



ANNUAL REPORT 2007

# INDUSTRIVÄRDEN

Long-term industrial  
developer of listed  
Nordic companies



Handelsbanken



ERICSSON 

VOLVO

SKANSKA

 Indutrade

 Munters

Höganäs 

## Contents

### Industrivärden at a Glance

- 1 Highlights 2007
- 2 CEO's Message

---

### Presenting Industrivärden

- 5 Goal and Goal Achievement
- 6 Net Asset Value
- 8 Industrivärden Share Data
- 11 Business Model
- 15 Organization and Employees

---

### Equities Portfolio

- 17 Composition and Performance of the Equities Portfolio
- 20 A Portfolio of Industry-Leading Companies
- 22 Sandvik
- 24 Handelsbanken
- 26 SSAB
- 28 SCA
- 30 Ericsson
- 32 Volvo
- 34 Skanska
- 36 Indutrade
- 38 Munters
- 40 Höganäs

---

### 42 Corporate Governance Report

---

### Financial Statements

- 50 Board of Directors' Report
- 52 Proposed Distribution of Earnings
- 53 Group and Parent Company Income Statements
- 54 Group and Parent Company Balance Sheets
- 56 Group and Parent Company Statements of Cash Flows
- 58 Group and Parent Company Shareholders' Equity
- 59 Accounting Principles
- 62 Financing and Financial Risk Management
- 65 Notes
- 76 Audit Report
- 77 Tax Rules for Holding Companies
- 78 Industrivärden in Summary – SEK and Euros
- 80 Board of Directors, Executive Management and Auditor
- 82 Glossary and Definitions
- 83 Industrivärden's History – 60 Years in Brief
- 84 Stock Market Information
- 85 2008 Annual General Meeting

### Financial Calendar 2008

Interim reports will be released

- on May 5 for the period January–March,
- on August 4 for the period January–June,
- and on October 31 for the period January–September.

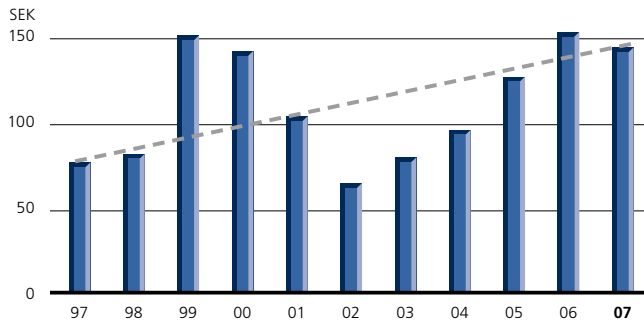
All reports will also be published on Industrivärden's website:  
[www.industrivarden.net](http://www.industrivarden.net)

This Annual Report is distributed to shareholders who have notified the Company that they would like to receive it in printed form. Information on the 2008 Annual General Meeting and a notification card to attend the AGM can be found on page 85.

*This Annual Report is a translation of the Swedish original.*

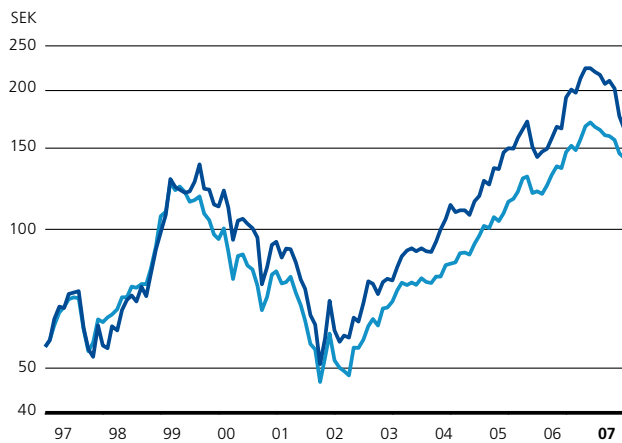
# Industrivärden at a Glance

## Net Asset Value per Share



Average annual growth in net asset value during the ten-year period 1997–2007 was 14% including reinvested dividends.

## Total Return, Industrivärden's Stock



■ Total return, Industrivärden A ■ Return index (SIXRX)

Average annual total return during the ten-year period 1997–2007 was 12%.

## Business Mission

To create shareholder value through active ownership and professional investment activities

## Business and Goals

Industrivärden is one of the Nordic region's leading holding companies. Its goal is to generate high growth in net asset value and thereby give its shareholders a total return which, over the long term, is higher than the average for the Stockholm Stock Exchange. Industrivärden has historically demonstrated a great ability to create shareholder value and has delivered a higher average total return than the stock market in both the short- and long-term perspectives.

## Strategy

Industrivärden creates value through active ownership and professional investment activities. Active ownership is based on Industrivärden's model for value creation in its portfolio companies. Investment activities are built upon a structured process of continuous analysis of current and potential holdings.

## Investment Criteria

- Strong potential for growth in value through active ownership
- Midcap and large listed Nordic companies
- Ownership stakes that enable significant influence
- Companies with business models that can be applied in several markets and with a good ability to generate cash flows
- Concentration on a limited number of shareholdings

# Highlights 2007

## Net Asset Value

- Net asset value per share<sup>1</sup> at year-end was SEK 142 (151), a decrease of 3% (increase of 24%) for the year including reinvested dividend.
- During the last ten-year period, average annual growth in net asset value, including reinvested dividends, was 14%.

## Total Return

- The total return was -14% for Industrivärden Class A shares and -15% for Industrivärden Class C shares, compared with -3% for the return index.
- During the last ten-year period, the total return for the Class A and Class C shares averaged 12% and 11% per year, respectively, which exceeded the return index by 2 percentage points and 1 percentage point per year, respectively.

1) All per-share values are calculated after the 2007 stock split, whereby two new shares of the same class were received for each existing share held.

## Industrivärden's Performance

	2007	2006
Equities portfolio		
– market value as per Dec. 31, SEK M	<b>65,844</b>	63,325
– total return <sup>1</sup>	<b>-2%</b>	+23%
Borrowing		
– net debt as per Dec. 31, SEK M	<b>10,951</b>	4,543
– average interest expense	<b>4.6%</b>	3.5%
Net asset value as per Dec. 31	<b>54,837</b>	58,511
– growth <sup>2</sup>	<b>-3%</b>	+24%
Active ownership		
– management cost	<b>0.13%</b>	0.13%
Dividend, SEK <sup>3</sup>	<b>5.00</b>	4.50
Dividend yield, Class A shares	<b>4.4%</b>	3.3%
Dividend yield, Class C shares	<b>4.8%</b>	3.5%

1) Total return for the equities portfolio including dividends received and share redemptions.

2) Change in net asset value taking reinvested dividends into account.

3) Dividend for the respective fiscal years. For 2007, proposed by the Board of Directors.

## Purchases of Stocks

- During the year Industrivärden purchased Volvo A shares for SEK 4,216 M and stock in SSAB for SEK 2,792 M, including SEK 2,275 M in shares subscribed through SSAB's rights issue.
- Total purchases of stocks amounted to SEK 8,834 M (3,193).

## Sales of Stocks

- The shareholding in Tandberg Television was sold for SEK 728 M.
- Total sales of stocks amounted to SEK 2,124 M (2,072).

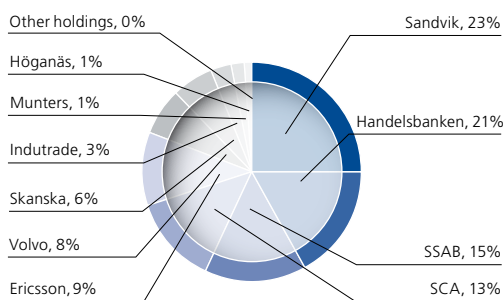
## Short-Term Trading

- Income from short-term trading in derivatives and equities totaled SEK 142 M (173).

## Proposed Dividend

- The Board of Directors proposes a dividend of SEK 5.00 (4.50) per share, an increase of 11 %.

## Equities Portfolio as per December 31, 2007



## CEO'S MESSAGE

## 2007 – A Dramatic Year

Being a shareholder can be a trying experience. As former chairman of the U.S. Federal Reserve Bank Alan Greenspan notes in his memoirs regarding the natural human aversion to risk, “everyone who subjects themselves to the stress that long-term share ownership entails receives a higher return.” These are thought-provoking words when looking back at the stock market year in 2007 and the first months of 2008. Last year began with a significant, continued upward trend in the stock market as a result of a strong, global growth scenario, but ended with negative returns due to a punctured credit and liquidity bubble in the international financial market. This gave rise to pervasive concerns that the subsequent credit tightening would lead to a recession in the U.S., with a negative impact on the entire global economy. Against this background, the stress factor has been unusually large in recent quarters. In times like these, it is a strength to have a long-term investment horizon. Long-term value creation is the philosophy that Industrivärden has so successfully adhered to for more than sixty years.

### Sound Normalization Process

It is now growing clear that several financial products in the U.S. mortgage lending market, which were based on subprime loans and sophisticated off-balance sheet products, have by their design been proven to be more or less pyramid schemes. This is not the first credit crisis in history, but the world has changed, with new problems as a result. Today we have a global market with a large number of participants, where it is primarily the banks that are transparent as a result of regulation requirements. In such an environment, no one knows who is sitting on additional exposures. This has resulted in extreme risk aversion among market participants, which in turn brought the credit market to a near collapse on several occasions during autumn 2007. This is why America's central bank, the Fed, and the European Central Bank have injected large amounts of liquidity into the financial system. Once this correction has been completed, the credit market will work more normally again – but the road could be long and bumpy. Against this background, the credit tightening that is now taking place is fundamentally sound. As a result, the large valuation differences that have existed between listed buyers of companies and private equity firms have evened out. This benefits Industrivärden and its portfolio companies. We can once again see situations where industrial buyers with potential synergies can count on interesting company acquisitions. This is in contrast to recent years, where it has been nearly impossible for listed companies to compete with private equity firms for acquisition candidates.

### Industrivärden's Stock in 2007

Industrivärden's business mission is to be a long-term active owner in companies with good development potential. By participating in the ongoing development of companies, we contribute to value growth, which in turn enables us to deliver favorable returns to our shareholders. We have succeeded with this for a long time – but not in 2007. Our net asset value developed on a par with the return index (including reinvested dividends), which fell by 3%. Despite this, Industrivärden's stock performed below the market index in 2007. The reason for this is that the discount to net asset value doubled in 2007, from 10% to 20%. The total return was –14% for the Class A shares and –15% for the Class C shares, compared with –3% for the return index. Over the long term, however, Industrivärden's stock has been a good investment and has generated substantial excess returns compared with the return index.

### Changed Macro View

The value of a stock is dependent on two overall factors:

- The systematic risk that is dependent on the overall macro scenario and the risks for changes it can entail.
- Company-specific risks that are dependent on how individual companies develop and the risks that exist in the industry the company works in.

The trend during the second half of 2007 and start of 2008 is that macro-based uncertainty, and thus related increases in the risk premium, have resulted in dramatically lowered valuations of our portfolio companies. At present, market players have their focus entirely on systematic risk, and they care less about a company's specific conditions, profitability potential and dividend capacity. From having had an average P/E multiple of 15, the level is now a P/E multiple of 10. This means that, given a continued stable level of profits, there is an upside potential of 50%, all else unchanged. The same reasoning can be used to assert that earnings would have to be cut by 33% to restore the historic P/E multiple level. As this is written, there are few people who will put their money on which side bows down – risk premium or earnings. As a result, we now have a stock market with high volatility and relatively low trading volume. You could say that the players are all on the sidelines and avoiding investing in equities until the uncertainty described above has eased. No one knows how long this will take, but historically it usually takes about 6–12 months.

From our business mission it follows that I and my colleagues spend most of our time working closely with our portfolio companies, and through my board assignments and other contacts



“Long-term value creation is the philosophy that Industrivärden has so successfully adhered to for more than sixty years.”

with these companies, I can see that they are doing well. In most cases they have developed better than the already ambitious plans and budgets that were made before the start of the year. When working in such a positive environment, it is hard to grasp the dramatic swings in values that the stock market has shown. From the long-term perspective that we take, it is not the short movements in the stock market that are the main focus, but the long-term work on creating value.

#### **Portfolio Companies – Active Ownership in 2007**

The foundation for good organic growth and profitability development in our portfolio companies is made up of the day-to-day work performed by 480,000 employees in more than 180 countries. Continuous strategic development is also needed to maintain and advance a company's positions. During the year we took part in a number of important deals and activities that strengthen the potential for continued good value growth. Let me give a few examples.

SSAB carried out the largest corporate deal in Sweden in 2007 – the acquisition of Canadian/American steel and pipe manufacturer IPSCO. The purchase price was financed in part through a rights issue and in part through loans. The acquisition enables SSAB's ambition to continue developing its strategy to be a dominant global player in quenched and high strength steel. Today the steel industry is characterized by consolidation between major

producers of commercial steel – mainly driven by Arcelor Mittal. In such an environment it is essential that SSAB aggressively takes advantage of its favorable development opportunities in areas in which it is a global leader. To do this, SSAB needed more manufacturing capacity. IPSCO brings modern and efficient production capacity, while SSAB can provide substantial know-how in distribution and marketing. Through the acquisition, SSAB went from being overcapitalized to initially having a high debt-equity ratio. This illustrates Industrivärden's philosophy of giving priority to profitable, active development of our portfolio companies, rather than to share repurchases. As proof of Industrivärden's strong belief in the deal, we guaranteed our share of the rights issue, which was fully subscribed. The entire transaction, including all necessary regulatory approvals and raising of loans, could be carried out before the credit anxiety became truly serious.

In evaluations of synergies between Handelsbanken's insurance and banking businesses, the board and management found that the insurance business was not contributing to value creation as much as was anticipated. Consequently, in December 2007 the life insurance company SPP was sold to Storebrand. Through this deal the bank significantly strengthened its capital base. But what's most important is that after the sale, Handelsbanken can now focus on its core business – a decentralized banking business with top customer satisfaction ratings. In 2007 the rate of new branch

openings increased significantly. This is important, because over time there is a strong correlation between branch office expansion and earnings growth.

During the year, SCA made two important changes in its product portfolio. First, SCA entirely exited the North American packaging market through the sale of its U.S. packaging business. SCA then acquired Procter & Gamble's European tissue business – a deal which, following EU approval, was completed in October and strengthens SCA's leading position in the European tissue market. This is a prime example of how SCA, with its broad product lineup and geographic presence, can optimize the structure of its product portfolio over time in order to achieve improved profitability and growth. SCA's newly installed CEO, Jan Johansson, will continue working with this portfolio strategy while maintaining a strong focus on cost efficiency. Continuous cost-cutting is necessary to compensate for rising energy and raw material costs. This is illustrated by the improvement program that was announced in December. In connection with it, the value of SCA's forest holdings was also written up.

In 2007 Ericsson carried out a number of key acquisitions to strengthen its strategic base in infrastructure technology as well as in the new Multimedia business area. We believe that Ericsson is developing well as a company, especially compared with its competitors, which are struggling with major problems. Despite this, last year was a disappointment for us and other shareholders, since Ericsson's stock lost more than 40% in value. Our view is that with its leading position, Ericsson is well equipped to meet future demand for communication solutions for speech, data, music and images.

### Changes in the Portfolio in 2007

In 2007 we made purchases of stocks for SEK 8.8 billion and sales for SEK 2.1 billion – thus net purchases of SEK 6.7 billion. Among other measures, we invested SEK 2.3 billion in SSAB's rights issue and increased our holding in Volvo by SEK 4.2 billion. Major sales of stocks were made in Tandberg Television, for SEK 700 M, in Sandvik redemption shares, for SEK 400 M, and in Isaberg Rapid, for SEK 200 M.

After the share purchases, today we have an interesting ownership position in Volvo, corresponding to 5.3% of the votes. We are optimistic about Volvo's long-term development opportunities, which are essentially based on the rising need for transport brought about by globalization – partly in the form of more goods being transported, but also due to the major infrastructure investments and rising need for transport in prospering countries like China, Russia and India. Volvo, which after Daimler Benz is number two in the world market for heavy trucks, is positioned to benefit from this potential. Moreover, Volvo is the world's largest maker of diesel engines, which are the core of synergies and

development opportunities for the company's other business areas, such as Volvo Penta and Volvo Construction Equipment.

### Higher Debt at Fixed Interest

Through the year's purchases, we increased our debt by SEK 6.4 billion, to SEK 11.0 billion. Our debt-equity ratio was thus 16.6% at year-end. Most of our debt portfolio is long-term, and interest rates on the new loans are fixed for an average of five years. The additional interest expense is less than the dividend income we will receive from the new share purchases in SSAB and Volvo.

### Profit from Short-Term Trading Once Again Covers Management Cost

Our short-term trading in 2007 generated a profit of SEK 142 M (173), which is satisfactory considering the high volatility in the market during the second half of the year. Since starting our short-term trading in 2003 – an operation with well defined investment routines and clear risk mandates – we have generated some SEK 600 M in total profit. These profits have covered our management costs by a healthy margin, which during the same period amounted to roughly SEK 400 M, or 0.16% of managed assets.

### Dividend

The Board proposes raising the dividend for 2007 by 11% (29%), to SEK 5.00 per share (4.50). This entails that we once again will have achieved our goal of paying a dividend that exceeds the average for the Stockholm Stock Exchange at the same time that we achieve a balance in our operating cash flow.

### Outlook 2008

With a listed portfolio of high-quality internationally active companies – most of which are leaders in their respective industries – I am confident about the future, despite the prevailing stock market climate. No one knows how the stock market will develop in 2008, but one thing is clear: At Industrivärden we will continue working together with our portfolio companies to create value to the benefit of our shareholders.

Finally, I would like to thank my colleagues for a strenuous, but rewarding year in 2007. We look forward to new, exciting challenges in 2008.

Stockholm, February 2008



Anders Nyrén  
President and CEO

## GOAL AND GOAL ACHIEVEMENT

## Long-Term Higher Total Return than Index

Industrivärden's goal is to generate high growth in net asset value and to create conditions to deliver a total return to its shareholders which, over the long term, is higher than the average for the Stockholm Stock Exchange. Industrivärden has achieved this goal by a comfortable margin.

Industrivärden works according to a well established model for structured investment activities and active value creation in its portfolio companies. Using this as a base and with a long-term approach, Industrivärden has generated favorable growth in net asset value in both the short- and long-term perspectives. This favorable growth, combined with the Company's policy of paying a dividend yield that is higher than the average for the Stockholm Stock Exchange, has enabled Industrivärden to deliver an attractive and competitive total return to its shareholders.

Over the last five-, ten- and twenty-year periods – as well as since the Company's stock market introduction in 1945 – Industrivärden's stock has delivered a total return that is on a par with or higher than the average for the Stockholm Stock Exchange.

In 2007 the total return was lower than the return index, mainly because the share price performed worse than the underlying net asset value.

### Average Growth in Net Asset Value<sup>1</sup>

	2007	Five years (2003–2007) <sup>1</sup>	Ten years (1998–2007) <sup>1</sup>
Net asset value, %	–6	17	7
Net asset value including reinvested dividends, % <sup>2</sup>	–3	23	14

1) Average per year.

2) Taking into account reinvested dividends, a measure of total value growth is obtained, i.e., how net asset value would have developed if dividends had remained in the Company and grown in pace with the equities portfolio.

