such as optimal utilization of raw materials, joint purchasing of raw materials and energy, coordinated transports, and concentration of resources in R&D.

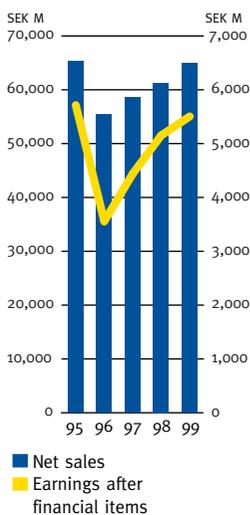
SCA's financial target is that net debt over a business cycle shall amount to 0.7–1.0 times reported shareholders' equity. In addition, cash earnings should amount to at least 35 percent of net debt. With this target debt/equity ratio, the required rate of return for 2000 is 11 percent on reported shareholders'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

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 1999

- Earnings after financial items improved by 16 percent to SEK 5,521 M, adjusted for non-recurring items. Volume expansion, company acquisitions and rationalization measures had a positive earnings impact.
- SCA and Modo reached an agreement to combine their operations in the fine paper and wholesaling area in a 50/50 joint venture. Europe's third-largest fine-paper company was thereby formed, and the intention is to introduce the company on the stock market under the name Modo Paper AB. The new company will have estimated annual sales of approximately SEK 19 billion, with some 6,000 employees.
- To ensure a continued high rate of growth for hygiene products and packaging, SCA raised SEK 4.6 billion through a new issue that was carried out during the year. Since the start of 1998, approximately SEK 18 billion in strategic investments have been made. A total of 29 companies have been acquired.

SCA 1995–1999



Assessment of the Company from an Ownership Perspective

SCA's strategy of gradually increasing the share of high value-added products has contributed to a positive earnings trend in recent years. Industrivärden foresees continued strong potential for earnings improvement.

Share of votes: 23.4%.
Share of capital: 9.1%.

Holding: 18,232,000 A-shares and 3,082,532 B-shares¹.

Market value on Dec. 31, 1999:
SEK 5,335 M.



← Share of portfolio value: 10%.

¹The number of shares increased by 17 percent in 1999 through a 1:6 new issue, at a price of SEK 140 per share. Earnings and dividend per share for 1998 have been adjusted accordingly.

SEK M	1999	1998
Net sales	64,896	61,273
Earnings after financial items	5,521	5,169
Earnings per share, SEK	16.85	16.11
Dividend per share, SEK	6.80²	6.14

² Proposed by the Board of Directors.

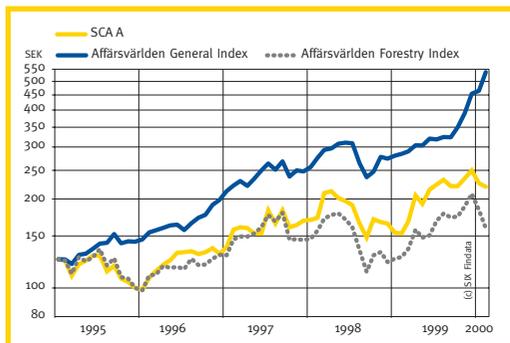
Largest owners as per Dec. 31, 1999	% of votes
Industrivärden	23.4
Custos	19.4
Handelsbanken ³	10.8
Swedish National Pension Insurance Fund, Fourth Fund Board	6.0
SEB ³	4.0

³ 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 rose 52 percent in 1999, and trading volume was SEK 39 billion, of which SEK 27 billion was on the Stockholm Stock Exchange. SCA's market capitalization was SEK 58 billion at year-end 1999.



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



Handelsbanken

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 – even very large companies. Services for each customer are coordinated at the branches. Where necessary, this is done in close cooperation with the bank's subsidiaries and specialists at the regional and central levels. 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 covers all forms of banking services, including traditional corporate business, investment banking and trading, and consumer banking including life insurance. Handelsbanken's position in the Swedish home mortgage market was strengthened substantially through the acquisition of Stadshypotek in 1997.

The branch organization is organized in ten regional banks – seven in Sweden and one each in Finland, Norway and Denmark. With nearly 500 branches, Handelsbanken covers Sweden better than any other commercial bank. In all there are 43 branches in the other Nordic countries and banking and representative offices in some fifteen countries.

Aside from the branch organization, the operating units consist of Handelsbanken Markets (which conducts corporate finance, equity trading, etc.), Handelsbanken Asset Management, Handelsbanken Finans (which conducts finance company services such as leasing and factoring), Handelsbanken Liv, 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. Profitability shall always be prioritized above volume. Credit quality may thus never be set aside to the benefit of high credit volume.

Handelsbanken makes a concerted effort to have low sensitivity to market disruptions. This is achieved by maintaining minor exposure in emerging markets, low sensitivity to fluctuations in the stock market, and a low level of sensitivity to interest-rate movements, since most of its bond portfolio and real estate holdings have been divested.

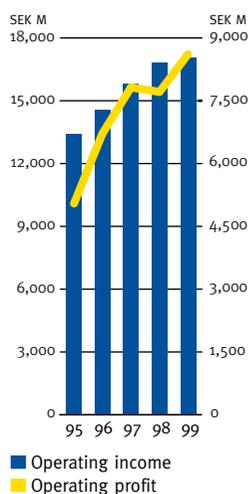
Highlights 1999

- Operating profit improved by 17 percent to SEK 8.6 billion, excluding items affecting comparability. Contributing factors to the result improvement included a three percent rise in income, higher market shares, improved net commission income and lower costs.
- Bergensbanken, of Norway, was acquired for SEK 2 billion.
- A wholly owned bank operation will be established in Poland. During the first quarter of 2000, banking activities were increased in a few major cities in the U.K.
- Handelsbanken's rating was raised by the credit rating agency Moody's to the highest of the Nordic banks.
- During 2000 Handelsbanken intends to be one of the first banks in the world to offer a range of banking services for mobile WAP phones.
- For the twenty-eighth year in a row, Handelsbanken reported a better return on equity than the weighted average of the other Nordic, listed commercial banks.

Assessment of the Company from an Ownership Perspective

Handelsbanken has consistently developed its business concept of decentralized responsibility for customers, which has given the bank the industry's best average profitability for several consecutive years. Industrivärden expects continued favorable development for Handelsbanken.

Handelsbanken 1995–1999



Share of votes: 6.8%.
Share of capital: 6.2%.

Holding: 44,650,000 A-shares¹

Market value on Dec. 31, 1999:
SEK 4,778 M.



Share of portfolio value: 9%.

¹ The number of shares tripled in 1999 through a combined stock dividend and split. Earnings and dividend per share for 1998 have been adjusted accordingly.

SEK M	1999	1998
Operating income	17,056	16,837
Operating profit	8,607	7,712
Earnings per share, SEK	9.31	8.41
Dividend per share, SEK	3.00²	2.67

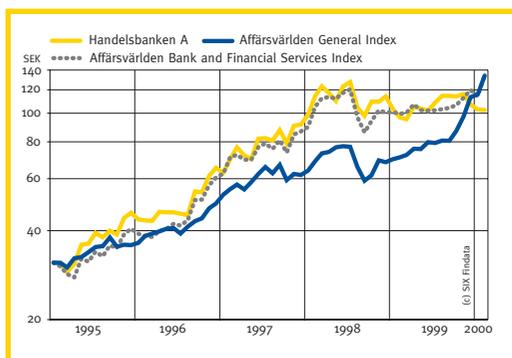
² Proposed by the Board of Directors.

Largest owners as per Dec. 31, 1999	% of votes
Oktagonen Foundation	10.1
Industrivärden	6.8
Föreningssparbanken mutual funds	6.0
Swedish National Pension Insurance Fund, Fourth Fund Board	5.5
SPP	3.3

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 fell 6 percent in 1999, and trading volume was SEK 37 billion. Handelsbanken's market capitalization was SEK 76 billion at year-end 1999.



During the past five-year period, Handelsbanken's stock has been level with the General Index as well as the Bank and Financial Services Index.





Skanska is one of the leading construction companies in Europe and North America, in addition to being one of Sweden's largest private real estate owners. Skanska's business mission is to offer sophisticated services in all stages of the construction process as well as during the entire service life of a structure.

Skanska is a global name in the construction industry, with activities in some 50 countries. In addition to Sweden, the U.S., Finland and Denmark are also considered to be home markets. Skanska has been able to compensate for the weak Swedish construction market in recent years through its rapidly expanding foreign construction activities. The share of foreign revenues has risen from about 10 percent at the end of the 1980s to about 75 percent today. From Sweden, Skanska carries out extensive worldwide exports of primarily civil engineering projects.

Operations are conducted in four business areas: Skanska Sweden, Skanska Europe, Skanska USA and Skanska Project Development and Real Estate. The three geographic business areas are responsible for the Group's building construction and civil engineering services in their respective markets. The fourth business area, Skanska Project Development and Real Estate, is responsible for identifying and developing real estate and infrastructure projects, which generate new construction assignments for Skanska.

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 12 percent and an average annual return on adjusted shareholders' equity of 15 percent over an economic cycle.

Skanska works throughout the value chain of the construction process, which entails that the company takes responsibility not only during the actual construction phase, but usually also for the concept and planning phase of a project and for management and further development after completion.

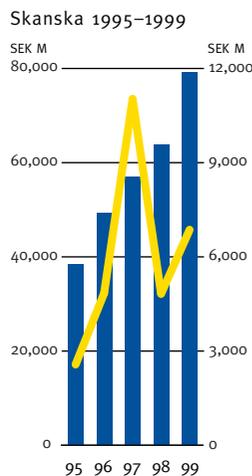
Skanska's strategy is to continue its successful internationalization with the goal of being a world leader in construction-related services and project development. The North American operations will continue to expand through organic growth as well as acquisitions. In Sweden, Skanska is focusing its resources on markets and regions with the strongest growth opportunities. Elsewhere in Europe, Skanska is focusing on strengthening its position in Denmark and Finland while also becoming a leading local player in new markets with growth potential.

Highlights 1999

- The shareholding in Scancem was sold for a capital gain of SEK 3,287 M. In early 2000 the shareholding in SKF was also sold, for a capital gain of SEK 1,725 M.
- Acquisitions were carried out of the construction companies SADE in Argentina, and Gottlieb Group and Etkin in the U.S.
- A process was initiated to divest Skanska's ownership interests in the noncore building component companies in Skanska Europe.
- Earnings after financial items improved by SEK 2,037 M to SEK 6,862 M.

Assessment of the Company from an Ownership Perspective

Skanska's overcapitalization has decreased in recent years through a stock redemption and the distribution of the property company Drott, for a combined value of SEK 15 billion. Profitability is steadily improving through a focus on the core businesses of building and civil construction as well as project development.



■ Net sales
■ Earnings after financial items

Earnings in 1997 included a capital gain of SEK 9.1 billion on the sale of most of the shares in Sandvik.

Earnings in 1999 included a capital gain of SEK 3.3 billion on the sale of the shareholding in Scancem.

Share of votes: 29.8%.
Share of capital: 7.1%.

Holding: 5,575,689 A-shares and
2,500,000 B-shares.

Market value on Dec. 31, 1999:
SEK 2,560 M.



← Share of portfolio value: 5%.

SEK M	1999	1998
Net sales	79,128	62,435
Earnings after financial items	6,862	4,825
Earnings per share, SEK	37.60	24.43
Dividend per share, SEK	16.00¹	12.00

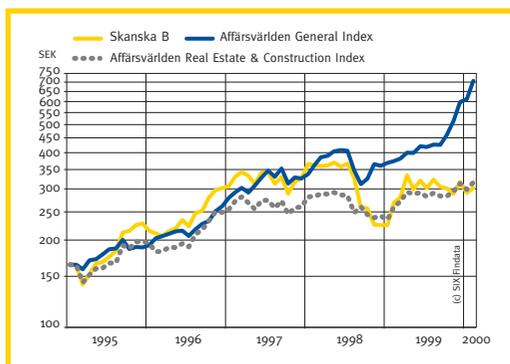
¹ Proposed by the Board of Directors, including an extra dividend of SEK 4.00.

Largest owners as per Dec. 31, 1999	% of votes
Industrivärden	29.8
Inter IKEA Investment	10.1
Föreningssparbanken mutual funds	8.2
Handelsbanken Pension Foundation	4.6
Swedish National Pension Insurance Fund, Fourth Fund Board	4.4

Board members with ties to Industrivärden:
Bo Rydin and Clas Reuterskiöld

Skanska's Stock

Skanska's stock is listed on the Stockholm Stock Exchange. The share price rose 41 percent in 1999, and trading volume was approximately SEK 15 billion. Skanska's market capitalization was approximately SEK 36 billion at year-end 1999.



Skanska's stock has performed on a par with the real estate & 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 is one of the most efficient and profitable steel companies in Europe. The company is pursuing a concerted niche strategy designed to consolidate its position as one of the leading manufacturers of high-strength sheet and quenched steels within the plate segment. SSAB has thereby positioned itself as a specialist steels supplier in the commercial steel sector.

The product program is concentrated on steel sheet and plate. The steel sheet product line includes hot-rolled, cold-rolled, metal-coated and organic-coated sheet. The plate product line includes ordinary commercial steel as well as quenched steel, i.e., high-strength structural steel and abrasion-resistant steel.

Sheet is used primarily in the engineering and construction industries, while plate is used in construction machinery, mining equipment and bridges, among other things.

SSAB specializes in high-strength products in the sheet steel segment, where the company is one of the leading suppliers in Europe, and on quenched steels in the plate segment, where it has a world-leading position.

SSAB's market share in Sweden is approximately 50 percent. This strong market position has been achieved through further processing by the wholly owned subsidiaries Plannja, SSAB HardTech and Dickson PSC, 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 pre-finishes sheet steel. Tibnor accounts for a large share of steel trading in Sweden.

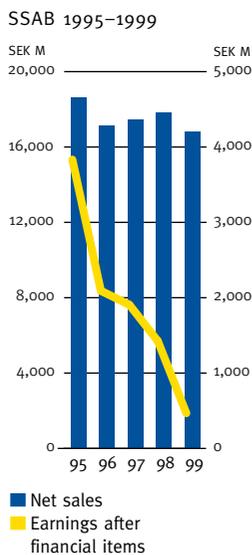
Sales outside Sweden account for approximately 50 percent of total.

Highlights 1999

- Earnings after financial items decreased by SEK 957 M to SEK 467 M. The earnings decline is mainly due to a sharp drop in prices in late 1998 and early 1999. Prices have subsequently stabilized and are expected to rise in 2000.
- Two major projects involving combined investment of SEK 3 billion were concluded during the year. These have created the conditions for continued growth in the specialty areas of high-strength sheet and quenched steels.
- Cash flow improved by SEK 1,040 M to SEK 436 M, despite the drop in earnings from 1998, due to a reduction in operating capital and lower capital expenditure.

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 declining profitability for the industry. SSAB's earnings decline was minimized due to the company's successful specialization on highly processed steel. An earnings improvement is forecast for 2000.



Share of votes: 14.2%.
Share of capital: 10.8%.

Holding: 12,065,600 A-shares.

Market value on Dec. 31, 1999:
SEK 1,593 M.



← Share of portfolio value: 3%.

SEK M	1999	1998
Net sales	16,807	17,835
Earnings after financial items	467	1,424
Earnings per share, SEK	2.50	8.20
Dividend per share, SEK	4.50¹	4.50

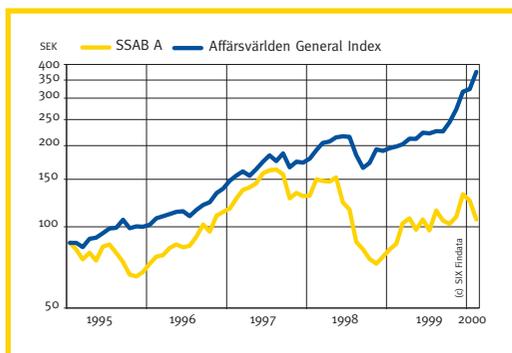
¹Proposed by the Board of Directors.

