

## Interim Report, January 1 - September 30, 1998

- *The value of the portfolio of listed stocks rose by 2 percent as per October 30, while the General Index was unchanged. Net asset value per share and CPN<sup>1</sup> was SEK 155 on October 30 - an increase of 4 percent since year-end 1997.*
- *During the period under review, January - September, the value of the portfolio of listed stocks decreased by 5 percent (General Index: -4 percent). Net asset value on September 30 was SEK 144 per share and CPN.*
- *The total return for IndustriVärden's Class A stock was -1 percent during the first nine months, compared with -2 percent for the Findata total return index. Through October 30 the total return was -5 percent (2 percent for the total return index).*
- *At the end of September IndustriVärden acquired 4.2 million shares in Skanska for SEK 1.2 billion and thus became the company's largest shareholder in terms of voting rights. IndustriVärden increased its ownership in Skanska by slightly more than SEK 800 M, net, after the sale of all shares in Drott.*

### **EARNINGS AND FINANCING<sup>2</sup>**

Consolidated net sales amounted to SEK 3,332 M (3,051), an increase of 9 percent. Earnings after financial items totaled SEK 1,468 M (SEK 2,390 M, of which SEK 1,598 M pertained to capital gains on the sales of Thorsman and Fundament). Earnings include capital gains of SEK 320 M (284) on sales of listed stocks. Dividend income amounted to SEK 1,066 M (426) and included one-time dividends totaling SEK 392 M from Skanska and Handelsbanken in the form of stock in Drott, totaling SEK 278 M, and in Balder, totaling SEK 114 M, respectively. 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 1,089 M, to SEK 4,519 M. The adjusted equity ratio, which includes surplus values of listed stocks, was 81 percent (85 percent on December 31, 1997).

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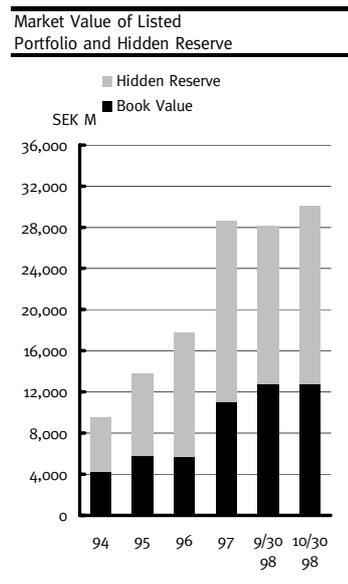
<sup>1</sup> All values per share and CPN are calculated after the year's split, whereby four new shares and CPNs were received for each old share or CPN, respectively.

<sup>2</sup> IndustriVärden has ownership stakes in AGA, Ericsson, PLM, SCA and Skanska 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.

## DEVELOPMENT FOR PORTFOLIO OF LISTED STOCKS

The value of the portfolio of listed stocks was SEK 28,088 M on September 30, 1998 (SEK 28,682 M on December 31, 1997), and the hidden reserve was SEK 15,354 M (SEK 17,635 M on December 31, 1997). Adjusted for purchases and sales, the change since the start of the year was -5 percent (-4 percent for the General Index). The total return for the listed portfolio (price changes plus reinvested dividends) for the period January–September was -3 percent, compared with -2 percent for the Findata total return index.

In September Industrivärden and Inter IKEA bought all of Custos' shares in Skanska for SEK 1,986 M, corresponding to SEK 285 per share. Of the total purchase price, SEK 1,186 M pertained to Industrivärden and SEK 800 M to Inter IKEA. Industrivärden acquired 4,159,817 shares (thereof 2,796,929 Class A) which, together with previous holdings, increased its ownership to 29.9 percent of the votes and 7.4 percent of the capital stock. Industrivärden is thereafter Skanska's largest shareholder in terms of voting rights.



Purchases of listed stocks during the first nine months of the year totaled SEK 1,774 M and sales totaled SEK 792 M. Aside from the acquisition of shares in Skanska, major purchases consisted of 1,000,000 shares in Sandvik, 400,000 shares in Volvo, and 211,500 shares in Pfizer. Major sales consisted of 4,299,385 shares in Drott (the entire holding), 1,240,500 shares in Närkebro (the entire shareholding), 550,000 shares in Volvo, and 200,000 shares in Handelsbanken. In addition, all 11,290,000 redemption rights for SSAB stock were sold. Sales from the listed portfolio resulted in capital gains of SEK 320 M.

The market value of the portfolio of listed stocks on October 30 was SEK 30,103 M, and the hidden reserve was SEK 17,366 M. Adjusted for purchases and sales, the value of the portfolio increased by 2 percent since the start of the year, which was also 2 percentage points better than the General Index. The total return for the portfolio of listed stocks since the beginning of the year through October 30 was 4 percent (2 percent for the total return index).