### Industrivärden Compared with Return Index (SIXRX)

Annual total return <sup>3</sup>	Industrivärden		Return index, %	Excess return (% points)	
	Class A, %	Class C, %		Class A	Class C
63 years (since stock market listing)	15	– <sup>4</sup>	14	1	– <sup>4</sup>
20 years	14	– <sup>4</sup>	14	0	– <sup>4</sup>
15 years	19	19	16	3	3
10 years	12	11	10	2	1
5 years	22	23	22	0	1
1 year	–14	–15	–3	–11	–12

3) Growth in value including reinvested dividends.

4) The Class C shares were listed in 1988.



## NET ASSET VALUE

## Net Asset Value SEK 142 per Share

In 2007 the total return for the equities portfolio was –2%, or 1 percentage point better than the return index. Net asset value of Industrivärden shares decreased by 3%, assuming the dividend of SEK 4.50 per share had been reinvested and performed on a par with the equities portfolio.

Net asset value is a measure of the shareholders' total net worth, defined as the market value of the equities portfolio less net debt. At year-end net asset value was SEK 54.8 billion (58.5), or SEK 142 (151) per share.

Annual growth in net asset value including reinvested dividends for the ten-year period 1998–2007 was 14%, which can be compared with 10% for the return index (SIXRX).

## Equities Portfolio

Industrivärden's equities portfolio, which consists of holdings in listed stocks, is valued at the current market price on the balance sheet date. Skanska's Class A shares, which have strong voting power and are unlisted, have been valued at the same price as its Class B shares. Since holding companies are exempt from capital gains tax on sales of stocks, the calculations have not been charged with any standard tax assumption. The tax rules for Swedish holding companies are described on page 77.

The total return for the equities portfolio was –2%, compared with –3% for the return index.

During the ten-year period 1998–2007 the standard deviation in the total return for Industrivärden's portfolio of listed stocks was 23.9%, compared with 21.4% for the return index (SIXRX). The total variation in the return in Industrivärden's listed portfolio is thus higher than a broad market index, which is logical considering the relative concentration of the listed portfolio.

The most significant risk in Industrivärden's business consists of fluctuations in the value of the equities portfolio. This risk and other financial risks that affect Industrivärden are described in detail on pages 62–64.

## Net Debt

Net debt in the net asset value calculation includes the Group's interest-bearing net debt as well as the net book value of other assets and liabilities. A guiding principle for Industrivärden is that,

over the long term, interest-bearing net debt should not exceed 20% of the portfolio's market value. During the ten-year period 1998–2007, the debt-equity ratio ranged from a low of 3% to a high of 17%.

## Growth in Net Asset Value

A compilation of the shareholdings' impact on net asset value is shown in the table below.

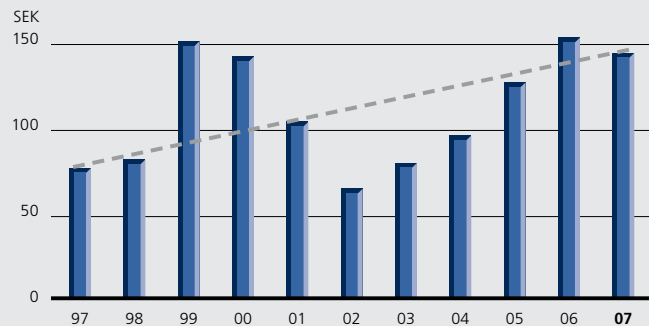
## Growth in Net Asset Value in 2007 and 2006

SEK M		December 31, 2006/December 31, 2005		58,511	48,252
Equities portfolio	Opening value			<b>63,325</b>	<b>52,265</b>
	Purchases	8,834			3,193
	Sales	<u>–2,124</u>	<b>6,710</b>	<u>–2,072</u>	1,121
	<i>Change in value of equities portfolio:</i>				
	Sandvik	1,879			3,315
	SSAB	644			2,775
	Handelsbanken	–11			676
	Höganäs	–152			25
	Indutrade	–172			684
	Munters	–244			342
	SCA	–269			1,553
	Skanska	–436			458
	Volvo	–635			290
	Ericsson	–4,667			48
	Other stocks	–128	–4,191	–227	9,939
	<b>Closing value</b>			<b>65,844</b>	63,325
Net debt	Opening value			<b>–4,814</b>	–4,013
	Dividend paid	–1,738			–1,352
	Dividends received	2,107			1,733
	Management costs	–86			–81
	Net financial items	–271			–190
	Purchases/sales of stocks, net	–6,710			–1,121
	Other	505	<b>–6,193</b>		210
	<b>Closing value</b>			<b>–11,007</b>	–4,814
	<b>December 31, 2007/December 31, 2006</b>			<b>54,837</b>	58,511

## Growth in Net Asset Value



## Net Asset Value per Share



Average annual growth in net asset value during the ten-year period 1997–2007 was 14% including reinvested dividends.

## Composition and Growth of Net Asset Value

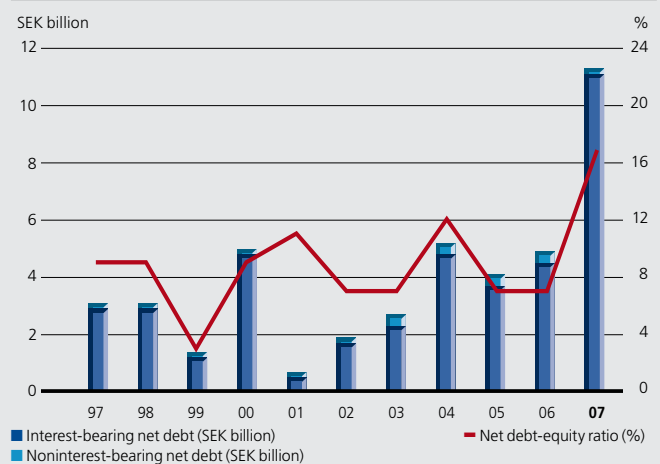
SEK/share as per Dec. 31	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Equities portfolio</b>	<b>170</b>	164	135	108	85	68	115	153	153	88	83
<b>Net debt</b>											
Interest-bearing net debt	-27	-12	-9	-12	-6	-5	-13	-13	-3	-8	-8
Other assets and liabilities	-1	-1	-1	-1	-1	0	0	0	-1	0	0
<b>Net asset value</b>	<b>142</b>	151	125	95	78	63	102	140	149	80	75
Change in net asset value, %	-6	21	32	22	24	-38	-27	-5	86	7	32
Market price of Class A shares	113	136	109	85	61	50	83	103	93	55	56
Market price of Class C shares	105	128	100	77	55	46	76	97	89	51	55
Discount to net asset value, A shares, %	20	10	13	10	22	21	19	27	38	32	26
Discount to net asset value, C shares, %	26	16	20	19	30	28	25	31	41	36	27
Net debt-equity ratio, %	17	7	7	12	7	7	11	9	3	9	9

The discount to net asset value, i.e., the difference between net asset value and the stock price measured as a percentage of net asset value, reached a high of 38% for the Class A shares at year-end 1999 and a low of 10% at year-end 2004 and 2006.

## Interest-Bearing Net Debt

SEK M	Dec. 31, 2007	Dec. 31, 2006
Cash and cash equivalents	257	738
Interest-bearing receivables	65	2
Long-term interest-bearing liabilities	9,857	2,778
Current interest-bearing liabilities	1,416	2,505
<b>Interest-bearing net debt</b>	<b>10,951</b>	4,543
Market value of equities portfolio	65,844	63,325
<b>Net debt-equity ratio, %</b>	<b>16.6</b>	7.2

## Net Debt-Equity Ratio



## INDUSTRIVÄRDEN SHARE DATA

## Total Return in 2007 Below Return Index

Industrivärden's Class A shares fell by 17% during the year, and the Class C shares fell by 18%. Trading volume was SEK 16 billion. Industrivärden's market capitalization was SEK 43 billion (52) at year-end. The total return was -14% for the Class A shares and -15% for the Class C shares, compared with -3% for the stock market as a whole.

### Performance of Industrivärden's Stock in 2007

Industrivärden's stock performed below the market average in 2007. The market index fell by 6% during the year, while Industrivärden's Class A shares fell by 17%, from SEK 136 to SEK 113. The Class C shares fell from SEK 128 per share to SEK 105, or by 18%. The highest price paid was SEK 158 for Industrivärden's Class A shares and SEK 150 for the Class C shares. The lowest price paid was SEK 107 for the Class A shares and SEK 98 for the Class C shares. The total return in 2007 (which includes reinvested dividends) was -14% for the Class A shares and -15% for the Class C shares, compared with -3% for the market as a whole. The total return was lower than the return index, mainly because the share price performed worse than the underlying net asset value.

Trading volume of Industrivärden's stock on the Stockholm Stock Exchange in 2007 was SEK 16 billion (10), corresponding to a turnover rate of 24% (16%) for the Class A shares and 45% (44%) for the Class C shares. Average daily trading volume was 222,000 Class A shares, for a value of SEK 36 M, and 178,000 Class C shares, for a value of SEK 28 M.

### Dividend

Industrivärden's dividend policy is to offer the shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange. This goal has been achieved every year during the past ten-year period. The dividend should be well-balanced with respect to the goals, scope and risk of operations. The Board of Directors has proposed that the 2008 Annual General Meeting declare a dividend of SEK 5.00 (4.50) per share, an increase of 11%. This would correspond to a dividend yield of 4.4% (3.3%), for the Class A shares and 4.8% (3.5%) for the Class C shares, which is higher than the average dividend yield of 4.0% (3.0%) for listed Swedish stocks. If the Annual General Meeting votes in favor of the Board's proposal, average annual dividend growth during the past ten years will amount to 10%.

### Stock Split

The 2007 Annual General Meeting approved a 2:1 stock split to increase the liquidity of Industrivärden's stock and to facilitate

trading for small shareholders. Shareholders received two new shares of the same class for each share held. Industrivärden's stock was listed post-split starting on April 25, 2007. All historical per share comparisons have been recalculated to take the split into account.

### Industrivärden's Stock

Industrivärden's Class A and Class C shares are quoted on the OMX Nordic Exchange Stockholm (the Stockholm Stock Exchange) and are presented on the Nordic list. Industrivärden's stock is included in the large cap segment, consisting of listed companies with a market capitalization in excess of EUR 1 billion.

Each A share carries entitlement to one vote, and each C share carries entitlement to one-tenth of a vote. All shares carry equal entitlement to a share of the Company's assets and profits. A round lot consists of 100 shares.

### Largest Shareholders

Industrivärden has approximately 40,000 (39,000) shareholders. Institutional investors, such as pension foundations, insurance companies and mutual funds, own approximately 81% (82%) of the shares. Foreign ownership in the Company is approximately 9% (9%). The ownership structure is broken down in tables on page 10.

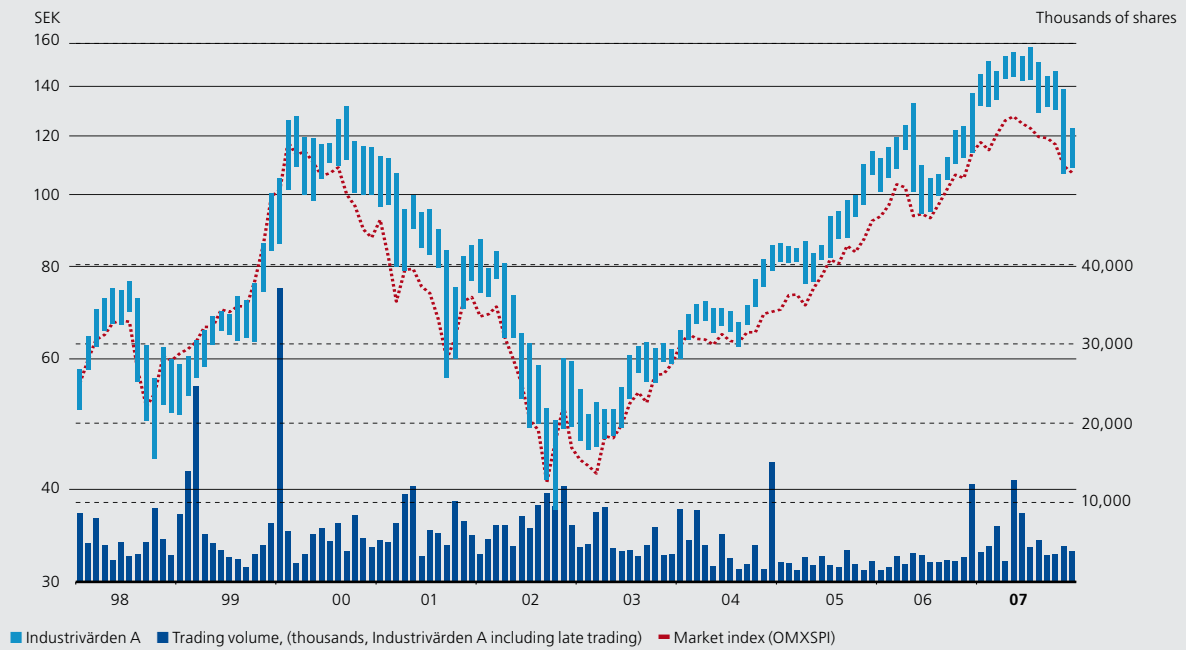
### Major Changes in Ownership Structure

In 2007 AB Landå became a major shareholder through the purchase of 9.0 million Class A shares. Major sales were made by Oktogonen, through the sale of 9.0 million Class A shares, and by AMF Pension, through the sale of 6.0 million Class A shares.

### Employee Shareholdings

Information on holdings of stock by Company directors, members of the executive management and senior executives is provided on pages 80-81.

### Price Trend, Industrivärden's Stock



**Comment:** During the ten-year period from year-end 1997 to year-end 2007, Industrivärden's stock rose by an average of 7% per year, compared with an average of as well 7% for the market index.

### Total Return for Industrivärden's Stock



**Comment:** During the ten-year period from year-end 1997 to year-end 2007, the total return for Industrivärden's stock averaged 12% per year, which was 2 percentage points higher than the return index.

**Industrivärden's Stock as per December 31, 2007**

Number of shares	Capital stock SEK M	Percentage of	
		votes	shares
268,547,404 Class A shares	671.4	96	70
117,723,820 Class C shares	294.3	4	30
386,271,224 shares	965.7	100	100

**Capital Stock Development**

SEK M	Capital stock	Number of shares
1998 Stock split 4:1	858.3	171,651,252
Conversion of CPNs	858.6	171,711,252
1999 Conversion of CPNs	858.6	171,711,952
2000 Conversion of CPNs	858.9	171,776,320
2001 Conversion of CPNs	870.5	174,097,031
2002 Cancellation of CPN loan <sup>1</sup>	965.7	193,135,612
2003 No change during the year	965.7	193,135,612
2004 No change during the year	965.7	193,135,612
2005 No change during the year	965.7	193,135,612
2006 No change during the year	965.7	193,135,612
2007 Stock split 2:1	965.7	386,271,224

1) In 1988 Industrivärden floated a convertible debenture through the issuance of convertible participating notes (CPNs). CPNs could be converted to stock at any time. In accordance with the terms of the loan, an Extraordinary General Meeting resolved in 2001 to prematurely cancel the CPN loan. In accordance with the terms of the loan, CPN owners received one and one-tenth (1.1) shares per CPN held. As a result of the cancellation of the CPN loan, the total number of shares outstanding increased by 12.4%, to 193,135,612.

**Total Return, Industrivärden's Stock**

	2007	2006	2005	2004	2003
Total return for Class A shares, %	-14	29	33	46	28
Index (base: Dec. 31, 2002)	276	321	249	187	128
Total return for Class C shares, %	-15	32	36	48	27
Index (base: Dec. 31, 2002)	286	337	256	188	127
Return index (SIXRX), %	-3	28	36	21	34
Index (base: Dec. 31, 2002)	274	282	221	162	134
Beta coefficient <sup>1</sup>	1.11	1.11	1.10	1.07	1.00

If a stock has a beta coefficient that is higher than one, it indicates that the stock is more sensitive to market fluctuations than an average stock, and if it has a beta that is lower than one, it indicates that the stock is less sensitive than the average stock.

1) Compared with the stock market index (OMXSPI). Source: Bloomberg.

**Codes Assigned to Industrivärden's Stock**

	Class A shares	Class C shares
ISIN code	SE0000190126	SE0000107203
Reuters	INDUa.ST	INDUc.ST
Bloomberg	INDUA SS	INDUC SS
Ecovision	INDU A	INDU C

**Dividend**

SEK	2007	2006	2005	2004	2003
Dividend	5.00 <sup>1</sup>	4.50	3.50	3.00	2.75
Annual growth in dividend, % <sup>2</sup>	11	29	17	9	-5
Dividend yield, Class A shares, %	4.4	3.3	3.2	3.5	4.5
Dividend yield, Class C shares, %	4.8	3.5	3.5	3.9	5.0
Dividend yield for Stockholm Stock Exchange, % <sup>3</sup>	4.0	3.0	3.0	2.9	2.5

1) Proposed by the Board of Directors.

2) Average annual dividend growth during the past five years was 12%.

3) Source: SIX Findata. Preliminary figures for 2007.

**Ownership Structure at December 31, 2007<sup>1</sup>**

Owners	Number of shares	Percentage of	
		votes	shares
LE Lundbergföretagen	42,000,000	15.0	10.9
Handelsbanken Pension Foundation	27,800,000	9.9	7.2
Handelsbanken Pension Fund	27,350,000	9.8	7.1
Jan Wallanders och Tom Hedelius stiftelse	23,760,000	8.5	6.2
SCA Pension Foundation	16,986,080	6.1	4.4
AB Landå	12,000,000	4.3	3.1
SCA Group Holding	10,525,655	3.8	2.7
SCA Vorsorge-Treuhand	8,614,630	3.1	2.2
SCA Pension Foundation for salaried employees and foremen	6,570,290	2.3	1.7
Handelsbanken	5,571,138	2.0	1.4
Fredrik Lundberg and family	4,570,000	1.6	1.2
Oktogonen	4,000,000	1.4	1.0
Tore Browaldhs stiftelse	3,250,000	1.2	0.8
AMF Pension	28,500,000	1.0	7.4

1) Source: SIS Ågarservice.

**Ownership Structure at December 31, 2007<sup>1</sup>**

Size class, no. of shares	Number of shareholders as % of total	Total holding as % of capital
1-500	52.9	1.0
501-1,000	17.2	1.4
1,001-10,000	26.7	8.3
10,001-	3.2	89.3
	<b>100.0</b>	<b>100.0</b>

1) Source: VPC.

## BUSINESS MODEL

## Value Creation Through Structured Processes

Industrivärden's work is focused primarily on creating value through active ownership, which fosters a good understanding of the operations, business environment and continuing development of its portfolio companies. Contributing to value creation in the portfolio companies results in higher asset values and lower share price risk.

Industrivärden's core business is to invest in listed Nordic companies with good potential for value appreciation, to create value through active ownership, and to realize this value in connection with an exit. An active ownership role requires that Industrivärden can exert significant influence and entails a long-term investment horizon.

Work is conducted in a structured manner and revolves around three main processes: investment, active ownership and exit evaluation. The market operations support process aims to support the main processes with market information, to maintain a contact network, and to generate excess returns. This process also includes purchases and sales of equities and equity derivatives with a short time horizon. Most of Industrivärden's resources are concentrated in the active ownership process.