Largest owners as per Dec. 31, 1999	% of votes
Industrivärden	14.2
Föreningsparbanken mutual funds	9.9
Swedish National Pension Insurance Fund, Fourth Fund Board	7.5
LKAB	5.7
Handelsbanken mutual funds	5.5

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 rose 70 percent in 1999, and trading volume was approximately SEK 8 billion. SSAB's market capitalization was approximately SEK 16 billion at year-end 1999.



SSAB's business is characteristically cyclical. During the past five-year period its stock has performed below the index, mainly due to the weak steel market in 1998 and 1999.



Major Medium-Term Holdings

Industrivärden has been building up a medium-term stock portfolio since 1995. The goal is to achieve favorable growth in value and at the same time maintain high liquidity in the holdings. At year-end 1999 the medium-term portfolio included 12 holdings with a combined market value of SEK 7.7 billion. The largest holdings were Skandia, Scania, Pfizer, Inc. and Volvo. The portfolio also included the IT companies Mandator and Intenia, and the pharmaceutical companies Karo Bio, Pharmacia & Upjohn, Inc., and Lundbeck A/S.

Skandia



- Share of votes and capital: 3.9%.
- Holding: 20,125,000 shares.
- Market value on Dec. 31, 1999: SEK 5,172 M.
- Share of portfolio value: 10%.

Skandia is an international financial services and insurance group with operations in 25 countries. Recent years have been characterized by a refocusing of operations in three business units: Property & Casualty Insurance, Long-Term Savings, and Asset Management.

In 1999 the Property & Casualty operations of Skandia, Storebrand (of Norway) and Pohjola (of Finland) were merged, forming a new company, called If P&C Insurance (If). Skandia has a 42 percent stake in the new company. The intention is to list If in an initial public offering within two years, at which time Skandia intends to reduce its shareholding.

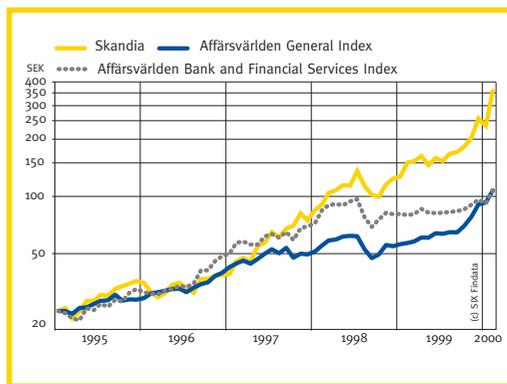
Skandia's Long-Term Savings business unit is part of Assurance & Financial Services (AFS), which is active in more than 20 countries in Europe, North and South America, and Asia. The largest product group is unit linked assurance, which is adapted to the legislation and

market conditions of each country. Skandia AFS cooperates with the world's foremost fund managers, which together represent an offering of more than a thousand different funds. Sales of products are made primarily through independent insurance brokers and banks.

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

Skandia Asset Management has investment offices in Stockholm, Bergen, London, New York and Hong Kong. A qualified risk management unit has been built up with expertise in theoretical portfolio management and risk monitoring of global operations.

Skandia's Stock



During the past five years Skandia has performed considerably better than the General Index as well as the Bank and Financial Services Index. A sizable international operation has been built up in the Long-Term Savings business unit.

Pfizer



- Holding: 2,450,000 shares.
- Market value on Dec. 31, 1999: SEK 684 M.
- Share of portfolio value: 1%.

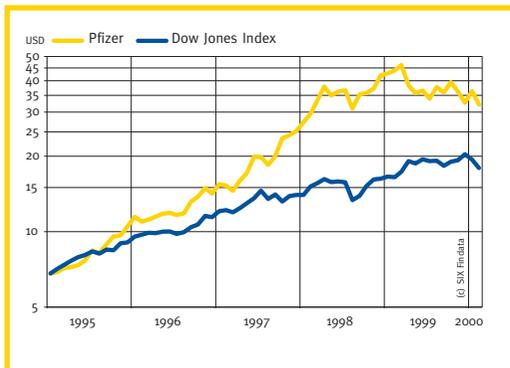
Pfizer is an American pharmaceutical company. Measured by market value Pfizer is the second-largest pharmaceutical company in the world. The main products are in the areas of antihypertensive, antidepressive and antibiotic drugs. Pfizer has launched a number of novel, pioneering products in recent years, including drugs to combat impotence as well as analgesics and cholesterol-reducing drugs.

Pfizer has invested heavily for many years in new drug R&D. Total R&D expenditure in 1999 was nearly SEK 25 billion. Pfizer has the largest marketing organization in the U.S., with roughly 5,000 sales representatives.

Pfizer's strategic objective is to be the leading pharmaceutical company in the world through continued investments in research and development and by being a global leader in marketing effectiveness. Pfizer recognized early the value of combining major investments in own research and development with inlicensing of potential growth drugs, such as the cholesterol-reducing medicines Lipitor and Aricept, which combat Alzheimer's disease.

Cardiovascular drugs account for approximately 40 percent of sales, while anti-infection agents account for approximately 25 percent and central nervous system drugs for roughly 20 percent. The geographic distribution of sales is 50 percent North America, 25 percent EU, and 25 percent the rest of the world.

Pfizer's Stock



During the past five-year period Pfizer has outperformed the New York Stock Exchange's Dow Jones Index.

Pfizer's strengths include strong growth without any substantial loss of patent protection in the years immediately ahead and a strong marketing organization. The company is thus an attractive partner for other companies in the industry.

Pfizer made an offer in November 1999 for the American pharmaceutical company Warner-Lambert. This acquisition will create the world's second-largest pharmaceutical company.

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 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 particular 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.

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 prioritized in various environmental areas, depending on the focus and operating conditions of the individual subsidiary. Priority areas within the Group are: the products and their recycling, energy consumption, the handling and choice of chemicals, emissions to water and the air, waste management and transportation.

To obtain a picture of the subsidiaries' continuing environmental work and current environmental issues, environmental inventories are taken regularly. The result of these inventories forms the basis of the subsidiaries' daily work on environmental matters, where the emphasis has been placed on formulating environmental policies and targets. All subsidiaries have formulated their own environmental policies and set up environmental targets.

Isaberg Rapid has operations at a surface treatment plant that require a permit in order to comply with the environmental code. Industrivärden's other subsidiaries do not conduct any operations that require a permit in accordance with the environmental code. In 1999 Isaberg Rapid received environmental certification according to ISO 14001.

Environmental Policy for Industrivärden's Core Holdings

Through board representation, Industrivärden acts to ensure that the listed companies in the core portfolio adopt environmental policies that actively decrease the impact on the natural environment.

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

Ericsson requires general environmental certification according to ISO 14001 by the year 2000 at the latest. This demand applies to all units with operations that have a discernible environmental impact.

Ericsson's customers are placing increasing demands on the company to design future

systems and products in an environmentally optimal manner. Ericsson, in turn, makes strict demands on its suppliers. Ericsson requires that suppliers produce an environmental audit of themselves. In addition, Ericsson has prepared a list of chemical substances that may not be used in Ericsson products and a list of products that should be phased out over time. In doing so, Ericsson wants to prevent the inclusion of substances that might give rise to unforeseen costs to the company when they are later scrapped.

Ericsson is preparing itself in various ways to be able to comply with future producer responsibility legislation for electronic products. Environmental design is one method. Another is to produce materials declarations for the products and to carry out environmental labeling if necessary. A third approach is to create a recycling process encompassing recovery, reuse and disposal, which can be implemented practically.

Handelsbanken is affiliated with the International Chamber of Commerce's Business Charter for Sustainable Development and is a signatory of the UN's environmental declaration for banks. The main principle of the bank's environmental policy is that, as far as technically and economically feasible, Handelsbanken will take measures to minimize adverse environmental impact. The bank has entered into a number of central, nationwide agreements on waste-sorting and recycling of electronic equipment, paper, plastic packaging and light sources, among other things.

Handelsbanken's environmental policy states that environmental considerations shall be taken into account in its lending practices. Environmental matters are therefore an integral part of credit assessment at Handelsbanken. In commercial lending, an indication of a borrower's stance with respect to environmental matters is gained by finding out whether the company has certified its operations according to some generally accepted standard.

Environmental aspects are assessed at least once a year for each corporate customer. The aim is to assess the effects that a company's potential environmental impact has on its financial development prospects.

Sandvik's environmental awareness is integrated as a natural element in its total business operations. Environmental consideration is always included in the assessment of investments and acquisitions, changes in processes and production methods, in the development of new products, and with regard to selection of packaging materials and transport systems.

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 has decided to establish environmental management systems in its production facilities in accordance with ISO 14001. In 1999 the Sandviken plant, within the Sandvik Steel business area, was the first major operation to be certified. Similar work has also been started within the other business areas.

SCA's environmental policy is based on the principles that SCA assumes responsibility for the environment, that all decisions must 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 dis-

seminate 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 utilization of nonrenewable and nonrecoverable resources in the company's production and distribution, both in terms of material and energy.

EMAS (the EU's Eco Management and Audit Scheme) and ISO 14001 have been introduced at several plants and will be introduced at all pulp and paper mills by year-end 2000. SCA's forestry operations are certified by the FSC (the Forest Stewardship Council). In addition, SCA has adopted its own system for monitoring resource utilization in all business areas, with a special emphasis on transports.

Skanska's environmental policy emphasizes the importance that all of the Group's employees take 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 operations within Skanska had adopted environmental management systems by the end of 1999, and the goal is to be certified according to the ISO 14001 or EMAS international environmental management standards by the end of 2000.

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.

Steel can be reused infinitely without its main constituent, iron, losing any of its original properties. Accordingly, scrap steel can be melted down an unlimited number of times and be used in the production of new steel products. Steel thus has the fundamental qualities to meet societal demands for ecocycle compliance.

SSAB conducts active environmental work with the aim of developing and securing the operations in order to minimize the impact on the surrounding environment. This work covers emissions into the air and water, resource conservation, the handling of by-products, risk analyses, and so on. The company has an effective system for sorting used consumption material.

SSAB applies many key parts of the established EMAS and ISO 14001 environmental management systems. The current systems will be updated in order to meet the EMAS and ISO 14001 requirements in 2000.



Inductus

Inductus includes two industrial groups – Besam and Isaberg Rapid – with some 25 subsidiaries in Sweden and abroad. The average number of employees at year-end 1999 was approximately 2,100, of whom 1,300 were outside Sweden.

Structural Changes

The Inductus companies 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. In light of these requirements, Hydrauto and Rapid Granulator were sold during the year.

Hydrauto, which manufactures hydraulic systems for mobile cranes and construction machinery, had sales of SEK 263 M in 1998 and a loss of SEK 6 M after financial items. Rapid Granulator, which manufactures thermoplastic granulating mills, had sales of SEK 340 M in 1998 and earnings after financial items of SEK 14 M.

Organization

Inductus's operations are highly decentralized, and each company in the group is fully responsible for its earnings and capital budgeting. This means that each Inductus company 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 for Inductus. 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 and 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 element in Inductus's strategy. Besam and Isaberg Rapid both have more than 90 percent of their sales outside Sweden.

Market Position

Besam is the world's largest supplier of door automation systems. *Isaberg Rapid* is one of the world's leading manufacturers of staplers.

Sales and Earnings

Invoiced sales amounted to SEK 2,318 M (2,869), an increase of 2 percent for comparable units.

Earnings after financial items totaled SEK 242 M (182). The return on capital employed was 29 percent (21).

Besam noted good volume development, particularly in aftermarket sales. Earnings improved dramatically, by SEK 81 M to SEK 182 M. Isaberg reported lower earnings than in the preceding year, although profitability remains very good.

Carl-Olof By, President



Board of Directors:
Clas Reuterskiöld
(Chairman), Carl-Olof By
(President), Ulla Heikkilä,
Per Jalmo and
Thomas Nordvallér.

A revolving door from Besam
in the entrance to Stockholm's
Grand Hôtel.



Of the Inductus group's invoiced sales, 8 percent pertained to Sweden, 5 percent to the other Nordic countries, 56 percent to other European countries and 31 percent to the rest of the world.

Return on Capital Employed

The profitability requirement for Inductus companies is that they should generate an average return on capital employed of at least 20 percent over a business cycle. Both subsidiaries exceeded this target in 1999. For the group as a whole, the return on capital employed was 29 percent (21).

Inductus in Summary

SEK M	1999	1998	1997	1996	1995
Net sales	2,318	2,869	2,776	4,064	4,466
Of which, outside Sweden, %	92	87	87	76	71
Operating earnings	252	207	176	268	319
Earnings after financial items	242	182	157	257	295
Return on capital employed, %	29	21	19	18	21
Capital expenditures	67	105	107	210	175
Visible equity ratio, %	51	34	32	34	47
Average number of employees	2,076	2,595	2,600	3,840	4,279
Of whom, outside Sweden	1,290	1,368	1,406	1,950	1,943

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

Inductus Companies Worldwide

Besam	Isaberg Rapid
Sweden 	Sweden 
Austria	China ¹ 
Belgium	France 
Czech Republic	Germany
Denmark	Netherlands
Finland	U.K.
France	
Germany 	
Hungary	
Israel	
Italy	
Netherlands	
Poland	
Portugal	
Russia	
Singapore	
Spain	
U.K.	
USA 	

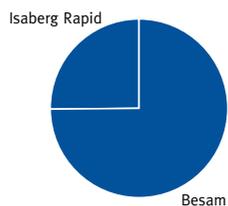
¹Joint-venture with 51% ownership share.

 Manufacturing.

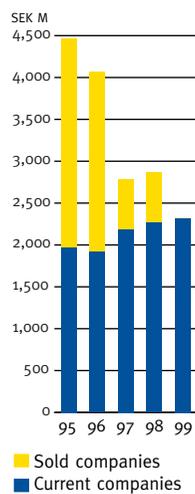
The Inductus Companies

SEK M	1999	1998	1997	1996	1995
Besam					
Net sales	1,735	1,692	1,707	1,525	1,590
Operating earnings	187	112	111	90	119
Earnings after financial items	182	101	103	82	112
Average number of employees	1,390	1,437	1,520	1,497	1,434
Isaberg Rapid					
Net sales	583	574	479	388	381
Operating earnings	70	81	59	36	27
Earnings after financial items	64	76	56	34	24
Average number of employees	686	658	581	547	553

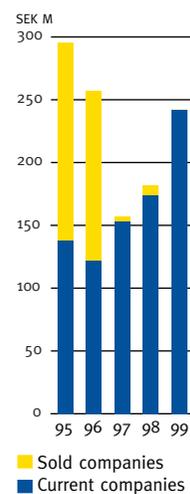
Net Sales per Company



Net Sales Inductus



Earnings After Financial Items Inductus



Board of Directors:
Clas Reuterskiöld
(Chairman), Peter
Aru (President),
Jan Blomberg,
Carl-Olof By,
Hans G. Forsberg,
Per Jalmbo,
Stig Kjellman,
Bertil Samuelsson
and Anders Unger.

Peter Aru, President, Besam



• Besam

Products

Besam works with door automation systems, including automated swinging and sliding doors with impulse sensors, 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 steadily growing share of business.

Automatic door openers are used indoors and in building entrances. The largest application areas are supermarkets, retail chains, terminals and hospitals. Automated doors are becoming increasingly common in 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 door automation has been on the rise for many years. The market for door automation is expected to continue expanding geographically as well as in terms of application areas. However, the previous rapid growth has slowed during the 1990s. Growth today is mainly in the areas of service and maintenance.

