

## Interim Report January 1 – June 30, 2000

- *The value of the portfolio of listed stocks rose by 14 percent during the first half of the year, compared with 6 percent for the General Index. Through August 14 the value of the portfolio increased by 16 percent, while the General Index increased by 4 percent.*
- *Net asset value was SEK 340 per share and CPN on June 30, and SEK 344 per share and CPN on August 14, entailing an increase of 15 percent from the beginning of the year through August 14.*
- *During the first half of the year, investments totaling approximately SEK 1 billion were made in the pharmaceutical and financial services sectors, respectively, and investments of approximately SEK 200 M were made in unlisted holdings, with a focus on IT and media stocks.*
- *Consolidated earnings after financial items totaled SEK 1,393 M (1,266) for the first half of the year, including SEK 412 M (449) in capital gains on sales of stocks.*
- *IndustriVärden's stock increased by 27 percent from the start of the year through August 14, compared with 4 percent for the General Index. The total return<sup>1</sup> was 30 percent, compared with 5 percent for the Findata total return index.*

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

Consolidated net sales amounted to SEK 2,181 M (2,276), which for comparable units represents an increase of 11 percent compared with the corresponding period in 1999. Net financial items improved by SEK 28 M to SEK -63 M (-91). Earnings after financial items totaled SEK 1,393 M (1,266) and include capital gains of SEK 412 M (449) on sales of listed stocks.

### **FINANCING AND EQUITY RATIO**

Net debt increased by SEK 2,939 M to SEK 4,609 M, mainly due to net purchases of listed stocks, totaling SEK 2,312 M.

During the period IndustriVärden was assigned international corporate credit ratings of A+/Stable/A-1 from Standard & Poor's, and the Swedish Medium-Term Notes program was increased from SEK 2 billion to SEK 5 billion. In early August a five-year syndicated loan of EUR 600 M was subscribed.

The visible equity ratio was 66 percent (73 percent at the start of the year), while the adjusted equity ratio, which includes surplus values of listed stocks, was 89 percent (91).

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<sup>1</sup>Price trend plus reinvested dividends.

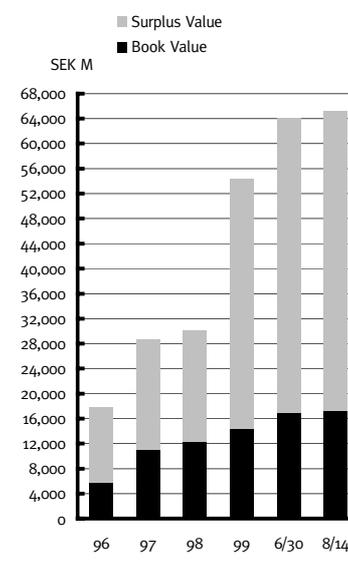
<sup>2</sup>IndustriVärden has ownership stakes in Ericsson, SCA and Skanska which exceed 20 percent of the number of votes after full dilution. The consolidated income statement and balance sheet presented in this interim report do not include any part of these companies' reported earnings.

## PORTFOLIO OF LISTED STOCKS

The portfolio of listed stocks had a market value of SEK 64,071 M on June 30, 2000 and the surplus value was SEK 47,098 M (SEK 54,298 M and SEK 39,962 M respectively at the start of the year). Unrealized growth in the value of the listed portfolio during the first half of the year was thus SEK 7,136 M. Adjusted for purchases and sales, the growth in value since the start of the year was 14 percent, compared with 6 percent for the General Index. The result of sales from the portfolio of listed stocks was a capital gain of SEK 412 M.

During the first half of the year, purchases of listed stocks totaled SEK 3,047 M, while sales totaled SEK 735 M. Thus stocks were bought for a net value of SEK 2,312 M. Major net purchases consisted of 1,835,490 Lundbeck A/S, 5,350,000 Handelsbanken, 2,663,900 Skandia, 1,151,250 Pharmacia Corp., 550,000 Pfizer Inc., and 455,000 Karo Bio. Major net sales consisted of 1,227,000 SCA and 200,000 Volvo.

Market Value of Listed Portfolio and Surplus Value



During the second quarter, the number of shares in Ericsson increased as a result of a 4:1 split, and the number of shares in Skandia increased as a result of a 1:1 stock dividend. Pharmacia Corp. was formed through the merger between Pharmacia & Upjohn and Monsanto, whereby 1.19 shares in Pharmacia Corp. were received for each share in Pharmacia & Upjohn.