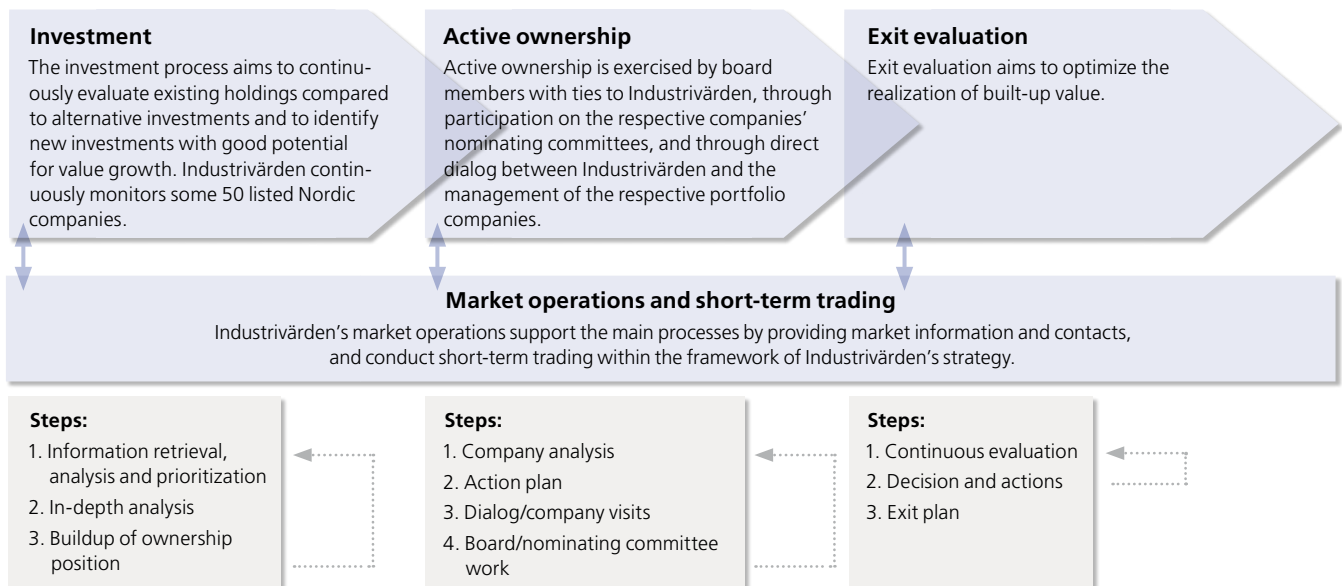
**Solid Foundation for Value Creation**

Through a concerted effort, Industrivärden has built up a competitive platform for long-term value creation. This is based primarily on:

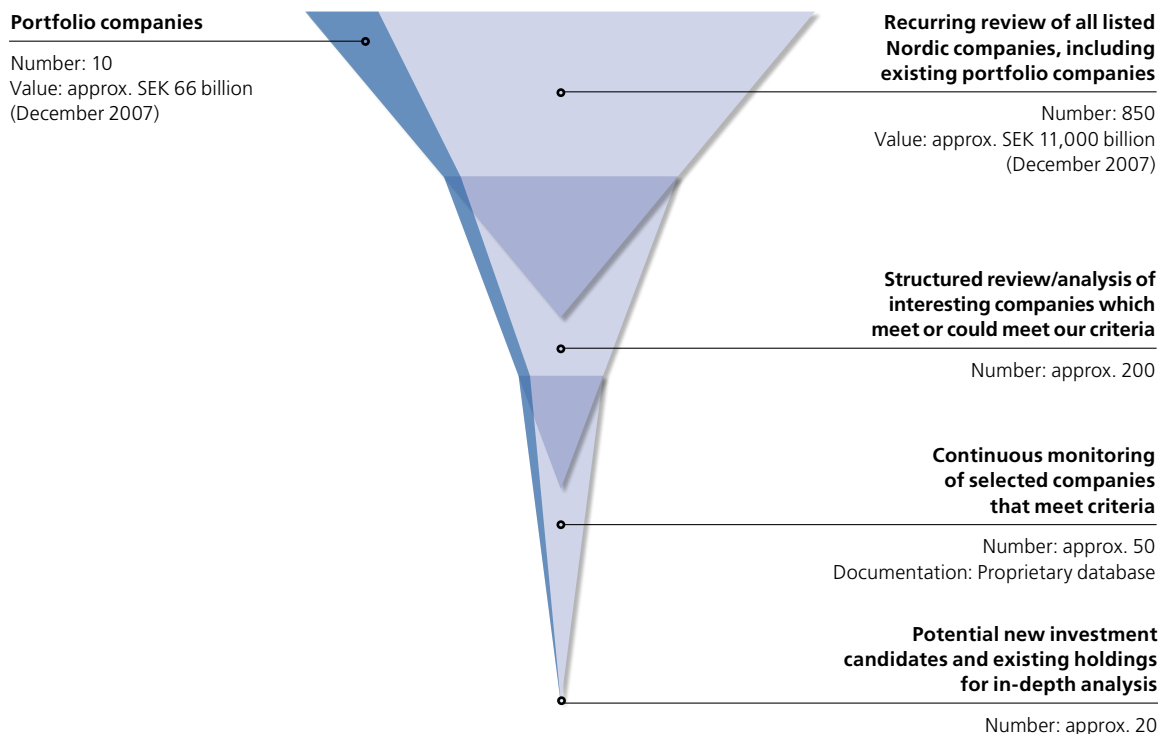
- Good financial resources and a long-term investment perspective
- An established process for exercising active ownership
- Experienced directors with ties to Industrivärden on the boards of the portfolio companies
- A professional investment organization
- First-rate work methods and information systems
- A highly refined model for continuously evaluating existing holdings, and identifying and evaluating new investments
- A valuable contact network with Nordic ties
- A strong brand.

**Industrivärden's Main Processes**

Industrivärden's business model revolves around three main processes in which work is performed according to uniform methods. The aim is to achieve a high degree of efficiency and high standards of quality. Industrivärden has a cost-effective organization that is characterized by flexibility and short decision-making channels. Apart from its own organization and the Board of Directors, Industrivärden has a network which is a vital source of information and provides support in the investment and ownership processes.



## Investment Process – Analysis



Industrivärden has demonstrated a great ability to create value over short as well as long periods of time, as evidenced by the high growth in its net asset value. As a result of this performance, Industrivärden's total return has been higher than the average for the Stockholm Stock Exchange over both the last five- and ten-year periods.

### Investment Criteria

Industrivärden conducts its work according to the following investment criteria, revolving around the business mission of creating shareholder value through active ownership and a professional investment operation:

- Major potential for value growth through active ownership
- Investments in midcap and large listed Nordic companies
- Ownership stakes that enable significant ownership influence
- Investment in companies with business models that can be applied in several markets and with a good ability to generate cash flows
- Concentration on a limited number of holdings.

Each investment is analyzed with respect to its potential for value appreciation in relation to its individual, required rate of return. Target values are evaluated on a continuous basis, as are possible

forms of a future exit. Major emphasis is put on making continuous comparisons against alternative, long-term investments in other listed stocks. Investments are made within the framework of Industrivärden's overall portfolio strategy, they are not dependent on any particular sector, and they are evaluated continuously with a 3–8 year time horizon.

### Investment

The investment process has two main purposes – to evaluate existing holdings against set target values and alternative investments, and to provide a continuous and current picture of attractive investment candidates in the aim of quickly being able to act when business opportunities arise. Through a systematic work process, well-grounded decisions can be made with a high degree of efficiency and low cost.

From the standpoint of Industrivärden's investment criteria and investment horizon, the equities portfolio consists of the listed Nordic companies that are judged to have the greatest potential for value creation through active ownership in a 3–8 year time frame. A key activity in the investment process is thus to continuously evaluate the existing holdings against set targets and alternative holdings. A decision to hold or increase ownership in a portfolio company is equally important as a decision to decrease the

position or sell. If Industrivärden succeeds over time to optimize the value of its portfolio companies, combined with successful active ownership, the turnover rate in the portfolio will be relatively low. Industrivärden's portfolio companies have established leading positions in their respective industries and measure up well in comparisons with alternative investments. However, things change rapidly in the business environment, which is why new opportunities and threats are analyzed on a continuous basis.

This continuous analysis of potential new investment candidates is based on the more than 850 companies that are listed in the Nordic stock markets. The 50 or so most interesting listed companies are monitored on a continuous basis and more in-depth. The ten companies in Industrivärden's portfolio are analyzed in parallel with and on the same premises as the most interesting potential new investment candidates. Following information-gathering, external contacts, analysis and prioritization, presentations of the most interesting companies are made to Industrivärden's investment committee, which is made up of the executive management team and representatives of the investment operation. Any decisions are made thereafter on whether to proceed with a more in-depth analysis and to form an investment team for further consideration. One of the duties of this team is to draw up a preliminary action plan outlining how Industrivärden would be able to actively contribute to value creation in the company. Central matters for consideration are the company's board and management as well as value potential, market poten-

tial, strategic positioning, capital efficiency and operational improvements. Such a plan also covers goals and forms of future exit. Following this in-depth analysis, if the investment candidate is still judged to be interesting, the forms of stock purchases are established – following a decision by the Board – and an ownership position is gradually built up in the company.

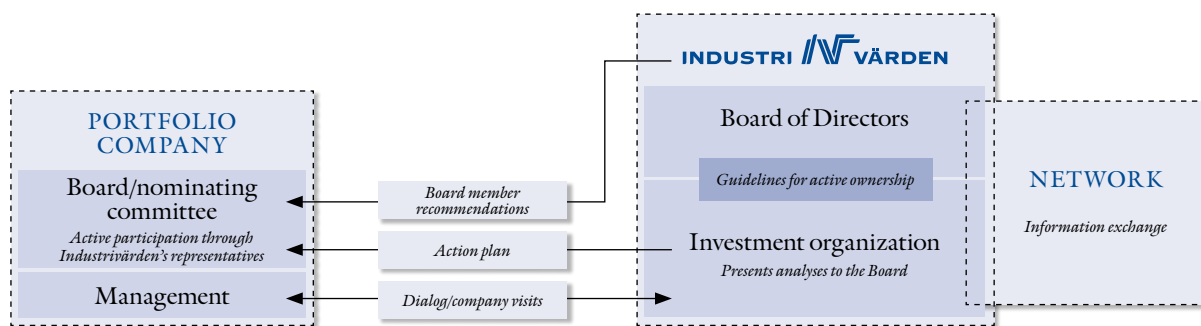
### Market Operations and Short-Term Equity Trading

Industrivärden has a separate function that conducts various market operations in the aim of supporting the investment activities. This function executes investment decisions and provides daily market information. In an effort to generate excess returns, short-term trading is also conducted in the form of derivative transactions based on the holdings in the equities portfolio and equity trading by the subsidiary Nordinvest. Risk is limited by strict risk mandates and by conducting transactions primarily in stocks that fall within the framework of Industrivärden's analysis model.

### Active Ownership

Industrivärden's influence in its portfolio companies is grounded in significant ownership stakes and a strong position of trust. From this platform, an active ownership role is exercised through interaction with other major owners in the aim of finding ways to build value in the shareholdings. Active ownership is exercised by the directors on the boards of the portfolio companies who have ties to Industrivärden, through participation on the respective

## Active Ownership Process



When Industrivärden takes an active role in a new portfolio company, the value creation action plan takes on a more concrete design. From having been a decision-making document in the investment process, the action plan now forms the base of the design, implementation and evaluation of Industrivärden's active ownership.

### Board members of portfolio companies with ties to Industrivärden

**Sandvik** Anders Nyrén (Vice Chairman) and Fredrik Lundberg.

**Handelsbanken** Lars O Grönstedt (Chairman), Anders Nyrén (Vice Chairman), Fredrik Lundberg and Sverker Martin-Löf.

**SSAB** Sverker Martin-Löf (Chairman) and Anders Nyrén.

**SCA** Sverker Martin-Löf (Chairman), Tom Hedelius and Anders Nyrén.

**Ericsson** Sverker Martin-Löf (Vice Chairman) and Anders Nyrén.

**Volvo** Finn Johnsson (Chairman) and Tom Hedelius.

**Skanska** Sverker Martin-Löf (Chairman), Finn Johnsson and Anders Nyrén.

**Indutrade** Bengt Kjell (Chairman).

**Munters** Bengt Kjell.

**Höganäs** Bengt Kjell.



companies' nominating committees, and through direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies. At least one director with ties to Industrivärden normally sits on the board of a portfolio company. Normally the preference is for this director to have the role as chairman of the board. Industrivärden also aims to appoint the chairman of the nominating committee.

Once Industrivärden has taken an active ownership role in a new portfolio company, the previously drafted action plan for value creation takes on a more concrete design. From having been a decision-making document in the investment process, it now forms the base of the design, implementation and evaluation of Industrivärden's active ownership. The aim is primarily to identify and describe opportunities for value appreciation and strategic measures for creating this value. The team that is responsible for a particular holding monitors and updates the action plan on a continuous basis. This work is conducted according to a structured work method and consists of continuous, fundamental analysis of the company, its competitors, and other central factors in the business environment. All analysis is based on external information material. Information is obtained with the help of suitable system support, through company visits, through ongoing dialog with the management of the respective companies and through contacts with the company's customers and other stakeholders. As help in this work, Industrivärden makes use of an extensive network.

Company-specific action plans are based on Industrivärden's general guidelines for active ownership and cover strategic matters such as:

- Strategy and business development
- Company structure
- Financial objectives
- Capital structure
- Corporate governance and management issues
- Organizational, management and compensation structures
- Reporting and control systems, etc.

Each investment team presents its action plan to the director or directors with ties to Industrivärden serving on the board of the portfolio company. In this way, Industrivärden's representatives are provided with a current picture of the opportunities and measures that have been identified. The information is presented to the director or committee member based on material produced by Industrivärden's investment organization.

### Exit Evaluation

Exit evaluation aims to optimize the realization of built-up value. The action plan prepared during the new-investment process

includes goals and options for a future exit, among other things. It is important at an early stage to evaluate the value growth targets and the forms of a conceivable future exit in step with the practice of active ownership. Through close interaction between the three main processes, plans and ways of working can be quickly adapted to new knowledge or changed conditions in the business environment.

### Industrivärden's Role in Society

#### *Corporate Social Responsibility*

A fundamental tenet held by Industrivärden is that creation of shareholder value should be pursued hand-in-hand with social responsibility. Industrivärden aspires to be a good corporate citizen by accepting the responsibility that is inherent in an active ownership role. Only in harmony with society in general can sustainable growth in value be created.

Key aspects of corporate social responsibility include sound business ethics, respect for the individual, and the company's commitment to the environment, health, equal opportunity and community involvement. Industrivärden strives on a continuing basis to ensure that it lives up to its social responsibility – internally within the Group as well as in its active holdings. Industrivärden puts particular emphasis on the following principles in its active ownership of its portfolio companies:

- Compliance with national legislation in the countries in which it works
- Compliance with the UN human rights declaration and the OECD guidelines for multinational companies
- Conducting all business activities with high standards of integrity and ethics
- Availability and an open channel for dialog with the parties affected by its operations
- The Company's social responsibility shall be evaluated on a continuous basis.

#### *Environmental Responsibility*

In its role as active owner, Industrivärden strives to ensure that the companies in which it is an active owner adopt environmental policies – based on their respective business conditions – that put special emphasis on their markets, environmental impact, legislation and environmental management. The companies shall be responsive to customers' preferences and to the market's environmental demands. They shall also be aware of their environmental impact and work actively to reduce this impact and their use of resources. Legal regulations shall be viewed as a minimum requirement. Targets must be quantifiable and followed up on a regular basis.

## ORGANIZATION AND EMPLOYEES

## Efficient Organization with Short Decision-Making Channels

Industrivärden works with a lean and efficient organization characterized by flexibility and short decision-making channels. Coupled to this is a large network with ties to Industrivärden.

Industrivärden's organization is characterized by flexibility and short decision-making channels. Work is project-oriented and involves employees from both the investment operations and staff functions. Active ownership as well as new-investment activities are based on analyses conducted from both company-specific and stock market perspectives. Industrivärden has the necessary internal and external resources at its disposal to conduct professional investment activities and high quality active ownership. Active ownership in the portfolio companies is exercised by board members with ties to Industrivärden, through participation on nominating committees, and through direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies. Coupled to this is a large network with ties to Industrivärden.

Together Industrivärden and Nordinvest have 22 employees.

**Recruitment**

New recruitment of employees to Industrivärden is based on the individual's competence, experience and personal qualities irrespective of gender or ethnic origin.

**Personal Development**

All employees participate in a performance review once a year with their immediate superiors. This dialog aims to assess the past year, set up individual targets and to determine relevant development measures.

**Compensation**

As part of its endeavor to recruit and retain talented employees, Industrivärden strives to offer its employees a compensation package that is in line with the going rate in the market, consisting of base salary, a variable salary component, incentive programs and pension benefits.

**Organization****President and CEO Anders Nyrén Executive Management**

Industrivärden's executive management is made up of the President and Chief Executive Officer, the Executive Vice President responsible for Accounting, Finance, Corporate Communications and IT, the Executive Vice President and Chief Investment Officer, and the Head of Market Operations.

**Support (2 persons)****Executive Vice President Bengt Kjell Investment Operations (10 persons)**

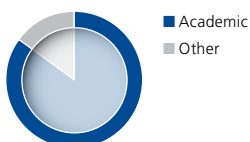
The employees in the investment operations participate on investment teams and assist Industrivärden's board and management with company analyses and decision-making documentation on the portfolio companies and new investments.

**Executive Vice President Carl-Olof By Accounting, Finance, Corporate Communications and IT (7 persons)**

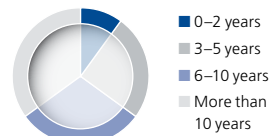
The Accounting and Finance unit is responsible for the Group's financial control systems and for monitoring day-to-day business activities. The Corporate Communications unit is responsible for investor relations and coordination of information. The IT unit is responsible for operation of IT systems.

**Fredric Calles Market Operations (2 persons)**

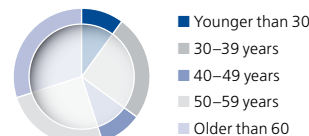
Industrivärden's market operations are responsible for executing all investment decisions, providing market information and generating excess returns. Nordinvest has two employees, who carry out equity transactions and short-term derivative trading.

**Education**

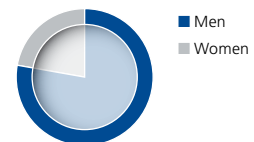
Employees with academic degrees: 85%

**Years of Service**

Average years of service: 8

**Age Breakdown**

Average age: 47

**Gender Breakdown**

Women employees: 22%



# EQUITIES PORTFOLIO

Industrivärden's equities portfolio consists mainly of large shareholdings in Sandvik, Handelsbanken, SSAB, SCA, Ericsson, Volvo, Skanska, Indutrade, Munters and Höganäs.

## COMPOSITION AND PERFORMANCE OF THE EQUITIES PORTFOLIO

## Quality Companies With Good Development Potential

Industrivärden's equities portfolio consists of large shareholdings in Sandvik, Handelsbanken, SSAB, SCA, Ericsson, Volvo, Skanska, Indutrade, Munters and Höganäs, all of in which Industrivärden serves as a long-term active owner.

Industrivärden's portfolio companies are characterized by industry-leading positions and a significant level of international business.

