

## Year-End Report 1999

### ■ *Consolidated earnings*

After financial items: **SEK 4,603 M** (2,148)  
Unrealized growth in value for listed portfolio: **SEK 22,213 M** (5,193)

### ■ *Listed portfolio*

Value at December 31: **SEK 54,298 M** (30,043)  
Growth in value: **+87%**, General Index +66%  
Total return: **+91%**, Total Return Index +70%

### ■ *Net asset value*

At December 31: **SEK 298** (160) per share and CPN  
Increase from start of the year: **+86%** (+7%)

### ■ *Industrivärden's stock*

Price trend: **+70%**, General Index +66%  
Total return: **+76%**, Total Return Index +70%

■ *The subsidiaries Hydrauto, Rapid Granulator and Timelox were sold during the final quarter, for a combined capital gain of SEK 100 M.*

■ *The shareholding in AGA was sold for SEK 4.0 billion and a capital gain of SEK 3.3 billion.*

■ *The Board proposes that the ordinary dividend for 1999 be raised by SEK 0.50 to SEK 5.00 per share. In addition the Board purposes a bonus dividend for 1999 of SEK 1:00 per share and thus the total dividend for 1999 will be SEK 6:00 per share. Interest per CPN would thus be SEK 6.90.*

## NET SALES AND EARNINGS <sup>1</sup>

Consolidated net sales amounted to SEK 4,071 M (4,580), an increase of 4 percent compared with the preceding year for comparable units.

Earnings before financial items totaled SEK 4,735 M (2,346). This includes capital gains on sales of listed stocks, totaling SEK 3,535 M (974), and gains of SEK 100 M (29) on sales of other stocks.

Dividends from the portfolio of listed stocks amounted to SEK 775 M (1,067). The preceding year's figure included a total of SEK 392 M in extra dividend income from Handelsbanken and Skanska, in the form of stock in Balder, worth SEK 114 M, and in Drott, worth SEK 278 M, respectively.

Net financial items improved by SEK 66 M to SEK -132 M (-198). Earnings after financial items totaled SEK 4,603 M (2,148).

## FINANCING AND EQUITY RATIO

Net debt decreased by SEK 1,680 M to SEK 1,670 M.

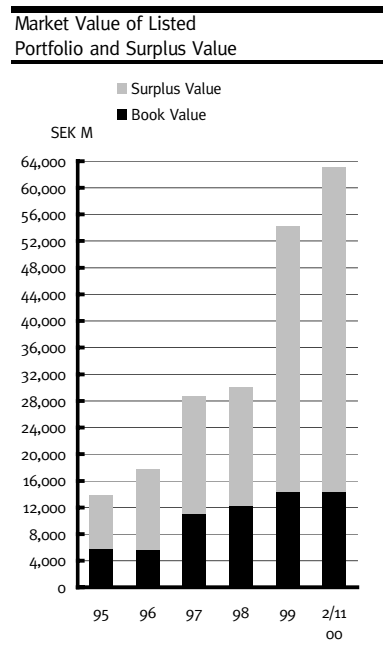
The visible equity ratio was 73 percent (64), while the adjusted equity ratio, which includes surplus values of listed stocks, was 91 percent (83).

## PORTFOLIO OF LISTED STOCKS

The value of the portfolio of listed stocks at year-end was SEK 54,298 M (30,043). The surplus value was SEK 39,962 M (17,749). Purchases of listed stocks during the year totaled SEK 3,731 M (2,027) and sales totaled SEK 5,168 M (2,147). Stocks were thus sold for a net amount of SEK 1,437 M (120). Sales from the portfolio of listed stocks resulted in a capital gain of SEK 3,535 M (974), of which the sale of the AGA holding, including redeemed shares, accounted for SEK 3,327 M.

Adjusted for purchases and sales, the value of the portfolio grew by 87 percent during the year (5). The Affärsvärlden General Index gained 66 percent during the same period (10). The total return <sup>2</sup> for the portfolio of listed stocks was 91 percent (70 percent for the Findata Total Return Index).

Dividend income amounted to SEK 775 M (SEK 1,067 M, including extra dividends in the form of stock in Balder, worth SEK 114 M, and in Drott, worth SEK 278 M).



Major net purchases consisted of 3,000,000 Scania, 1,860,000 Ericsson, 2,925,000 Skandia, 1,136,300 Pfizer Inc., 600,000 Volvo, 700,000 Handelsbanken, 1,000,000 Mandator, 125,000 Pharmacia & Upjohn Inc., and 229,000 Lundbeck A/S.

