

## Definitive Year-End Report 1998

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- *The increase in value for the portfolio of listed stocks was 5 percent in 1998 (general index: 10 percent). Since the start of 1999 through February 24, the listed portfolio has gained 5 percent (general index: 5 percent).*
- *Net asset value at year-end was SEK 160 per share and CPN<sup>1</sup>, an increase of 7 percent for the year. Net asset value per share and CPN at February 24, 1999, was SEK 168.*
- *The shareholding in PLM was sold for SEK 1.2 billion, generating a capital gain of SEK 712 M.*
- *IndustriVärden acquired SEK 1.2 billion in stock in Skanska. Following the sale of all shares in Drott, IndustriVärden's net involvement in Skanska increased by slightly more than SEK 800 M.*
- *Consolidated earnings after financial items totaled SEK 2,148 M (2,404). Of this total, gains on sales of stocks amounted to SEK 1,003 M (1,865), dividends from listed stocks SEK 1,067 M (426), and other earnings items SEK 78 M (113).*
- *The Board of Directors proposes a 20 percent increase in the dividend, to SEK 4.50. The average annual growth in the dividend for the last five-year period will thereby amount to 15 percent.*

### NET SALES AND EARNINGS<sup>2</sup>

Consolidated net sales amounted to SEK 4,580 M (4,275), an increase of 7 percent compared with the preceding year.

Earnings before financial items totaled SEK 2,346 M (2,551). Of this amount, gains on sales of listed stocks accounted for SEK 974 M (273), and gains on sales of other stocks for SEK 29 M (1,592). Earnings before financial items in 1997 included gains of SEK 1,374 M and SEK 224 M, respectively, on the sales of Thorsman and Fundament.

Dividends from the portfolio of listed stocks increased by SEK 641 M to SEK 1,067 M (426). Extra dividend income, totaling SEK 392 M, was received from Handelsbanken and Skanska, and pertained to stock in Balder, worth SEK 114 M, and in Drott, worth SEK 278 M, respectively. In addition, the first dividend was received from Sandvik, totaling SEK 161 M.

After net financial items of SEK -198 M (-147), earnings totaled SEK 2,148 M (2,404). The interest expense for CPN loans was SEK 101 M (84). After taxes of SEK -129 M (-46), reported net earnings for the year were SEK 1,918 M (2,274).

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<sup>1</sup> All values per share and CPN are calculated after the 1998 split, whereby four new shares and CPNs were received for each old share or CPN, respectively.

<sup>2</sup> IndustriVärden had ownership stakes in AGA, Ericsson, SCA and Skanska which exceeded 20 percent of the number of votes after full dilution. The consolidated income statement and balance sheet presented in this year-end report do not include any part of these companies' reported earnings.

## FINANCING AND EQUITY RATIO

Net debt decreased by SEK 80 M to SEK 3,350 M.

The visible equity ratio was 64 percent (66), while the adjusted equity ratio, which includes surplus values of listed stocks, was 83 percent (85).

## DEVELOPMENT FOR PORTFOLIO OF LISTED STOCKS

The value of the portfolio of listed stocks at year-end was SEK 30,043 M (28,682). The hidden reserve was SEK 17,749 M (17,635). Purchases of listed stocks during the year totaled SEK 2,027 M and sales totaled SEK 2,147 M. Stocks were thus sold for a net amount of SEK 120 M. Sales from the portfolio of listed stocks resulted in a capital gain of SEK 974 M (273).

Adjusted for purchases and sales, the value of the portfolio grew by 5 percent during the year (30). The Affärsvärlden General Index grew by 10 percent (25) during the same period. The total return for the listed portfolio (price trend plus reinvested dividends) was 7 percent, compared with 13 percent for the Findata total return index.

Dividend income amounted to SEK 1,067 M (426) and included extra dividends in the form of stock in Balder, worth SEK 114 M, and in Drott, worth SEK 278 M. Dividend income also included SEK 161 M from Sandvik, the first dividend to be received from that shareholding, which was acquired in 1997.