The equities portfolio, which is valued at the market price as per December 31, 2007, had a market value of SEK 65.8 billion (63.3), corresponding to SEK 170 (164) per Industrivärden share. The composition of net asset value is shown on pages 6–7.

**Stock Market 2007**

The upturn in the world's stock markets that began in 2003 was dampened during the second half of 2007. Factors that affected the price trend included tighter credit as a result of credit anxiety in the U.S. mortgage lending market, higher key lending rates to ward off inflation and rising energy prices, which offset companies' continued good profitability. The Stockholm Stock Exchange fell by 6%, measured in Swedish kronor, and by 2% in U.S. dollars due to a weakening of the U.S. dollar during the year. The high for the year was noted in July, when the Stockholm Stock Exchange index (OMXSPI) was up 14%. Expressed in dollars, the leading European stock exchanges (Eurotop 300) gained 18% for the year. The New York Stock Exchange (S&P 500) rose 3% in 2007 after reaching an all-time high in October. The world index (MSCI) – which is measured in dollars – was up 7% for the year.

Economic growth remained strong in India and China, while it improved in Europe and slowed in Japan and the U.S. Corporate earnings continued to rise. Swedish short-term interest rates rose during the year from 3.0% to 4.0%.

**Investment Activities in 2007**

The combined value of stock purchases was SEK 8.8 billion (3.2), and the combined value of sales was SEK 2.1 billion (2.1). Together, total purchases and sales corresponded to 17% (9%) of the average portfolio value during the year.

The turnover rate for the equities portfolio since 1998 is shown in the chart on page 19.

The largest net stock purchase was made in Volvo, for SEK 4,216 M. Volvo is today a world-leading manufacturer of heavy trucks, with substantial development potential. In addition, new shares worth SEK 2,275 M were subscribed in SSAB's rights issue, which was used as part of the financing of the North American steel company IPSCO. In total, net purchases of stock in SSAB amounted to SEK 2,497 M.

**Short-Term Trading**

Short-term derivative transactions are conducted on a regular basis to enhance the return of the equities portfolio. Income from these activities totaled SEK 126 M (109). In addition, short-term equity trading by the subsidiary Nordinvest made an additional earnings contribution of SEK 16 M (64). The combined result of Industrivärden's short-term derivative transactions and equity trading thereby amounted to SEK 142 M (173).

**Performance of the Equities Portfolio in 2007**

At year-end 2007 the market value of the equities portfolio was SEK 65,844 M (63,325), which exceeded cost by SEK 36,260 M (41,370). The value of the equities portfolio, taking purchases and sales into account, fell by 6% during the year. This was level with the Stockholm Stock Exchange Market Index (OMXSPI), which fell by 6%. The change in value of the major shareholdings is shown in a table on page 18.

Dividends received during the year totaled SEK 2,107 M (1,733), and share redemptions totaled SEK 571 M. The total return of the portfolio, i.e., the change in value taking into account share redemptions and reinvested dividends, was –2% (23%), compared with –3% (28%) for the return index (SIXRX). The total return for the major holdings and their contribution to the performance of the total portfolio are shown in a table on page 18.

From year-end 2007 through February 12, 2007, the value of the equities portfolio, taking into account purchases and sales, fell by 10%, compared with a drop of 12% for the stock market index (OMXSPI) during the same period.

## Equities Portfolio as per December 31, 2007

	No. of shares <sup>1</sup>	Breakdown, SEK M			Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		Market value	Cost	Difference			
Sandvik	136,431,200	15,178	6,147	9,031	23	11.5	11.5
Handelsbanken	68,403,900	14,159	4,958	9,201	21	10.9	11.1
SSAB	56,552,037	9,951	3,677	6,274	15	17.5	22.7
SCA	70,800,000	8,289	2,566	5,723	13	10.0	29.5
Ericsson	382,000,000	5,866	3,384	2,482	9	2.4	13.4
Volvo	45,511,650	4,916	5,127	-211	8	2.1	5.3
Skanska <sup>2</sup>	33,325,700	4,066	1,782	2,284	6	7.9	27.1
Indutrade	14,757,800	1,819	247	1,572	3	36.9	36.9
Munters	10,950,000	840	684	156	1	14.6	14.6
Höganäs	3,550,000	485	637	-152	1	10.1	8.1
Hemtex	3,700,000	275	375	-100	0	12.6	12.6
<b>Total</b>		<b>65,844</b>	<b>29,584</b>	<b>36,260</b>	<b>100</b>		

1) In 2007, stock splits were carried out by SCA (3:1), Volvo (5:1) and Munters (3:1). Redemption shares with automatic sale were issued by Sandvik, Volvo and Munters. In addition, SSAB conducted a 1:4 rights issue, through which Industrivärden subscribed for a total of 13.7 million shares.

2) Skanska's Class A shares, which are not listed on the Stockholm Stock Exchange, have been assigned the same value as the Class B shares.

Net Purchases and Net Sales of Stocks<sup>1</sup>

Net purchases	000s SEK M	Net sales	000s SEK M
Volvo A	31,367 4,216	Tandberg Television	5,963 728
SSAB A <sup>2</sup>	14,597 2,489	Sandvik redemption	
Sandvik	6,431 768	shares	134,700 404
Other	815	Isaberg Rapid	200
<b>Total</b>	<b>8,288</b>	Other	246
		<b>Total</b>	<b>1,578</b>

1) Gross purchases and sales are shown on page 50.

2) Of which, subscription of Class A shares in SSAB's rights issue, for SEK 2,267 M.

Change in Value of Major Holdings, 2007<sup>1</sup>

SEK M	Value at Dec. 31, 2007	Value at Dec. 31, 2006	Purchase/sale (-)	Change in value, 2007
Sandvik	15,178	12,935	364	1,879
Handelsbanken	14,159	14,099	71	-11
SSAB	9,951	6,809	2,498	644
SCA	8,289	8,557	1	-269
Ericsson	5,866	10,405	128	-4,667
Volvo	4,916	1,205	4,346	-635
Skanska	4,066	4,362	140	-436
Indutrade	1,819	2,006	-15	-172
Munters	840	1,153	-69	-244
Höganäs	485	637	-	-152
Hemtex	275	300	175	-200
Other	-	857	-929	72
<b>Total</b>	<b>65,844</b>	<b>63,325</b>	<b>6,710</b>	<b>-4,191</b>

1) Pertains to change in net asset value.

## Price Trend for Holdings in the Equities Portfolio, 2007

	Price change, % <sup>1</sup>	Total return, %	Total return <sup>2</sup>	
			5 years, %	10 years, %
Sandvik	14	17	29	14
Handelsbanken	0	4	16	12
SSAB	18	21	47	22
SCA	-4	0	7	11
Ericsson	-44	-43	15	-5
Volvo	15	20	40	15
Skanska	-10	-5	25	11
Indutrade <sup>3</sup>	-9	-7	-	-
Munters	-23	-21	7	16
Höganäs	-24	-21	-1	1
Hemtex <sup>4</sup>	-47	-45	-	-
<b>Total</b>	<b>-6</b>	<b>-2</b>		
Index	-6	-3	22	10

1) The price changes take into account the stock splits carried out by SCA, Volvo and Munters, the redemption shares in Sandvik, Volvo and Munters, and the rights issue conducted by SSAB.

2) Average annual total return.

3) Indutrade was listed on the stock market on October 5, 2005.

4) Hemtex was listed on the stock market on October 6, 2005.

Performance of Equities Portfolio<sup>1</sup>

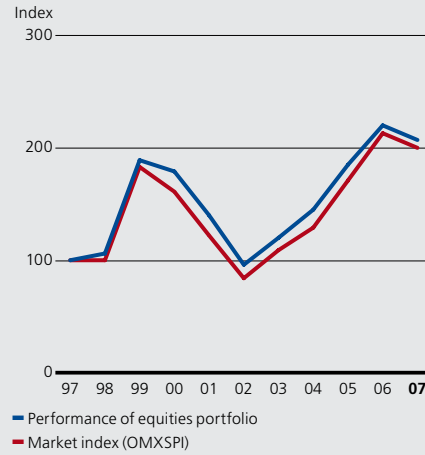
	2007	2006	2005	2004	2003
Price trend for portfolio, %	-6	19	28	21	24
Index (2002 as base)	214	228	192	150	124
Market index (OMXSPI), %	-6	24	33	18	30
Index (2002 as base)	238	253	204	153	130

1) Excluding reinvested dividends.

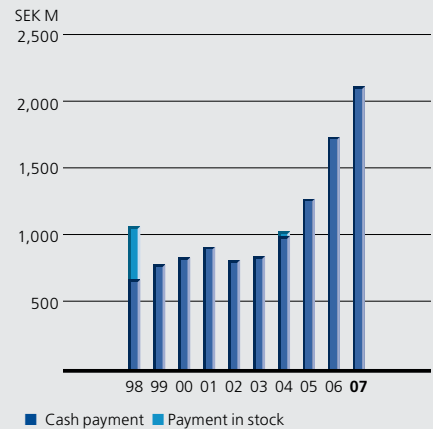
### Index Trend



### Performance of Equities Portfolio

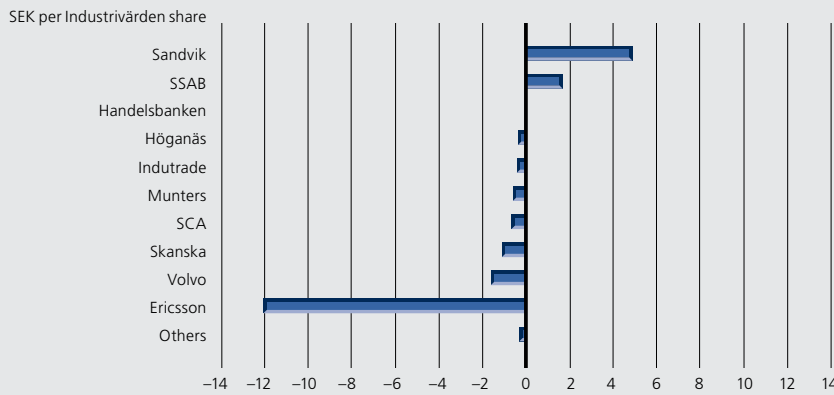


### Total Dividend Income



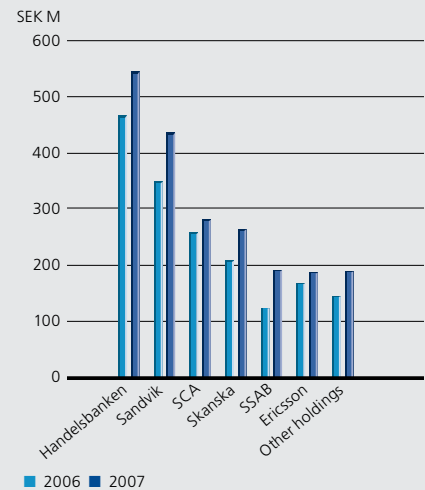
**Comment:** Extra dividend income of SEK 392 M was received in 1998 in the form of stock (Balder and Drott), and in 2004 in the amount of SEK 33 M (Ainax). The Sandvik holding was purchased in 1998. Ericsson did not pay any dividends for the years 2001–2003.

### Development of Net Asset Value per Shareholding

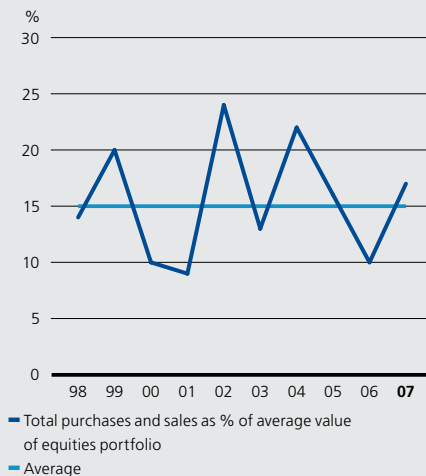


**Comment:** The growth in net asset value per holding refers to the change in value adjusted for purchases and sales.

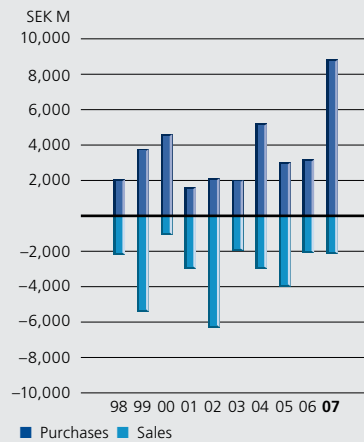
### Dividend Income Received per Shareholding



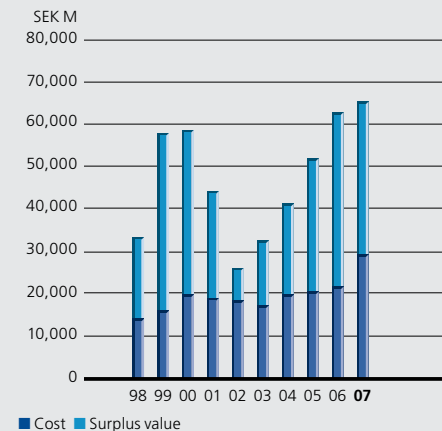
### Equities Portfolio – Turnover




### Gross Investments in Equities Portfolio



### Market Value of Equities Portfolio



## A Portfolio of Industry-Leading Companies

Share of portfolio, %	Holding	Company's market cap, SEK M <sup>1</sup>	Industrivärden's holding, SEK M <sup>1</sup>	Industrivärden's	
				share of capital, %	share of votes, %
23	 Sandvik is a global high-technology engineering group with unique expertise in materials technology	131,974	15,178	11.5	11.5
21	 Handelsbanken is a successful universal bank pursuing international growth from a Nordic base	130,029	14,159	10.9	11.1
15	 SSAB is a world-leading producer of high-strength sheet steel and quenched steels	55,599	9,951	17.5	22.7
13	 SCA manufactures and sells personal care products, tissue paper, packaging solutions and printing paper around the world	81,159	8,289	10.0	29.5
9	 Ericsson is the world's largest supplier of mobile telecommunications systems	245,123	5,866	2.4	13.4
8	 Volvo is a world-leading manufacturer of trucks, buses, construction equipment, marine engines and aircraft components	230,595	4,916	2.1	5.3
6	 Skanska is a world leader in construction and project development	51,063	4,066	7.9	27.1
3	 Indutrade is a fast-growing technology trading company offering components, systems and services to industries in northern Europe	4,930	1,819	36.9	36.9
1	 Munters is a world leader in moisture control	5,756	840	14.6	14.6
1	 Höganäs is the world's largest supplier of metal powders to primarily the automotive industry	4,800	485	10.1	8.1

1) Market value as per December 31, 2007. 2) Figures for Handelsbanken pertain to total income and operating income. 3) Indutrade was listed in 2005. Yearly total return in the table above is based on

Total return		Net sales, SEK M	Sales growth 2007, %	Income after net financial items, SEK M	Change in earnings 2007, %	Directors with ties to Industrivärden	Industrivärden's nominating committee representative
2007, %	per year, % 1998–2007						
17	14	86,338	+19	12,997	+17	Anders Nyrén (Vice Chairman) and Fredrik Lundberg	Carl-Olof By (Chairman)
4	12	27,126 <sup>2</sup>	+3	14,732 <sup>2</sup>	-1	Lars O Grönstedt (Chairman), Anders Nyrén (Vice Chairman), Fredrik Lundberg and Sverker Martin-Löf	Carl-Olof By (Chairman)
21	22	47,651	+53	6,399	+8	Sverker Martin-Löf (Chairman) and Anders Nyrén	Carl-Olof By (Chairman)
0	11	105,913	+4	8,237	+21	Sverker Martin-Löf (Chairman), Tom Hedelius and Anders Nyrén	Carl-Olof By (Chairman)
-43	-5	187,780	+4	30,729	-15	Sverker Martin-Löf (Vice Chairman) and Anders Nyrén	Carl-Olof By (Chairman)
20	15	285,405	+10	21,557	+6	Finn Johnsson (Chairman) and Tom Hedelius	Bengt Kjell
-5	11	138,781	+10	5,667	+14	Sverker Martin-Löf (Chairman), Finn Johnsson, and Anders Nyrén	Carl-Olof By (Chairman)
-7	28 <sup>3</sup>	5,673	+26	578	+39	Bengt Kjell (Chairman)	Carl-Olof By (Chairman)
-21	16	6,262	+10	526	+2	Bengt Kjell	Carl-Olof By (Chairman)
-21	1	5,838	+14	562	+7	Bengt Kjell	Carl-Olof By

performance since the stock market introductions.





Sandvik is a global high-technology industrial group with advanced products and a world-leading position in materials technology. The company has unique expertise in several areas and is represented in 130 countries.

## Growth Through Global Leadership

Sandvik is a global high-technology engineering group that is represented in 130 countries. The Group works in three business areas in which Sandvik is a world leader. Tooling specializes in cemented carbide tools and high-speed steel for metal cutting. Mining and Construction specializes in machines and tools for the mining and construction industries. Materials Technology manufactures high-value-added steel products based on advanced metals and ceramic materials. The Sandvik Group also includes the partly owned, listed company Seco Tools (60% equity stake), which is active in metalworking.

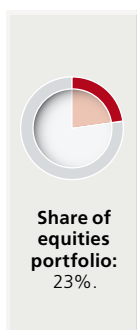
Sandvik's business concept is to actively contribute to improvements in its customers' productivity and profitability. The company's products and services are designed to create value-added for customers in the form of performance, quality and cost efficiency. The aim is for customers to perceive Sandvik as a productivity partner. Sandvik's strategy is based on five strength factors which together form a platform for profitable growth: global leadership, goal-oriented R&D, niche focus, partnership with customers and strong brands. Sandvik has a strong local presence, its own sales organization and close cooperation with customers, selected agents and distributors. Products are manufactured mainly in Group facilities to ensure the highest possible quality, flexibility and cost efficiency. The Group's global presence provides economies of scale in production and distribution. It also

creates synergies within R&D, administration and logistics. Sandvik is a global company, but works as a local partner.

Sandvik focuses on market segments in which the company is or can become world-leading. Many of these areas have above-average growth. The focus on organic growth and company acquisitions in selected key areas makes Sandvik less sensitive to business cycles. Approximately two-thirds of sales consist of products for industrial consumption and service, and about one-third of capital investment goods. The major sales successes in recent years can be credited in large part to very strong growth in eastern Europe, China and India, which together account for nearly a half of the world's population. The strong expansion that Sandvik is currently experiencing is both structural and related to the overall economy.

One of Sandvik's financial targets is to achieve average annual organic sales growth of 8%, which is higher than the underlying average annual growth rate for the market. This higher rate of growth will be achieved through increased market shares and new products and applications. The aim is to generate an average annual return on capital employed of 25%. The net debt-equity ratio should be between 0.7 and 1.0. The dividend should amount to at least 50% of earnings per share over a period of a few years. Sandvik aspires to deliver a total return in excess of the industry average.

### Holding and Representation



#### Holding as per Dec. 31, 2007:

Shares: 136,431,200 shares.  
Market value: SEK 15,178 M.  
Share of votes and capital: 11.5%.

#### Board members with ties to Industrivärden:

Fredrik Lundberg and Anders Nyrén.

#### Industrivärden's nominating committee representative:

Carl-Olof By.

