

Interim Report January 1 - June 30, 1999

IndustriVärden's total return 28 percent vs. 19 percent for Index

- *The total return for IndustriVärden's stock during the first half of the year was 28 percent, compared with 19 percent for the Findata total return index. Through August 13 the total return was 29 percent (20 percent for the total return index).*
- *Growth in value of the portfolio of listed stocks was 23 percent during the first half of the year (General Index: 17 percent). Through August 13 the listed portfolio increased in value by 31 percent, while the General Index increased by 18 percent.*
- *Net asset value on June 30, 1999, was SEK 197 per share and CPN. On August 13 net asset value was SEK 209 per share and CPN.*
- *IndustriVärden's shareholding in AGA was sold to the German company Linde AG for SEK 3.6 billion, with a capital gain of SEK 3.0 billion during the third quarter.*

EARNINGS AND FINANCING¹

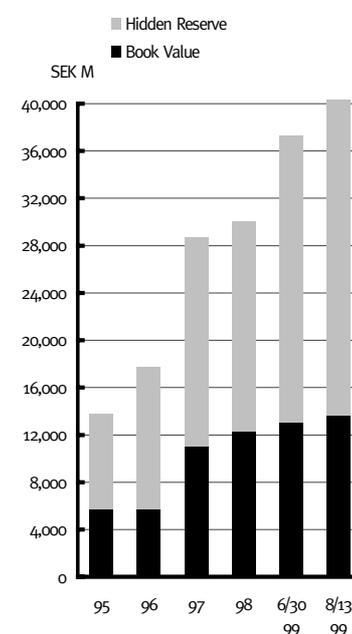
Consolidated net sales amounted to SEK 2,276 M (2,232). Earnings after financial items totaled SEK 1,266 M (1,056). Of this amount, gains on sales of listed stocks accounted for SEK 449 M (229). Dividend income from listed stocks amounted to SEK 772 M (1998: SEK 789 M, including one-time dividends of SEK 114 M).

The Group's net debt increased since the start of the year by SEK 495 M to SEK 3,845 M. The adjusted equity ratio, which includes surplus values of listed stocks, was 87 percent (83 percent at the start of the year).

DEVELOPMENT FOR THE PORTFOLIO OF LISTED STOCKS

The market value of the portfolio of listed stocks on June 30 was SEK 37,326 M (year-end 1998: SEK 30,043 M), and the hidden reserve was SEK 24,261 M (year-end 1998: SEK 17,749 M). Adjusted for purchases and sales, the increase since the beginning of the year was 23 percent, compared with 17 percent for the General Index. The total return for the listed portfolio (price trend plus reinvested dividends) during the period January–June was 25 percent (19 percent for the Findata total return index).

Market Value of Listed Portfolio and Hidden Reserve



¹

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

During the first half of the year, purchases of listed stocks totaled SEK 1,459 M, while sales totaled SEK 1,091 M. Thus stocks were bought for a net value of SEK 368 M. Major purchases consisted of 3,360,000 Ericsson, 268,100 Pfizer Inc., 900,000 Volvo, 700,000 Skandia, 1,000,000 Mandator and 229,000 Lundbeck A/S. Major sales consisted of 2,861,500 AGA (through a stock redemption), 1,430,000 Astra (the entire holding), 1,500,000 Ericsson, 387,900 Skanska and 300,000 Volvo. The sales from the listed portfolio resulted in a capital gain of SEK 449 M.

As a result of a 3:1 stock split by Handelsbanken, the holding increased from 14,650,000 to 43,950,000 shares.

Price Trend for the Six Largest Shareholdings

The trend during the first half of the year for the six largest shareholdings, which accounted for 85 percent of the portfolio's value on June 30, was as follows:

<u>Company</u>	<u>Share of portfolio value on June 30, %</u>	<u>Price change Jan.-June, %</u>
Ericsson	36	37
Handelsbanken	12	-11
Sandvik	11	32
SCA	11	30
Skandia	8	28
AGA	7	-1

Ericsson had strong price development during the second quarter and performed better than the General Index during the period. The launch of a new mobile phone product series was initiated during the second quarter.

Handelsbanken performed worse than both the bank and financial services index and the General Index, even though it has long had better profitability than the average for the other commercial banks in Sweden.

Sandvik performed better than both the General Index and the engineering index. Cyclical stocks like Sandvik and SSAB had strong growth during the first half of the year.

SCA performed better than both the General Index and the forestry index.

The shareholding in *Skandia*, which has been acquired gradually since 1995, has had very good value appreciation and performed better than the General Index.