As the world's largest supplier of door automation, Besam is penetrating all major markets in the Western world and is the market leader in Sweden, the U.S., the U.K. and the Benelux countries. Besam has subsidiaries in some 20 countries in Europe, North

America and Asia, plus some 30 independent distributors in countries where it lacks own representation. The largest single markets are the U.S., Germany, the Benelux countries, the U.K., Sweden and France. In all, business outside Sweden accounted for 91 percent of sales and 78 percent of the work force in 1999.

Competitors

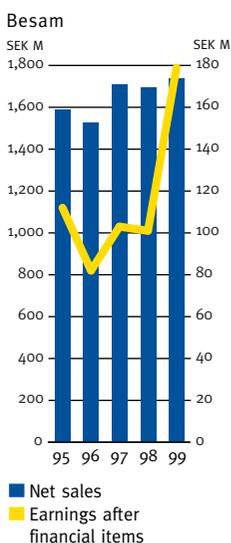
The chief competitors are in the U.S. (Stanley, Door-O-Matic, Horton and Gyro-Tech), Germany (Dorma and Geze), Switzerland (Tormax, Record and Kaba-Gilgen) and the Netherlands (Boon Edam). Japan also has numerous manufacturers, although their sales are primarily in Asia. A common characteristic of most major competitors is that door automation accounts for a minor portion of total sales. Besam is one of the few companies in the business that is dedicated exclusively to door automation. None of the competitors have overall market coverage as broad as Besam's.

The Besam Concept

The Besam concept is built on four cornerstones:

- centralized product development
- all component manufacture is handled by subcontractors
- centralized marketing strategy
- 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.



Besam conducts extensive development work aimed at putting its products at the technological forefront while still offering customers a favorable price alternative.

Production

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

Expansion Track

Besam's principal strategy is to augment organic growth with strategic acquisitions. Door openers are viewed increasingly as a mature product, while the aftermarket is the most expansive part of the business. Continued expansion of the service organization is thus essential for sustained earnings growth.

Use of door automation is still low in many markets and application areas. Besam's buildup of service organizations in most of its markets provides good opportunities to maintain a positive trend in volume.

Business Trend 1999

Invoiced sales rose 3 percent to SEK 1,735 M (1,692). The increase is attributable primarily to service of installed systems.

Earnings after financial items totaled SEK 182 M (101). Improved product mix and increased productivity were the main reasons for the earnings improvement. Earnings for the preceding year were charged with costs of SEK 24 M for capacity reduction. The return on capital employed exceeded the 20 percent profitability requirement by a wide margin.

• Isaberg Rapid

Products

Isaberg Rapid's products consist of staplers and staples for the office and tool markets, and are marketed under the Rapid brand. The product line includes manual as well as electric staplers. Desktop staplers and stapling pliers are used in offices, while stapling guns and hammers are used to fasten textiles, molding, moisture-barrier film and tar paper. For the OEM market, Isaberg develops staplers that are built into copying machines, among other things.

Markets

Isaberg Rapid is the largest company in Europe in its product area. 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'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.

Isaberg Rapid is the European market leader and has established market positions in the rest of the world.



Pelle Holm, President, 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.

Competitors

Aside from Isaberg Rapid, the industry consists of a handful of global, brand-name producers with strong positions in their home markets, like Arrow, Bostich, Max, ACCO and Esselte. A number of markets are also served by local manufacturers.

Development Potential

By establishing and acquiring 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 volume. 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. These include the pan-European, international office-supply chains, which are a driving force behind the changing distribution pattern. Isaberg Rapid has been designated as a preferred supplier of staplers and staples by several pan-European customers.

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 copying machines. Deliveries of these copying machine staplers have risen sharply in recent years, as have aftermarket sales of staple cassettes. Continued favorable growth is anticipated for both copying machine staplers and staple cassettes.

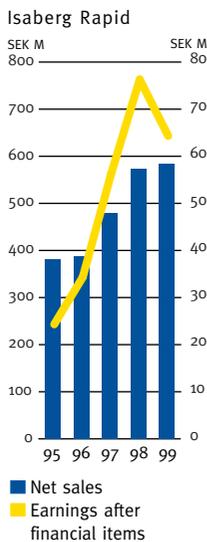
Isaberg Rapid has good opportunities to achieve continued volume and earnings growth through the development of new products and distribution forms. The joint venture started in China in 1998 has added a line of medium-priced products which will enable penetration of new market segments. Sales in China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

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.

Business Trend 1999

Invoiced sales rose 2 percent to SEK 583 M (574). Earnings after net financial items totaled SEK 64 M (76). The return on capital employed exceeded the 20 percent profitability requirement.



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. The 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 processing.

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

Structural Changes

In Sweden Indutrade acquired Industri Belos AB and Lyma Kemiteknik AB in 1999. Belos is active in water and sewage fittings, while Lyma conducts trading in the area of valves and pumps for the chemical industry. These acquisitions are part of the development of the flow technology product area.

In Finland, Indutrade acquired Pinteco Oy, which conducts trading in the industrial flow technology product area.

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 40 profit centers, each with sales of between SEK 10 and 125 M, and employing between 10 and 100 people.

Indutrade's objective is that the group's return on capital employed should amount to at least 20 percent over a business cycle. The return in 1999 was 27 percent (31).

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



Gunnar Tindberg, President

Board of Directors:
Clas Reuterskiöld
(Chairman), Carl-Olof
By, Jan Carlborg,
Eva Färnstrand,
Anders Jonsson,
Eva Mauritzsson,
Börje Nordenö and
Gunnar Tindberg
(President).

Products and Markets

Indutrade's business involves the import and sale of technical components to industrial companies in the Nordic countries, the Baltic countries and the Benelux countries with a repetitive need. 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
- compressed air, pneumatics and fluid control technology
- structural plastics
- transmission technology, lifts and conveyors
- electrical components
- glass and packaging technology.

In addition to qualified technical products and advanced 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.

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

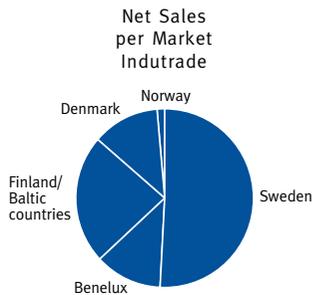
The customers of the Indutrade companies represent a cross-section of industry, with a concentration in the engineering and process industries. The pharmaceutical and food industries are growing customer groups.

Sales and Earnings

Business declined during the autumn of 1998 in Sweden and Finland, while demand in Denmark and the Benelux countries was unchanged. Following a weak start to 1999, demand improved gradually in the Nordic markets.

In total, invoiced sales in 1999 amounted to SEK 1,751 M, an increase of 5 percent. New agencies and acquired companies accounted for 3 percentage points of this increase, and thus the increase for comparable units was 2 percent. Price increases were negligible.

Indutrade's earnings after financial items totaled SEK 138 M (152, including a capital gain of SEK 9 M).



Sweden

The Swedish operations accounted for 51 percent (52) of Indutrade's sales and are thus the largest single market. Business is conducted in all product areas except compressed air, pneumatics & fluid control technology, and glass and packaging technology.

Invoiced sales in the Swedish operations rose from SEK 864 M to SEK 909 M, which was 3 percent higher than 1998 for comparable units.

Earnings after financial items totaled SEK 93 M (95).

Denmark

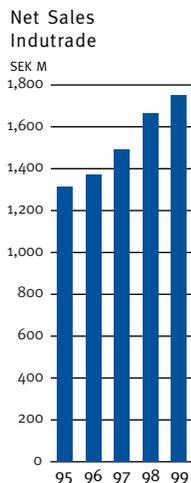
Compressed air, pneumatics & fluid control technology and structural plastics are the largest product areas in Denmark. Business is also conducted in several other Indutrade product areas.

Indutrade's invoiced sales in Denmark amounted to SEK 201 M, compared with SEK 209 M in 1998. Earnings after financial items totaled SEK 10 M (12).

Finland and the Baltic Countries

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

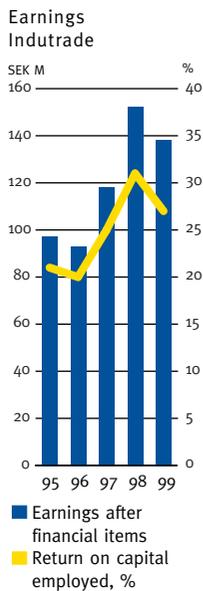
Invoiced sales totaled SEK 439 M, an increase of 23 percent compared with 1998. For comparable units the increase was 10 percent. Earnings after financial items totaled SEK 36 M (41).



Net sales rose by an average of 8 percent per year during the period 1995-99.



A development meeting with customers at Indutrade's offices in Kista, outside Stockholm.



In recent years Indutrade has established subsidiaries in Estonia, Latvia, Lithuania, and St. Petersburg, Russia. These are mainly active in flow technology. Total invoiced sales from these companies amounted to SEK 42 M (30).

Benelux

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

Total invoiced sales in the Benelux region amounted to SEK 195 M (201), and earnings after financial items were SEK 10 M (17).

Indutrade in Summary

SEK M	1999	1998	1997	1996	1995
Net sales	1,751	1,662	1,492	1,372	1,311
Of which, outside Sweden, %	54	54	55	49	59
Operating earnings	143	151	122	99	105
Earnings after financial items	138	152	118	93	97
Return on capital employed, %	27	31	25	20	21
Capital expenditures	25	39	22	30	41
Visible equity ratio, %	36	37	35	35	30
Average number of employees	818	766	713	694	617
Of whom, outside Sweden	454	413	385	359	350

Indutrade in Sweden

Filters and process control technology

Alnab
GPA
Euronord
Ventim
Colly Filtreringsteknik
Belos
Lyma

Adhesives, sealants, lubricants and silicone products

G A Lindberg

Fasteners and assembly technology

Colly Components
Mandorf

Tools and machine shop technology

Colly Company
Edeco Tool
ETP
G A Lindberg
Mandorf

Structural plastics

Carlsson & Möller
Colly Components

Transmission technology, lifts and conveyors

Bengtssons
ETP

Electrical components

Novum

Indutrade in Denmark

Filters and process control technology

Colly Company
Granzow

Adhesives, sealants, lubricants and silicone products

Diatom

Fasteners and assembly technology

Diatom

Tools and machine shop technology

Diatom

Structural plastics

Linatex

Compressed air, pneumatics and fluid control technology

Granzow

Indutrade in Finland

Filters and process control technology

Colly Company
Lining
YTM
Pinteco

Adhesives, sealants, lubricants and silicone products

Colly Company
YTM

Fasteners and assembly technology

Colly Company
Vipmek
Kiinnikke-Kolmio

Tools and machine shop technology

Maantera

Structural plastics

Colly Company

Transmission technology, lifts and conveyors

Lining

Indutrade in Norway

Filters and process control technology

GPA

Indutrade in the Netherlands

Filters and process control technology

Hitma

Glass and packaging technology

Aluglas

Indutrade in the Baltic countries

Filters and process control technology

Industek, Estonia
Indutek, Latvia
Industek, Lithuania

Tools and machine shop technology

Industek, Estonia

Indutrade in Russia

Filters and process control technology

Indutek

Transmission technology, lifts and conveyors

Indutek

The Board of Directors and President of AB Industrivärden (publ) herewith submit their annual report and consolidated accounts for the 1999 fiscal year.

Composition and Work of the Board of Directors

The Board of Directors consisted of seven members in 1999. A presentation of the Board can be found on page 88.

In 1999 the Board held eight meetings, including the statutory meeting. Aside from strategic planning, the largest individual matters of business in 1999 pertained to the sale of all shares in AGA, acquisitions and sales of shares in other listed companies, and sales of subsidiaries. For a more detailed account of the Board's duties, regular items of business, committees, and so on, see the section "Organization and Management," page 78.

Changes in Group Composition

The Inductus companies Hydrauto and Rapid Granulator as well as Timelox were sold during the year. These companies had combined sales in 1998 of SEK 658 M and approximately 550 employees.

Indutrade acquired the Swedish companies Belos and Lyma, both with agency operations in flow technology, as well as the Finnish company Pinteco, with agency operations in pump technology. These companies have combined sales of approximately SEK 85 M on a full-year basis.

Net Sales and Earnings

Consolidated net sales amounted to SEK 4,071 M (4,580), an increase of 4 percent compared with the preceding year for comparable units. Sales outside Sweden accounted for 75 percent (75) of total.

Earnings before financial items totaled SEK 4,735 M (2,346). This includes capital gains on sales of listed stocks, totaling SEK 3,535 M (974), and gains of SEK 100 M (29) on sales of other stocks.

Dividends from the portfolio of listed stocks amounted to SEK 775 M (1,067). The preceding year's figure included a total of SEK 392 M in extra dividend income from Handelsbanken and Skanska, in the form of stock in Balder, worth SEK 114 M, and in Drott, worth SEK 278 M, respectively.

Net financial items improved by SEK 66 M to SEK -132 M (-198). Earnings after financial items totaled SEK 4,603 M (2,148).

The interest expense for CPN loans was SEK 134 M (101). After taxes of SEK -135 M (-129), reported net earnings for the year were SEK 4,334 M (1,918).

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

Capital Expenditures

Capital expenditures during the year in tangible fixed assets amounted to SEK 105 M (157), and scheduled depreciation totaled SEK 101 M (122).

Financing and Equity Ratio

The Group's liquid assets and fixed-income investments amounted to SEK 2,413 M (1,200), including interest-bearing long-term investments of SEK 1,260 M (-). Interest-bearing lia-

bilities and provisions decreased by SEK 467 M to SEK 4,083 M (4,550), including SEK 158 M (132) in provisions for pensions. Of total interest-bearing liabilities, SEK 1,051 M (1,709) consisted of long-term loans. Net borrowing decreased by SEK 1,680 M to SEK 1,670 M. The visible equity ratio was 73 percent (64), while the adjusted equity ratio, which includes surplus values of listed stocks, was 91 percent (83).

Employees

The average number of employees in the Group was 2,916 (3,428), of whom 1,744 (1,797) 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, are provided in notes 2 and 3.

Portfolio of Listed Stocks

The value of the portfolio of listed stocks at year-end was SEK 54,298 M (30,043). Surplus value was SEK 39,962 M (17,749). Purchases of listed stocks during the year totaled SEK 3,731 M (2,027) and sales totaled SEK 5,168 M (2,147). Stocks were thus sold for a net amount of SEK 1,437 M (120). Sales from the portfolio of listed stocks resulted in a capital gain of SEK 3,535 M (974), of which the sale of the AGA holding, including redeemed shares, accounted for SEK 3,327 M.

Adjusted for purchases and sales, the value of the portfolio grew by 87 percent during the year (5). The Affärsvärlden General Index gained 66 percent during the same period (10). The total return for the portfolio of listed stocks was 91 percent, compared with 70 percent for the Findata Total Return Index.

Dividend income amounted to SEK 775 M (SEK 1,067 M, including extra dividends in the form of stock in Balder, worth SEK 114 M, and in Drott, worth SEK 278 M).

Major net purchases consisted of 3,000,000 Scania A and B, 2,660,000 Ericsson A, 2,925,000 Skandia, 1,136,300 Pfizer, Inc., 600,000 Volvo B, 700,000 Handelsbanken A, 665,600 SSAB A, 1,000,000 Mandator, 125,000 Pharmacia & Upjohn, Inc., and 229,000 Lundbeck A/S. In SCA's new issue, 3,044,900 B-shares were subscribed. Major net sales consisted of 28,615,000 AGA A, 1,430,000 Astra B, 1,465,000 Balder, 387,900 Skanska B, 800,000 Ericsson B and 646,600 SSAB B. All sales of stocks, except for Skanska B, pertained to the entire shareholding.