### Price Trend for the Five Largest Shareholdings

The trend during the first half of the year for the five largest shareholdings, which accounted for 88 percent of the portfolio's value at June 30, was as follows:

<u>Company</u>	<u>Share of portfolio at June 30, %</u>	<u>Price change January-June, %</u>
Ericsson	50	23
Skandia	16	81
Handelsbanken	10	20
Sandvik	7	-31
SCA	5	-34

*Ericsson* had a strong earnings improvement, and its stock outperformed the General Index. The trend for telecom stocks was mainly positive on the international stock markets during the first half of the year.

*Skandia* performed considerably better than the General Index, the bank and financial services index, and comparable international insurance companies.

*Handelsbanken* has shown clearly better profitability than the average for the Nordic commercial banks for a number of years. The price trend during the period was better than the General Index and on a par with the other Nordic commercial banks.

*Sandvik* reported a favorable earnings trend. Cyclical stocks like Sandvik and SSAB were weak during the first half of the year, after having outperformed the General Index in 1999.

*SCA* had a favorable earnings trend. The stock performed slightly better than the forestry index.

## Development for the Listed Portfolio Through August 14, 2000

The market value of the listed portfolio on August 14, 2000, was SEK 65,313 M, and the surplus value was SEK 47,973 M. Adjusted for purchases and sales, the portfolio's value increased by 16 percent from the start of the year. The General Index increased by 4 percent during the same period.

## SURPLUS FUNDS IN SPP

The client-company funds that have accumulated in the insurance company SPP and been allocated to the Group amount to SEK 75 M, of which SEK 18 M pertains to the Parent Company. Of this amount, a discounted present value of SEK 64 M is reported among other operating income in the half-year accounts.

## PARENT COMPANY

The Parent Company's dividend income amounted to SEK 831 M (785), including SEK 813 M (772) from listed companies. Including gains of SEK 412 M (449) on sales of listed stocks, earnings totaled SEK 1,243 M (1,234). After administrative costs and a negative balance of interest income and expense, earnings after financial items totaled SEK 1,141 M (1,105).

## SUBSIDIARIES<sup>3</sup>

*Besam's* net sales amounted to SEK 891 M (800), an increase of 11 percent compared with the first half of 1999. Earnings after financial items totaled SEK 85 M (72).

*Isaberg Rapid's* net sales were SEK 323 M (289), an increase of 12 percent compared with the first half of 1999. Earnings after financial items were SEK 31 M (22).

*Indutrade's* net sales amounted to SEK 966 M (875), an increase of 10 percent compared with the first half of 1999. Earnings after financial items were SEK 81 M (66).

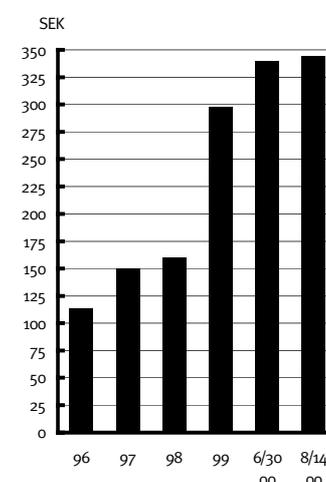
## CALCULATED NET ASSET VALUE

IndustriVärden's net asset value<sup>4</sup> as per June 30 has been calculated at SEK 64.9 billion, or SEK 340 per share and CPN. Net asset value as per August 14 has been calculated at SEK 344 per share and CPN. Net asset value as per December 31, 1999, was calculated at SEK 298 per share and CPN.

Stockholm, Sweden, August 15, 2000

Clas Reuterskiöld  
President and CEO

Net Asset Value per Share  
and CPN



<sup>3</sup>The surplus funds in SPP payable to the subsidiaries are not included in the respective companies' earnings reported below, however, they have been taken into account in the consolidated accounts.

<sup>4</sup>The composition of net asset value is shown in the table on page 10.

## **ACCOUNTING PRINCIPLES**

The same accounting principles and calculation methods as in the 1999 Annual Report have been used in this interim report.

## **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 15, 2000

Öhrlings PricewaterhouseCoopers AB

Ingvar Pramhäll  
*Authorized Public Accountant*

## **FINANCIAL CALENDAR**

An interim report for the period January–September will be released on October 31.

A year-end report for 2000 will be released on February 20, 2001.