### Active Ownership in Practice

#### Strategic activities at Sandvik

- A number of strategic acquisitions were carried out in the aim of further strengthening the Group's position in areas with high growth and good profitability.
- A share redemption program worth SEK 3.6 billion was carried out.

#### Ownership assessment

Industrivärden is optimistic about Sandvik's opportunities to develop its world-leading position. Continued organic growth combined with further acquisitions and efficiency improvement measures are expected to lead to continued earnings improvements. Strong technological and market positions, coupled with leading R&D activities, create favorable opportunities for sustained high profitability. A strengthening in cash flow is expected.

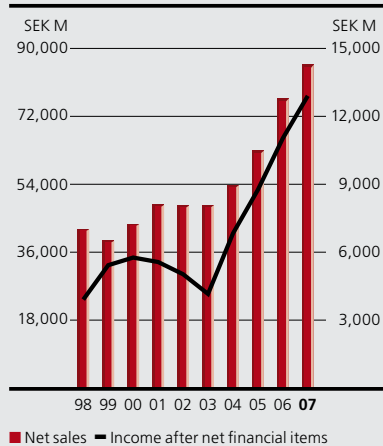
### Development 2007

- Net sales rose 19% (14%), of which organic growth accounted for 18% (14%), acquisitions for 3% (1%), and currency movements for -2% (-1%).
- Income after net financial items reached a new record high of SEK 12,997 M (11,113). This 17% (26%) earnings improvement can be credited to higher sales volumes, a favorable product mix, a positive price trend and high internal efficiency, which was partly offset by a price decline for nickel.
- Operating profit for the Tooling unit improved by 15% to SEK 5,989 M (5,191). The Materials Technology unit improved its operating profit by 5%, to SEK 2,435 M (2,324), and the Mining and Construction unit grew its operating profit by 36%, to SEK 4,979 M (3,672).

## Sandvik at a Glance

**Chairman:** Clas Åke Hedström. **CEO:** Lars Pettersson. **Stock:** Sandvik's stock is listed on the Stockholm Stock Exchange. It is also traded in the U.S. through an American Depositary Receipt program. The share price rose 14% in 2007, and trading volume on the Stockholm Stock Exchange was SEK 275 billion. Sandvik has approximately 89,000 shareholders in roughly 75 countries. For more information on Sandvik, visit [www.sandvik.com](http://www.sandvik.com).

### Net Sales and Income

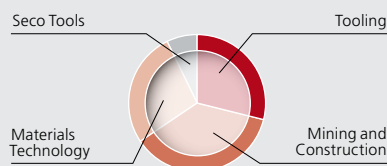


### Sandvik's Stock

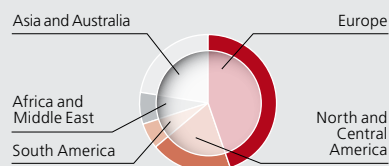


**Comment:** During the last ten years, Sandvik's stock has outperformed the return index.

### Net Sales per Business Area



### Net Sales per Market



### Key Data

	2007	2006
Net sales, SEK M	<b>86,338</b>	72,289
Income after net financial items, SEK M	<b>12,997</b>	11,113
Cash flow from operating activities, SEK M	<b>5,476</b>	8,170
Earnings per share, SEK	<b>7.65</b>	6.45
Dividend per share, SEK	<b>4.00<sup>1</sup></b>	3.25 <sup>2</sup>
Shareholders' equity per share, SEK	<b>24.10</b>	22.00
Return on capital employed, %	<b>27.0</b>	27.6
Net debt-equity ratio	<b>1.0</b>	0.6
Average number of employees	<b>47,123</b>	41,743
Market capitalization as per December 31, SEK M	<b>131,974</b>	118,036

1) Proposed by the board of directors.

2) In addition to the 2006 dividend, a redemption share with automatic sale for SEK 3.00 was received.

### Largest Owners as per December 31, 2007<sup>3</sup>

	% of votes and capital
Industrivärden	11.5
Handelsbanken foundations <sup>4</sup>	6.9
Capital Group mutual funds	5.5
Alecta	3.1
Göransson foundations	2.3
Share of foreign ownership	37.0

3) Source: SIS Ägarservice.

4) Pension foundations, employee foundations and others.



▲ Sandvik is a world leader in tools made of super hard material, such as diamonds. Pictured above at top is a diamond-studded mill cutter used primarily in the automotive industry for cutting aluminum.

▲ Sandvik's goal is to be a leading provider of solutions for mobile crushing and sorting. Two strategic company acquisitions were made in this area in 2007.

## Handelsbanken

Handelsbanken is a successful universal bank undergoing international growth from a Nordic base. The bank has 461 branches in Sweden, a total of 171 branches in the other Nordic countries and the UK and 28 branches in the rest of the world.

# Good Profitability Through Local Customer Responsibility

Handelsbanken is a universal bank whose business concept is to offer a comprehensive range of financial services to private and corporate customers primarily in the Nordic region and the UK, based on the customers' needs. A fundamental tenet of this concept is to put responsibility for each customer with the local branch office. The bank does not make central marketing plans, nor does it control the branches' marketing activities by assigning central priority to certain customer categories or product areas. Handelsbanken has consistently and successfully applied and developed this basic concept for many years.

Handelsbanken provides a comprehensive range of banking services, including traditional corporate business, investment banking and trading, retail banking and life insurance.

Handelsbanken's operations are broken down into four segments: branch office operations in Sweden, branch office operations outside Sweden, Capital Markets and Asset Management. The branch office operations in Sweden comprise six regional banks along with Stadshypotek and Handelsbanken Finans. The branch office operations outside Sweden consist of regional banks in the UK, Denmark, Finland and Norway (i.e., the countries that Handelsbanken regards as home markets along with Sweden), as well as banking and representative offices in other parts of the world. Capital Markets is Handelsbanken's investment bank and conducts

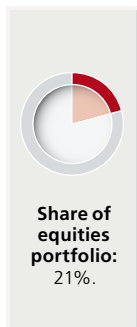
trading in the money and foreign exchange markets, corporate finance and equity trading, and trade financing. The Asset Management segment also includes Handelsbanken Liv.

Handelsbanken has a strong position in the Swedish market, with 461 branches. In the other Nordic countries the bank has a total of 129 branches, plus 42 branches in the U.K. and 28 in the rest of the world. Handelsbanken conducts business in 21 countries. Handelsbanken has been one of the most cost effective universal banks in Europe for many years.

Handelsbanken's overall financial goal is to have a higher return on equity than a weighted average of comparable listed Nordic and British banks. The bank seeks to achieve this goal by having the most satisfied customers while maintaining higher cost effectiveness than peer banks. If this target is met, a third of surplus profit can be allocated to the Oktogonen Foundation, Handelsbanken's employee profit-sharing system. The allocation can amount to a maximum of 15% of the bank's dividend. A significant portion of the foundation's assets are invested in Handelsbanken stock.

Profitability is always more important than volume. In the bank's lending activities this means that credit quality may never be neglected in order to achieve higher volumes. Handelsbanken's dividend policy is that the dividend should be competitive in relation to other listed Nordic bank stocks.

### Holding and Representation



#### Holding as per Dec. 31, 2007:

Shares: 68,285,000 Class A shares and 118,900 Class B shares.  
Market value: SEK 14,159 M.  
Share of votes: 11.1%<sup>1</sup>.  
Share of capital: 10.9%<sup>1</sup>.

#### Board members with ties to IndustriVärden:

Lars O Grönstedt, Fredrik Lundberg, Sverker Martin-Löf and Anders Nyrén.

#### IndustriVärden's nominating committee representative:

Carl-Olof By.

<sup>1</sup>) Handelsbanken reduced its capital stock by 3.2% through the cancellation of 20.7 million treasury shares, thereby marginally increasing IndustriVärden's share of the votes and capital.

### Active Ownership in Practice

#### Strategic activities at Handelsbanken

- Handelsbanken's demutualised life insurance company, SPP, was sold to the Norwegian company Storebrand for SEK 18 billion, generating a capital gain of approximately SEK 4 billion.
- Greater focus on organic growth through the establishment of new branches outside Sweden.

#### Ownership assessment

Handelsbanken has consistently developed its business concept with focus on customer satisfaction through local customer responsibility and cost effectiveness, which has resulted in higher average profitability than the industry for many years running. The bank is broadening its geographic base through expansion in the other Nordic countries, the Baltic countries, the U.K. and other countries, where business is conducted

according to the same principles as for the Swedish operations. IndustriVärden expects continued favorable development for Handelsbanken.

### Development 2007<sup>1</sup>

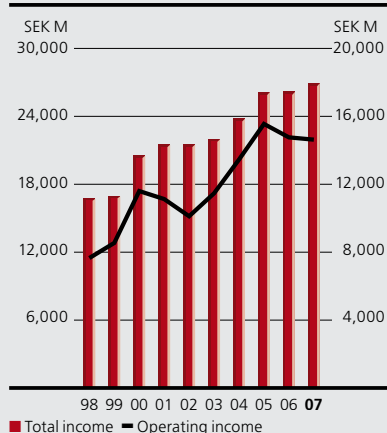
- Operating income was level with a year ago. Net interest income increased, mainly due to larger business volumes. Net commission income also improved, mainly derived from brokerage and sales of mutual funds. Costs increased primarily as a result of expansion outside Sweden.
- During the year, 46 new branches were opened, of which five were in Sweden, two in Denmark, four in Norway, eight in Finland, 16 in the U.K. and 11 within the framework of Handelsbanken International. A charter to conduct banking was received in China.
- Return on equity was 16.3% (17.4%).

<sup>1</sup>) Remaining operations excluding SPP.

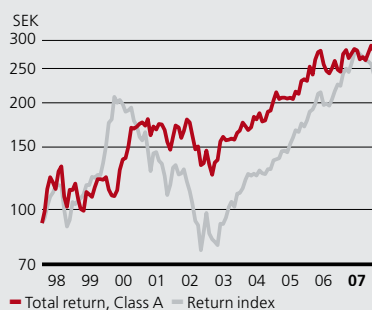
## Handelsbanken at a Glance

**Chairman:** Lars O Grönstedt. **CEO:** Pär Boman. **Stock:** Handelsbanken's stock is listed on the Stockholm Stock Exchange. The share price was unchanged in 2007, and trading volume was SEK 181 billion. Handelsbanken has approximately 95,000 shareholders. For more information on Handelsbanken, visit [www.handelsbanken.com](http://www.handelsbanken.com).

### Total Income and Operating Income



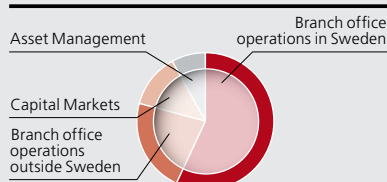
### Handelsbanken's Stock



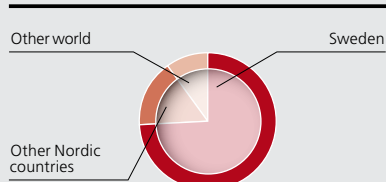
**Comment:** During the last ten years, Handelsbanken's stock has outperformed the return index.



### Income per Business Segment



### Income per Market



▲ Handelsbanken has the most satisfied customers in the Nordic market.

▲ Sales of Handelsbanken's popular "Allkort" bank card rose 48% in 2007.

### Key Data<sup>1</sup>

	2007	2006
Total income, SEK M	<b>27,126</b>	26,347
Operating income, SEK M	<b>14,732</b>	14,898
Earnings per share, SEK	<b>17.39</b>	16.99
Earnings per share incl. SPP, SEK	<b>24.84</b>	20.41
Dividend per share, SEK	<b>13.50<sup>2</sup></b>	8.00
Shareholders' equity per share, SEK	<b>119.27</b>	104.27
Average number of employees	<b>10,209</b>	9,589
Market capitalization as per December 31, SEK M	<b>130,029</b>	134,386

1) Remaining operations excluding SPP.

2) Proposed by the board of directors, of which SEK 5.00 (–) consists of an extra dividend.

### Largest Owners as per December 31, 2007<sup>3</sup>

	% of votes	% of capital
Industrivärden	11.1	10.9
Oktogonen Foundation	10.7	10.6
Alecta	4.1	4.1
AFA Insurance	2.5	2.4
Swedbank Robur mutual funds	2.2	2.2
Share of foreign ownership	31.2	30.9

3) Source: SIS Ägarservice.



SSAB is a world-leading producer of high-strength sheet and quenched steels. The acquisition of IPSCO, a leading manufacturer of plate and energy tubular products in the U.S. and Canada, has strengthened SSAB's position in the North American market.

## Strong Base for Continued Global Growth

SSAB is a specialized steel company with a base in Western Europe and North America. Its steel operations have been successfully developed through a distinct niche strategy aimed at consolidating the company's position as a leading producer of high-strength sheet and quenched steels. In these selected product segments, SSAB has achieved a strong market position and high profitability. In standard products, SSAB is active only in the Nordic countries. Growth in the high-strength sheet and quenched steel segments has been higher than for the steel market in general, and deliveries of these products, which accounted for 45% (39%) of total deliveries by the Swedish steel operations in 2007, have increased strongly during the last five years. The use of high-strength sheet and quenched steels enables customers to improve their products and thus their profitability.

In the sheet segment, SSAB specializes in advanced high-strength sheet, which is used in the automotive industry and by container manufacturers, for example. Ordinary sheet steel is used primarily in the engineering, construction and automotive industries. In the plate segment, SSAB is the world's leading producer of quenched steels, i.e., plate with extra high strength and good weldability combined with high abrasion-resistance and good formability. Quenched steels are used in construction machinery, mining equipment and cranes, among other things. Ordinary plate is used in shipbuilding, engineering and in wind power plants.

In addition to the steel operations, which are conducted by the Sheet Division, the Plate Division and the IPSCO Division, the SSAB Group includes the subsidiaries Tibnor (85% stake) and

Plannja. Tibnor is the leading commercial steel company in Sweden with a range of commercial steels, special steels, pipes, and stainless steels. Metals and building-related products complement Tibnor's product range. Plannja is one of Europe's leading building sheet companies. Plannja processes sheet into products such as profiled building sheet, sheet roofing tiles and rainwater runoff products.

SSAB's financial targets are to maintain an average return on capital employed of more than 15% over a business cycle, a long-term net debt-equity ratio of 30%, and a long-term equity ratio in the range of 50%.

SSAB's dividend policy is that the dividend should be adapted to the average profit level over a business cycle and, in the long term, constitute roughly 50% of profit after tax. It should also be possible to use dividends to adjust the capital structure.

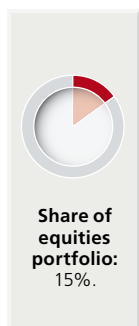
### Acquisition of IPSCO

IPSCO, which was acquired in July 2007, manufactures plate and energy tubular products. The company has modern, efficient plants in the U.S. and Canada, with high productivity and strong profitability. Net sales in 2007 amounted to SEK 22 billion, and operating income totaled SEK 5.5 billion. The number of employees is 4,400.

The industrial logic behind the combination of SSAB and IPSCO involves increasing the production capacity, using SSAB's expertise in quenched steels and advanced, high-strength steels to develop IPSCO's product line and thereby strengthen SSAB's global positions. IPSCO has a strong presence in attractive customer segments, which is beneficial for SSAB in its expansion in the North American market.

In acquiring IPSCO, SSAB has identified synergies of roughly one billion kronor in the areas of product mix, production systems, business models and productivity.

### Holding and Representation



#### Holding as per Dec. 31, 2007:

Shares: 56,430,243 Class A shares and 121,794 Class B shares.  
Market value: SEK 9,951 M.  
Share of votes: 22.7%<sup>1</sup>.  
Share of capital: 17.5%<sup>1</sup>.

**Board members with ties to Industrivärden:** Sverker Martin-Löf and Anders Nyrén.

**Industrivärden's nominating committee representative:** Carl-Olof By.

### Active Ownership in Practice

#### Strategic activities at SSAB

- IPSCO, a leading manufacturer of plate and energy tubular products in the U.S. and Canada, was acquired on July 18, 2007. The purchase price was SEK 50 billion and was financed through borrowing.
- A rights issue which raised SEK 10 billion for SSAB was carried out in August 2007.<sup>1</sup>

#### Ownership assessment

SSAB is one of the most profitable companies in the steel industry. The acquisition of IPSCO has created conditions for continued expansion in high-strength niche products. SSAB is well-poised in an increasingly fierce global competitive climate. The business is generating good cash flows, and Industrivärden has a positive view of SSAB's development opportunities.

### Development 2007

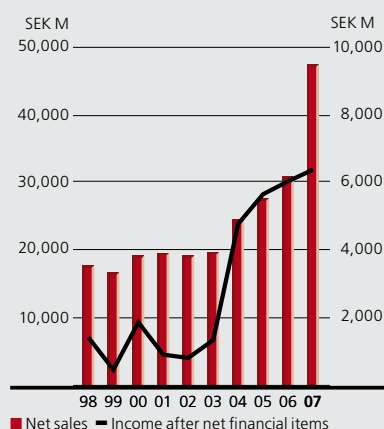
- Net sales rose 53%, of which the acquisition of IPSCO accounted for 43 percentage points.
- Income after net financial items reached a record SEK 6,399 M (5,949). Excluding one-time charges, mainly in relation to the IPSCO acquisition, the earnings increase was 35%.
- Return on capital employed was 18% (36%).
- The integration of IPSCO is proceeding according to plan from both an operative and financial perspective.

<sup>1</sup>) Industrivärden subscribed for its share in the rights issue, corresponding to 10,697,302 Class A shares and 17,500 Class B shares, and it purchased an additional 2,943,732 Class A shares and 34,294 Class B shares, of which 2,750,000 Class A shares with the support of subscription rights. This increased Industrivärden's share of votes by 1.7 percentage points and share of capital by 1.3 percentage points.

## SSAB at a Glance

**Chairman:** Sverker Martin-Löf. **CEO:** Olof Faxander. **Stock:** SSAB's stock is listed on the Stockholm Stock Exchange. The share price rose 18% in 2007, and trading volume was SEK 140 billion. SSAB has approximately 49,000 shareholders. For more information on SSAB, visit [www.ssab.com](http://www.ssab.com).

### Net Sales and Income

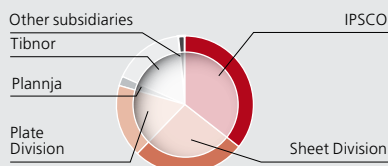


### SSAB's Stock



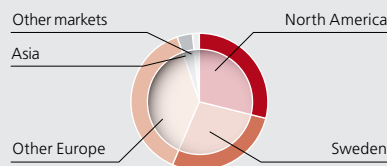
**Comment:** During the last ten years, SSAB's stock has outperformed the return index.

### Net Sales per Business Segment



Sales of niche products such as quenched steels and advanced high-strength sheet rose 14% and accounted for 45% of the Swedish steel operation's deliveries in 2007.

### Net Sales per Market



▲ In the plate segment, SSAB's high-strength special steel HARDOX is used in applications such as truck beds and excavators.

▲ In 2007 SSAB launched Docol Hard – a new line of super high-strength steel. Docol Hard combines high strength and thickness in a way that gives designers entirely new opportunities to develop lightweight yet strong designs for containers, among other things.