Through a 3:1 stock split by Handelsbanken in June, the holding increased from 14,650,000 shares to 43,950,000 shares. Pfizer, Inc. carried out a 3:1 stock split in July, increasing that holding from 706,000 shares to 2,118,000 shares.

Inductus

Net sales for Inductus amounted to SEK 2,318 M (2,869), an increase of 2 percent for comparable units. Earnings after financial items totaled SEK 242 M (182).

The return on capital employed was 29 percent (21).

Besam's net sales increased by 3 percent. Earnings improved considerably compared with the preceding year due to improved product mix and increased productivity.

Isaberg Rapid had continued good order bookings, mainly for newly developed products. Earnings were slightly lower than in the preceding year, with continued high profitability.



Inductus's capital expenditures amounted to SEK 67 M (105), and scheduled depreciation totaled SEK 64 M (86).

Indutrade

Indutrade's net sales amounted to SEK 1,751 M (1,662), an increase of 5 percent. Following a weak start to the year, demand improved gradually.

Earnings after financial items totaled SEK 138 M (SEK 152 M, including capital gains of SEK 9 M). The return on capital employed was 27 percent (31).

Indutrade's capital expenditures amounted to SEK 25 M (39). Scheduled depreciation totaled SEK 26 M (25).

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 775 M (1,067). Including capital gains of SEK 3,654 M (981) from sales of listed stocks, and administrative costs of SEK 71 M (67), earnings amounted to SEK 4,358 M (1,981).

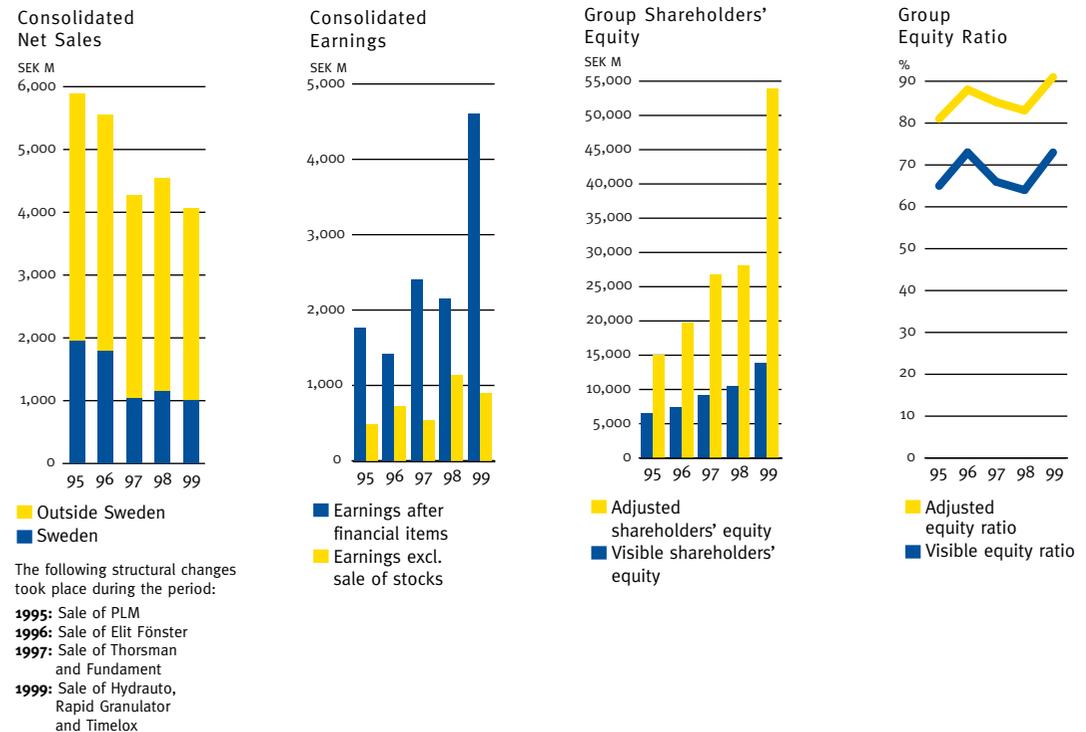
After net financial items of SEK -128 M (-117), earnings totaled 4,230 M (1,864). After costs for CPN interest, totaling SEK 134 M (101), and taxes of SEK 11 M (57), net earnings of SEK 4,085 M (1,706) are reported for the year.

Status of Computer Systems During the Millennium Shift

No problems with the Group's computer systems arose in connection with the turn of the millennium from 1999 to 2000.

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 page 34.



Proposed Distribution of Earnings

According to the Consolidated Balance Sheet, the Group's unrestricted shareholders' equity amounts to SEK 11,739 M, of which SEK 4,334 M represent 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 6,778 M
Net earnings for the year	<u>SEK 4,085 M</u>
	SEK 10,863 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 1.00 per share, totaling SEK 6.00 per share	SEK 1,030 M
To be carried forward	<u>SEK 9,833 M</u>
	SEK 10,863 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 15, 2000

Bo Rydin
Chairman

Tom Hedelius
Vice Chairman

Inga-Britt Ahlenius

Carl-Erik Feinsilber

Lennart Nilsson

Björn Wolrath

Clas Reuterskiöld
President and CEO

Our Audit Report was submitted on February 15, 2000

Öhrlings PricewaterhouseCoopers AB

Ingvar Pramhäll
Authorized Public Accountant

● Consolidated Income Statement

SEK M	Note	1999	1998
Net sales	1	4,071	4,580
Cost of goods sold		-2,636	-3,057
Gross earnings		1,435	1,523
Development costs		-55	-83
Selling costs		-675	-741
Administrative costs		-378	-431
Other operating income and expenses		-2	8
Operating earnings	1-5, 7	325	276
Dividend income from listed stocks	18	775	1,067
Capital gains on sales of listed stocks	8	3,535	974
Capital gains on sales of other stocks	6, 9	100	29
Earnings before financial items		4,735	2,346
Interest income		68	17
Interest expenses (excl. CPN interest)		-210	-232
Other financial income	10	14	23
Other financial expenses	11	-4	-6
Earnings after financial items		4,603	2,148
CPN interest	12	-134	-101
Earnings before taxes		4,469	2,047
Tax on earnings for the year	13	-135	-129
Net earnings for the year		4,334	1,918

Breakdown by Business Unit

SEK M	Net sales		Earnings after financial items	
	1999	1998	1999	1998
Inductus	2,318	2,266	242	174
Indutrade	1,751	1,662	138	152
Dividend income from listed stocks	-	-	775	1,067
Other, net	2	-6	-187	-250
	4,071	3,922	968	1,143
Capital gains on sales of listed stocks	-	-	3,535	974
Capital gains on sales of other stocks	-	-	100	29
Structural changes	-	658	-	2
	4,071	4,580	4,603	2,148

Comments on the Consolidated Income Statement

Consolidated net sales rose 4 percent, taking into account the divestments of the subsidiaries Hydrauto, Rapid Granulator, and Timelox.

Dividend income from listed stocks totaled SEK 775 M (1,067). Of dividend income in 1998, a total of SEK 392 M consisted of one-time dividends in the form of stock in the real estate companies Balder and Drott.

Capital gains on sales of listed stocks increased from SEK 974 M to SEK 3,535 M. The single-largest capital gain was SEK 3,327 M on the sale of all the shares in AGA, for SEK 4,032 M.

Net financial items for the Group improved from SEK -198 M to SEK -132 M. Net interest-bearing debt decreased by SEK 1,680 M, mainly as a result of payment for the AGA holding.

Earnings after financial items increased from SEK 2,148 M to SEK 4,603 M, due to the fact that total capital gains on sales of stocks were SEK 2,632 M higher than in the preceding year. Excluding sales of stocks, earnings after net financial items totaled SEK 968 M (1,143), as shown in a separate table. Inductus's earnings after financial items improved from SEK 174 M to SEK 242 M, while Indutrade's earnings totaled SEK 138 M (152).

The tax charge for the year was SEK -135 M (-129). Of this total, company taxes accounted for SEK -145 M (-143) and deferred taxes for SEK 10 (14). Of company taxes, SEK -98 M (-88) pertained to Swedish taxes and SEK -47 (-55) to foreign taxes.

● Consolidated Balance Sheet

SEK M	Note	12/31/99	12/31/98	Note	12/31/99	12/31/98
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES		
Fixed assets				Shareholders' equity 22		
Intangible fixed assets				Restricted shareholders' equity		
Goodwill	14	89	94	Capital stock	23	859
Intangible rights	14	6	7	Restricted reserves		927
Total intangible fixed assets		95	101			1,786
Tangible fixed assets				Unrestricted shareholders' equity		
Land and buildings	15	299	350	Unrestricted reserves		7,405
Plant	15	106	162	Net earnings for the year		4,334
Equipment	15,16	157	185			11,739
Construction in progress	15	8	9	Total shareholders' equity		13,525
Total tangible fixed assets		570	706			9,974
Financial fixed assets				Convertible participating debenture loan 12		
Shares in listed companies	17,18	14,336	12,294		448	448
Shares and participations in other companies	17,18	141	88	Provisions		
Other long-term receivables		1,318	71	Provision for pensions	24	158
Total financial fixed assets	19	15,795	12,453	Provision for taxes		19
Total fixed assets		16,460	13,260	Other provisions	26	128
Current assets				Total provisions 25		
Inventories	20	649	718		305	323
Current receivables				Long-term liabilities		
Accounts receivable, trade		811	878	Long-term, interest-bearing liabilities	16,27	1,051
Other receivables		39	80	Total long-term liabilities	28	1,051
Prepaid expenses and accrued income	21	106	37			1,709
Total current receivables		956	995	Current liabilities		
Short-term investments		965	933	Accounts payable, trade		319
Cash and bank balances		188	267	Accrued expenses and deferred income	29	445
Liquid assets		1,153	1,200	Other noninterest-bearing liabilities		251
Total current assets		2,758	2,913	Total current noninterest-bearing liabilities		1,015
TOTAL ASSETS		19,218	16,173	Current interest-bearing liabilities	16,30	2,874
				Total current liabilities 3,889		
				TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES 19,218		
				16,173		
				Pledged assets 31		
				81		
				78		
				Contingent liabilities 32		
				8		
				7		

Comments on the Consolidated Balance Sheet

Tangible fixed assets, i.e., mainly property, plant and equipment, decreased from SEK 706 M to SEK 570 M, mainly due to the sale of subsidiaries. Capital expenditures for the year amounted to SEK 105 M, while scheduled depreciation totaled SEK 101 M.

Financial fixed assets pertain mainly to the book value of the Group's holdings of listed stocks. Listed stocks were sold for a net amount of SEK 1,437 M during the year (1998: net sale of SEK 120 M) and included the purchase of stock in Scania for SEK 924 M, in Ericsson for SEK 470 M and in Skandia for SEK 467 M, while the sale of the AGA shareholding accounted for SEK 4,032 M. The market value of the portfolio of listed stocks, adjusted for purchases and sales, increased by 87 percent, while the General Index rose 66 percent.

Long-term receivables increased by SEK 1,247 M through investment of part of the payment received from the sale of the AGA shares in fixed-income securities.

Accounts receivable, trade, and inventories totaled SEK 1,460 M (1,596). The inventory's share of net sales for the year was unchanged at 16 percent, while the corresponding share for accounts receivable increased from 19 to 20 percent.

Shareholders' equity rose by SEK 3,551 M to SEK 13,525 M. The change is mainly attributable to net earnings for the year, totaling SEK 4,334 M, less the dividend payout of SEK 773 M for 1998.

Interest-bearing liabilities decreased by SEK 493 M, to SEK 3,925 M. On the whole, net interest-bearing debt decreased by SEK 1,680 M to SEK 1,670 M, as a net effect of purchases and sales of listed stocks.

The visible equity ratio rose to 73 percent (64), while the adjusted equity ratio, which is calculated based on the market value of the listed stocks, was 91 percent (83).

● Parent Company Income Statement

SEK M	Note	1999	1998
Dividend income from listed stocks		775	1,067
Capital gains on sales of listed stocks	8	3,535	974
Capital gains on sales of other stocks	9	119	7
Administrative costs		-71	-67
Operating earnings	2-4	4,358	1,981
<i>Interest income</i>			
Subsidiaries		13	83
Others		63	11
		76	94
<i>Interest expenses</i>			
Subsidiaries		-15	-15
Others		-198	-214
Other financial income	10	12	18
Other financial expenses	11	-3	-
Earnings after financial items		4,230	1,864
CPN interest	12	-134	-101
Earnings before taxes		4,096	1,763
Tax on earnings for the year	13	-11	-57
Net earnings for the year		4,085	1,706

● Parent Company Balance Sheet

SEK M	Note	12/31/99	12/31/98		Note	12/31/99	12/31/98
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity 22			
Financial fixed assets				Restricted shareholders' equity			
Shares and participations in subsidiaries	17	451	534	Capital stock	23	859	859
Shares in listed companies	17	14,250	12,207	Conversion premium reserve		1	1
Shares and participations in other companies	17	117	77	Statutory reserve		720	720
Long-term receivables		1,257	6			1,580	1,580
Total financial fixed assets	19	16,075	12,824	Unrestricted shareholders' equity			
Total fixed assets		16,075	12,824	Retained earnings		6,778	5,845
				Net earnings for the year		4,085	1,706
						10,863	7,551
				Total shareholders' equity		12,443	9,131
Current assets				Convertible participating debenture loan 12			
Current receivables				Provisions			
Receivables from subsidiaries		318	602	Provision for pensions	24,25	35	27
Other receivables		2	–	Total provisions		35	27
Prepaid expenses and accrued income	21	74	7	Long-term liabilities			
Total current receivables		394	609	Long-term, noninterest-bearing liabilities to subsidiaries		1	1
Short-term investments		965	931	Long-term, interest-bearing liabilities	27	1,000	1,591
Cash and bank balances		44	114	Total long-term liabilities		1,001	1,592
Liquid assets		1,009	1,045	Current liabilities			
Total current assets		1,403	1,654	Liabilities to subsidiaries		35	6
TOTAL ASSETS		17,478	14,478	Accrued expenses and deferred income	29	220	222
				Other noninterest-bearing liabilities		35	59
				Total current noninterest-bearing liabilities		290	287
				Liabilities to subsidiaries		487	337
				Other current interest-bearing liabilities	30	2,774	2,656
				Total current interest-bearing liabilities		3,261	2,993
				Total current liabilities		3,551	3,280
				TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		17,478	14,478
				Pledged assets	31	11	6
				Contingent liabilities	32	4	7

● Statements of Cash Flows

Group and Parent Company

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Operating activities				
Earnings after financial items	4,603	2,148	4,230	1,864
Adjustment for items not included in cash flows:				
Depreciation	125	144	–	–
Stocks received as dividend	–	-392	–	-392
Result of sales of listed stocks	-3,535	-974	-3,535	-974
Result of sales of other stocks	-100	-11	-119	-7
Reversal of other items not affecting cash flows	4	1	8	4
Paid tax	-140	-46	-57	–
Cash flow from operating activities before changes in working capital	957	870	527	495
Cash flow from changes in working capital	89	-40	308	74
Net cash flow from operating activities	1,046	830	835	569
Investing activities				
Purchases of listed stocks (incl. stocks received as dividends)	-3,731	-2,027	-3,731	-2,027
Sales of listed stocks	5,168	2,147	5,168	2,147
Net purchase/sale of subsidiaries	197	-28	226	10
Net purchase/sale of long-term fixed-income securities	-1,260	–	-1,251	–
Net purchase/sale of other fixed assets	-88	-102	0	13
Net cash flow from investing activities	286	-10	412	143
Financing activities				
Loans raised and amortization of debt	-493	814	-472	816
Dividends and CPN interest paid out	-874	-728	-874	-728
Repayment of shareholders' contribution	–	–	63	109
Net cash flow from financing activities	-1,367	86	-1,283	197
Net cash flow for the year	-35	906	-36	909
Liquid assets at start of year	1,200	291	1,045	136
Exchange rate differences in liquid assets	-12	3	–	–
Liquid assets at end of year	1,153	1,200	1,009	1,045

GROUP

	12/31/98	Cash flow	Change in loans	Other changes	12/31/99
Change in interest-bearing net debt					
Liquid assets	1,200	-35	–	-12	1,153
Long-term fixed-income securities	–	–	–	1,260	1,260
Long-term interest-bearing liabilities	1,709	–	-658	–	1,051
Current interest-bearing liabilities	2,709	–	165	–	2,874
Interest-bearing pension provisions	132	–	–	26	158
Net interest-bearing debt	3,350	35	-493	-1,222	1,670

Comments on the Statement of Cash Flows for the Group

Starting in 1999 the statement of changes in financial position has been replaced by a statement of cash flows, in accordance with new accounting recommendations. While the statement of changes in financial position 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, SEK 4,603 M, which includes SEK 775 M (1,067) in dividends received. In addition, adjustment is made for earnings items not included in the cash flow, such as depreciation and capital gains, totaling SEK -3,506 M.