## PRICE TREND FOR THE FIVE LARGEST SHAREHOLDINGS

The stock price trend during the first nine months for the five largest shareholdings, which accounted for 75 percent of the value of the portfolio at September 30, was as follows:

<u>Stock</u>	<u>Price change</u> <u>January 1 - Sept. 30, percent</u>	<u>Share of portfolio value</u> <u>as per Sept. 30, percent</u>
Ericsson	6	27
Handelsbanken	7	15
Sandvik	-28	13
AGA	-7	10
SCA	-12	10

*Ericsson* performed better than the General Index during the nine-month period.

*Handelsbanken* performed better than 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, has – like many other engineering stocks – been hurt by the weak economic development in Asia and Eastern Europe.

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

*SCA* performed better than the forestry index but worse than the General Index.

## **INDUCTUS**

Inductus' net sales for the period amounted to SEK 2,066 M (1,903), an increase of 9 percent. Earnings after financial items improved by SEK 19 M to SEK 113 M, mainly due to strong volume growth for Isaberg (staplers and staples).

## **INDUTRADE**

Indutrade's net sales amounted to SEK 1,226 M (1,101), an increase of 11 percent. Earnings after financial items improved by SEK 38 M compared with the preceding year and amounted to SEK 127 M.

## **REVIEW AND ADAPTATION TO THE YEAR 2000**

Within the Industrivärden Group, work on eliminating the problems associated with the coming turn of the century is in its final stages. The necessary measures are expected to be completed before mid-year 1999.

## **CALCULATED NET ASSET VALUE**

Industrivärden's net asset value<sup>3</sup> at September 30, 1998, has been calculated at SEK 27.6 billion, or SEK 144 per share and CPN. Net asset value at October 30 was calculated at SEK 155 per share and CPN.

Stockholm, Sweden, November 4, 1998

Clas Reuterskiöld  
President and CEO

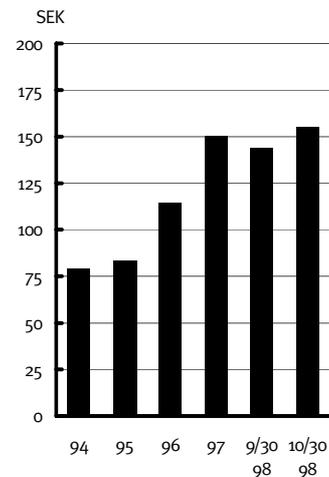
## **AUDITORS' REVIEW**

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

## **FINANCIAL CALENDAR**

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.  
The Annual General Meeting will be held in Stockholm on April 21, 1999.  
An interim report for the first quarter of 1999 will be released on May 4, 1999.

Net Asset Value per Share  
and CPN



<sup>3</sup> Composition of net asset value is shown in the table on p. 9.

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**IndustriVärden Consolidated Income Statement**


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SEK M	<b>1998</b>	1997	1997
	<b>Jan.-Sept.</b>	Jan.-Sept.	Jan.-Dec.
Net sales	<b>3,332</b>	3,051	4,275
Cost of goods sold	<b>-2,232</b>	-2,033	-2,858
<b>Gross earnings</b>	<b>1,100</b>	1,018	1,417
Development costs	<b>-60</b>	-55	-73
Selling costs	<b>-522</b>	-525	-732
Administrative costs	<b>-319</b>	-270	-367
Other operating income and expenses	<b>2</b>	9	15
<b>Operating earnings</b>	<b>201</b>	177	260
Dividend income from listed stocks	<b>1,066</b>	426	426
Capital gains on sales of listed stocks	<b>320</b>	284	273
Capital gains on sales of other stocks	<b>21</b>	1,598 <sup>4</sup>	1,592 <sup>4</sup>
<b>Earnings before financial items</b>	<b>1,608</b>	2,485	2,551
Interest income	<b>11</b>	61	68
Interest expense (excl. CPN interest)	<b>-164</b>	-139	-195
Other financial items	<b>13</b>	-17	-20
<b>Earnings after financial items</b>	<b>1,468</b>	2,390	2,404
CPN interest	<b>-63</b>	-55	-84
<b>Earnings before taxes</b>	<b>1,405</b>	2,335	2,320
Tax on earnings for the year	<b>-157</b>	-40	-46
<b>Net earnings for the year</b>	<b>1,248</b>	2,295	2,274

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<sup>4</sup> Pertains to capital gains on the sales of Thorsman and Fundament.

