

Interim Report, January 1 - June 30, 1998

IndustriVärden's Total Return Better than Index

- *The increase in value of the portfolio of listed stocks was 25 percent during the first half of the year (General Index: 25 percent). Through August 14 the value of the portfolio had risen by 14 percent, compared with 16 percent for the General Index.*
- *Net asset value was SEK 190 per share and CPN¹ on June 30, 1998, and SEK 172 per share and CPN on August 14.*
- *IndustriVärden's stock generated a total return of 31 percent for the first half of the year, compared with 28 percent for the Findata Total Return Index. Through August 14 the total return was 23 percent (18 percent for the Total Return Index).*
- *Consolidated earnings after financial items totaled SEK 1,056 M (826). Of this amount, capital gains on sales of listed stocks accounted for SEK 229 M (271), dividends from listed stocks for SEK 789 M (426), and other items for SEK 38 M (129).*

EARNINGS AND FINANCING²

Consolidated net sales amounted to SEK 2,232 M (2,868). For comparable units, net sales rose 11 percent. Earnings after financial items totaled SEK 1,056 M (826, of which divested units accounted for SEK 78 M). Earnings include capital gains of SEK 229 M (271) on sales of listed stocks. Dividend income amounted to SEK 789 M (426), including a one-time dividend of SEK 114 M in the form of stock in Fastighets AB Balder. Dividend income also included the first dividend from the holding in Sandvik, amounting to SEK 161 M.

The Group's net borrowing increased since the start of the year by SEK 116 M, to SEK 3,546 M. The adjusted equity ratio, which includes surplus values of listed stocks, was 88 percent (85 percent on January 1).

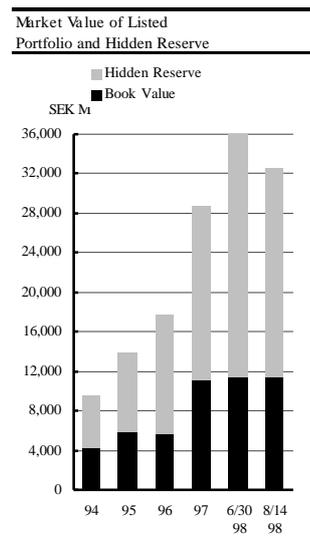
DEVELOPMENT FOR PORTFOLIO OF LISTED STOCKS

¹ All values per share and CPN are calculated after the split this year, whereby four new shares and CPNs were received for each old share or CPN, respectively.

² 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 these companies' reported earnings.

The value of the portfolio of listed stocks was SEK 35,967 M on June 30, 1998 (SEK 28,682 M on January 1), and the hidden reserve was SEK 24,592 M (SEK 17,635 M on January 1). Adjusted for purchases and sales, the increase since the start of the year was 25 percent, which is the same as for the General Index. The total return for the listed portfolio (price increase plus reinvested dividends) for the period January–June was 28 percent (Findata Total Return Index: 28 percent).

Purchases of listed stocks during the first half of the year totaled SEK 406 M and sales totaled SEK 417 M. Major purchases consisted of 1,000,000 Sandvik A and 400,000 Volvo A. Major sales consisted of 1,240,500 Närkebro (the entire holding), 550,000 Volvo B, and 200,000 Handelsbanken A. In addition, all 11,290,000 redemption rights for SSAB stock were sold. Sales from the portfolio of listed stocks resulted in a capital gain of SEK 229 M.



Following a 1:1 stock dividend by Ericsson and 5:1 splits by Skandia and Gambro (formerly Incentive), Industrivärden's holding in Ericsson increased from 22,330,000 shares to 44,660,000, in Skandia from 3,440,000 shares to 17,200,000, and in Gambro from 300,000 shares to 1,500,000.

The market value of the portfolio of listed stocks on August 14 was SEK 32,643 M, and the hidden reserve was SEK 21,233 M. Adjusted for purchases and sales, the value of the portfolio rose by 14 percent since the start of the year. The General Index rose by 16 percent during the same period. The total return since the beginning of the year through August 14 was 16 percent (18 percent for the Total Return Index).

PRICE TREND FOR THE FIVE LARGEST SHAREHOLDINGS

The trend during the first half of the year for the five largest shareholdings, which accounted for 80 percent of the value of the portfolio at June 30, was as follows:

| <u>Share</u> | <u>Price change</u> January 1 - June 30, % | <u>Share of portfolio</u> value as per June 30, % |
|---------------|---|--|
| Ericsson | 55 | 30 |
| Handelsbanken | 35 | 15 |
| Sandvik | -2 | 14 |
| SCA | 16 | 11 |
| AGA | 14 | 10 |

Ericsson had a continued strong price trend and outperformed the General Index.

Handelsbanken performed on a par with the index for banks and financial services companies, which in turn did better than the General Index.

Sandvik, which performed worse than the General Index during the first half of the year, has – like many other engineering stocks – been hurt by the market's uncertainty about the continued development in Asia.

SCA performed on a par with the forestry index but worse than the General Index.

AGA performed worse than the General Index, but better than most of its competitors in the international gas market.