AGA performed worse than the General Index, however, during the summer it more than recovered its gap against the index.

Development for the Listed Portfolio Through August 13

The market value of the listed portfolio on August 13 was SEK 40,301 M, and the hidden reserve was SEK 26,651 M. Adjusted for purchases and sales, the portfolio increased in value by 31 percent since the beginning of the year. The General Index increased by 18 percent during the same period. The total return for the listed portfolio from the beginning of the year through August 13 was 33 percent (20 percent for the total return index).

INDUCTUS

Inductus' net sales for the period amounted to SEK 1,371 M (1,374). Earnings after financial items improved by SEK 30 M to SEK 93 M.

Besam has continued the profitable expansion in its service operations, and earnings more than doubled. Earnings for *Hydrauto* and *Rapid* were on a par with the preceding year. *Isaberg* did not reach the level of earnings reported a year ago, but has continued good profitability.

INDUTRADE

Indutrade's net sales amounted to SEK 875 M (833), an increase of 5 percent. Earnings after financial items totaled SEK 66 M (1998: SEK 93 M, including capital gains of SEK 9 M). Following a weak start of the year, demand has gradually improved.

PARENT COMPANY

The Parent Company's dividend income amounted to SEK 785 M (795), of which SEK 772 M (789) was from listed companies. Including gains of SEK 449 M (229) on sales of listed stocks, earnings totaled SEK 1,234 M (1,024). After administrative costs and a negative balance of interest income and expense, earnings after financial items totaled SEK 1,105 M (942).

IMPORTANT EVENT AFTER THE REPORTING PERIOD

In mid-August IndustriVärden, Handelsbanken's foundations and Gas Vision sold their shares in AGA to the listed German company Linde AG, for a price of SEK 141 per share. In connection with the acquisition, Linde, which like AGA is one of the largest players in the industrial gas market, made a public offer to AGA's other shareholders at the same price.

IndustriVärden's 25,753,500 AGA shares were sold for SEK 3.6 billion, with a capital gain of SEK 3.0 billion. The shares represent 11.7 percent of the company's capital and 20.2 percent of its votes.

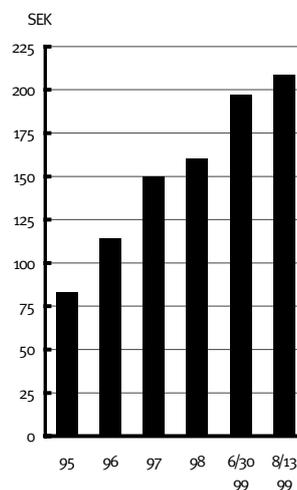
CALCULATED NET ASSET VALUE

Industrivärden's net asset value² as per June 30 has been calculated at SEK 37.7 billion, or SEK 197 per share and CPN. Net asset value at August 13 has been calculated at SEK 209 per share and CPN.

Stockholm, Sweden, August 18, 1999

Clas Reuterskiöld
President and CEO

Net Asset Value per Share
and CPN



² The composition of net asset value is shown on page 10.

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

Stockholm, Sweden, August 18, 1999
ÖHRLINGS COOPERS & LYBRAND AB

Ingvar Pramhäll
Authorized Public Accountant

FINANCIAL CALENDAR

An interim report for the period January–September will be released on November 4.
A preliminary year-end report for 1999 will be released on February 15, 2000.
The 1999 Annual Report will be published at the end of March 2000.

IndustriVärden Consolidated Income Statement

SEK M	1999	1998	1998
	Jan.-June	Jan.-June	Jan.-Dec.
Net sales	2,276	2,232	4,580
Cost of goods sold	-1,518	-1,493	-3,057
Gross earnings	758	739	1,523
Development costs	-38	-43	-83
Selling costs	-372	-354	-741
Administrative costs	-212	-210	-431
Other operating income and expenses	-	2	8
Operating earnings	136	134	276
Dividend income from listed stocks	772	789	1,067
Capital gains on sales of listed stocks	449	229	974
Capital gains on sales of other stocks	-	-	29
Earnings before financial items	1,357	1,152	2,346
Interest income	14	8	17
Interest expense (excl. CPN interest)	-111	-107	-232
Other financial items	6	3	17
Earnings after financial items	1,266	1,056	2,148
CPN interest	-50	-42	-101
Earnings before taxes	1,216	1,014	2,047
Tax on earnings for the period	-166	-107	-129
Net earnings for the period	1,050	907	1,918