Certain items in the income statement are reported on an accrual basis to show the actual revenue or expense. Thus, interest income was SEK 68 M (17), while the actual amount of interest paid in was SEK 22 M (18). Of interest expenses, totaling SEK 210 M (232), the actual amount paid was SEK 198 M (212).

Paid tax amounted to SEK 140 M (46), while the tax charge was SEK 135 M (129). Cash flow from the operating activities was thus SEK 957 M (870).

Cash flow from changes in working capital was SEK 89 M (-40).

The investing activities involve primarily payments in connection with sales and purchases of listed stocks, totaling SEK 1,437 M, net. They also include net cash after purchases and sales of subsidiaries. In

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

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

1999, sales of subsidiaries totaled SEK 226 M, while purchases totaled SEK 40 M. In consideration of the unsettled portion of the purchase price, etc., the total net inflow pertaining to purchases and sales of subsidiaries was SEK 197 M (see separate table). The investing activities also include SEK -1,260 M for purchases of long-term fixed-income securities, and SEK -88 M for net purchases of other fixed assets.

The financing activities involve the net sum of loans raised and amortization of debt, which was

an outflow of SEK 493 M, and a total outflow of SEK 874 M for payment of the dividend and CPN interest, of which dividend SEK 773 M (644).

The net of the various cash flow items was SEK -35 M (906). Liquid assets were also affected by an exchange rate difference of SEK -12 M, and thus total liquid assets decreased during the year by SEK 47 M to SEK 1,153 M.

Interest-bearing net debt was also affected by, in addition to the SEK -47 M change in liquid assets, investments of SEK 1,260 M in fixed-income securities and a change in loan debt and interest-bearing pension provisions, together amounting to SEK 467 M. Net interest-bearing debt thereby decreased by a total of SEK 1,680 M to SEK 1,670 M.

Major Subsidiaries

SEK M	Besam	Isaberg Rapid	Indutrade
INCOME STATEMENTS			
Net sales	1,735	583	1,751
Cost of goods sold	-1,111	-373	-1,155
Gross earnings	624	210	596
Business overheads, etc.	-437	-140	-453
Operating earnings	187	70	143
Financial income and expenses	-5	-6	-5
Earnings after financial items	182	64	138
Taxes	-18	-7	-15
Net earnings for the year	164	57	123
BALANCE SHEETS			
Assets			
Land and buildings	82	27	62
Plant and equipment	69	99	64
Other	64	39	77
Total fixed assets	215	165	203
Inventories	206	93	350
Receivables	567	169	373
Liquid assets	41	24	79
Total current assets	814	286	802
Total assets	1,029	451	1,005
Shareholders' equity and liabilities			
Shareholders' equity	374	129	357
Provisions	108	38	73
Long-term interest-bearing liabilities	16	23	12
Current noninterest-bearing liabilities	430	161	395
Current interest-bearing liabilities	101	100	168
Total current liabilities	531	261	563
Total shareholders' equity and liabilities	1,029	451	1,005

Accounting Principles

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. Industrivärden follows the recommendations of the Swedish Financial Accounting Standards Council.

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. Goodwill items arising prior to 1997 are amortized over a ten-year period, according to their originally estimated economic lives.

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 that exceed 20 percent of the number of votes after full dilution in the companies listed in note 18. The presumption according to the Swedish Annual Accounts Act is that companies in which holdings of votes are in excess of 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 monitored through changes in the combined stock market value. This information is provided to the market via interim reports and year-end reports.

Translation of Foreign Subsidiaries' Financial Statements

All foreign subsidiaries have been classified as being 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 the average exchange rates for the year. Translation differences are transferred directly to shareholders' equity and do not affect earn-

ings 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 Currencies

Receivables and liabilities in foreign currencies 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, investment 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 leasing contracts, are reported as operational leasing contracts. In other respects the Swedish Financial Accounting Standards Council's recommendation for financial leasing is followed for leases contracted in 1997 and later.

Definitions of Terms and Key Ratios

- **Net asset value:** Net book values of assets plus surplus values of listed stocks and shares in subsidiaries.
- **Surplus value:** The difference between the calculated market value and book value.
- **Capital expenditures:** Tangible fixed assets in Group companies. Acquired companies are included from the date of acquisition.
- **Return on capital employed:** Operating earnings, interest income and dividends, in relation to average total assets less average noninterest-bearing liabilities.
- **Dividend yield:** Dividend per share in relation to the price of Class A shares on December 31.
- **Total return:** Return on Class A shares, defined as the sum of the change in the share price and reinvested dividends.
- **Visible equity:** Reported shareholders' equity and CPN loans.
- **Adjusted equity:** Visible equity and surplus values of listed stocks. Prior to 1997, also including surplus values of real estate held for investment purposes.
- **Visible equity ratio:** Visible equity and minority interests in relation to total assets.
- **Adjusted equity ratio:** Visible equity and minority interests plus surplus values of listed stocks, in relation to total assets and surplus values of listed stocks. Prior to 1997, also including surplus values of real estate held for investment purposes.

- **Earnings per share:** Earnings after taxes, divided by the number of shares after full dilution, i.e., the number of shares outstanding plus the maximum number of shares that would be added with the conversion of existing CPNs. The tax expense is charged to consolidated earnings after financial items, adjusted for tax-exempt capital gains on sales of stocks, tax-deductible dividends paid and a standard income assumption in accordance with applicable tax rules for holding companies. Full tax is equal to reported tax.

Financing and Currency Matters

Organizational Matters

AB 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 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 2.0 billion Medium-Term Note program and a USD 175 M Revolving Multicurrency Facility. The loans raised in foreign currency are converted to Swedish kronor through swaps. Industrivärden's commercial paper program has received a K1 credit rating by Standard & Poor's.

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 3.6 billion, SEK 0.9 billion was utilized at year-end (year-end 1998: SEK 1.0 billion). Additionally, a total of SEK 7.2 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, 57 percent from the rest of Europe, and 18 percent from the rest of the world.

Exports from Sweden in 1999 amounted to approximately SEK 996 M. About 77 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 approximately SEK 585 M in 1999, of which 94 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 2000, and the Parent Company's outstanding forward contracts at the end of 1999, are described in the table below.

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.

Currency Risk in Transaction Exposure, December 31, 1999

The net currency flows, currency hedges and outstanding currency risk at year-end 1999 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 2000 (+inflow) (-outflow)	Hedged through forward contracts Dec. 31, 1999	Forward rate	Outstanding currency risk (+inflow) (-outflow)	Share of outstanding currency risk of net flows 2000, %
EUR	-3.6	3.1	8.5805	-6.7	186
USD	17.5	12.4	8.2444	5.1	29
GBP	3.3	0.3	13.2971	3.0	92

Industrivärden and the Euro

The euro was introduced on January 1, 1999. This has an effect on the Industrivärden Group despite the fact that Sweden remains outside of the European Economic and Monetary Union (EMU). The European subsidiaries that have joined the EMU are gradually changing over to invoicing in euros. Their capital stock will also be stated in euros. Industrivärden intends, until further notice, not to introduce the euro into the Swedish Group companies' account-

Year-End Exchange Rates

	Year-end rate		Average rate	
	1999	1998	1999	1998
GBP	13.80	13.49	13.37	13.17
USD	8.53	8.05	8.26	7.95
EUR	8.56	9.49	8.81	8.93
CHF	5.34	5.89	5.51	5.49
DKK	1.15	1.26	1.19	1.19
NOK	1.06	1.07	1.06	1.05

ing. Net sales in the euro-zone countries amounted to approximately 40 percent of the Group's total invoiced sales in 1999.

A Group summary expressed in euros for the period 1995-1999 is presented on the following page. The TCW trade-balanced currency index changed from 120 on December 31, 1998, to 124 on December 31, 1999.

If the Industrivärden Group's consolidated balance sheet for 1999 had been consolidated at average exchange rates for 1998, invoiced sales would have been approximately SEK 20 M lower. Earnings after financial items would not have been affected to an appreciable extent.

Millions of euros ¹	1999	1998	1997	1996	1995
Income Statements					
Net sales	476	483	450	585	621
Operating earnings	38	29	27	38	51
Dividend income from listed stocks	91	112	45	52	27
Capital gains on sales of listed stocks	413	103	29	72	9
Capital gains on sales of other stocks	12	3	168	1	126
Earnings after financial items	538	226	253	149	186
Earnings before taxes	522	216	244	142	173
Net earnings for the year	506	202	240	136	170
Balance Sheets					
Fixed assets	1,923	1,397	1,262	797	802
Current assets	322	307	203	269	275
Total assets	2,245	1,704	1,466	1,066	1,077
Shareholders' equity	1,580	1,051	914	732	647
CPN loans	52	47	47	47	47
Provision for pensions	18	14	13	19	26
Interest-bearing liabilities	459	466	379	143	217
Noninterest-bearing liabilities	136	127	112	125	139
Key Ratios					
Visible shareholders' equity	1,632	1,098	961	779	694
Adjusted shareholders' equity	6,301	2,968	2,820	2,084	1,584
Net asset value	6,662	3,224	3,013	2,290	1,675
Visible equity ratio, %	73	64	66	73	65
Adjusted equity ratio, %	91	83	85	88	81
Capital expenditures	12	17	15	28	25
Average number of employees	2,916	3,428	3,332	4,561	4,918
of whom, outside Sweden	1,744	1,797	1,791	2,309	2,293
Euros per share and CPN					
Earnings per share after full tax	2.73	1.11	1.30	0.75	0.96
Visible shareholders' equity	8.53	5.80	5.06	4.11	3.69
Adjusted shareholders' equity	32.94	15.49	14.75	10.85	8.32
Net asset value	34.81	16.86	15.81	12.01	8.75
Stock price, December 31					
Class A shares	21.61	11.49	11.70	8.22	5.48
Class C shares	20.68	10.75	11.49	8.01	5.27
Dividend	0.70 ²	0.47	0.40	0.34	0.29
Dividend growth, % per year	33	20	15	18	10
Dividend yield, %	3.2	4.1	3.4	4.2	5.3
Total return, %	76	1	48	59	17
CPN interest	0.81 ²	0.55	0.45	0.39	0.33

¹ All values for the years 1995-1998 are recalculated from 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.

² Proposed by the Board of Directors. The bonus accounts for EUR 0.12 of the total dividend.

(Amounts in SEK M unless stated otherwise)

Notes

• **Note 1**
Breakdown of Net Sales and Operating Earnings

Geographic breakdown of net sales by market:

Group	Net sales	
	1999	1998
Sweden	1,001	1,144
Other Nordic countries	734	735
Europe, excl. Nordic countries	1,582	1,765
North America	639	762
Other markets	115	174
Total, Group	4,071	4,580

Breakdown of net sales and operating earnings by operating unit:

Group	Net sales		Operating earnings	
	1999	1998	1999	1998
Besam	1,735	1,692	187	112
Isaberg Rapid	583	574	70	81
Rapid Granulator	–	340	–	18
Hydrauto	–	263	–	-2
Other, net	–	–	-5	-2
Total, Inductus	2,318	2,869	252	207
Indutrade	1,751	1,662	143	151
Other, net	2	49	-70	-82
Total, Group	4,071	4,580	325	276

• **Note 2**
Average Number of Employees

	1999		1998	
	Number of employees,	Of whom, women	Number of employees,	Of whom, women
Parent Company	22	7	21	7
Subsidiaries in Sweden	1,150	341	1,610	385
Total, Sweden	1,172	348	1,631	392
Subsidiaries outside Sweden				
Austria	53	14	58	11
Belgium	41	8	41	7
Denmark	171	32	170	29
Finland	191	36	154	33
France	224	87	203	84
Germany	183	38	236	49
Italy	30	13	27	13
Netherlands	250	60	249	62
Singapore	27	9	33	10
Spain	32	8	34	9
Switzerland	–	–	11	2
U.K.	139	24	145	26
USA	321	64	360	63
Other	82	19	76	17
Total	1,744	412	1,797	415
Total, Group	2,916	760	3,428	807

¹**Specification of note 3, page 69**

In accordance with the decision of the Annual General Meeting in 1999, a total of SEK 1,600,000 in fees was paid to the members of the Board of Directors. Of this total, the Chairman received SEK 600,000. In addition, one of the directors was paid a fee of SEK 75,000 for serving as chairman of Group companies.

The President has been paid a salary and other benefits amounting to SEK 4,238,144, including fees from external directorships that have been directly linked to his position and have therefore been paid to the Company. The President 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 President is entitled to pension from 63–75 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 President is entitled to a yearly direct pension amounting to approximately 4 times the “base amount” (base amount in 1999 = SEK 37,100) 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 President’s employment.

Of the other members of the executive management, three are entitled to pension from 60 years of age and two 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 Industrivärden’s total return 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.

In 1999 the Swedish National Pension Insurance Fund, Fifth Fund Board, offered stock options for 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 3**
Wages, Salaries and Other Remuneration; Social Security Costs

	1999			1998		
	Wages, salaries and other remuneration	Social security costs	of which pension costs	Wages, salaries and other remuneration	Social security costs	of which pension costs
Parent Company	20	16	10	17	10	5
Subsidiaries in Sweden	298	142	34	406	186	44
Total, Sweden	318	158	44	423	196	49
Subsidiaries outside Sweden						
Austria	18	5	3	19	5	3
Belgium	10	2	1	10	4	–
Denmark	71	4	–	70	3	2
Finland	54	13	9	45	11	8
France	45	17	3	49	22	5
Germany	66	12	5	84	15	6
Italy	7	3	–	8	3	–
Netherlands	67	14	6	63	13	5
Singapore	6	1	1	5	1	1
Spain	8	2	1	8	2	2
Switzerland	–	–	–	6	1	–
U.K.	43	8	4	44	7	3
USA	139	24	9	135	25	9
Other	11	3	3	9	3	1
Total	545	108	45	555	115	45
Total, Group	863	266	89	978	311	94

Of the Parent Company's pension cost, SEK 5 M (3) pertains to the Board of Directors and President. The corresponding amount for the Group was SEK 18 M (16). The client-company surplus funds that have arisen in SPP Insurance Company and which were allocated to the Group amount to SEK 74 M, of which SEK 18 M pertain to the Parent Company. At the time the accounts were prepared, SPP's board had not decided when and in which way these surplus funds can be utilized; consequently, the funds have not been included in the accounts.

