

## Interim Report for the Period January 1 – March 31, 1998

### Continued Better than Index

- *The value of the portfolio of listed stocks rose by 19 percent during the first three months of the year, while the General Index rose by 18 percent. Through April 30 the value of the portfolio had risen by 21 percent, compared with 20 percent for the General Index.*
- *Net asset value was SEK 722 per share and CPN on March 31, and SEK 730 per share and CPN on April 30.*
- *IndustriVärden's Class A shares rose by 21 percent during the period January 1 – April 30, compared with 20 percent for the General Index.*
- *Consolidated earnings after financial items totaled SEK 185 M (145) for the first quarter. Of this amount, capital gains on sales of stocks accounted for SEK 162 M (102).*

### EARNINGS<sup>1</sup>

Consolidated net sales amounted to SEK 1,115 M (1,339). For comparable units, net sales rose 18 percent. Earnings after financial items totaled SEK 185 M (145). Earnings include capital gains of SEK 162 M (102) on sales of listed stocks.

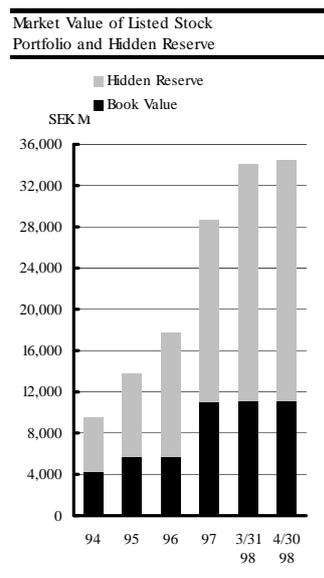
### PORTFOLIO OF LISTED STOCKS

The portfolio of listed stocks had a market value of SEK 34,067 M on March 31, 1998 (year-end 1997: SEK 28,682 M), while the hidden reserve amounted to SEK 22,965 M (year-end 1997: SEK 17,635 M). Adjusted for purchases and sales, the growth in value since the start of the year was 19 percent, compared with 18 percent for the General Index.

Purchases of listed stocks during the first three months of the year totaled SEK 249 M and sales totaled SEK 356 M. Thus stocks were sold for a net value of SEK 107 M. Major purchases were 1,000,000 Sandvik A. Major sales consisted of 1,240,500 Närkebro (the entire shareholding), 550,000 Volvo B, and 200,000 Handelsbanken A. Sales from the portfolio of listed stocks resulted in a capital gain of SEK 162 M.

The portfolio of listed stocks had a market value of SEK 34,495 M on April 30, while the hidden reserve amounted to SEK 23,384 M.

Adjusted for purchases and sales, the value of the portfolio has risen



<sup>1</sup>

IndustriVärden has ownership stakes in AGA, Ericsson, PLM and SCA which exceed 20 percent of the number of votes after full dilution. The IndustriVärden Group's income statement and balance sheet presented in this interim report do not include any part of the respective companies' reported earnings.

by 21 percent since the start of the year. The General Index rose by 20 percent during the same period.

Development during the first quarter for the five largest shareholdings, which accounted for 79 percent of the value of the portfolio at March 31, were as follows:

*Ericsson* (26 percent of the listed portfolio's value) had a continued strong price trend and performed better than the General Index.

*Handelsbanken* (16 percent of the listed portfolio's value) performed better than the index for banks and financial services companies, which in turn performed considerably better than the General Index.

*Sandvik* (15 percent of the listed portfolio's value) performed worse than the General Index during the first quarter. The growth in the value of the shares purchased by Industrivärden since mid-April 1997 was SEK 934 M.

*SCA* (12 percent of the listed portfolio's value) performed better than the General Index and the forestry index.

*AGA* (10 percent of the listed portfolio's value) continued to perform worse than the index. An action program aimed at improving earnings by reducing manufacturing costs and improving customer service is currently being implemented.

## **INDUCTUS**

*Inductus'* net sales amounted to SEK 695 M (968), which for comparable units was an increase of 19 percent. Earnings after financial items for comparable units improved by SEK 24 M to SEK 35 M.