### Key Data

	2007	2006 <sup>1</sup>
Net sales, SEK M	47,651	31,054
Income after net financial items, SEK M	6,399	5,949
Cash flow from operating activities, SEK M	5,396	5,100
Earnings per share, SEK	15.45	14.66
Dividend per share, SEK	5.00 <sup>2</sup>	4.50
Shareholders' equity per share, SEK	89.26	59.18
Net debt-equity ratio	1.48	-0.01
Average number of employees	10,218	8,031
Market capitalization as per December 31, SEK M	55,599	41,579

1) SSAB carried out a rights issue in 2007, whereby four existing shares carried entitlement to subscribe for one new share. All comparison figures per share have been recalculated to take into account the rights issue.

2) Proposed by the Board of Directors.

### Largest Owners as per December 31, 2007<sup>3</sup>

	% of votes	% of capital
Industrivärden	22.7	17.5
Barclays Global Investors	5.0	3.9
LKAB	5.0	3.8
AMF Pension	2.5	1.9
Fourth Swedish National Pension Fund	1.8	1.8
Share of foreign ownership	30.3	30.1

3) Source: SIS Ägarservice.



SCA manufactures and sells personal care products, tissue, packaging solutions and publication papers in markets worldwide. Europe and North America are the main markets, while expansion is also taking place in Latin America, Asia and Eastern Europe.

## European Leader in Personal Care Products and Packaging

SCA is a global consumer products and paper company that develops, produces and markets personal care products (20% of sales), tissue (30% of sales), packaging solutions (30% of sales) and forest products (20% of sales). Operations are global, with sales in more than 90 countries and manufacturing in approximately 40 countries. More than half of sales are consumer products such as toilet paper, kitchen rolls, facial tissue, incontinence products, menstruation products and diapers sold under the Tempo, TENA, Tork, Edet, Libero and Libresse brands. SCA's packaging solutions are used primarily for transporting food products, industrial products and consumer durables. In the area of forest products, high-quality newsprint and magazine paper is one of SCA's most important products. SCA's own timber supply is a vital component of the Group's raw material flow and helps form a strong link between the various product segments.

The concentration on growth in Personal Care, Tissue and Packaging has gradually shifted the balance towards consumer products. Although the Forest Products business area's portion of net sales has decreased, it continues to be of great strategic

significance for raw material integration and strong cash flow creation.

Europe is SCA's main market, with a concentration in Germany, the UK, France and Sweden. More than 90% of sales are outside Sweden.

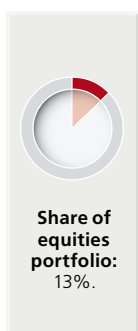
The Group also has strong positions in fast-growing markets in Eastern Europe, Asia and Latin America. Expansion is being pursued primarily through organic growth, however, the long-term ambition is to also grow through acquisitions.

SCA's overall objective is to provide its shareholders with good growth in value and a rising dividend. During the ten-year period 1998–2007, the dividend increased by an average of 9% per year.

Operational objectives on value creation are set annually using a cash flow model.

SCA's long-term financial target is that roughly 40% of the Group's capital should be financed through loans, corresponding to a debt-equity ratio of 0.7. SCA's dividend policy is that approximately a third of operating cash flow after interest expense and taxes should be used for the dividend.

### Holding and Representation



#### Holding as per Dec. 31, 2007:

Shares: 48,600,000 Class A shares and 22,200,000 Class B shares.<sup>1</sup>  
Market value: SEK 8,289 M.  
Share of votes: 29.5%.  
Share of capital: 10.0%.

#### Board members with ties to IndustriVärden:

Tom Hedelius, Sverker Martin-Löf and Anders Nyrén.

#### IndustriVärden's nominating committee representative:

Carl-Olof By.

<sup>1</sup>) A 3:1 stock split was carried out in 2007.

### Active Ownership in Practice

#### Strategic activities at SCA

- Jan Johansson took office as new CEO.
- The North American packaging business was divested in order to concentrate the packaging operations in Europe and Asia.
- Procter & Gamble's European tissue operations were acquired to improve profitability of the consumer tissue business. The acquisition has strengthened SCA's brand portfolio.
- SCA and the Norwegian company Statkraft formed a jointly owned company to invest in wind power in northern Sweden.

#### Ownership assessment

SCA is the leading European producer of personal care products and packaging, and has strong positions on other continents. The work on gradually increasing the share of high value-added products and ongoing structural programs are creating conditions for long-term favorable earnings growth.

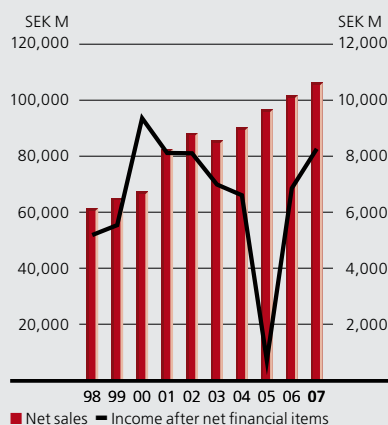
### Development 2007

- Income after financial items amounted to SEK 8,237 M (6,833). Income rose as a result of volume growth, higher prices, an improved product mix and the effects of cost-cutting programs. The positive effects were partly offset by higher energy and raw material costs.
- To strengthen the competitiveness primarily of the tissue operations, manufacturing capacity will be phased out, resulting in production shifts and staff cuts. The structural cost for this, which was booked as a provision in 2007, amounts to SEK 4.9 billion, with annual savings of SEK 1.4 billion. In connection with this, the value of the Group's forest holdings was written up by SEK 5.2 billion.
- Operating income before items affecting comparability was SEK 2,960 M (2,799) for Personal care products, SEK 1,724 M (1,490) for Tissue, SEK 2,651 M (2,072) for Packaging solutions, and SEK 2,870 M (2,475) for Forest products.

## SCA at a Glance

**Chairman:** Sverker Martin-Löf. **CEO:** Jan Johansson. **Stock:** SCA's stock is listed on the Stockholm Stock Exchange and London Stock Exchange. The stock is also traded in the U.S. through an American Depositary Receipt program. The share price fell by 3% in 2007, and trading volume on the Stockholm Stock Exchange was SEK 110 billion. SCA has approximately 75,000 shareholders. For more information on SCA, visit [www.sca.com](http://www.sca.com).

### Net Sales and Income

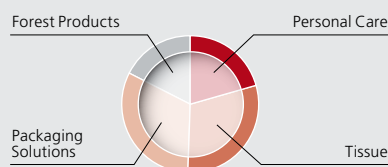


### SCA's Stock

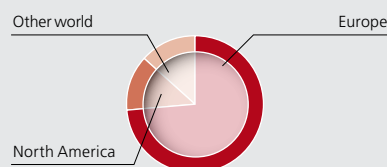


**Comment:** During the last ten years, SCA's stock has outperformed the return index.

### Net Sales per Business Area



### Net Sales per Market



### Key Data

	2007	2006 <sup>1</sup>
Net sales, SEK M	<b>105,913</b>	101,439
Income after net financial items, SEK M	<b>8,237</b>	6,833
Cash flow from operating activities, SEK M	<b>9,735</b>	8,457
Earnings per share, SEK	<b>10.16</b>	7.75
Dividend per share, SEK	<b>4.40<sup>2</sup></b>	4.00
Shareholders' equity per share, SEK	<b>91</b>	84
Net debt-equity ratio	<b>0.58</b>	0.62
Average number of employees	<b>50,000</b>	51,022
Market capitalization as per December 31, SEK M	<b>81,159</b>	84,308

1) A 3:1 stock split was carried out in 2007. All comparisons per share have been recalculated to take the split into account.

2) Proposed by the board of directors.

### Largest Owners as per December 31, 2007<sup>3</sup>

	% of votes	% of capital
Industrivärden	29.5	10.0
Handelsbanken foundations <sup>4</sup>	11.8	3.7
SEB mutual funds	5.1	1.9
Skandia Liv	3.0	1.2
Alecta	2.5	2.9
Share of foreign ownership	20.3	43.1

3) Source: SIS Ägarservice.

4) Including pension foundations, employee foundations, and others.



▲ SCA's global Tork brand offers a comprehensive system of products and services in the away-from-home tissue segment, including personal care as well as absorption and industrial cleaning. SCA is the market leader in Europe and number three in North America in this segment.

▲ SCA is Europe's second largest producer of corrugated packaging solutions.





Ericsson is the world's largest supplier of mobile telecommunications systems and offers end-to-end solutions for both mobile and fixed line communications. The company is a world leader in technologies used by 80% of all mobile phone subscribers.

## Leading Player in a Communication-Intensive World

Ericsson is a world-leading supplier of equipment for mobile and fixed line telecommunications networks with accompanying products and services, as well as products for special applications such as technology platforms for mobile telephony. Ericsson's wide offering of telecom and datacom equipment includes end-to-end solutions, systems and services that enable mobile and fixed line networks to transmit voice, data and multimedia effectively, fast and securely. More than a fourth of the company's employees work with research and development.

Ericsson is one of the few companies that can offer end-to-end solutions for all major mobile communication standards. All of the world's ten leading telecom operators are Ericsson customers. Together they represent more than 50% of all mobile subscriptions around the world. Ericsson is the world leader in 2G (GSM) and 3G (WCDMA/HSPA) mobile networks. Ericsson's goal is to be the preferred choice for its customers. To achieve this, Ericsson strives to be a market and technological leader by offering end-to-end solutions in infrastructure and network operation. Ericsson is the world's pre-eminent supplier of equipment and services for technologies that are used by 80% of all mobile subscribers, such as GSM, GPRS, EDGE, WCDMA, HSDPA and Bluetooth.

With operations in more than 140 countries, Ericsson is a leading global player in the telecom industry. Ericsson is organized in three business areas: Networks (mobile and fixed-line access, core networks and transmission, and the next-generation IP networks),

Global Services (professional services and installation of network equipment), and Multimedia.

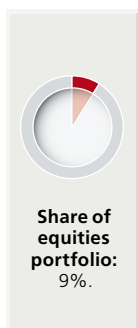
After several company acquisitions, Ericsson today has a strong position in fixed line networks and systems for distribution of digital services via the Internet. Ericsson's mobile phone business is conducted through half-owned Sony Ericsson Mobile Communications, in which Ericsson has contributed its know-how in mobile phone technology and Sony its know-how in consumer electronics. The multimedia business includes Ericsson Mobile Platforms, which is a supplier to some of the world's largest mobile phone manufacturers.

The most important markets in 2007 were, ranked by size, China, the U.S., India, Italy, Spain, Sweden, the U.K., Indonesia, Japan and Brazil.

During the second half of the 1990s the market experienced rapid growth through the buildup of mobile infrastructure based on strong growth in the number of subscribers, along with a simultaneous expansion of existing fixed line networks for handling the rapid growth of Internet traffic. This culminated in 2000, and in the three years that followed, the market for network equipment contracted considerably. Telecom companies were forced to cut costs drastically in order to adapt to weak demand. The market has once again shown growth since 2004.

Ericsson's financial goal is to grow faster than the market and to lead the industry in profitability.

### Holding and Representation



#### Holding as per Dec. 31, 2007:

Shares: 372,000,000 Class A shares and 10,000,000 Class B shares.

Market value: SEK 5,866 M.

Share of votes: 13.4%.

Share of capital: 2.4%.

#### Board members with ties to IndustriVärden:

Sverker Martin-Löf and Anders Nyrén.

#### IndustriVärden's nominating committee representative:

Carl-Olof By.

### Active Ownership in Practice

#### Strategic activities at Ericsson

Several acquisitions were made within the Multimedia business area in 2007, including Tandberg Television, a world-leading distributor of digital television equipment; Mobeon, a world leader in components for mobile and fixed line networks; Drutt, a world leader in Service Delivery Platforms; and LHS, a world leader in post-paid invoicing systems.

#### Ownership assessment

Ericsson's stock showed weak performance in 2007, and cash flow was unsatisfactory. Ericsson is the leading provider of end-to-end telecommunications solutions. Key success factors are a market-leading position, an ability to adapt to market conditions, a high level of research and development, and a wide offering of products and services. IndustriVärden is optimistic about Ericsson's future development.

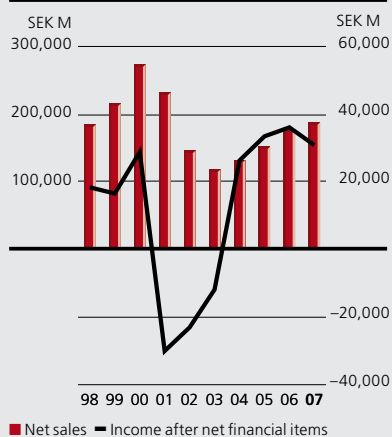
### Development 2007

- Net sales rose 4% (18%). Organic growth in constant currency was 8%.
- Income after net financial items amounted to SEK 30,729 M (35,993). Lower invoicing for upgrades and expansion of mobile networks, which have high margins, led to a drop in operating income during the second half of the year. At the same time, Ericsson gained significant market shares in the expansion of mobile telephony in emerging markets with initially lower margins. Half-owned Sony Ericsson reported a record profit and higher market shares.
- Structural measures are expected to yield savings of SEK 4 billion starting in 2009.
- The Services business grew faster than the market and continued to gain market shares. The Multimedia business showed good growth.

## Ericsson at a Glance

**Chairman:** Michael Treschow. **CEO:** Carl-Henric Svanberg. **Stock:** Ericsson's stock is listed on the Stockholm Stock Exchange, the London Stock Exchange and on Nasdaq in New York. The price of Ericsson's Class A shares fell by 44% in 2007, while its Class B shares fell by 45%. Trading volume on the Stockholm Stock Exchange was SEK 879 billion. Ericsson has approximately 800,000 Swedish and foreign shareholders. For more information on Ericsson, visit [www.ericsson.com](http://www.ericsson.com).

### Net Sales and Income



### Ericsson's Stock



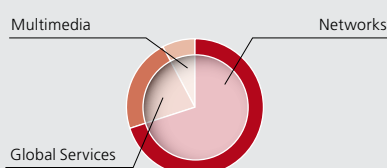
**Comment:** During the last ten-year period, Ericsson's stock has performed below the return index.



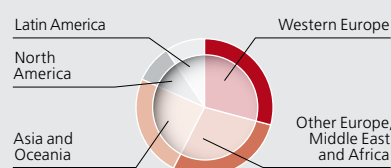
▲ Today approximately a fourth of the world's land surface area is covered by mobile networks. Mobile telecommunication traffic is expected to double during the next five-year period. Solar cells are emerging as an alternative to diesel electricity generation.

▲ The RBS 6000 is Ericsson's newest generation of energy-efficient base stations that can integrate the three mobile standards GSM, WCDMA and LTE.

### Net Sales per Business Area



### Net Sales per Market



### Key Data

	2007	2006
Net sales, SEK M	<b>187,780</b>	179,821
Income after net financial items, SEK M	<b>30,729</b>	35,993
Cash flow from operating activities, SEK M	<b>19,210</b>	18,489
Earnings per share, SEK	<b>1.37</b>	1.65
Dividend per share, SEK	<b>0.50<sup>1</sup></b>	0.50
Shareholders' equity per share, SEK	<b>8.37</b>	7.50
Average number of employees	<b>74,000</b>	63,781
Market capitalization as per December 31, SEK M	<b>245,123</b>	445,992

1) Proposed by the board of directors.

### Largest Owners as per December 31, 2007<sup>2</sup>

	% of votes	% of capital
Investor	19.5	5.1
Industrivärden	13.4	2.4
Handelsbanken foundations <sup>3</sup>	6.8	1.5
Skandia Liv	2.8	0.8
Swedbank Robur mutual funds	1.7	2.5
Share of foreign ownership	31.6	53.9

2) Source: SIS Ägarservice.

3) Including pension foundations, employee foundations, and others.



Volvo Group is a world leading provider of commercial transport solutions, with products ranging from trucks, buses and construction equipment, to marine engines and aircraft components.

## World Leader in Commercial Transport Solutions

Volvo Group is one of the world's leading providers of commercial transport solutions. Operations are conducted through six business areas: Trucks, Buses, Construction Equipment, Volvo Penta, Volvo Aero and Financial Services.

Overall, Volvo Trucks is Europe's largest and the world's second largest maker of heavy trucks. The business area encompasses the Volvo, Renault Trucks, Mack and Nissan Diesel brands. The Volvo brand's strongholds are in Europe and North America, while Renault is big in Europe and Mack in North America. The product range for Volvo Buses includes city buses, intercity buses and coaches. Construction Equipment manufactures a range of equipment for construction and other applications. Volvo Penta makes engines for boats and industrial applications. Volvo Aero manufactures components for aircraft engines and aerospace applications. Financial Services conducts customer and dealer financing.

Volvo's trucks, buses, construction equipment, marine drive systems, and components and services for the aviation sector are key parts in the global transport network. A truck is the link in the distribution chain that makes sure that society is provided with everything people need in their day-to-day lives. High efficiency and reliability are vital factors, while top priority is also given to safety, ergonomics and environmental considerations. Construction equipment is used to build highways, bridges and shopping malls as well as to transport materials in areas in which there are no roads. Volvo Penta is best known for its boat engines

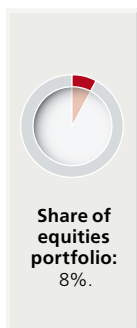
and marine drive systems. But it also delivers drive systems for a wide range of other applications, such as generators for airports and hospitals. Volvo Aero has a long record of experience and a wealth of expertise in advanced aircraft engine components and lightweight design with a high level of durability. Overall Volvo is the world's largest manufacturer of heavy diesel engines, which is the common link in the Group's business areas.

Volvo's strategy is based on the customers' needs. Customer satisfaction is the guarantor of future sales and is a prerequisite for good profitability. The strategy is based on three cornerstones: profitable growth, innovation and product development, and highest quality in implementation. In growth markets, a stronger position will be achieved by attracting new customers and forging strategic alliances. The aim over the long term is for markets such as India, Japan, China and Russia to account for a substantial share of total Group sales. All product development is based on customer demands and preferences. Volvo is striving to establish uniform manufacturing processes in order to increase flexibility and efficiency.

Volvo's financial targets are to achieve annual sales growth of at least 10%, with an operating margin in excess of 7% for the industrial operations over a business cycle. Net debt should be a maximum of 40% of shareholders' equity.

Volvo's dividend policy is that the total return shall exceed the industry average over the long term.

### Holding and Representation



#### Holding as per Dec. 31, 2007:

Shares: 43,511,650 Class A shares and 2,000,000 Class B shares<sup>1</sup>.  
Market value: SEK 4,916 M.  
Share of votes: 5.3%.  
Share of capital: 2.1%.

**Board members with ties to Industrivärden:** Finn Johnsson and Tom Hedelius.

**Industrivärden's nominating committee representative:** Bengt Kjell.

<sup>1</sup> A 5:1 split was carried out in 2007.

### Active Ownership in Practice

#### Strategic activities at Volvo

- Several important company acquisitions were made during the year. The Volvo Trucks business area acquired the Japanese truck manufacturer Nissan Diesel. The Construction Equipment business area was complemented with the American company Ingersoll Rand's road construction machinery division and Lingong, a Chinese manufacturer of construction equipment.
- Redemption of shares worth SEK 10,545 M and a 5:1 stock split in connection with this.
- The risk for capacity shortages has been reduced through production investments that will be carried out in the years ahead.

#### Ownership assessment

Through innovative, customer-adapted product development and high quality, Volvo has established a leading position in the European heavy

trucks market. The company also has leading positions in its other business areas. Industrivärden believes that Volvo has good prospects of broadening its geographic presence and further strengthening its position for continued growth and improved profitability.