<sup>1</sup> IndustriVärden has ownership stakes in 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 year-end report do not include any part of these companies' reported earnings.

<sup>2</sup> Price trend and reinvested dividends.

In SCA's new issue, 3,044,900 B-shares were subscribed for. Major net sales consisted of 28,615,000 AGA (the entire holding), 1,430,000 Astra (the entire holding), 1,465,000 Balder (the entire holding) and 387,900 Skanska.

As the result of a 3:1 stock split by Handelsbanken in June, the holding increased from 14,650,000 shares to 43,950,000 shares. Pfizer Inc. carried out a 3:1 stock split on July 1, increasing that holding from 706,000 shares to 2,118,000 shares.

### Price Trend for the Six Largest Shareholdings

The trend in 1999 for the six largest shareholdings, which accounted for 93 percent of the portfolio's value at year-end, was as follows:

<u>Company</u>	<u>Share of portfolio at Dec. 31, %</u>	<u>Price change full year, %</u>
Ericsson	48	172
Sandvik	11	89
SCA	10	52
Skandia	10	109
Handelsbanken	9	-6
Skanska	5	41

*Ericsson* had a continued strong price trend and performed considerably better than the General Index, especially during the fourth quarter.

*Sandvik* performed better than the General Index but below the engineering index, which also includes the telecom stocks Ericsson and Nokia. Cyclical stocks like Sandvik and SSAB performed strongly in 1999.

*SCA* performed well, but below the General Index.

*Skandia* performed better than the General Index as well as comparable international insurance companies.

Despite strong earnings, *Handelsbanken* performed worse than both the General Index and the bank & financial services index.

*Skanska* performed below the General Index, but better than the real estate & construction index.

### Development for the Listed Portfolio Through February 11, 2000

The market value of the listed portfolio on February 11, 2000, was SEK 63,053 M, and the surplus value was SEK 48,746 M. Adjusted for purchases and sales, the portfolio's value increased by 17 percent from the start of the year. The General Index increased by 14 percent during the same period.

### INDUCTUS

Inductus' net sales amounted to SEK 2,318 M (2,869), an increase of 2 percent for comparable units. Earnings after financial items totaled SEK 242 M (182).

The return on capital employed was 29 percent (21).

*Besam's* net sales rose 3 percent. Earnings improved considerably compared with the preceding year due to a better product mix and improved productivity.

*Isaberg* had continued good order bookings, mainly for newly developed products. Earnings were slightly lower than in the preceding year, with continued good profitability.

## INDUTRADE

Indutrade's net sales amounted to SEK 1,751 M (1,662), an increase of 5 percent. Demand improved gradually following a weak start to the year. Earnings after financial items totaled SEK 138 M (SEK 152 M, including capital gains of SEK 9 M). The return on capital employed was 27 percent (31).

## PARENT COMPANY

The parent company's dividend income from listed companies amounted to SEK 775 M (1,067). Including capital gains of SEK 3,654 M (981) from sales of listed and other stocks, and administrative costs of SEK 71 M (67), earnings amounted to SEK 4,358 M (1,981).

After net financial items of SEK -128 M (-117), earnings totaled 4,230 M (1,864). After costs for CPN interest, totaling SEK 134 M (101), and taxes of SEK 11 M (57), a net profit of SEK 4,085 M (1,706) is reported for the year.

## CALCULATED NET ASSET VALUE

Industrivärden's net asset value<sup>3</sup> as per December 31, 1999, has been calculated at SEK 57.0 billion, or SEK 298 per share and CPN. Net asset value as per February 11, 2000, has been calculated at SEK 345 per share and CPN.

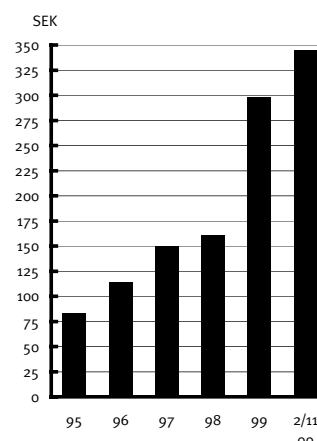
## PROPOSED DIVIDEND

The Board of Directors proposes that the dividend for 1999 be raised by SEK 0.50 to SEK 5.00 per share. In addition, in light of the very strong earnings and value appreciation in 1999, the Board proposes a bonus dividend for 1999 of SEK 1.00 per share. The Board's proposal entails a total dividend of SEK 6.00 per share for 1999, entailing CPN interest of SEK 6.90. Thus SEK 1,030 M would be paid out for the dividend and SEK 134 M for CPN interest.