## **INDUTRADE**

*Indutrades'* net sales amounted to SEK 410 M (345), an increase of 19 percent compared with the preceding year. Earnings after financial items amounted to SEK 38 M (22).

## **CALCULATED NET ASSET VALUE**

Industrivärden's net asset value at April 30, 1998, has been calculated at SEK 34.9 billion, or SEK 730 per share and CPN. Net asset value at March 31 was calculated at SEK 722 per share and CPN.

The portfolio of listed stocks has been valued at current market prices. Inductus and Indutrade have been valued at a P/E multiple<sup>2</sup> of 15 (same as year-end 1997), based on current estimations of the companies' earnings for 1998.

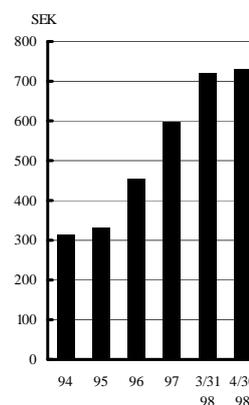
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<sup>2</sup>

The P/E multiple for the engineering industry according to the Affärsvärlden equities indicator was 22 at year-end 1997 and 19 at the end of March and April 1998.

**Composition of Net Asset Value as  
per April 30, 1998**

|                                      | SEK billion | SEK/share<br>and CPN* |
|--------------------------------------|-------------|-----------------------|
| Listed stocks                        | 34.5        | 722                   |
| Industrial and<br>trading operations | 3.3         | 69                    |
|                                      | 37.8        | 791                   |
| Other assets and<br>liabilities      | -2.9        | -61                   |
|                                      | 34.9        | 730                   |
| *Total number of shares and CPNs     |             | 47,801,746            |

**Net Asset Value per Share  
and CPN**


Stockholm, Sweden, May 5, 1998

Clas Reuterskiöld  
President and CEO

**AUDITORS' EXAMINATION**

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

**FINANCIAL CALENDAR**

A six-month report will be released on August 17.

A nine-month report will be released on November 4.

The year-end report for 1998 will be released on February 11, 1999.

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**IndustriVärden Consolidated Income Statement**  
**January 1 - March 31, 1998**

| SEK M   | 1998<br>Jan.-March | 1997<br>Jan.-March | 1997<br>Jan.-Dec. |
|---|--------------------|--------------------|-------------------|
| Net sales   | 1,115              | 1,339              | 4,275             |
| Cost of goods sold                                  | -745               | -875               | -2,858            |
| Gross earnings                                      | <b>370</b>         | 464                | 1,417             |
| Development costs                                   | -21                | -32                | -73               |
| Selling costs                                       | -178               | -263               | -732              |
| Administrative costs                                | -104               | -104               | -367              |
| Other operating income and expenses                 | 1                  | 4                  | 15                |
| Operating earnings                                  | <b>68</b>          | 69                 | 260               |
| Dividend income from listed stocks                  | 1                  | -                  | 426               |
| Capital gains on sales of listed stocks             | 162                | 102                | 273               |
| Capital gains on sales of other stocks <sup>3</sup> | -                  | -                  | 1,592             |
| Earnings before financial items                     | <b>231</b>         | 171                | 2,551             |
| Interest income                                     | 4                  | 5                  | 68                |
| Interest expense (excl. CPN interest)               | -53                | -25                | -195              |
| Other financial items                               | 3                  | -6                 | -20               |
| Earnings after financial items                      | <b>185</b>         | 145                | 2,404             |
| CPN interest  | -21                | -18                | -84               |
| Earnings before taxes                               | <b>164</b>         | 127                | 2,320             |
| Tax on earnings for the year                        | 0                  | -4                 | -46               |
| Net earnings for the year                           | <b>164</b>         | 123                | 2,274             |

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<sup>3</sup> Mainly capital gains on the sales of Thorsman and Fundament.