Major purchases consisted of 4,164,212 Skanska, 1,000,000 Sandvik, 437,900 Pfizer and 400,000 Volvo. Major sales consisted of 10,000,000 PLM, 4,299,385 Drott, 1,240,500 Närkebro and 1,500,000 Gambro. Industrivärden sold its entire holding in each of these companies. In addition, Industrivärden sold 550,000 shares of Volvo, 200,000 shares of Handelsbanken and all 11,290,000 redemption rights for SSAB.

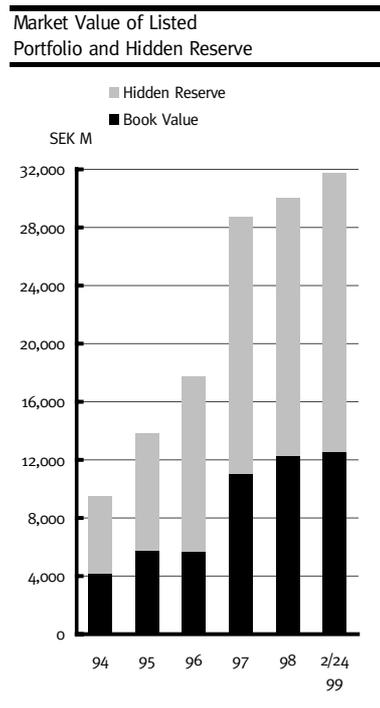
## PRICE TREND FOR THE FIVE LARGEST SHAREHOLDINGS

The trend in 1998 for the five largest shareholdings, which accounted for 80 percent of the portfolio's value at year-end, was as follows:

<u>Stock</u>	<u>Share of portfolio value at Dec. 31, percent</u>	<u>Price trend full year, percent</u>
Ericsson	31	33
Handelsbanken	17	25
Sandvik	11	-38
SCA	11	-2
AGA	10	-2

*Ericsson* continued to outperform the general index. The stock price fluctuated during the year, peaking with a 72 percent gain by July and hitting a low point with a 14 percent decline as of October.

*Handelsbanken* outperformed the index for banks and financial services companies, which in turn did better than the general index.



*Sandvik*, like many other engineering stocks, performed worse than the general index due to the weak economic trend in Asia.

*SCA* performed better than the forestry index but worse than the general index.

*AGA* performed below the general index, but better than most of its competitors in the international gas market.

The value of the portfolio of listed stocks on February 24, 1999, was SEK 31,701 M. The hidden reserve was SEK 19,145 M. Adjusted for purchases and sales the increase from year-end was 5 percent for the portfolio of listed stocks as well as for the general index.

## **INDUCTUS**

Inductus' net sales amounted to SEK 2,869 M (2,776), an increase of 5 percent for comparable units. Earnings after financial items totaled SEK 182 M (157).

The return on capital employed was 21 percent (19).

*Besam's* net sales increased by 2 percent for comparable units. Earnings were level with the preceding year, despite structural costs for capacity reduction in France, Germany and Sweden.

*Isaberg* had continued good growth in volume, mainly pertaining to newly developed products. Earnings improved significantly compared with the preceding year.

*Rapid* showed slightly higher sales but poorer earnings compared with the preceding year. A cost-reduction program is in progress.

*Hydrauto* showed a rise in net sales and posted improved earnings, however, profitability remained unsatisfactory.

## **INDUTRADE**

Indutrade's net sales amounted to SEK 1,662 M (1,492), an increase of 11 percent. The trend was particularly favorable in Sweden and Finland.

Earnings after financial items totaled SEK 152 M (118). The earnings increase is attributable primarily to the Swedish and Finnish subsidiaries. The return on capital employed was 31 percent (25).

## **PARENT COMPANY**

The Parent Company's dividend income from listed companies amounted to SEK 1,067 M (426). Including gains of SEK 981 M (1,254) on sales of stocks, and administrative costs of SEK 67 M (52), earnings amounted to SEK 1,981 M (1,628).