Breakdown by Business Unit

SEK M	Net sales		Earnings after financial items	
	1999 Jan.-June	1998 Jan.-June	1999 Jan.-June	1998 Jan.-June
Inductus	1,371	1,374	93	63
Indutrade	875	833	66	93
Dividends from listed stocks	-	-	772	789
Other, net	30	25	-114	-118
	2,276	2,232	817	827
Capital gains on sales of listed stocks	-	-	449	229
	2,276	2,232	1,266	1,056

IndustriVärden Consolidated Balance Sheet

SEK M	June 30 1999	June 30 1998	Dec. 31 1998
Intangible assets	99	95	101
Tangible assets	696	710	706
Shares and participations	13,186	11,428	12,382
Other financial assets	80	80	71
Inventories	758	752	718
Accounts receivable, trade	885	825	878
Other current receivables	115	111	117
Liquid assets	220	244	1,200
Total assets	16,039	14,245	16,173
Shareholders' equity	10,244	8,939	9,974
CPN loans	448	448	448
Provisions	331	328	323
Interest-bearing long-term liabilities	928	1,326	1,709
Interest-bearing current liabilities	2,996	2,337	2,709
Noninterest-bearing current liabilities	1,092	867	1,010
Total shareholders' equity and liabilities	16,039	14,245	16,173
Visible equity ratio, percent	67	66	64
Adjusted equity ratio, percent ³	87	88	83

³ Includes surplus values of listed stocks.

IndustriVärden Consolidated Statement of Cash Flows

SEK M	1999	1998	1998
	Jan.-June	Jan.-June	Jan.-Dec.
OPERATING ACTIVITIES			
Earnings after financial items	1,266	1,056	2,148
Adjustment of items not included in cash flows:			
Depreciation	75	73	144
Reversal of result of sales of stocks	-449	-229	-1,003
Reversal of other items not affecting cash flows	22	-123	-373
Taxes paid	-123	-30	-46
Cash flow from operating activities before changes in working capital	791	747	870
Cash flow from changes in working capital	0	-67	-40
Net cash flow from operating activities	791	680	830
INVESTING ACTIVITIES			
Purchases of listed stocks (incl. stocks received as dividends)	-1,424	-407	-2,025
Sales of listed stocks	1,090	417	2,149
Net purchase/sale of other fixed assets	-51	-59	-134
Net cash flow from investing activities	-385	-49	-10
FINANCING ACTIVITIES			
Loans raised and amortization of debt	-505	50	814
Dividends and CPN interest paid out	-874	-728	-728
Net cash flow from financing activities	-1,379	-678	86
Net cash flow for the period	-973	-47	906

Change in net debt

	12/31/98	Cash flow	Change in loans	Other changes	Outcome 6/30/99
Liquid assets	1,200	-973	-	-7	220
Long-term interest-bearing liabilities	1,709	-	-781	-	928
Current interest-bearing liabilities	2,709	-	287	-	2,996
Interest-bearing pension provision	132	-	-	9	141
Net debt	3,350	973	-494	16	3,845

Portfolio of Listed Stocks as per June 30, 1999

	Number	Market value		Percent of portfolio's value
		SEK M	SEK per share and CPN	
Ericsson	46,520,000	13,398	70	36
Handelsbanken	43,950,000	4,483	23	12
Sandvik	23,000,000	4,267	22	11
SCA	18,382,000	4,190	22	11
Skandia	17,900,000	2,846	15	8
AGA	25,753,500	2,730	14	7
Skanska	8,075,689	2,588	14	7
SSAB	12,046,600	1,282	7	3
Pfizer Inc.	706,000	654	3	2
Volvo	2,000,000	491	3	2
Other (<SEK 200 M)		397	2	1
Total		37,326	195	100

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

	<u>Number</u>		<u>Number</u>
Handelsbanken	3,241,150	Skanska	12,000
Sandvik	62,100	Volvo	334,500
SCA	28,800	Other	72,100

Composition of Net Asset Value

	SEK billion		SEK per share and CPN	
	Aug. 13	June 30	Aug. 13	June 30
Listed stocks ⁴	40.3	37.3	211	195
Industrial and trading operations	3.8	3.8	19	19
	44.1	41.1	230	214
Other assets and liabilities	-4.1	-3.4	-21	-17
	40.0	37.7	209	197

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 1998), based on current forecasts of the companies' earnings for 1999. The P/E multiple for the engineering industry according to the Affärsvärlden equities indicator was 21 at year-end 1998, 25 at June 30, and 26 at mid-August 1999.

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

⁴ The AGA shares as per August 13 have been valued at the sales price of SEK 141 per share.