## SHARE REPURCHASE

The matter of adopting a program for conducting a repurchase of the Company's own shares is under consideration by the Board. It is the Board's intention to return to the shareholders on this matter prior to the Annual General Meeting.

Net Asset Value per Share  
and CPN



<sup>3</sup>The composition of net asset value is shown on page 11.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on Friday, May 5, at 2 p.m. at the Grand Hotel, Vinterträdgården, in Stockholm.

Stockholm, Sweden, February 15, 2000

AB INDUSTRIVÄRDEN (publ)

The Board of Directors

## **FINANCIAL CALENDAR**

The 1999 Annual Report will be published at the end of March/beginning of April 2000.  
An interim report for the period January–March 2000 will be released on May 5, 2000.  
An interim report for the period January–June 2000 will be released on August 15, 2000.  
An interim report for the period January–September 2000 will be released on Oct. 31, 2000.

### **PRESS CONFERENCE**

Today, Tuesday, February 15, 2000, IndustriVärden will be informing the press and other market participants about the Company's year-end results for 1999. A press conference will be held at 3 p.m. at the Company's head offices at Storgatan 10 in Stockholm.

### **PRESENTATION FOR ANALYSTS**

On Wednesday, February 16, IndustriVärden will be holding a presentation in English for international analysts on the Company's year-end results for 1999. The presentation will be held at 12 noon at Operaterrassen in Stockholm.

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**IndustriVärden Consolidated Income Statement**

SEK M	1999	1998
Net sales	4,071	4,580
Cost of goods sold	-2,636	-3,057
<b>Gross earnings</b>	<b>1,435</b>	<b>1,523</b>
Development costs	-55	-83
Selling costs	-675	-741
Administrative costs	-378	-431
Other operating income and expenses	-2	8
<b>Operating earnings</b>	<b>325</b>	<b>276</b>
Dividend income from listed stocks	775	1,067
Capital gains on sales of listed stocks	3,535	974
Capital gains on sales of other stocks	100	29
<b>Earnings before financial items</b>	<b>4,735</b>	<b>2,346</b>
Interest income	68	17
Interest expense (excl. CPN interest)	-210	-232
Other financial items	10	17
<b>Earnings after financial items</b>	<b>4,603</b>	<b>2,148</b>
CPN interest	-134	-101
<b>Earnings before taxes</b>	<b>4,469</b>	<b>2,047</b>
Tax on earnings for the year	-135	-129
<b>Net earnings for the year</b>	<b>4,334</b>	<b>1,918</b>

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### Breakdown by Business Unit

SEK M	Net sales		Earnings after financial items	
	1999	1998	1999	1998
Inductus	<b>2,318</b>	2,266	<b>242</b>	174
Indutrade	<b>1,751</b>	1,662	<b>138</b>	152
Dividends from listed stocks	-	-	<b>775</b>	1,067
Other, net	<b>2</b>	-6	<b>-187</b>	-250
	<b>4,071</b>	3,922	<b>968</b>	1,143
Capital gains on sales of listed stocks	-	-	<b>3,535</b>	974
Capital gains on sales of other stocks	-	-	<b>100</b>	29
Structural changes <sup>4</sup>	-	658	-	2
	<b>4,071</b>	4,580	<b>4,603</b>	2,148

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<sup>4</sup> Pertains to Rapid Granulator, Hydrauto and Timelox which were sold during 1999.

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**IndustriVärden Consolidated Balance Sheet**

SEK M	<b>Dec. 31 1999</b>	Dec. 31 1998
Intangible assets	<b>95</b>	101
Tangible assets	<b>570</b>	706
Shares and participations	<b>14,477</b>	12,382
Other financial assets	<b>1,318</b>	71
Inventories	<b>649</b>	718
Accounts receivable, trade	<b>811</b>	878
Other current receivables	<b>145</b>	117
Liquid assets	<b>1,153</b>	1,200
<b>Total assets</b>	<b>19,218</b>	16,173
Shareholders' equity	<b>13,525</b>	9,974
CPN loans	<b>448</b>	448
Provisions	<b>305</b>	323
Long-term liabilities, interest-bearing	<b>1,051</b>	1,709
Current liabilities, noninterest-bearing	<b>1,015</b>	1,010
Current liabilities, interest-bearing	<b>2,874</b>	2,709
<b>Total shareholders' equity and liabilities</b>	<b>19,218</b>	16,173
Visible equity ratio, percent	<b>73</b>	64
Adjusted equity ratio, percent <sup>5</sup>	<b>91</b>	83