The 2000 Annual Report will be published at the end of March 2001.

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**IndustriVärden Consolidated Income Statement**

SEK M	<b>2000</b>	1999	1999
	<b>Jan.-June</b>	Jan.-June	Jan.-Dec.
Net sales	<b>2,181</b>	2,276	4,071
Cost of goods sold	<b>-1,423</b>	-1,518	-2,636
<b>Gross earnings</b>	<b>758</b>	758	1,435
Development costs	<b>-33</b>	-38	-55
Selling costs	<b>-358</b>	-372	-675
Administrative costs	<b>-201</b>	-212	-378
Other operating income and expenses	<b>62</b> <sup>5</sup>	0	-2
<b>Operating earnings</b>	<b>228</b>	136	325
Dividend income from listed stocks	<b>813</b>	772	775
Capital gains on sales of listed stocks	<b>412</b>	449	3,535
Capital gains on sales of other stocks	<b>3</b>	-	100
<b>Earnings before financial items</b>	<b>1,456</b>	1,357	4,735
Interest income	<b>63</b>	14	68
Interest expense (excl. CPN interest)	<b>-141</b>	-111	-210
Other financial items	<b>15</b>	6	10
<b>Earnings after financial items</b>	<b>1,393</b>	1,266	4,603
CPN interest	<b>-74</b>	-50	-134
<b>Earnings before taxes</b>	<b>1,319</b>	1,216	4,469
Tax on earnings for the period	<b>-140</b>	-166	-135
<b>Net earnings for the period</b>	<b>1,179</b>	1,050	4,334

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<sup>5</sup> Of which, surplus funds in SPP SEK 64 M.

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### Breakdown by Business Unit

SEK M	Net sales		Earnings after financial items	
	2000 Jan.-June	1999 Jan.-June	2000 Jan.-June	1999 Jan.-June
Besam	<b>891</b>	800	<b>85</b>	72
Isaberg Rapid	<b>323</b>	289	<b>31</b>	22
Indutrade	<b>966</b>	875	<b>81</b>	66
Dividend income from listed stocks	-	-	<b>813</b>	772
Other, net	<b>1</b>	-5	<b>-32</b> <sup>6</sup>	-113
	<b>2,181</b>	1,959	<b>978</b>	819
Capital gains on sales of stocks	-	-	<b>415</b>	449
Structural changes <sup>7</sup>	-	317	-	-2
	<b>2,181</b>	2,276	<b>1,393</b>	1,266

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<sup>6</sup> Of which, surplus funds in SPP SEK 64 M.

<sup>7</sup> Pertains to Hydraulto, Rapid Granulator and Timelox which were sold during 1999.

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**IndustriVärden Consolidated Balance Sheet**


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SEK M	<b>June 30 2000</b>	June 30 1999	Dec. 31 1999
Intangible assets	<b>91</b>	99	95
Tangible assets	<b>574</b>	696	570
Shares and participations	<b>17,318</b>	13,186	14,477
Other financial assets	<b>511</b>	80	1,318
Inventories	<b>721</b>	758	649
Accounts receivable, trade	<b>821</b>	885	811
Other current receivables	<b>248</b>	115	145
Liquid assets	<b>1,068</b>	220	1,153
<b>Total assets</b>	<b>21,352</b>	16,039	19,218
Shareholders' equity	<b>13,639</b>	10,244	13,525
CPN loans	<b>448</b>	448	448
Provisions	<b>302</b>	331	305
Long-term liabilities, interest-bearing	<b>2,444</b>	928	1,051
Current liabilities, noninterest-bearing	<b>1,045</b>	1,092	1,015
Current liabilities, interest-bearing	<b>3,474</b>	2,996	2,874
<b>Total shareholders' equity and liabilities</b>	<b>21,352</b>	16,039	19,218
Visible equity ratio, percent	<b>66</b>	67	73
Adjusted equity ratio, percent <sup>8</sup>	<b>89</b>	87	91

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Change in shareholders' equity	Capital stock	Restricted reserves	Unrestricted shareholders' equity	Total share- holders' equity
SEK M				
December 31, 1999	859	927	11,739	13,525
Dividends to shareholders	-	-	-1,065	-1,065
Transfers between unrestricted and restricted shareholders' equity	-	1	-1	0
Change in translation differences	-	-1	1	0
Net earnings for the period	-	-	1,179	1,179
<b>June 30, 2000</b>	<b>859</b>	<b>927</b>	<b>11,853</b>	<b>13,639</b>

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<sup>8</sup> Surplus values in listed stocks included.