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

	1999			1998		
	Boards of directors and presidents	Of which, bonuses and similar	Other employees	Boards of directors and presidents	Of which, bonuses and similar	Other employees
Parent Company¹	6	–	14	6	–	11
Subsidiaries in Sweden	21	2	277	23	2	383
Total Sweden	27	2	291	29	2	394
Subsidiaries outside Sweden						
Austria	1	–	17	1	–	18
Belgium	–	–	10	–	–	10
Denmark	5	–	66	5	–	65
Finland	6	1	48	5	1	40
France	3	1	42	3	1	46
Germany	3	–	63	2	–	82
Italy	1	–	6	2	–	6
Netherlands	3	–	64	3	–	60
Singapore	2	–	4	1	–	4
Spain	1	–	7	1	–	7
Switzerland	–	–	–	1	–	5
U.K.	2	–	41	3	–	41
USA	3	–	136	5	–	130
Other	2	–	9	2	–	7
Total	32	2	513	34	2	521
Total, Group	59	4	804	63	4	915

¹See page 68.

• **Note 4**
Auditors' Fees

	Group		Parent Company ¹	
	1999	1998	1999	1998
Auditing fees				
Öhrlings PricewaterhouseCoopers	7.1	6.8	0.7	0.7
Other auditing firms	0.1	0.1	–	–
Total auditing fees	7.2	6.9	0.7	0.7
Other consulting fees				
Öhrlings PricewaterhouseCoopers	4.1	2.7	1.5	0.7
Other auditing firms	0.1	–	–	–
Total fees, other consulting	4.2	2.7	1.5	0.7
Total auditors' fees	11.4	9.6	2.2	1.4

¹Including 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	1999	1998
Cost of goods sold	69	85
Development costs	1	3
Selling costs	25	27
Administrative costs	30	29
Total depreciation	125	144

• **Note 6**
Reversals of Write-Downs of Financial Fixed Assets

Reversals of previous write-downs of financial fixed assets amounted to SEK – M (13) for the Group.

• **Note 7**
Operational Leasing Contracts

Group	1999	1998
Leasing fees paid during the year	43	47
<i>Future, contracted leasing fees</i>		
Expiration in 1 year	40	42
Expiration in 2 years	28	26
Expiration in 3 years	18	14
Expiration in 4 years	13	9
Expiration in 5 years	8	7
Expiration in 6+ years	29	34
Total future leasing fees	136	132

• **Note 8**
Capital Gains on Sales of Listed Stocks

Sale of:	Group and Parent Company	
	1999	1998
AGA A	3,327	–
Astra B	56	–
Skanska B	47	–
PLM	–	712
Drott A	–	97
SSAB (redemption rights)	–	62
Other	105	103
Total	3,535	974

• **Note 9**
Capital Gains on Sales of Other Stocks, etc.

	Group		Parent Company	
	1999	1998	1999	1998
Capital gains on sales of subsidiaries	100	19	119	10
Capital gains on sales of other companies	–	-3	–	-3
Reversal of previous write-down of stocks	–	13	–	–
Total	100	29	119	7

• **Note 10**
Other Financial Income

	Group		Parent Company	
	1999	1998	1999	1998
Exchange rate differences	2	12	–	9
Dividends	12	11	12	9
Total	14	23	12	18

• **Note 11**
Other Financial Expenses

	Group		Parent Company	
	1999	1998	1999	1998
Exchange rate differences	-4	-4	-3	-
Other	-	-2	-	-
Total	-4	-6	-3	-

• **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 so-called 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 19,495,032 CPNs. Earnings are charged with the calculated CPN interest based on the year's proposed dividend.

• **Note 14**
Intangible Fixed Assets

Group	Goodwill	Intangible rights	Total intangible fixed assets
Opening acquisition value	186	21	207
Investments during the year	20	1	21
Company acquisitions	-	2	2
Company divestitures	-14	-3	-17
Sales and disposals	-3	-2	-5
Translation differences	-3	-1	-4
Closing accumulated acquisition value	186	18	204
Opening depreciation	92	14	106
Depreciation for the year	22	2	24
Company acquisitions	-	1	1
Company divestitures	-14	-3	-17
Sales and disposals	-1	-1	-2
Translation differences	-2	-1	-3
Closing accumulated depreciation	97	12	109
Planned residual value, Dec. 31, 1998	94	7	101
Planned residual value, Dec. 31, 1999	89	6	95

• **Note 13**
Tax on Earnings for the Year

	Group		Parent Company	
	1999	1998	1999	1998
Company tax	-145	-143	-11	-57
Deferred tax	10	14	-	-
Total	-135	-129	-11	-57

The tax authority has decided to review AB Industrivärden's taxation for the 1997 and 1998 income years with respect to the standard income for shares in subsidiaries. In total this review entails additional tax of SEK 46 M, including charges and interest, of which SEK 28 M pertains to 1997 and SEK 18 M to 1998. Industrivärden has followed the instructions 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 15**
Tangible Fixed Assets

Group	Land and buildings	Machinery	Equipment	Construction in progress	Total tangible fixed assets
Opening acquisition value	488	459	520	9	1,476
Investments during the year	4	30	66	5	105
Company acquisitions	6	–	8	–	14
Company divestitures	-77	-180	-61	-4	-322
Sales and disposals	-1	-6	-50	-2	-59
Translation differences	-3	-5	-11	–	-19
Closing accumulated acquisition value	417	298	472	8	1,195
Opening depreciation	138	297	335	–	770
Depreciation for the year	12	26	63	–	101
Company acquisitions	1	–	4	–	5
Company divestitures	-31	-125	-41	–	-197
Sales and disposals	–	-3	-39	–	-42
Translation differences	-2	-3	-7	–	-12
Closing accumulated depreciation	118	192	315	–	625
Planned residual value, Dec. 31, 1998	350	162	185	9	706
Planned residual value, Dec. 31, 1999	299	106	157	8	570

The tax assessment value of Swedish real estate was SEK 185 M (230).

• **Note 16**
Financial Leasing Contracts

Group	Equipment	Total
Acquisition value	4	4
Accumulated planned depreciation	-3	-3
Current liability (year 1)	1	1

• **Note 17**
Shares and Participations

Parent Company holdings of shares and participations in subsidiaries

SEK 000s	Reg. no.	Domicile	Share of capital, %	Number of shares	Book value
Besam AB	556084-1768	Landskrona	100	5,000,000	196,192
Gedevo AB	556032-3593	Stockholm	100	1,000	16,905
Inductus AB	556088-4644	Stockholm	100	1,000	2,042
Industrivärden Service AB	556289-9160	Stockholm	100	10,000	1,220
Indutrade AB	556017-9367	Stockholm	100	25,000	137,301
Indutrade Fastighets AB	556180-8428	Stockholm	100	2,950	38,489
Isaberg Rapid AB	556035-6684	Hestra	100	400,000	58,200
Others					1,045
					451,394

Parent Company holdings of shares and participations in other companies

SEK 000s	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	20,706
AB L M Ericsson Finans	556008-8550	Stockholm	5.0	29.8	8,998	3,491
Ericsson Project Finance AB	556058-5936	Stockholm	4.7	25.4	220,000	26,395
DHJ Media AB	556526-2515	Stockholm	18.7	18.7	2,491	66,058
						116,650

Note 17, continued

Parent Company and Group holdings of shares in listed companies

SEK 000s	Number of shares	Share of capital, %	Share of votes, %	Market value	Book value
Ericsson A	46,520,000	2.4	28.1	26,190,760	1,763,796
Gambro A	50,000	0.0	0.0	3,825	4,234
Gambro B	100,000			7,700	8,469
Handelsbanken A	44,650,000	6.2	6.8	4,777,550	1,119,740
Industrivärden CPN A	266,277			51,866	33,901
Industrivärden CPN C	500,206			96,149	61,925
Intentia convertibles	Nom. EUR 6.0 M			60,016	52,530
Karo Bio B	100,000	1.1	1.1	12,300	9,537
Lundbeck A/S	229,000	0.5	0.5	77,631	46,730
Mandator	1,000,000	2.5	2.6	127,000	54,750
Pfizer, Inc.	2,450,000	0.1	0.1	683,550	741,954
Pharmacia & Upjohn, Inc.	125,000	0.0	0.0	48,250	48,063
Sandvik A	23,000,000	8.9	11.7	6,129,500	4,309,517
SAS Sweden	300,000	0.4	0.4	22,800	34,500
SCA A	18,232,000	9.1	23.4	4,558,000	788,163
SCA B ¹	3,082,532			776,798	432,025
Scania A	1,824,500	1.5	1.8	555,560	562,174
Scania B	1,175,500			360,291	362,485
Skandia	20,125,000	3.9	3.9	5,172,125	1,235,287
Skanska A	5,575,689	7.1	29.8	1,767,493	1,052,676
Skanska B	2,500,000			792,500	475,096
SSAB A ²	12,065,600	10.8	14.2	1,592,659	623,588
Volvo A	1,400,000	0.5	0.9	301,000	297,024
Volvo B	600,000			132,300	131,623
Parent Company holdings of shares in listed companies ³				54,297,623	14,249,787
Group adjustment					86,571
Group holdings of shares in listed companies					14,336,358

Group holdings of shares and participations in other companies

SEK 000s	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	20,706
AB L M Ericsson Finans	556008-8550	Stockholm	5.0	29.8	8,998	3,491
Ericsson Project Finance AB	556058-5936	Stockholm	4.7	25.4	220,000	26,395
DHJ Media AB	556526-2515	Stockholm	18.7	18.7	2,491	66,058
Milltronic Ltd.		Canada	0.3	0.3	12,000	523
Sci Rue de Canal		France	50.0	50.0	100	1,130
Shanghai Rapid Yuan Chang Stationery Company Ltd.		China	51.0	51.0		21,577
Other shares and participations ⁴						998
						140,878

¹ 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 13,174,000. The total value of the exercise price and expensed premium is SEK 15,054,000.

² Industrivärden has 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 3,155,000. The total value of the exercise price and expensed premium is SEK 3,912,000.

³ Including stock loans which at the end of 1999 consisted of 68,000 shares of Gambro B, 44,300 SAS, 116 SCA A, 230,000 Scania A, 882,900 Scania B, and 15,200 SSAB A.

⁴ Individual holdings with a book value below SEK 300,000.

• **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	Book value
Ericsson	556016-0680	Stockholm	69,176	12,130	2.4	28.1	46,520,000	1,764
SCA	556012-6293	Stockholm	34,133	3,602	9.1	23.4	21,314,532	1,307
Skanska	556000-4615	Malmö/Sthlm	16,391	4,281	7.1	29.8	8,075,689	1,528
AB Biodisk	556115-6844	Stockholm	86	38	37.1	22.2	63,064	21
								4,620

Accounting in accordance with the equity method would result in the following earnings:

Group	1999	1998
Net earnings according to the income statement	4,334	1,918
Less: Dividend income from listed stocks	-316	-270
Capital gains on sales of listed stocks	-3,344	-712
Other financial income	-9	-6
Plus: Share in associated companies' earnings after tax	771	658
Capital gains on sales of associated companies	2,727	494
Net earnings when applying the equity method	4,163	2,082

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	
	12/31/99		12/31/99	12/31/98
Shares in listed companies	14,336	-4,599	9,737	7,764
Shares and participations in other companies	141	-21	120	67
Participations in associated companies	-	6,979	6,979	7,241
		2,359		
Equity reserve	-	2,359	2,359	2,690
Unrestricted reserves	7,405	171	7,576	6,095
Net earnings for the year	4,334	-171	4,163	2,082
		2,359		

• **Note 19**

Financial Fixed Assets

	Shares and participations in subsidiaries		Shares in listed companies			
	Parent Company		Group		Parent Company	
	1999	1998	1999	1998	1999	1998
Opening acquisition value	534	321	12,294	11,047	12,207	10,960
Sales	-108	-91	-1,688	-1,172	-1,688	-1,172
Purchases	-	312	3,731	2,027	3,731	2,027
Dividend in form of stock	-	-	-	392	-	392
Shareholder contribution	25	-8	-	-	-	-
Closing accumulated acquisition value	451	534	14,336	12,294	14,250	12,207

Note 19, continued

	Shares and participations in other companies			
	Group		Parent Company	
	1999	1998	1999	1998
Opening acquisition value	88	55	77	53
Sales	–	-2	–	-2
Purchases	53	22	40	26
Reversal of write-downs	–	13	–	–
Closing accumulated acquisition value	141	88	117	77

	Long-term receivables from subsidiaries		Other long-term receivables ¹			
	Parent Company		Group		Parent Company	
	1999	1998	1999	1998	1999	1998
Opening acquisition value	–	1,519	71	62	6	6
Company divestitures	–	–	-13	–	–	–
Increase for the year ²	–	–	1,261	10	1,252	–
Amortization	–	-1,519	-1	-2	-1	–
Translation differences	–	–	–	1	–	–
Closing accumulated acquisition value	–	–	1,318	71	1,257	6

¹ Other long-term receivables of the Group include SEK 46 M (47) in deferred taxes recoverable.

² The increase for the year pertains primarily to the Parent Company's investments in long-term fixed-income securities.

• **Note 20**

Inventories

Inventories are broken down into the following items:

Group	1999	1998
Raw materials and supplies	143	209
Goods in process	22	67
Finished products and goods for resale	417	392
Work in process on behalf of others	67	50
Total	649	718

• **Note 21**

Prepaid Expenses and Accrued Income

	Group		Parent Company	
	1999	1998	1999	1998
Rents paid in advance	9	8	5	3
Accrued interest income	67	2	67	2
Service and maintenance charges paid in advance	16	12	–	–
Other items	14	15	2	2
Total	106	37	74	7

• **Note 22**
Shareholders' Equity

Group	Capital stock 1999	Restricted reserves 1999	Unrestricted shareholders' equity 1999
Amount at beginning of year	859	938	8,177
Dividend to shareholders	–	–	-773
Transfers between unrestricted and restricted shareholders' equity	–	-1	1
Change in translation differences	–	-10	–
Net earnings for the year	–	–	4,334
Amount at end of year	859	927	11,739

Parent Company	Capital stock 1999	Conversion premium reserve 1999	Statutory reserve 1999	Unrestricted shareholders' equity 1999
Amount at beginning of year	859	1	720	7,551
Dividend to shareholders	–	–	–	-773
Net earnings for the year	–	–	–	4,085
Amount at end of year	859	1	720	10,863

• **Note 23**
Capital Stock

The capital stock on December 31, 1999, consisted of 171,711,952 shares with a par value of SEK 5 each. Of these, 124,961,288 were Class A shares and 46,750,664 Class C shares. In 1999, 700 convertible participating notes were converted to stock.

• **Note 24**
Provision for Pensions

	Group		Parent Company	
	1999	1998	1999	1998
PRI pensions	91	85	7	5
Other pensions	67	47	28	22
Total	158	132	35	27

• **Note 25**
Commitments to Board Members and Presidents

The Group's provisions include SEK 67 M (66) for pensions and similar benefits for present and former board members and presidents. The corresponding amount for the Parent Company is SEK 23 M (18).

• **Note 26**
Other Provisions

Group	1999	1998
Guarantees	31	39
Restructuring measures decided on	9	6
Product liability	28	34
Additional purchase price	13	19
Other items	47	66
Total	128	164

• **Note 27**
Long-Term Interest-Bearing Liabilities

	Group		Parent Company	
	1999	1998	1999	1998
Bond issues	400	800	400	800
Utilized lines of credit	33	55	–	–
Other interest-bearing liabilities	618	854	600	791
Total	1,051	1,709	1,000	1,591

Confirmed lines of credit amount to SEK 1,197 M (1,264) for the Group and SEK 1,050 M (1,050) for the Parent Company.

	Group 1999
Maturity dates	
–2001	233
–2002	404
–2003	200
–2004	200
–2005 or later	14
Total	1,051

• **Note 28**

Long-Term Liabilities

Listed below is the portion of long-term liabilities that fall due for payment later than 5 years after the balance sheet date.