After net financial items of SEK -117 M (-11), earnings totaled 1,864 M (1,617). After costs for CPN interest, totaling SEK 101 M (84), and taxes of SEK 57 M (0), a net profit of SEK 1,706 M (1,533) is reported for the year.

## CALCULATED NET ASSET VALUE

Industrivärden's net asset value<sup>3</sup> at December 31, 1998, has been calculated at SEK 30.6 billion, or SEK 160 per share and CPN. Net asset value as per February 24, 1999, has been calculated at SEK 168 per share and CPN.

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Net Asset Value per Share  
and CPN

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## PROPOSED DIVIDEND

The Board of Directors proposes that the dividend for 1998 be raised by SEK 0.75 to SEK 4.50 per share, which entails that interest per CPN for 1998 would be SEK 5.18. Thus SEK 773 M will be paid out in dividends and SEK 101 M in CPN interest.

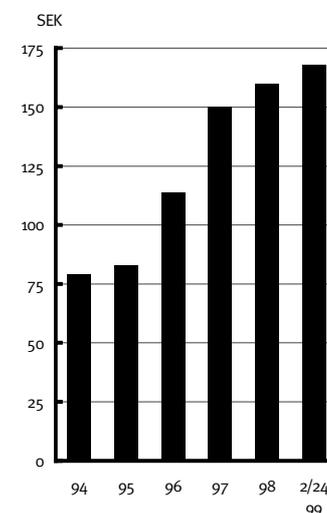
## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, April 21, 1999, at 2 p.m. at the Grand Hotel, Vinterträdgården, Stockholm.

Stockholm, Sweden, February 26, 1999

AB INDUSTRIVÄRDEN (publ.)

The Board of Directors



## FINANCIAL CALENDAR

The 1998 Annual Report will be published in late March/early April.

An interim report for the period January–March 1999 will be released on May 4, 1999.

An interim report for the period January–June 1999 will be released on August 18, 1999.

An interim report for the period January–September 1999 will be released on November 4, 1999.

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<sup>3</sup> Composition of net asset value is shown in the table on page 10.

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**IndustriVärden Consolidated Income Statement**


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SEK M	<b>1998</b>	1997
Net sales	<b>4,580</b>	4,275
Cost of goods sold	<b>-3,057</b>	-2,858
<b>Gross earnings</b>	<b>1,523</b>	1,417
Development costs	<b>-83</b>	-73
Selling costs	<b>-741</b>	-726
Administrative costs	<b>-431</b>	-373
Other operating income and expenses	<b>8</b>	15
<b>Operating earnings</b>	<b>276</b>	260
Dividend income from listed stocks	<b>1,067</b>	426
Capital gains on sales of listed stocks	<b>974</b>	273
Capital gains on sales of other stocks	<b>29</b>	1,592 <sup>4</sup>
<b>Earnings before financial items</b>	<b>2,346</b>	2,551
Interest income	<b>17</b>	68
Interest expense (excl. CPN interest)	<b>-232</b>	-195
Other financial items	<b>17</b>	-20
<b>Earnings after financial items</b>	<b>2,148</b>	2,404
CPN interest	<b>-101</b>	-84
<b>Earnings before taxes</b>	<b>2,047</b>	2,320
Tax on earnings for the year	<b>-129</b>	-46
<b>Net earnings for the year</b>	<b>1,918</b>	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	
	1998	1997	1998	1997
Inductus	<b>2,869</b>	2,776	<b>182</b>	157
Indutrade	<b>1,662</b>	1,492	<b>152</b>	118
Dividends from listed stocks	-	-	<b>1,067</b>	426
Other, net	<b>49</b>	7	<b>-256</b>	-162
	<b>4,580</b>	4,275	<b>1,145</b>	539
Capital gains on sales of listed stocks	-	-	<b>974</b>	273
Capital gains on sales of other stocks	-	-	<b>29</b>	1,592 <sup>5</sup>
	<b>4,580</b>	4,275	<b>2,148</b>	2,404