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### Breakdown By Business Unit

SEK M	Net sales		Earnings after financial items	
	<b>1998</b> Jan.-Sept.	1997 Jan.-Sept.	<b>1998</b> Jan.-Sept.	1997 Jan.-Sept.
Inductus	<b>2,066</b>	1,903	<b>113</b>	94
Indutrade	<b>1,226</b>	1,101	<b>127</b>	89
Dividends from listed stocks	-	-	<b>1,066</b>	426
Other, net	<b>40</b>	47	<b>-158</b>	-101
	<b>3,332</b>	3,051	<b>1,148</b>	508
Capital gains on sales of listed stocks	-	-	<b>320</b>	284
Capital gains on sales of other stocks	-	-	-	1,598 <sup>5</sup>
	<b>3,332</b>	3,051	<b>1,468</b>	2,390

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<sup>5</sup> Pertains to capital gains on the sales of Thorsman and Fundament.

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**IndustriVärden Consolidated Balance Sheet**


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SEK M	<b>Sept. 30 1998</b>	Sept. 30 1997	Dec. 31 1997
Intangible assets	<b>99</b>	96	98
Tangible assets	<b>716</b>	703	716
Shares and participations	<b>12,808</b>	10,611	11,102
Other financial assets	<b>78</b>	56	62
Inventories	<b>736</b>	667	701
Accounts receivable, trade	<b>851</b>	793	848
Other current receivables	<b>89</b>	171	90
Liquid assets	<b>199</b>	1,065	291
<b>Total assets</b>	<b>15,576</b>	14,162	13,908
Shareholders' equity	<b>9,289</b>	8,693	8,674
CPN loans	<b>448</b>	450	450
Provisions	<b>347</b>	273	318
Interest-bearing long-term liabilities	<b>1,728</b>	1,655	1,655
Noninterest-bearing long-term liabilities	<b>0</b>	0	18
Interest-bearing current liabilities	<b>2,861</b>	2,308	1,940
Noninterest-bearing current liabilities	<b>903</b>	783	853
<b>Total shareholders' equity and liabilities</b>	<b>15,576</b>	14,162	13,908
Visible equity ratio, percent	<b>63</b>	65	66
Adjusted equity ratio, percent <sup>6</sup>	<b>81</b>	86	85

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<sup>6</sup> Includes surplus values of listed stocks.

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**IndustriVärden Consolidated Statement of Changes in Financial Position**


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SEK M	<b>Jan.-Sept. 1998</b>	Jan.-Sept. 1997	Jan.-Dec. 1997
Operating earnings	<b>201</b>	177	260
Dividend income from listed stocks	<b>1,066</b>	426	426
Net financial items	<b>-140</b>	-95	-147
Depreciation charged to operating earnings	<b>109</b>	106	144
Dividends and CPN interest paid	<b>-707</b>	-613	-642
Taxes	<b>-157</b>	-40	-46
<b>Total earnings and dividends</b>	<b>372</b>	-39	-5
<b>Total change in working capital</b>	<b>13</b>	255	317
Net purchase/sales of listed stocks	<b>-1,367</b>	-4,533	-5,051
Net purchase/sales of other stocks	<b>2</b>	1,582	1,592
Net change in other fixed assets	<b>-117</b>	834	777
<b>Total change in fixed assets</b>	<b>-1,482</b>	-2,117	-2,682
<b>Change in other provisions and noninterest-bearing liabilities (+increase)</b>	<b>8</b>	-68	-2
<b>Total change in net borrowing debt (+decrease)</b>	<b>-1,089</b>	-1,969	-2,372

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**Portfolio of Listed Stocks as per September 30, 1998**


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	Number	Market value		Percent of portfolio's value
		SEK M	SEK per share and CPN	
Ericsson	44,660,000	7,443	39	27
Handelsbanken	14,650,000	4,307	23	15
Sandvik	23,000,000	3,772	20	13
AGA	28,615,000	2,919	15	10
SCA	18,382,000	2,886	15	10
Skanska	8,459,202	2,182	11	8
Skandia	17,200,000	1,754	9	6
SSAB	11,290,000	931	5	3
PLM	10,000,000	880	5	3
Volvo	1,400,000	260	1	1
Other (<SEK 200 M)		754	4	4
<b>Total</b>		<b>28,088</b>	<b>147</b>	<b>100</b>

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The portfolio of listed stocks above included the following shares out on loan:

	<u>Number</u>
SCA	20,000
Skandia	285,000

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**Composition of Net Asset Value**

	SEK billion		SEK/share and CPN	
	Sept. 30	Oct. 30	Sept. 30	Oct. 30
Listed stocks	28.1	30.1	147	158
Industrial and trading operations	3.5	3.5	18	18
	31.6	33.6	165	176
Other assets and liabilities	-4.0	-4.0	-21	-21
	<b>27.6</b>	<b>29.6</b>	<b>144</b>	<b>155</b>

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

The portfolio of listed stocks has been valued at current market value. The industrial and trading operations have been valued using a P/E multiple of 15 (the same as at year-end 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, 16 on September 30, and 17 at the end of October 1998.

Data pertaining to the composition of net asset value on all reporting dates during the last five years is available on IndustriVärden's new website under the heading Analysis Tool.