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**IndustriVärden Consolidated Statement of Cash Flows**

SEK M	<b>2000</b>	1999	1999
	<b>Jan.-June</b>	Jan.-June	Jan.-Dec.
<b>OPERATING ACTIVITIES</b>			
Earnings after financial items	<b>1,393</b>	1,266	4,603
Adjustment of items not included in cash flows:			
Depreciation	<b>63</b>	75	125
Result of sales of listed stocks	<b>-412</b>	-449	-3,535
Result of sales of other stocks	<b>-3</b>	-	-100
Reversal of other items not affecting cash flows	<b>-5</b>	22	4
Paid tax	<b>-139</b>	-123	-140
<b>Cash flow from operating activities before changes in working capital</b>	<b>897</b>	791	957
Cash flow from changes in working capital	<b>-137</b>	0	89
<b>Net cash flow from operating activities</b>	<b>760</b>	791	1,046
<b>INVESTING ACTIVITIES</b>			
Purchases of listed stocks	<b>-3,047</b>	-1,424	-3,731
Sales of listed stocks	<b>676</b>	1,090	5,168
Net purchase/sale of subsidiaries	<b>-10</b>	-	197
Net purchase/sale of long-term fixed-income securities	<b>860</b>	-	-1,260
Net purchase/sale of other fixed assets	<b>-111</b>	-51	-88
<b>Net cash flow from investing activities</b>	<b>-1,632</b>	-385	286
<b>FINANCING ACTIVITIES</b>			
Loans raised and amortization of debt	<b>1,993</b>	-505	-493
Dividends and CPN interest paid out	<b>-1,204</b>	-874	-874
<b>Net cash flow from financing activities</b>	<b>789</b>	-1,379	-1,367
<b>Net cash flow for the period</b>	<b>-83</b>	-973	-35
<b>Liquid assets at beginning of the year</b>	<b>1,153</b>	1,200	1,200
<b>Exchange rate differences in liquid assets</b>	<b>-2</b>	-7	-12
<b>Liquid assets at end of the period</b>	<b>1,068</b>	220	1,153

	Dec. 31		Change in	Other	June 30
Change in Interest-Bearing Net Debt	1999	Cash flow	loans	changes	2000
Liquid assets	1,153	-83	-	-2	<b>1,068</b>
Long-term fixed-income securities	1,260	-	-	-860	<b>400</b>
Long-term interest-bearing liabilities	1,051	-	1,393	-	<b>2,444</b>
Current interest-bearing liabilities	2,874	-	600	-	<b>3,474</b>
Interest-bearing pension provisions	158	-	-	1	<b>159</b>
Net interest-bearing debt	1,670	83	1,993	863	<b>4,609</b>

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**Portfolio of Listed Stocks as per June 30, 2000**


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	Number	Market value		Percent of portfolio's value
		SEK M	SEK per share and CPN	
Ericsson	186,000,000	32,178	168	50
Skandia	42,913,900	9,999	52	16
Handelsbanken	50,000,000	6,400	34	10
Sandvik	23,000,000	4,255	22	7
SCA	20,087,532	3,301	17	5
Skanska	8,075,689	2,524	13	4
Pfizer Inc.	3,000,000	1,229	7	2
SSAB	12,065,600	1,056	6	2
Lundbeck A/S	2,064,490	895	5	1
Scania	3,000,000	664	3	1
Pharmacia Corp.	1,300,000	579	3	1
Volvo	1,800,000	337	2	0
Other (<SEK 300 M)		654	3	1
<b>Total</b>		<b>64,071</b>	<b>335</b>	<b>100</b>

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

	<u>Number</u>
SCA	109,000
Scania	9,485

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**Composition of Net Asset Value**


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	SEK billion		SEK per share and CPN	
	Aug. 14	June 30	Aug. 14	June 30
Listed stocks	65.3	64.1	342	335
Industrial and trading operations	4.8	4.8	25	25
	70.1	68.9	367	360
Other assets and liabilities	-4.3	-4.0	-23	-20
	<b>65.8</b>	<b>64.9</b>	<b>344</b>	<b>340</b>

Total number of shares and CPN's: 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 1999), based on current estimations of the companies' earnings for 2000.

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.