Group	1999	1998
Long-term interest-bearing liabilities	14	34

• **Note 29**

Accrued Expenses and Deferred Income

	Group		Parent Company	
	1999	1998	1999	1998
Accrued interest expenses	188	177	188	176
Accrued staff-related expenses	137	162	7	5
Other	120	120	25	41
Total	445	459	220	222

• **Note 30**

Current Interest-Bearing Liabilities

	Group		Parent Company	
	1999	1998	1999	1998
Commercial paper	691	756	691	756
Bond issues	600	200	600	200
Current portion of long-term liabilities	6	7	-	-
Other interest-bearing liabilities	1,577	1,746	1,483	1,700
Total	2,874	2,709	2,774	2,656

• **Note 31**

Pledged Assets

	Group		Parent Company	
	1999	1998	1999	1998
For own liabilities and provisions				
Pertaining to provision for pensions				
Endowment insurance	6	9	6	6
Pertaining to interest-bearing liabilities				
Chattel mortgages	20	20	-	-
Property mortgages	21	18	-	-
Other	-	1	-	-
Total pertaining to own liabilities and provisions	47	48	6	6
For overdraft facilities				
Chattel mortgages	1	11	-	-
Property mortgages	2	-	-	-
Total pertaining to overdraft facilities	3	11	-	-
General bank guarantee				
Chattel mortgages	19	12	-	-
Property mortgages	5	1	-	-
Total pertaining to general bank guarantee	24	13	-	-
Other				
Equities	5	-	5	-
Chattel mortgages	1	1	-	-
Property mortgages	1	5	-	-
Total other	7	6	5	-
Total pledged assets	81	78	11	6

• **Note 32**

Contingent Liabilities

	Group		Parent Company	
	1999	1998	1999	1998
Contingent liabilities on behalf of other Group companies	-	-	4	4
Other contingent liabilities	8	7	-	3
Total contingent liabilities	8	7	4	7

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.

● Organization and Management

Industrivärden's governing bodies are the General Meeting, the Board of Directors, the President & CEO, and the auditors. At the Annual Meeting the shareholders elect a board, which appoints the President & CEO. The auditors are responsible, under assignment of the Annual Meeting, for reviewing the accounts as well as the Board's and President's administration during the fiscal year. The auditors report to the Annual Meeting on their review in a special audit report, presented here on page 80.

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 of the Annual General Meeting, scheduled for May 5, 2000, is expected to be published in Swedish daily newspapers and on Industrivärden's website on April 4. This notice will contain a detailed agenda, including proposals for the election of board members and auditors and their fees.

According to the Swedish Companies Act, shareholders have the right to have a matter taken up for consideration by the Annual 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 Meeting will be available within two weeks after the Annual Meeting on the Company's website. Shareholders who so desire can also request a copy of the minutes by mail.

Board of Directors

Industrivärden's board of directors currently consists of seven members who are elected by the Annual Meeting. Among these directors are persons with ties to Industrivärden's major shareholders as well as persons independent of the shareholders. The President & CEO is also a member of the Board. The members of the Board are presented on page 88. 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:

- strategic plans, and business and profitability targets
- 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 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 regular meetings 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. 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 1999 Fiscal Year

In 1999 the Board held eight meetings, in addition to the statutory meeting, of which five were regular meetings and three extra meetings. Aside from strategic planning, the largest single items of business in 1999 concerned the sale of all the shares in AGA, sales and purchases of stock in other listed companies, and sales of subsidiaries.

Committees

The Board has a nominating committee for election of directors to the Board and a compensation committee to set the salary and remuneration of the President and executive management. Committee members are listed on page 88.

The nominating committee conducts work on proposing new directors in close cooperation with the major shareholders. Suggestions by individual shareholders can be submitted to the committee by mail or phone (see the section "Market Communication," page 90).

The Chairman's Role

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

The President

The President is responsible for the Company's day-to-day management, which includes all matters not reserved for the Board. The President'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 President consults with the Chairman and keeps him informed between Board meetings.

The Chairman, the President and two 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 President and Executive Vice President hold chairman positions in the wholly owned subsidiaries.

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 for the year 1999. These accounts and the administration of the company are the responsibility of the board of directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

We recommend to the 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.

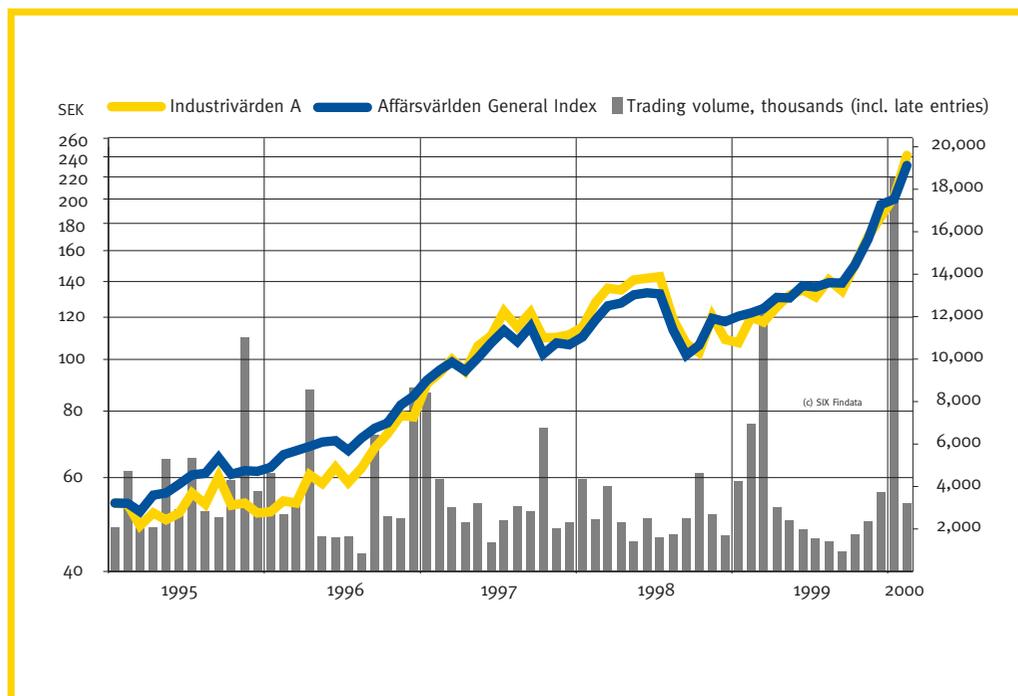
Stockholm, Sweden, February 15, 2000

Öhrlings PricewaterhouseCoopers AB

Ingvar Pramhäll
Authorized Public Accountant

Industrivärden's stock is quoted on the Stockholm Stock Exchange's list of most actively traded issues. The price of Class A shares rose 70 percent during the year. Trading volume for Industrivärden's stock and CPNs amounted to SEK 8 billion. At year-end Industrivärden's market capitalization was SEK 35 billion, including CPNs with a total market value of SEK 4 billion.

Price Trend of Industrivärden's Stock



During the period January 1995 – February 2000, Industrivärden's Class A stock performed better than the General Index.

Industrivärden's Stock

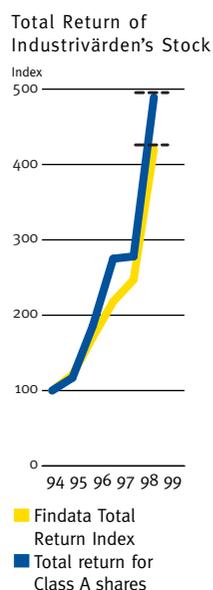
The number of shares and breakdown by class is shown in the table below.

Capital Stock

Number of shares	Par value, SEK M	Percentage of	
		votes	shares
124,961,288 Class A shares	624,8	96	73
46,750,664 Class C shares	233,8	4	27
171,711,952	858,6	100	100

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.

Industrivärden's stock performed better than the market average in 1999. The General Index rose 66 percent for the year, while Industrivärden's Class A shares gained 70 percent, from SEK 109 to SEK 185 per share. The total effective return, including reinvested divi-



dends, was 76 percent in 1999, compared with 70 percent for Stockholm Stock Exchange as a whole.

A comparison of Industrivärden's total return with the Findata Total Return Index during the period 1995–1999 is shown in the table below.

Total Return, Industrivärden's Stock 1995–1999

	1999	1998	1997	1996	1995
Total return for Class A shares, %	76	1	48	59	17
Index (base: Dec. 31, 1994)	489	278	275	186	117
Findata Total Return Index, %	70	13	28	41	21
Index (base: Dec. 31, 1994)	420	247	218	171	121

The Class A shares' beta coefficient was 1.07 in 1999. 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 1999 amounted to SEK 8 billion, corresponding to a turnover rate of 33 percent for the A-shares and 41 percent for the C-shares.

Capital Stock Development

In 1999, 700 CPNs were converted to stock. As per the record date, January 20, 2000, an additional 1,068 CPNs were converted to stock. The total number of shares that carry entitlement to the dividend for 1999 is thus 171,713,020. The growth in capital stock during the last ten years is shown in the table below.

Capital Stock Development

SEK M	Capital stock	Number of shares
1990 Conversion of CPNs	705.0	35,250,390
Exercise of warrants	705.2	35,259,851
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 (January 1-20)	858.6	171,713,020

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.

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 Industrivärden's Annual General Meeting, however, CPN holders are given the opportunity to attend the Meeting.

The yield is paid in the form of interest per CPN. This interest amounts to 115 percent of the dividend per share decided by the Annual General Meeting for 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 1999 amounted to SEK 0.1 billion, corresponding to a turnover rate of 2 percent.

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

Industrivärden's CPNs

Number of CPNs	Par value, SEK M	Percentage of number of CPNs
8,469,212 A-CPNs	194.8	43
11,025,820 C-CPNs	253.6	57
19,495,032	448.4	100

Dividends 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 an ordinary dividend of SEK 5.00 per share (4.50). In light of the very strong growth in earnings and value in 1999, the Board also proposes a bonus dividend of SEK 1.00 per share, or SEK 6.00 per share in total. Consequently, CPN interest will thereby amount to SEK 6.90 (5.18) per CPN. The Board's proposal entails average annual dividend growth of 19 percent during the past five years. In addition, in 1995 shareholders received one purchase right per share and CPN of Industrivärden pertaining to PLM, valued at SEK 2.98. The trend for the dividend and CPN interest is shown in the table below.

Dividends and CPN Interest

SEK	1999	1998	1997	1996	1995
Dividend	6.00 ¹	4.50	3.75	3.25	2.75
Annual growth in dividend, % ²	33	20	15	18	10
CPN interest	6.90 ¹	5.18	4.31	3.74	3.16
Dividend yield, %	3.2	4.1	3.4	4.2	5.3
Dividend yield for Stockholm Stock Exchange, % ³	1.4	2.0	2.3	2.2	2.8

¹ Proposed by the Board of Directors. Of the dividend for 1999, SEK 1.00 represents a bonus.

² Average dividend growth during the past five years was 19.1 percent, including the bonus dividend of SEK 1.00 for 1999.

³ Source: SIX Findata. 1999 value is preliminary.

Warrants for Class A Shares

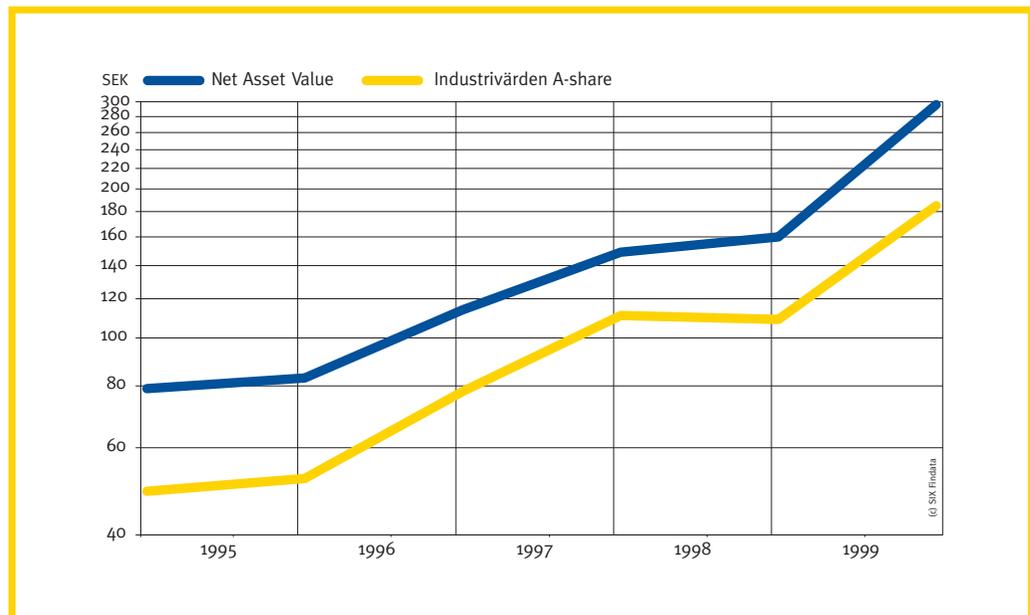
Since early 1998 Warburg Dillon Read has been issuing warrants for Industrivärden Class A shares. The first warrants were issued in February 1998 and entitle the holders to purchase 0.2 Class A shares at an exercise price of SEK 137.50 per share. The options can be exercised until June 16, 2000, inclusive. In October 1999, additional warrants were issued which entitle the holders to purchase one Class A share at an exercise price of SEK 150 per share. Holders are entitled to exercise their options during the entire exercise period through June 15, 2001. The 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 assets' actual or calculated market values less liabilities. The principles that form the basis of calculating the Company's net wealth are presented on page 85.

Net asset value at December 31, 1999, was calculated at SEK 57.0 billion, or SEK 298 per share and CPN. The development of net asset value during the past five years is shown in the following chart and table.

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



Composition and Growth of Net Asset Value

(SEK/share and CPN)	1999	1998	1997	1996	1995
Assets					
Listed stocks	284	157	150	93	72
Industrial and trading operations	21	19	16	20	15
Real estate held for investment purposes	–	–	–	5	5
	305	176	166	118	92
Liabilities and shareholders' equity					
Net indebtedness	7	16	16	4	9
Shareholders' equity ¹	298	160	150	114	83
	305	176	166	118	92
Net asset value	298	160	150	114	83
Market price, Dec. 31, Class A shares	185	109	111	78	52
Discount to net asset value, % ²	38	32	26	31	38

¹ Reported shareholders' equity, CPN loans and surplus values.

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

On February 29, 2000, the discount to net asset value was 35 percent.

Calculating the Market Value of Industrivärden's Assets

In the Parent Company's balance sheet, the book values of listed stocks and stock in subsidiaries have been replaced by the corresponding actual or estimated market values. Net asset value has thereafter been calculated as the difference between the market values of assets and liabilities in the balance sheet. An alternative approach would be to start with the Group's adjusted 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 do not include any standard tax assumption.

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

The industrial and trading operations have been given a hypothetical market value by multiplying the year's earnings after net financial items – less a standard 28 percent tax rate – by a P/E multiple of 15.

Largest Shareholders

Industrivärden has approximately 26,000 shareholders. Taking CPN holders also into account, the total number of investors in the Company's stock and CPNs is approximately 27,000. Institutional investors, such as pension foundations, insurance companies and investment companies, own approximately 82 percent of the shares. Foreign ownership in the Company is approximately 5 percent.