INDUCTUS

Inductus' net sales for the period amounted to SEK 1,374 M (2,081), which for comparable units was an increase of 10 percent. Earnings after financial items for the current group composition improved by SEK 16 M to SEK 63 M.

Isaberg noted strong volume growth and a significant earnings improvement. *Besam* and *Rapid* showed earnings roughly on a par with the preceding year. *Hydrauto* had good volume growth and returned to a profit.

INDUTRADE

Indutrade's net sales amounted to SEK 833 M (737), an increase of 13 percent. Earnings after financial items improved strongly compared with the preceding year and amounted to SEK 93 M (54). The earnings improvement is mainly attributable to the operations in Sweden and Finland.

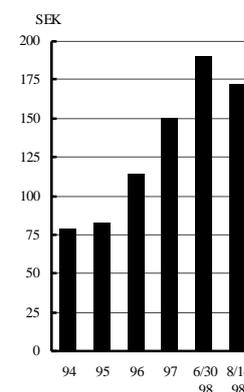
PARENT COMPANY

The Parent Company's dividend income amounted to SEK 795 M (429), of which SEK 789 M (426) was from listed companies. Including capital gains of SEK 229 M (271) on sales of listed stocks, earnings totaled SEK 1,024 M (700). After administrative costs and a negative balance of net financial income and expense, earnings after financial items were SEK 942 M (706).

CALCULATED NET ASSET VALUE

Industrivärden's net asset value³ at June 30, 1998, has been calculated at SEK 36.3 billion, or SEK 190 per share and CPN. Net asset value at August 14 was calculated at SEK 172 per share and CPN.

Net Asset Value per Share
and CPN



Stockholm, Sweden, August 17, 1998

Clas Reuterskiöld
President and CEO

AUDITORS' REVIEW REPORT

We have conducted a limited review of the accompanying interim report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A limited review is considerably less in scope than an audit. Nothing has come to our attention that indicates

³Composition of net asset value is shown in the table on p. 10.

that the interim report does not fulfill the requirements of the Swedish Stock Exchange Act and the Annual Accounts Act.

Stockholm, Sweden, August 17, 1998

Bertil Edlund
Authorized Public Accountant

Ulf Pernvi
Authorized Public Accountant

FINANCIAL CALENDAR

An interim report for the period January–September will be released on November 4, 1998.
A preliminary year-end report for 1998 will be released on February 10, 1999.
The definitive year-end report for 1998 will be released on February 26, 1999.
The 1998 Annual Report will be published in late March/early April 1999.

IndustriVärden Consolidated Income Statement

| SEK M | 1998 | 1997 | 1997 |
|---|------------------|-----------|--------------------|
| | Jan.-June | Jan.-June | Jan.-Dec. |
| Net sales | 2,232 | 2,868 | 4,275 |
| Cost of goods sold | -1,493 | -1,871 | -2,858 |
| Gross earnings | 739 | 997 | 1,417 |
| Development costs | -43 | -62 | -73 |
| Selling costs | -354 | -541 | -732 |
| Administrative costs | -210 | -215 | -367 |
| Other operating income and expenses | 2 | 7 | 15 |
| Operating earnings | 134 | 186 | 260 |
| Dividend income from listed stocks | 789 | 426 | 426 |
| Capital gains on sales of listed stocks | 229 | 271 | 273 |
| Capital gains on sales of other stocks | - | 17 | 1,592 ⁴ |
| Earnings before financial items | 1,152 | 900 | 2,551 |
| Interest income | 8 | 16 | 68 |
| Interest expense (excl. CPN interest) | -107 | -80 | -195 |
| Other financial items | 3 | -10 | -20 |
| Earnings after financial items | 1,056 | 826 | 2,404 |
| CPN interest | -42 | -37 | -84 |
| Earnings before taxes | 1,014 | 789 | 2,320 |
| Tax on earnings for the year | -107 | -51 | -46 |
| Net earnings for the year | 907 | 738 | 2,274 |

⁴Pertains to capital gains on the sales of Thorsman and Fundament.

Breakdown By Business Unit

| SEK M | Net sales | | Earnings after financial items | |
|---|---------------------------------|-------------------|---------------------------------|-------------------|
| | 1998 Jan.-June | 1997 Jan.-June | 1998 Jan.-June | 1997 Jan.-June |
| Inductus | 1,374 | 1,250 | 63 | 47 |
| Indutrade | 833 | 737 | 93 | 54 |
| Dividends from listed stocks | - | - | 789 | 426 |
| Other, net | 25 | 28 | -118 | -67 |
| | 2,232 | 2,015 | 827 | 460 |
| Capital gains on sales of listed stocks | - | - | 229 | 271 |
| Capital gains on sales of other stocks | - | - | - | 17 |
| Structural changes ⁵ | - | 853 | - | 78 |
| | 2,232 | 2,868 | 1,056 | 826 |

⁵Pertains to Thorsman and Fundament, which were sold in 1997.