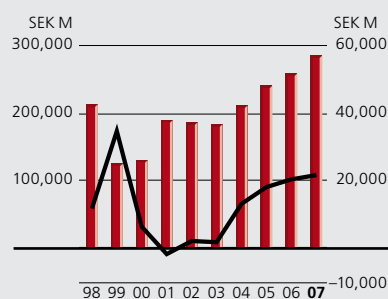
### Development 2007

- Net sales rose 10% (7%).
- Income after financial items rose 6% to SEK 21,557 M (20,299). Operating income for Volvo Trucks was level with a year ago. Weak demand in North America was offset by favorable volume development in Europe and Asia. The Construction Equipment, Volvo Penta and Volvo Aero business areas posted improved operating income, while Buses noted an earnings decline.
- The operating margin was 7.8% (7.9%).

## Volvo at a Glance

**Chairman:** Finn Johansson. **CEO:** Leif Johansson. **Stock:** Volvo's stock is listed on the Stockholm Stock Exchange. The share price rose 15% in 2007, and trading volume was SEK 339 billion. Volvo has approximately 198,000 shareholders. For more information on Volvo Group, visit [www.volvogroup.com](http://www.volvogroup.com).

### Net Sales and Income



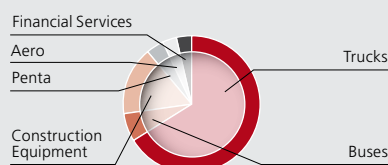
■ Net sales — Income after net financial items

### Volvo's Stock

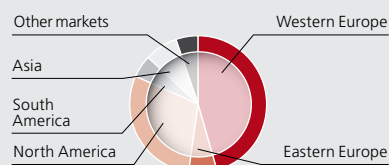


■ Total return, Class A — Return index  
**Comment:** During the last ten-year period, Volvo's stock has outperformed the return index.

### Net Sales per Business Area



### Net Sales per Market



### Key Data

	2007	2006 <sup>1</sup>
Net sales, SEK M	<b>285,405</b>	258,835
Income after financial items, SEK M	<b>21,557</b>	20,299
Cash flow from operating activities, SEK M	<b>18,300</b>	21,500
Earnings per share, SEK	<b>7.37</b>	8.03
Dividend per share, SEK	<b>5.50<sup>2</sup></b>	5.00 <sup>3</sup>
Shareholders' equity per share, SEK	<b>39</b>	41
Net debt-equity ratio	<b>0.06</b>	-0.29
Average number of employees	<b>101,698</b>	83,187
Market capitalization as per December 31, SEK M	<b>230,595</b>	202,675

1) A 5:1 stock split was carried out in 2007. All comparison figures per share have been recalculated to take into account the stock split.

2) Proposed by the board of directors.

3) In addition to the dividend for 2006, one redemption share worth SEK 5.00 with automatic sale was received.

### Largest Owners as per December 31, 2007<sup>4</sup>

	% of votes	% of capital
Renault SA	20.5	20.7
Industrivärden	5.3	2.1
Handelsbanken foundations <sup>5</sup>	4.9	1.9
Violet Partners	4.8	1.9
AMF Pension	3.6	2.2
Share of foreign ownership	44.5	53.7

4) Source: SIS Ägarservice.

5) Including pension foundations and others.



▲ Volvo Group's truck sales rose by 69% in Eastern Europe and by 25% in South America. In Asia, sales rose by 34%, adjusted for the acquisitions of Nissan Diesel, Lingong and Ingersoll Rand.

▲ Volvo Trucks is investing approximately SEK 1.1 billion in its truck body plant in Umeå, Sweden. The investment includes manufacturing machinery and measures to boost the plant's capacity and flexibility.



Skanska offers competitive solutions in the development, construction and maintenance of physical environments for living, traveling and working. The company is active in a number of selected home markets. Its vision is to be a leader – the customer's first choice – in construction-related services and project development in these markets.

## Construction Leader with Value-Creating Project Development

Skanska is one of the largest construction companies in the world, with leading positions in a number of home markets in Europe, the U.S. and Latin America. Its mission is to develop, build and maintain the physical environment for living, traveling and working. Skanska's overall goal is to generate customer and shareholder value, which is created in well-implemented and profitable projects.

Operations are conducted in four so-called business streams: Construction, Residential Development, Commercial Development and Infrastructure Development.

Construction is the core of the Group's operations. Skanska strives to be the leading project developer in selected markets and product areas, such as residential, office, retail and selected types of infrastructure projects. Skanska's capabilities are best utilized in large, complex projects.

Skanska is a global name in construction, with operations in nine home markets in which the company has a strong position. The largest are the U.S., Sweden, the U.K., Norway, the Czech Republic and Finland. The share of foreign revenues has risen from about 10% at the end of the 1980s to approximately 80% today.

Construction involves buildings and civil construction projects and is Skanska's largest business stream. Civil construction consists mainly of infrastructure projects such as rail systems, bridges, tunnels, roads and power plants.

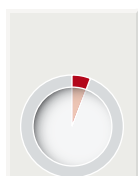
Project Development, whose operations are designed to create value, comprises the Residential Development, Commercial Development and Infrastructure Development business streams.

Residential Development develops residential projects for immediate sale. Commercial Development initiates, develops, leases and sells commercial real estate projects, with a focus on office space and shopping centers. Infrastructure Development develops and invests in privately financed infrastructure projects, such as roads, hospitals, schools and power generation plants.

Skanska's financial target is to achieve an operating margin of 4.0% for the Construction business stream by 2010 at the latest. The Group's average annual return on equity after tax should be 20%. Based on the current operations and required rate of return, Skanska's board has determined that shareholders' equity in 2008 needs to amount to SEK 17 billion. Skanska's dividend policy is based on the goal that future profits should cover development of the Group's business as well as growth in the regular dividend. The dividend is expected to amount to at least 50% of net profit.

Skanska's strategy for achieving its operative and financial targets is to focus on the core business carried out by its four business streams. The company seeks to maintain an international presence with local businesses, to recruit, develop and retain competent employees, and to take advantage of the collective knowledge, resources and strengths of the Group. The aim is also to foresee and manage risks in the construction business with the help of well-functioning risk management systems, to be an industry leader in technology as well as safety, ethics and the environment, and to utilize the potential that exists in coordinating the Group's purchases.

### Holding and Representation



Share of equities portfolio: 6%.

#### Holding as per Dec. 31, 2007:

Shares: 15,010,700 Class A shares and 18,315,000 Class B shares.  
Market value: SEK 4,066 M.  
Share of votes: 27.1%.  
Share of capital: 7.9%.

**Board members with ties to Industrivärden:** Sverker Martin-Löf, Finn Johnsson and Anders Nyrén.

**Industrivärden's nominating committee representative:** Carl-Olof By.

### Active Ownership in Practice

#### Strategic activities at Skanska

- A new business plan was presented with focus on improved operating margins in Construction and a significant increase in investment in Skanska's development activities. New financial targets were also set, as described above.
- Johan Karlström will take office as new CEO in 2008.

#### Ownership assessment

In recent years Skanska has carried out a consolidation and strategic concentration of its operations and coordinated its strength factors. The company's financial targets give priority to profitability over growth. Industrivärden is optimistic about Skanska's opportunities to further develop its operations and achieve long-term favorable earnings growth.

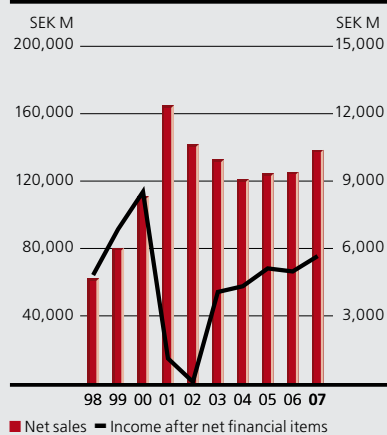
### Development 2007

- Income after financial items amounted to SEK 5,667 M (4,985), including project development gains of SEK 1,080 M (1,300) on sales of commercial properties.
- Operating income for Construction, the largest business stream, amounted to SEK 4,445 M (3,336). The operating margin improved to 3.4% (2.8%).
- Return on shareholders' equity was 21% (21%).

## Skanska at a Glance

**Chairman:** Sverker Martin-Löf. **CEO:** Stuart E. Graham. **Stock:** Skanska's stock is listed on the Stockholm Stock Exchange. The share price fell by 10% in 2007, and trading volume was SEK 92 billion. Skanska has approximately 75,000 shareholders. For more information on Skanska, visit [www.skanska.com](http://www.skanska.com).

### Net Sales and Income

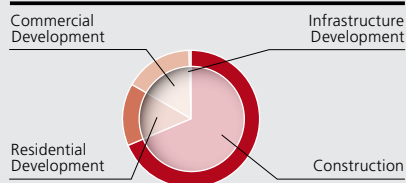


### Skanska's Stock



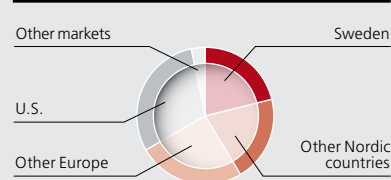
**Comment:** During the last ten years, Skanska's stock has outperformed the return index.

### Operating Income per Business Stream



Market valuations as per December 31, 2007, show a surplus value of SEK 1.9 billion (2.0) in Commercial Development and SEK 6.5 billion (3.7) in Infrastructure Development.

### Net Sales per Market



### Key Data

	2007	2006
Net sales, SEK M	<b>138,781</b>	125,603
Income after net financial items, SEK M	<b>5,667</b>	4,985
Cash flow from operating activities, SEK M	<b>9,099</b>	3,717
Earnings per share, SEK	<b>9.78</b>	8.68
Dividend per share, SEK	<b>8.25<sup>1</sup></b>	8.25
Shareholders' equity per share, SEK	<b>49.50</b>	46.20
Average number of employees	<b>60,435</b>	56,085
Market capitalization as per December 31, SEK M <sup>2</sup>	<b>51,063</b>	56,505

1) Proposed by the Board of Directors, of which SEK 3.00 (3.50) consists of an extra dividend.

2) Skanska's Class A shares, which are unlisted, have been assigned the same value as the Class B shares.

### Largest Owners as per December 31, 2007<sup>3</sup>

	% of votes	% of capital
Industrivärden	27.1	7.9
Handelsbanken foundations <sup>4</sup>	6.6	2.1
AMF Pension	3.4	5.0
Swedbank Robur mutual funds	2.3	3.4
SEB mutual funds	1.9	2.8
Share of foreign ownership	21.3	26.4

3) Source: SIS Ägarservice.

4) Including pension foundations and others.



▲ Skanska has completed Poland's – and also one of Europe's – largest building projects in recent years. The Złote Tarasy shopping center in Warsaw's new focal point, featuring some 200 stores and restaurants. 10,000 square meters of window panes form the roof of the shopping center's expansive and bright courtyard.

▲ Skanska is one of the largest construction companies in North America. In 2007 Skanska was awarded the contract to build the New Meadowlands NFL football stadium in New Jersey.



Indutrade is a fast-growing technology trading company that sells components, systems and services primarily to industrial customers with a recurring need. The company's customers work primarily in the process industries in northern Europe and Benelux.

## Growth Through a Well-Developed Business Model

Indutrade is a fast-growing technology trading company that markets and sells components, systems and services with a high-tech content to industrial customers in selected niches. The Group creates value for its customers by structuring the value chain and enhancing the efficiency of its customers' use of technological components and systems. Operations are decentralized in a group of independent companies. For Indutrade's suppliers, value is created through access to an effective sales organization with high technical expertise and solidly developed customer relations. The aim is to make cooperation with Indutrade the most profitable way for suppliers to sell their products in the geographic markets in which Indutrade is active.

Indutrade's main products include valves, instruments, pumps, pipe and pipe systems, filters, industrial equipment, transmissions, adhesives, cutting tools and fasteners.

The Group's various product areas are coordinated and controlled through four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products.

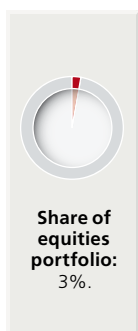
The customers of the Indutrade companies consist of manufacturers and end-users that have a recurring need for technical components. They represent a cross-section of industry, with a concentration in the pulp & paper and engineering industries. The pharmaceutical, food, petrochemical and automotive industries are other key customer groups.

Indutrade's suppliers consist of international corporations with brand-name products and major development resources as well as smaller niche manufacturers. Most of the products are leaders in their respective segments. Suppliers are situated mainly in Germany, the UK, Japan and Italy. As a rule, Indutrade's companies have exclusive agency agreements in their respective geographic markets. Indutrade's principal markets are Sweden, Finland, Benelux, Germany and Denmark. The company is also active in Norway, the U.K., the Baltic countries and Russia.

Indutrade's expansion has taken place through organic growth as well as through acquisitions of small and medium-sized technology sales companies, often privately held. Average annual sales growth during the last ten years has been 14%. Indutrade has a long heritage of company acquisitions. During the last 30 years some 60 acquisitions have been carried out, of which more than 40 were during the last ten-year period. Indutrade works according to a tried and tested process for analysis, company acquisitions and integration.

Indutrade's financial targets are to have an average of 10% annual sales growth over a business cycle, an average annual operating margin before amortization of intangible assets in excess of 8% over a business cycle, a return on operating capital in excess of 25%, and a net debt-equity ratio that normally does not exceed 1.0. The dividend over time shall amount to at least 50% of net profit.

### Holding and Representation



**Holding as per Dec. 31, 2007:**  
Shares: 14,757,800 shares.  
Market value: SEK 1,819 M.  
Share of votes and capital: 36.9%.

**Board member with ties to Industrivärden:** Bengt Kjell.

**Industrivärden's nominating committee representative:** Carl-Olof By.

### Active Ownership in Practice

#### Strategic activities at Indutrade

- Indutrade completed 12 company acquisitions during the year, with combined annual sales of SEK 610 M and 265 employees.
- Indutrade established itself in the U.K. through the acquisition of International Plastic Systems.

#### Ownership assessment

Through a conscious effort Indutrade has created and refined a model for acquiring and integrating technology trading companies. In view of Indutrade's proven ability over many years to run an expansive group of technology trading companies with good profitability, Industrivärden expects to see a continued favorable trend in profitability.

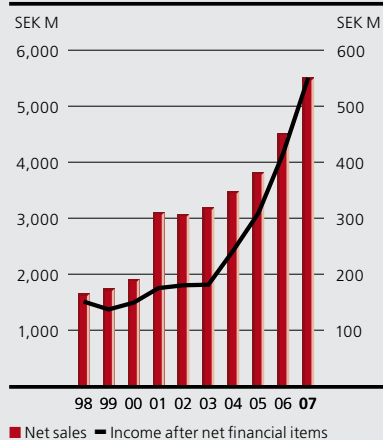
### Development 2007

- Net sales amounted to SEK 5,673 M (4,516), an increase of 14% for comparable units and adjusted for currency effects.
- Acquired companies accounted for 12% of sales growth.
- Income after net financial items increased by 39% to SEK 578 M (416). Return on operating capital was 41% (37%).
- The operating margin (EBITA) was 11.5% (10.2%).

## Indutrade at a Glance

**Chairman:** Bengt Kjell. **CEO:** Johnny Alvarsson. **Stock:** Indutrade's stock is listed on the Stockholm Stock Exchange. The share price fell by 9% in 2007, and trading volume was SEK 1.9 billion. Indutrade has approximately 5,000 shareholders. For more information on Indutrade, visit [www.indutrade.com](http://www.indutrade.com).

### Net Sales and Income

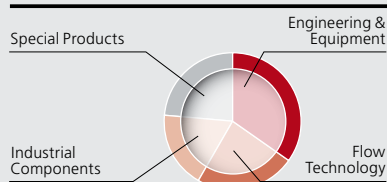


### Indutrade's Stock

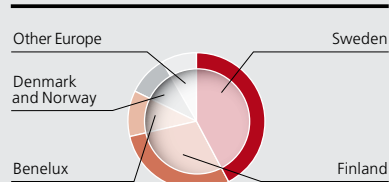


**Comment:** Since the stock market introduction in October 2005, Indutrade's stock has outperformed the return index.

### Net Sales per Business Area



### Net Sales per Market



▲ Indutrade's subsidiary Ventim has supplied ball valves and butterfly valves to Fortum's heating plant in Stockholm. The unusually large valve dimensions make this application unique in Sweden.

▲ Optimal vessel operation requires that the propeller axle, drive shaft, bearings, engine and clutch are all in alignment. To ensure this, the shipbuilding industry uses the Easy-Laser measurement and alignment system from the Indutrade company Damalini.

### Key Data

	2007	2006
Net sales, SEK M	<b>5,673</b>	4,516
Income after net financial items, SEK M	<b>578</b>	416
Cash flow from operating activities, SEK M	<b>399</b>	265
Earnings per share, SEK	<b>10.48</b>	7.50
Dividend per share, SEK	<b>5.25<sup>1</sup></b>	3.75
Shareholder's equity per share, SEK	<b>29.73</b>	22.30
Net debt-equity ratio	<b>0.55</b>	0.53
Average number of employees	<b>1,929</b>	1,673
Market capitalization as per December 31, SEK M	<b>4,930</b>	5,400

1) Proposed by the board of directors.

### Largest Owners as per December 31, 2007<sup>2</sup>

	% of votes and capital
Industrivärden	36.9
AFA Insurance	10.3
Handelsbanken foundations <sup>3</sup>	10.1
L E Lundbergföretagen	10.0
Aktie-Ansvar mutual funds	2.2
Share of foreign ownership	9.3

2) Source: SIS Ägarservice.

3) Including pension foundations, employee foundations and others.





Munters is a world leader in humidity control, with products and services for water damage restoration and dehumidification, humidification and cooling of air.

## Strong Global Position in Humidity Control

Munters is a globally leading supplier of energy-efficient solutions for air treatment and damage limitation based on expertise in techniques for humidity and moisture control. The Group has nearly 4,300 employees, and manufacturing and sales are conducted via own companies in more than 30 countries. Customers come from widely varying segments of which the largest are the insurance, food, pharmaceutical and electronics industries.

Munters' operations are divided into three divisions: Moisture Control Services (MCS), Dehumidification and HumiCool. MCS offers services for water and fire damage restoration and for temporary climate control. The MCS service concept is based on drying instead of rebuilding following water or fire damage. Munters' services in this area cover a wide range of applications, from limiting water damage in homes to the renting of dehumidifiers for various industrial applications. Insurance companies can save time and money by focusing on drying and renovation instead of rebuilding after fire and water damage.

The Dehumidification division offers products and total solutions for controlling humidity and indoor climates. By maintaining a constant, low level of humidity, rust, mold, frost and bacteria growth can be prevented. Customers' manufacturing and storage processes become more effective, and product life, quality and hygiene are improved. Dehumidification combined with air cooling creates ideal indoor climates. Customers are offered a controlled indoor climate, regardless of whether their facility is in a warm and humid or cold and dry climate. Priority market segments for the

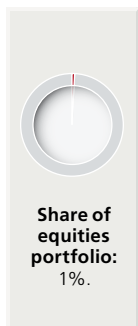
Dehumidification division are the food and pharmaceutical industries. HumiCool offers products and systems that create a controlled indoor climate. Evaporative cooling is in demand in countries with a warm climate, while in countries with cold, dry climates, humidification is used to improve indoor environments. Munters' technology is used in a variety of different applications. For example, Munters' systems make it possible to grow vegetables and flowers indoors or raise chickens in an ideal artificial climate. A stable and controlled indoor climate contributes to higher productivity in customers' business operations.