Ownership at December 31, 1999

	Number of shares	Percentage of	
		votes	shares
Wallander & Hedelius Foundation	10,960,000	8.5	6.4
Investment AB Öresund ¹	9,235,000	7.1	5.4
Swedish National Pension Insurance Fund, Fifth Fund Board	7,789,200	5.9	4.5
SCA convertible holders ²	7,319,268	5.6	4.3
Handelsbanken Pension Foundation	6,520,000	5.0	3.8
Handelsbanken Pension Fund	6,480,000	5.0	3.8
AMF Pension	16,906,000	4.8	9.8
SCA ²	5,188,656	4.0	3.0
Inter IKEA Investment	5,144,504	3.8	3.0
Custos ¹	4,501,700	3.5	2.6
SCA Pension Foundation	3,750,192	2.9	2.2
Skandia Liv	5,635,211	2.2	3.3

¹In January 2000, Investment AB Öresund and Custos sold their entire holdings. The new, major owner is the Swedish National Pension Insurance Fund, Sixth Fund Board, with 11,160,000 shares, corresponding to 6.5 percent of the number of votes and 8.4 percent of the number of shares.

²In 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, 1999¹

Size class	Number of share- holders as % of total	Total holding as % of capital
1–500	57.4	1.7
501–1,000	17.6	2.1
1,001–10,000	22.8	9.6
10,001–50,000	1.7	5.4
50,001–	0.5	81.2
	100.0	100.0

¹Direct and nominee shareholders.
Source: Swedish Securities Register Center (VPC).

For a company to be defined as a holding company for tax purposes, the requirements are that a) the company is engaged exclusively or essentially exclusively in the management of securities, b) that the company's stock is spread among a large number of shareholders, and c) 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 shall not be 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 level of income is calculated, amounting to 2 percent of the stock portfolio's market value at the beginning of the tax year.

Through these rules, so-called chain taxation is eliminated. The purpose of the standard income assumption is to even out 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.

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

1. Bo Rydin

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

2. 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), the Swedish National Pension Insurance Fund, First Fund Board, and Arete AB. Member of the Royal Swedish Academy of Engineering Sciences.

3. Carl-Erik Feinsilber

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

4. Tom Hedelius

Vice Chairman. MBA, Honorary Doctor of Economics, b. 1939, Stockholm. 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.

Committees

Nominating committee

for the Board of Directors: Bo Rydin, Tom Hedelius and Björn Wolrath.

Compensation committee, to decide the salaries, benefits and pensions for the president and executive management: Bo Rydin and Tom Hedelius.

5. Lennart Nilsson

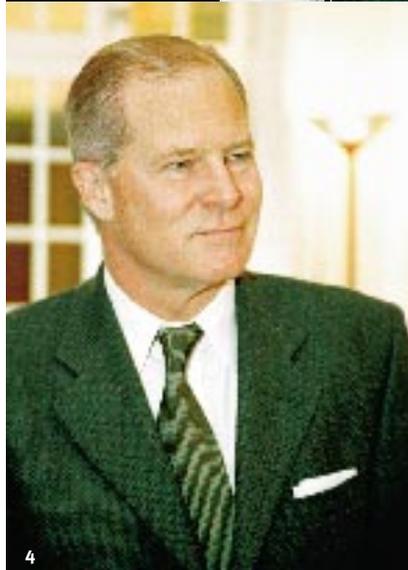
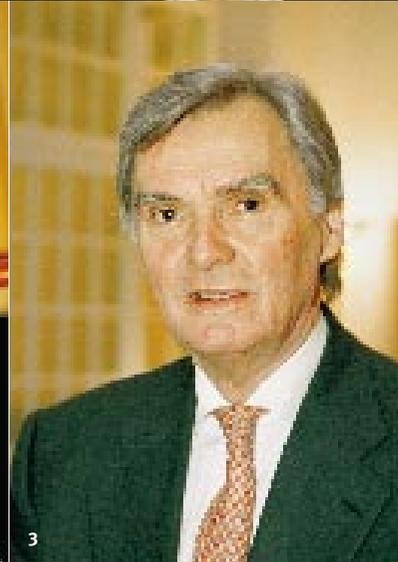
M. Eng., Honorary Doctor of Economics, b. 1941, Lund. Director since 1997. Chairman of Celsius, Lund University, Modo Paper and the Association of Swedish Engineering Industries. Vice Chairman of Cardo and Trelleborg. Director of the Crafoordska Foundation, the Henry and Gerda Dunkers Foundation, and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

6. Clas Reuterskiöld

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

7. Björn Wolrath

M. Pol. Sc., b. 1943, Stockholm. Director since 1996. Chairman of Rederi AB Gotland, AB Svensk Exportkredit and the Swedish Academy of Directors. Director of Nordiska Holding AB and the University of Stockholm. Bursar, Royal Swedish Academy of Sciences. Shareholding: 2,000.



● Group Management

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. Head of Equities Investment. Employed by Industrivärden since 1996. Shareholding: 8,000. Stock options: 50,000.

Thomas Nordvaller, b. 1944. General Counsel. Employed by Industrivärden since 1992. Shareholding: 4,000. Stock options: 17,000.

Senior Executives

Lars von Celsing, b. 1946. Head of Finance. Employed by Industrivärden since 1992. Stock options: 1,000.

Jacob Röjdmarm, b. 1965. Head of Research. Employed by Industrivärden since 1996. Stock options: 33,000.

Sverker Sivall, b. 1970. Information Coordinator. Employed by Industrivärden since 1997. Stock options: 8,000.

● Auditor

Öhrlings PricewaterhouseCoopers AB.
Ingvar Pramhäll, Chief Auditor.

Clas Reuterskiöld (foreground), flanked by Lennart Engström (left), Thomas Nordvaller (center) and Carl-Olof By (right).



● Market Communication

As a listed company, Industrivärden is required to meet high standards in its market communication. Disclosures to the market must maintain a high level of quality and be made available quickly to all interested parties. With the support of modern technology, Industrivärden can today offer a wide range of alternative information channels.

Publication Dates 2000

Interim reports will be published on the following dates in 2000:

- May 5 for the period January–March
- 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 e-mail at: info@industrivarden.se

Industrivärden Online

Industrivärden's website, 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 Tool to help them conduct their own analyses of Industrivärden's stock and of the 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, www.bit.se, or www.huginonline.se. In connection with the publication of press releases, subscribers will simultaneously receive an e-mail containing the press release in question.

Investor Contact

Information Coordinator: Sverker Sivall, tel. +46-8-666 64 00.

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.

Analysts Who Monitor Industrivärden

Stockbrokers

Aragon Fondkommission	Håkan Persson	+46-8-791 35 00
Carlsson Investment Management	Henrik Asplund	+46-8-700 63 69
Carnegie Fondkommission	Fredrik Grevelius	+46-8-676 88 00
Deutsche Bank	Hans-Olov Bornemann	+46-8-463 55 00
Dresdner Kleinworth Benson	Mikael Petersson	+44-171 475 23 91
Enskilda Securities	Oskar Herdland	+46-8-52 22 98 88
Erik Penser Fondkommission	Per Althin	+46-8-463 80 28
Fischer Partners Fondkommission	Johan Strömqvist	+46-8-463 85 48
Handelsbanken Markets	John Hernander	+46-8-701 36 72
HSBC	Viking Kjellström	+44-171 336 31 38
Matteus Fondkommission	Hans Jedemark	+46-8-456 43 13
Swedbank Fondkommission	Karl-Mikael Syding	+46-8-585 92 527
Warburg Dillon Read	Per Afrell	+46-8-453 73 00
Öhman Fondkommission/ Nordic Partners	Anders Westin	+1-212 829 42 00

Credit Rating of Commercial Paper Program

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

Group Summary¹

SEK M	1999	1998	1997	1996	1995
Income Statements					
Net sales	4,071	4,580	4,275	5,547	5,893
Operating earnings	325	276	260	361	488
Dividend income from listed stocks	775	1,067	426	490	254
Capital gains on sales of listed stocks	3,535	974	273	679	86
Capital gains on sales of other stocks	100	29	1,592	8	1,195
Earnings after financial items	4,603	2,148	2,404	1,417	1,765
Earnings before taxes and minority interests	4,469	2,047	2,320	1,344	1,645
Net earnings for the year	4,334	1,918	2,274	1,286	1,615
Balance Sheets					
Fixed assets	16,460	13,260	11,978	7,562	7,613
Current assets	2,758	2,913	1,930	2,551	2,609
Total assets	19,218	16,173	13,908	10,113	10,222
Shareholders' equity	13,525	9,974	8,674	6,945	6,137
CPN loans	448	448	450	450	450
Provision for pensions	158	132	126	181	248
Interest-bearing liabilities	3,925	4,418	3,595	1,355	2,064
Noninterest-bearing liabilities	1,162	1,201	1,063	1,182	1,320
Key Ratios					
Visible shareholders' equity	13,973	10,422	9,124	7,395	6,587
Adjusted shareholders' equity	53,935	28,171	26,759	19,774	15,034
Net asset value	57,027	30,597	28,596	21,730	15,899
Visible equity ratio, %	73	64	66	73	65
Adjusted equity ratio, %	91	83	85	88	81
Capital expenditures	105	157	144	265	236
Average number of employees	2,916	3,428	3,332	4,561	4,918
of whom, outside Sweden	1,744	1,797	1,791	2,309	2,293
SEK per share and CPN					
Earnings per share after full tax	23.37	10.56	12.33	7.10	9.08
Visible shareholders' equity	73	55	48	39	35
Adjusted shareholders' equity	282	147	140	103	79
Net asset value	298	160	150	114	83
Stock price, December 31					
Class A shares	185	109	111	78	52
Class C shares	177	102	109	76	50
Dividend	6.00 ²	4.50	3.75	3.25	2.75
Dividend growth, % per year	33	20	15	18	10
Dividend yield, %	3.2	4.1	3.4	4.2	5.3
Total return, %	76	1	48	59	17
CPN interest	6.90 ²	5.18	4.31	3.74	3.16

¹A Group Summary expressed in euros is presented on page 67.

²Proposed by the Board of Directors. Of the total dividend, SEK 1.00 constitutes a bonus dividend.

AB Industrivärden

Storgatan 10
Box 5403
SE-114 84 Stockholm
Tel +46-8-666 64 00
Fax +46-8-661 46 28
info@industrivarden.se
www.Industrivarden.se
*President and CEO
Clas Reuterskiöld*

Inductus

Besam AB

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

Isaberg Rapid AB

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

Indutrade

Indutrade AB

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

Alnab Armatur AB

Partille
Tel +46-31-44 94 50
Fax +46-31-44 24 55
www.alnab.se
President Peter Eriksson

Bengtssons Maskin AB

Arlöv
Tel +46-40-43 54 00
Fax +46-40-43 02 71
www.bengtssons-maskin.se
*President Nils-Erik
Johannesson*

Industri Belos AB

Uppsala
Tel +46-18-67 67 80
Fax +46-18-67 67 90
www.belos.se
President Göte Mattsson

AB Carlsson & Möller

Helsingborg
Tel +46-42-25 38 00
Fax +46-42-18 47 22
www.carlssonochmoller.se
President Joachim Otto

Colly Company AB

Kista
Tel +46-8-703 01 00
Fax +46-8-750 46 28
www.colly.se
President Hans Lövgren

Colly Components AB

Kista
Tel +46-8-703 01 00
Fax +46-8-703 98 41
www.colly.se
President Olof Paulsson

Colly Filtreringsteknik AB

Kista
Tel +46-8-703 01 00
Fax +46-8-703 98 55
www.colly.se
*President Torbjörn
Herngren*

EDECO Tool AB

Karlstad
Tel +46-54-56 69 00
Fax +46-54-56 47 53
President Anders Höögh

ETP Transmission AB

Linköping
Tel +46-13-24 71 00
Fax +46-13-14 47 +46-8
www.etptrans.se
President Björn Ohlson

Euronord WTM AB

Gävle
Tel +46-26-54 65 50
Fax +46-26-54 65 69
President Conny Petersson

GPA Plast AB

Hjärnarp
Tel +46-431-45 44 25
Fax +46-431-45 46 66
www.gpaplast.com
President Per-Olow Jansson

LYMA Kemiteknik AB

Arlöv
Tel +46-40-43 63 65
Fax +46-40-43 74 00
President Björn Lydén

G A Lindberg AB

Kista
Tel +46-8-703 02 00
Fax +46-8-751 40 41
www.galindberg.se
President Gunnar Tindberg

AB Kaj Mandorf

Mölnlycke
Tel +46-31-338 27 00
Fax +46-31-88 55 18
www.mandorf.se
President Olof Paulsson

AB Novum

Helsingborg
Tel +46-42-15 10 30
Fax +46-42-16 16 66
www.abnovum.se
President Lars Nordström

Ventim AB

Kalmar
Tel +46-480-42 91 00
Fax +46-480-42 91 20
www.ventim.se
President Conny Petersson

Finland

Akamex Oy

Jyväskylä
Tel +358-14 378 3100
Fax +358-14 378 3400
www.akamex.fi
President Aarno Kangas

Oy Colly Company AB

Vantaa
Tel +358-9 476 25 11
Fax +358-9 476 25 301
www.colly.fi
President Björn Lindström

Indutrade Oy

Vantaa
Tel +358-9 4764 611
Fax +358-9 4764 6220
www.indutrade.fi
President Kaj Österlund

Kiinnike-Kolmio Oy

Tampere
Tel +358-3 253 1880
Fax +358-3 253 1990
President Markku Moisio

Oy Lining AB

Vantaa
Tel +358-9 4764 611
Fax +358-9 4764 6220
www.lining.fi
President Kaj Österlund

Lining Components Oy

Espoo
Tel +358-9 4764 611
Fax +358-9 4764 6226
www.liniing.fi
President Simo Hirvonen

Oy Maantere Ab & Novatool Oy

Vantaa
Tel +358-9 615 322
Fax +358-9 6153 2350
www.maantera.fi
President Kauko Kokkonen

Pinteco Oy

Vantaa
Tel +358-9 836 2950
Fax +358-9 8362 9511
www.pinteco.fi
President Matti Jakonen

Vipmek Oy

Vantaa
Tel +358-9 4762 5800
Fax +358-9 8240 6640
www.vipmek.fi
President Juhani Parikka

YTM-Industrial Oy

Vantaa
Tel +358-9 4764 613
Fax +358-9 4764 6440
www.ytm.fi
President Martti Eskelinen

Denmark

Diatom Værktøj A/S

Hvidovre
Tel +45-36 77 36 00
Fax +45-36 77 36 33
www.diatom.dk
President Christian Paulsen

Granzow A/S

Glostrup
Tel +45-43 20 26 00
Fax +45-43 20 26 99
www.granzow.dk
President Peter Granzow

Linatex A/S

Vallensbæk Strand
Tel +45-43 53 88 44
Fax +45-43 53 11 62
www.linatex.dk
President Joachim Otto

Norway

GPA Plast A/S

Ski
Tel +47-64 87 69 20
Fax +47-64 87 69 09
www.gpaplast.com
President Guttorm Thoresen

Netherlands

HITMA BV

Uithoorn
Tel +31-297 514 614
Fax +31-297 514 777
www.hitmagroep.nl
President Piet Steenkist

Estonia

A/S Industek

Tallinn
Tel +372-6 140 260
Fax +372-6 140 261
President Neeme Kasser

Latvia

SIA Indutek LV

Riga
Tel +371-754 55 55
Fax +371-754 54 33
President Martins Klegeris

Lithuania

UAB Industek

Vilnius
Tel +370-2 700 225
Fax +370-2 700 227
President Vaidas Ragaisis

Russia

ZAO Indutek STP

St Petersburg
Tel +7-812 326 95 00
Fax +7-812 326 95 01
President Markku Leminen



AB Industrivärden (publ)
Reg. no. 556043-4200
Storgatan 10, Box 5403
SE-114 84 Stockholm, Sweden
Telephone +46-8-666 64 00
Fax +46-8-661 46 28
www.industrivarden.se
E-mail: info@industrivarden.se