IndustriVärden Consolidated Balance Sheet

| SEK M | June 30 1998 | June 30 1997 | Dec. 31 1997 |
|---|-------------------------|-----------------|-----------------|
| Intangible assets | 95 | 129 | 98 |
| Tangible assets | 710 | 1,559 | 716 |
| Shares and participations | 11,428 | 9,718 | 11,102 |
| Other financial assets | 80 | 57 | 62 |
| Inventories | 752 | 988 | 701 |
| Accounts receivable, trade | 825 | 1,139 | 848 |
| Other current receivables | 111 | 168 | 90 |
| Liquid assets | 244 | 367 | 291 |
| Total assets | 14,245 | 14,125 | 13,908 |
| Shareholders' equity | 8,939 | 7,147 | 8,674 |
| CPN loans | 448 | 450 | 450 |
| Provisions | 328 | 352 | 318 |
| Interest-bearing long-term liabilities | 1,326 | 1,819 | 1,655 |
| Noninterest-bearing long-term liabilities | 0 | 13 | 18 |
| Interest-bearing current liabilities | 2,337 | 3,293 | 1,940 |
| Noninterest-bearing current liabilities | 867 | 1,051 | 853 |
| Total shareholders' equity and liabilities | 14,245 | 14,125 | 13,908 |
| Visible equity ratio, % | 66 | 54 | 66 |
| Adjusted equity ratio, % ⁶ | 88 | 79 | 85 |

⁶Includes surplus values of listed stocks.

IndustriVärden Consolidated Statement of Changes in Financial Position

| SEK M | Jan.-June 1998 | Jan.-June ⁷ 1997 | Jan.-Dec. ⁷ 1997 |
|---|---------------------------|--------------------------------|--------------------------------|
| Operating earnings | 134 | 186 | 260 |
| Dividend income from listed stocks | 789 | 426 | 426 |
| Net financial items | -96 | -74 | -147 |
| Depreciation charged to operating earnings | 73 | 109 | 144 |
| Dividends and CPN interest paid | -685 | -595 | -642 |
| Taxes | -107 | -51 | -46 |
| Total earnings and dividends | 108 | 1 | -5 |
| Total change in working capital | -35 | -168 | 317 |
| Net purchase/sales of listed stocks | -104 | -3,652 | -5,051 |
| Net purchase/sales of other stocks | 2 | 0 | 1,592 |
| Net change in other fixed assets | -79 | -48 | 777 |
| Total change in fixed assets | -181 | -3,700 | -2,682 |
| Change in other provisions and noninterest-bearing liabilities (+increase) | -8 | -2 | -2 |
| Total change in net borrowing debt (+decrease) | -116 | -3,869 | -2,372 |

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⁷ During the first half of 1997, Thorsman and Fundament were included as subsidiaries of the IndustriVärden Group.

Portfolio of Listed Stocks as per June 30, 1998

| | Number | Market value | | Percent of portfolio's value |
|--------------------------|------------|---------------|--------------------------|---------------------------------|
| | | SEK M | SEK per share and CPN | |
| Ericsson | 44,660,000 | 10,844 | 57 | 30 |
| Handelsbanken | 14,650,000 | 5,421 | 28 | 15 |
| Sandvik | 23,000,000 | 5,072 | 27 | 14 |
| SCA | 18,382,000 | 3,832 | 20 | 11 |
| AGA | 28,615,000 | 3,577 | 19 | 10 |
| Skandia | 17,200,000 | 1,961 | 10 | 5 |
| Skanska | 4,299,365 | 1,539 | 8 | 4 |
| SSAB | 11,290,000 | 1,387 | 7 | 4 |
| PLM | 10,000,000 | 1,260 | 7 | 4 |
| Volvo | 1,400,000 | 325 | 2 | 1 |
| Astra | 1,430,000 | 227 | 1 | 1 |
| Gambro (for. Incentive) | 1,500,000 | 218 | 1 | 0 |
| Other | | 304 | 1 | 1 |
| Total⁸ | | 35,967 | 188 | 100 |

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⁸No shares were out on loan from the portfolio above.

Composition of Net Asset Value

| | SEK billion | | SEK/share and CPN | |
|-----------------------------------|-------------|---------|-------------------|---------|
| | June 30 | Aug. 14 | June 30 | Aug. 14 |
| Listed stocks | 36.0 | 32.6 | 188 | 170 |
| Industrial and trading operations | 3.3 | 3.3 | 17 | 17 |
| | 39.3 | 35.9 | 205 | 187 |
| Other assets and liabilities | -3.0 | -3.0 | -15 | -15 |
| | 36.3 | 32.9 | 190 | 172 |
| Total number of shares and CPNs | | | 191,206,984 | |

The portfolio of listed stocks has been valued at current market value. The industrial and trading operations have been valued using a P/E multiple of 15 (the same as at year-end 1997), based on forecasts made today of the companies' earnings for 1998. The P/E multiple for the engineering industry according to the Affärsvärlden investment indicator was 22 at year-end 1997, 19 on June 30, and 19 in mid-August 1998.

As a result of the 4:1 stock split effected in May, the number of shares and CPNs has quadrupled.