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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**

SEK M	Dec. 31 1998	Dec. 31 1997
Intangible assets	101	98
Tangible assets	706	716
Shares and participations	12,382	11,102
Other financial assets	71	62
Inventories	718	701
Accounts receivable, trade	878	848
Other current receivables	117	90
Liquid assets	1,200	291
<b>Total assets</b>	<b>16,173</b>	13,908
Shareholders' equity	9,974	8,674
CPN loans	448	450
Provisions	323	318
Interest-bearing long-term liabilities	1,709	1,655
Noninterest-bearing long-term liabilities	0	18
Interest-bearing current liabilities	2,709	1,940
Noninterest-bearing current liabilities	1,010	853
<b>Total shareholders' equity and liabilities</b>	<b>16,173</b>	13,908
Visible equity ratio, percent	64	66
Adjusted equity ratio, percent <sup>6</sup>	83	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**

SEK M	<b>1998</b>	1997
Operating earnings	<b>276</b>	260
Dividend income from listed stocks	<b>1,067</b>	426
Net financial items	<b>-198</b>	-147
Depreciation charged to operating earnings	<b>144</b>	144
Dividends and CPN interest paid	<b>-745</b>	-642
Taxes	<b>-129</b>	-46
<b>Total earnings and dividends</b>	<b>415</b>	-5
<b>Total change in working capital</b>	<b>83</b>	317
Net purchase/sales of listed stocks	<b>-272</b> <sup>7</sup>	-5,051
Net purchase/sales of other stocks	<b>-4</b>	1,592
Net change in other fixed assets	<b>-123</b>	777
<b>Total change in fixed assets</b>	<b>-399</b>	-2,682
<b>Change in other provisions and noninterest-bearing liabilities (+increase)</b>	<b>-19</b>	-2
<b>Total change in net borrowing debt (+decrease)</b>	<b>80</b>	-2,372

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<sup>7</sup> Including dividends totaling SEK 392 M in the form of stocks in Balder and Drott.

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


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	Number	Market value		Percent of portfolio's value
		SEK M	SEK per share and CPN	
Ericsson	44,660,000	9,343	49	31
Handelsbanken	14,650,000	5,010	27	17
Sandvik	23,000,000	3,243	17	11
SCA	18,382,000	3,217	17	11
AGA	28,615,000	3,076	16	10
Skandia	17,200,000	2,133	11	7
Skanska	8,463,577	1,904	10	6
SSAB	12,046,600	934	5	3
Pfizer	437,900	448	2	1
Volvo	1,400,000	254	1	1
Astra	1,430,000	236	1	1
Other (<SEK 200 M)		245	1	1
<b>Total</b>		<b>30,043</b>	<b>157</b>	<b>100</b>

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

	<u>Number</u>		<u>Number</u>
Astra	21,000	Sandvik	62,000
AGA	28,000	Skandia	65,900
Ericsson	415,100	Other	1,000
Handelsbanken	18,200		

On December 31, 1998, call options were issued for all the shares in Astra. The exercise date was January 15, 1999. The options were exercised, whereby the entire holding in Astra was sold, resulting in a capital gain of SEK 90 M.

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**Composition of Net Asset Value**


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	SEK billion		SEK per share and CPN	
	Feb. 24, 1999	Dec. 31, 1998	Feb. 24, 1999	Dec. 31, 1998
Listed stocks	31.7	30.0	166	157
Industrial and trading operations	3.6	3.6	19	19
	35.3	33.6	185	176
Other assets and liabilities	-3.2	-3.0	-17	-16
	<b>32.1</b>	<b>30.6</b>	<b>168</b>	<b>160</b>

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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 the companies' earnings for 1998. The P/E multiple for the engineering industry according to the Affärsvärlden equities indicator was 22 at year-end 1997, 21 at year-end 1998, and 19 at the end of February 1999.

For data pertaining to the composition of net asset value on all reporting occasions during the past five years, see "The Analysis Tool" on IndustriVärden's website.