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**Breakdown By Business Unit**  
**January 1 - March 31, 1998**

| SEK M                                   | Net sales                        |                    | Earnings after financial items   |                    |
|---|----------------------------------|--------------------|----------------------------------|--------------------|
|   | <b>1998</b><br><b>Jan.-March</b> | 1997<br>Jan.-March | <b>1998</b><br><b>Jan.-March</b> | 1997<br>Jan.-March |
| Inductus                                | <b>695</b>                       | 582                | <b>35</b>                        | 11                 |
| Indutrade                               | <b>410</b>                       | 345                | <b>38</b>                        | 22                 |
| Dividends from listed stocks            | -                                | -                  | <b>1</b>                         | -                  |
| Other, net                              | <b>10</b>                        | 14                 | <b>-51</b>                       | -25                |
|   | <b>1,115</b>                     | 941                | <b>23</b>                        | 8                  |
| Capital gains on sales of listed stocks | -                                | -                  | <b>162</b>                       | 102                |
| Structural changes <sup>4</sup>         | -                                | 398                | -                                | 35                 |
|   | <b>1,115</b>                     | 1,339              | <b>185</b>                       | 145                |

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<sup>4</sup> Pertains to Thorsman and Fundament, which were sold during 1997.

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**IndustriVärden Consolidated Balance Sheet**

| SEK M   | March 31<br>1998 | Dec. 31<br>1997 |
|---|------------------|-----------------|
| Intangible assets                                 | 94               | 98              |
| Tangible assets                                   | 708              | 716             |
| Shares and participations                         | 11,155           | 11,102          |
| Other financial assets                            | 72               | 62              |
| Inventories                                       | 721              | 701             |
| Accounts receivable, trade                        | 874              | 848             |
| Other current receivables                         | 284              | 90              |
| Liquid funds                                      | 249              | 291             |
| <b>Total assets</b>                               | <b>14,157</b>    | <b>13,908</b>   |
| Shareholders' equity                              | 8,837            | 8,674           |
| CPN loans   | 450              | 450             |
| Provisions  | 320              | 318             |
| Interest-bearing long-term liabilities            | 1,266            | 1,655           |
| Noninterest-bearing long-term liabilities         | 9                | 18              |
| Interest-bearing current liabilities              | 2,369            | 1,940           |
| Noninterest-bearing current liabilities           | 906              | 853             |
| <b>Total shareholders' equity and liabilities</b> | <b>14,157</b>    | <b>13,908</b>   |
| Visible equity ratio, %                           | 66               | 66              |
| Adjusted equity ratio, % <sup>5</sup>             | 87               | 85              |

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<sup>5</sup> Includes surplus value of listed stocks.

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**Portfolio of Listed Stocks as per March 31, 1998**


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|                          | Number     | Market value  |                          | Percent of<br>portfolio's value |
|--------------------------|------------|---------------|--------------------------|---------------------------------|
|                          |            | SEK M         | SEK per share<br>and CPN |                                 |
| Ericsson                 | 22,330,000 | 8,792         | 184                      | 26                              |
| Handelsbanken            | 14,650,000 | 5,421         | 113                      | 16                              |
| Sandvik                  | 23,000,000 | 5,244         | 110                      | 15                              |
| SCA                      | 18,382,000 | 4,081         | 85                       | 12                              |
| AGA                      | 28,615,000 | 3,348         | 70                       | 10                              |
| Skandia                  | 3,440,000  | 1,792         | 38                       | 5                               |
| SSAB                     | 11,290,000 | 1,670         | 35                       | 5                               |
| Skanska                  | 4,299,365  | 1,548         | 32                       | 4                               |
| PLM                      | 10,000,000 | 1,345         | 28                       | 4                               |
| Volvo                    | 1,000,000  | 252           | 5                        | 1                               |
| Incentive                | 300,000    | 237           | 5                        | 1                               |
| Astra                    | 1,430,000  | 227           | 5                        | 1                               |
| Other                    |            | 110           | 3                        | 0                               |
| <b>Total<sup>6</sup></b> |            | <b>34,067</b> | <b>713</b>               | <b>100</b>                      |

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<sup>6</sup> As per March 31 the portfolio above included 116,000 shares in PLM that were out on loan.