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



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**Industrivärden Consolidated Statement of Cash Flows**

SEK M	1999	1998
<b>OPERATING ACTIVITIES</b>		
Earnings after financial items	<b>4,603</b>	2,148
Adjustment of items not included in cash flows:		
Depreciation	<b>125</b>	144
Stocks received as dividend	-	-392
Result of sales of listed stocks	<b>-3,535</b>	-974
Result of sales of other stocks	<b>-100</b>	-11
Reversal of other items not affecting cash flows	<b>4</b>	1
Taxes paid	<b>-140</b>	-46
<b>Cash flow from operating activities</b>	<b>957</b>	870
Cash flow from changes in working capital	<b>89</b>	-40
<b>Net cash flow from operating activities</b>	<b>1,046</b>	830
<b>INVESTING ACTIVITIES</b>		
Purchases of listed stocks (stocks received as dividend incl.)	<b>-3,731</b>	-2,027
Sales of listed stocks	<b>5,168</b>	2,147
Net purchase/sale of subsidiaries	<b>197</b>	-28
Net purchase/sale of long-term fixed income instruments	<b>-1,260</b>	-
Net purchase/sale of other fixed assets	<b>-88</b>	-102
<b>Net cash flow from investing activities</b>	<b>286</b>	-10
<b>FINANCING ACTIVITIES</b>		
Loans raised and amortization of debt	<b>-493</b>	814
Dividends and CPN interest paid out	<b>-874</b>	-728
<b>Net cash flow from financing activities</b>	<b>-1,367</b>	86
<b>Net cash flow for the year</b>	<b>-35</b>	906
Liquid assets at beginning of the year	<b>1,200</b>	291
Exchange-rate difference in liquid assets	<b>-12</b>	3
<b>Liquid assets at end of the year</b>	<b>1,153</b>	1,200

<b>Change in Interest-Bearing Net Debt</b>	Outcome 12/31/98	Cash flow	Change in loans	Other changes	Outcome 12/31/99
Liquid assets	1,200	-35	-	-12	<b>1,153</b>
Long-term fixed income instruments	-	-	-	1,260	<b>1,260</b>
Long-term interest-bearing liabilities	1,709	-	-658	-	<b>1,051</b>
Current interest-bearing liabilities	2,709	-	165	-	<b>2,874</b>
Interest-bearing pension provision	132	-	-	26	<b>158</b>
<b>Interest-bearing net debt</b>	<b>3,350</b>	<b>35</b>	<b>-493</b>	<b>-1,222</b>	<b>1,670</b>

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**Portfolio of Listed Stocks as per December 31, 1999**


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	Number	Market value		Percent of portfolio's value
		SEK M	SEK per share and CPN	
Ericsson	46,520,000	26,191	137	48
Sandvik	23,000,000	6,130	32	11
SCA	21,314,532	5,335	28	10
Skandia	20,125,000	5,172	27	10
Handelsbanken	44,650,000	4,778	25	9
Skanska	8,075,689	2,560	13	5
SSAB	12,065,600	1,593	8	3
Scania	3,000,000	916	5	2
Pfizer Inc	2,450,000	684	4	1
Volvo	2,000,000	433	2	0
Other (κSEK 200 M)		506	3	1
<b>Total</b>		<b>54,298</b>	<b>284</b>	<b>100</b>

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

	<u>Number</u>
Gambro	68,000
Scania	1,112,900
SAS	44,300
SSAB	15,200

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**Composition of Net Asset Value**

	SEK billion		SEK per share and CPN	
	Feb. 11 2000	Dec. 31 1999	Feb. 11 2000	Dec. 31 1999
Listed stocks	63.1	54.3	330	284
Industrial and trading operations	4.1	4.1	21	21
	67.2	58.4	351	305
Other assets and liabilities	-1.2	-1.4	-6	-7
	<b>66.0</b>	<b>57.0</b>	<b>345</b>	<b>298</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 wholly owned industrial and trading operations have been assigned a hypothetical market value using a P/E multiple of 15 (the same as at year-end 1998), based on the companies' earnings for 1999.

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