Munters' strategy, in brief, is to focus on customers with underlying growth and moderate sensitivity to business cycles, to increase distribution to end customers through forward integration, to repeat successful installations, to increase service sales, to open new geographic markets, and to carry out complementary acquisitions.

The financial targets include annual sales growth of 10% over a business cycle, an operating margin of 10%, and a capital turnover rate of 3. Each of the divisions has individual targets that have been adapted to their respective conditions.

Munters' dividend policy is that the dividend should correspond to roughly half of average net earnings, measured over a several-year period.

### Holding and Representation



**Holding as per Dec. 31, 2007:**  
Shares: 10,950,000<sup>1</sup> shares.  
Market value: SEK 840 M.  
Share of votes and capital: 14.6%.

**Board member with ties to Industrivärden:** Bengt Kjell.

**Industrivärden's nominating committee representative:** Carl-Olof By.

<sup>1</sup>) A 3:1 stock split was carried out in 2007.

### Active Ownership in Practice

#### Strategic activities at Munters

- A share redemption worth SEK 494 M was carried out in connection with a 3:1 stock split.
- New product areas were added through company acquisitions.

#### Ownership assessment

Munters has a very strong market position in the attractive growth area of humidity control. The company has shown solid growth in volume and earnings over a long-term perspective. Industrivärden believes that Munters has favorable future opportunities by developing existing as well as new products, services and application areas.

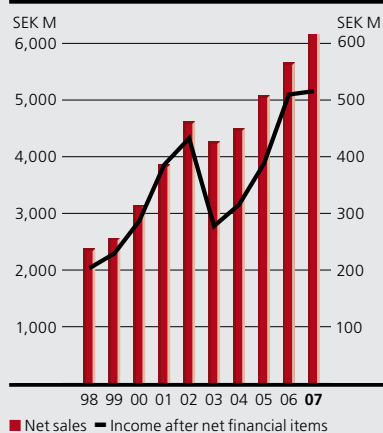
### Development 2007

- Net sales rose 10% (11%).
- Income after financial items rose 2% to SEK 526 M (514). The Dehumidification division showed improved operating income, while Moisture Control Services posted lower operating income due to weak sales and non-recurring costs. HumiCool had a continued high operating margin.
- A cost-cutting program was carried out by the MCS division.
- The operating margin (EBIT) was 9.0% (9.3%).

## Munters at a Glance

**Chairman:** Berthold Lindqvist. **CEO:** Lars Engström. **Stock:** Munters' stock is listed on the Stockholm Stock Exchange. The share price fell by 23% in 2007, and trading volume was SEK 3.3 billion. Munters has approximately 5,000 shareholders. For more information on Munters, visit [www.munters.com](http://www.munters.com).

### Net Sales and Income

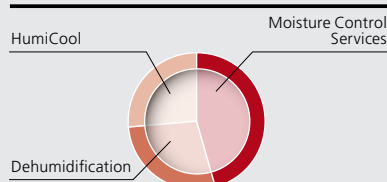


### Munter's Stock

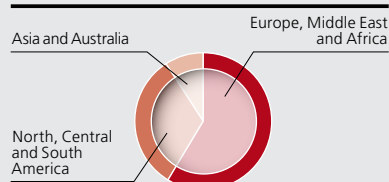


**Comment:** During the last 10 years, Munters' stock has outperformed the return index.

### Net Sales per Division



### Net Sales per Market



### Key Data

	2007	2006 <sup>1</sup>
Net sales, SEK M	<b>6,262</b>	5,712
Income after net financial items, SEK M	<b>526</b>	514
Cash flow from operating activities, SEK M	<b>395</b>	530
Earnings per share, SEK	<b>4.49</b>	4.40
Dividend per share, SEK	<b>2.50<sup>2</sup></b>	2.25 <sup>3</sup>
Shareholders' equity per share, SEK	<b>16.03</b>	20.08
Average number of employees	<b>4,268</b>	3,644
Market capitalization as per December 31, SEK M	<b>5,756</b>	7,925

1) A 3:1 stock split was carried out in 2007. All comparison figures per share have been recalculated to taken the stock split into account.

2) Proposed by the board of directors.

3) In addition to the dividend for 2006, one redemption share worth SEK 6.67 with automatic sale was received.

### Largest Owners as per December 31, 2007<sup>4</sup>

	% of votes and capital
Industrivärden	14.6
Latour	14.6
AFA Insurance	7.8
Swedbank Robur mutual funds	6.1
State of New Jersey Pension Fund	4.8
Share of foreign ownership	25.2

4) Source: SIS Ägarservice.



▲ HumiCools expertise in evaporative cooling creates unique conditions for controlling indoor climates for people, animals, plants and industrial processes.

▲ Munters helps insurance companies and construction companies improve the efficiency of their work through time- and cost-saving measures in the areas of damage limitation and moisture control.



Höganäs is the world's leading supplier of metal powders. Its end products are used in automotive industry components and power generation components, such as electrical tools and household appliances.

## Leading Player in Metal Powder Technology

Established in 1797, Höganäs today is the world's leading supplier of metal powder technology. Its business concept is to develop, produce and market metal powders that contribute to the lowest total cost of end products. The company's principal customers are in powder metallurgy, welding, and the chemical and metallurgical industries. The Components business area (70% of sales) produces press powder for component manufacturing, mainly in the automotive industry. Press powder makes components cheaper and production more energy-efficient than competing technologies. The Consumables business area (30% of sales) covers metal powders used in processes, such as in producing metals, as additives in chemical processes, as surface coatings and for enriching food.

Approximately 80% of Höganäs's production is processed into mechanical or electrical components for vehicles or home appliances. In automotive component manufacturing, Höganäs's powders are used in mechanical transmission components, such as gearwheels, steering systems, shock absorbers and brakes, components exposed to corrosion in exhaust systems, soft-magnetic components in electric motors for power windows, power locks, air conditioning, and more. On average, modern cars include roughly 10 kg. of components produced from metal powder. The amount

varies, however, depending on where the car was made and what kind of car it is.

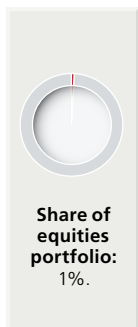
The other major application area for powder components is in the home. Höganäs's powders are used in the manufacture of components for transmissions in electrical products, such as power tools and lawnmowers, compressors for air conditioning systems and refrigerators/freezers, washing machines, VCR and DVD players, and computer printers.

Although North America is the dominant geographic market in the world for iron powder, Europe is the most important market for Höganäs. Five producers account for most of the world's production of iron powder, and Höganäs is the market leader. Höganäs is also a leading producer of high-alloy metal powders.

The company is leading development in the iron and metal powder industry and has the goal of always being first to launch new products. R&D corresponds to approximately 2.5% of sales.

Höganäs's long-term financial targets are to maintain annual growth of 6%–8% over a business cycle, to have an operating margin of 15%, and to maintain a 20% return on capital employed. The dividend policy is that the dividend should amount to 30%–50% of net income.

### Holding and Representation



#### Holding as per Dec. 31, 2007:

Shares: 3,550,000 Class B shares.  
Market value: SEK 485 M.  
Share of votes: 8.1%.  
Share of capital: 10.1%.

**Board member with ties to Industrivärden:** Bengt Kjell.

**Industrivärden's nominating committee representative:** Carl-Olof By.

### Active Ownership in Practice

#### Strategic activities at Höganäs

- The board has proposed a share redemption program worth SEK 522 M.

#### Ownership assessment

Höganäs works according to a global niche strategy focusing on metal powders and is a world-leading producer of iron powder. The operating margin has narrowed in recent years due to high costs and a high amount of working capital. The ongoing work on overhauling the product range and production structure is expected to create conditions for improved earnings.

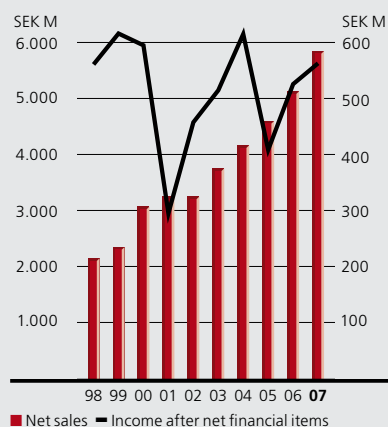
### Development 2007

- Net sales rose 14% (12%).
- Income after financial items amounted to SEK 562 M (525).
- Operating income totaled SEK 354 M (332) for the Components business area and SEK 219 M (197) for the Consumables business area.
- Return on capital employed was 16% (16%).
- The operating margin was 10.4% (11.8%).

## Höganäs at a Glance

**Chairman:** Per Molin. **CEO:** Alrik Danielson. **Stock:** Höganäs's stock is listed on the Stockholm Stock Exchange. The share price fell by 24% in 2007, and trading volume was SEK 4.1 billion. Höganäs has approximately 7,000 shareholders. For more information on Höganäs, visit [www.hoganas.com](http://www.hoganas.com).

### Net Sales and Income

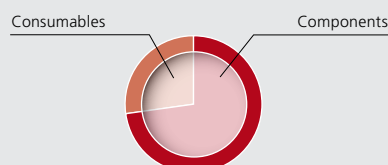


### Höganäs's Stock

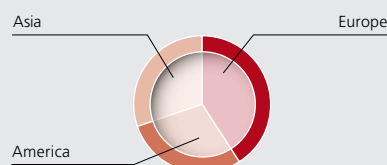


**Comment:** During the last ten years, Höganäs's stock performed below the return index.

### Net Sales per Business Area



### Net Sales per Market



▲ Sixty percent of Höganäs's sales are in the automotive industry.

▲ Höganäs's Somaloy material has replaced stainless steel powder in steering systems for the Japanese auto manufacturer Toyota and reduced the total cost for the components by 50%.

### Key Data

	2007	2006
Net sales, SEK M	<b>5,838</b>	5,123
Income after net financial items, SEK M	<b>562</b>	525
Cash flow from operating activities, SEK M	<b>482</b>	626
Earnings per share, SEK	<b>12.39</b>	11.54
Dividend per share, SEK	<b>6.25<sup>1</sup></b>	6.25
Shareholder's equity per share, SEK	<b>78.80</b>	74.80
Average number of employees	<b>1,591</b>	1,557
Market capitalization as per December 31, SEK M <sup>2</sup>	<b>4,800</b>	6,300

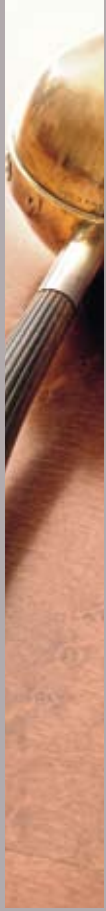
1) Proposed by the board of directors. The board also has also proposed a redemption of SEK 15 per share.

2) Höganäs's Class A shares, which are not listed, have been assigned the same value as the Class B shares.

### Largest Owners as per December 31, 2007<sup>3</sup>

	% of votes	% of capital
Lindéngruppen	37.5	21.8
Industrivärden	8.1	10.1
If P&C Insurance	6.9	8.6
Alecta	5.7	7.2
Marathon Asset Management	5.7	7.2
Share of foreign ownership	18.6	23.2

3) Source: SIS Ågarservice.



C O R P O R A T E  
G O V E R N A N C E  
R E P O R T

## CORPORATE GOVERNANCE REPORT

# Corporate Governance at Industrivärden

Industrivärden's governing bodies consist of the general shareholders' meetings, the Board of Directors, the President and CEO, and the auditors. At general shareholders' meetings, the shareholders elect a board and auditors. The Board has ultimate responsibility for Industrivärden's organization and management. The Board has a compensation committee and an audit committee. The Board appoints the President and CEO as well as executive vice presidents. On behalf of the general meeting, the auditors are responsible for auditing the financial statements and the Board's and CEO's management during the fiscal year. Industrivärden's nominating committee is tasked with recommending directors and, where applicable, auditors for election by a general shareholders' meeting.

## Swedish Code of Corporate Governance and Content of Corporate Governance Report

Industrivärden adheres to the Swedish Code of Corporate Governance. One departure is reported on page 46 with respect to the composition of the Audit Committee. This corporate governance report pertains to the 2007 fiscal year and also includes a report on the Nominating Committee's work ahead of the 2008 Annual General Meeting. The corporate governance report has not been reviewed by the Company's auditor.

## Shareholders

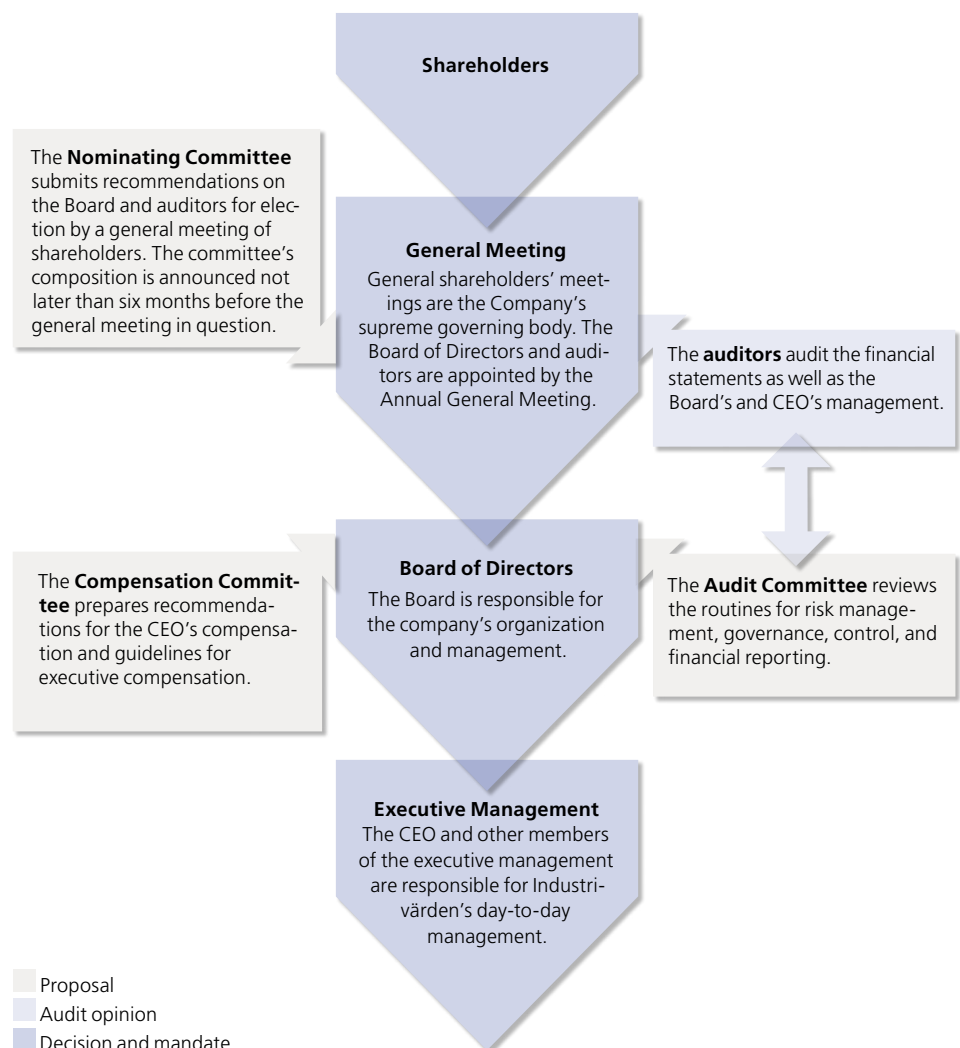
At year-end 2007 Industrivärden had approximately 40,000 (39,000) shareholders. The percentage of shares owned by institutional shareholders, such as pension funds, insurance companies and mutual funds, was 81% (82%). Foreign investors owned approximately 9% (9%) of the shares. The ten largest shareholders had combined shareholdings corresponding to 65% (63%) of the votes and 47% (54%) of the capital stock. A specification of major shareholders can be found in the Industrivärden Share Data section on page 10.

## Articles of Association

The Articles of Association stipulate that Industrivärden is a public company whose business is to own and manage

## The Corporate Governance Process

A description of the Swedish corporate governance matters can be found in the document "Special Features of Swedish Corporate Governance," published by the Swedish Corporate Governance Board. See [www.bolagsstyrningskollegiet.se](http://www.bolagsstyrningskollegiet.se).



real estate and chattel. The Company's shares are divided among Class A and Class C shares. In votes at general meetings of shareholders, Class A shares carry entitlement to one vote and Class C shares one-tenth of a vote. Both classes carry entitlement to an equal share of the Company's assets and earnings, however.

The Board shall consist of at least three and not more than nine members, who are appointed yearly at the Annual General Meeting. Notices of the Annual General Meeting shall be issued not earlier than six weeks and not later than four weeks prior to the meeting. Notices of extraordinary general meetings in which the agenda does not concern amendments to the Articles of Association, shall be issued not earlier than six weeks and not later than two weeks prior to the extraordinary general meeting in question. Notice shall be made through advertisements in the Official Swedish Gazette (Post- och Inrikes Tidningar) and in the Swedish daily newspapers Dagens Nyheter and Svenska Dagbladet.

### General Shareholders' Meetings

General shareholders' meetings are Industrivärden's supreme governing body. At the Annual General Meeting (AGM), which is held within six months after the end of the fiscal year, the income statement and balance sheet are adopted, the dividend is decided on, the Board of Directors and auditors are elected, their fees are determined, other items of legally ordained business are conducted, and decisions are made on proposals submitted by the Board and shareholders. The auditors' mandate period is normally four years, and thus election of auditors does not take place every year.

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intent to participate at the general meeting have the right to attend the meeting and vote for the total number of shares they have. Shareholders can be represented by proxy. More detailed information on the 2008 Annual General Meeting is provided on page 85.

The notice of the Annual General Meeting on April 15, 2008, is published in Swedish daily newspapers and on Industrivärden's website on March 14, 2008. This notice presented a detailed agenda, including proposals for the dividend, the election of directors, directors' fees (specified by the Chairman, Vice Chairman and other board members), and auditors' fees.

### 2007 Annual General Meeting

At the Annual General Meeting on March 27, 2007, attorney Sven Unger presided as chairman. All directors and auditors were present at the meeting.

At the meeting, the annual report and audit report were presented. In addition, CEO Anders Nyrén gave an address on

Industrivärden's activities in 2006. In connection with this, Chairman of the Board Tom Hedelius presented information on the Board's work and reported on the principles for executive compensation and on the work of the Audit Committee.

The auditors reported to the Annual General Meeting on their audit and audit opinion and, in connection with this, reported on their work during the past year.

The 2007 AGM resolved, among other things:

- to set the dividend at SEK 4.50 per share (recalculated for the 2:1 split);
- to elect as directors Boel Flodgren, Lars O Grönstedt, Tom Hedelius, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Lennart Nilsson and Anders Nyrén;
- to appoint Tom Hedelius as Chairman of the Board;
- to authorize the Chairman of the Board to contact four of the largest registered shareholders in terms of votes in VPC's print-out of the shareholder register on August 31, 2007, who each appoint one representative who is not a director on the Company's board, to form together with the Chairman of the Board a nominating committee for the time until a new nominating committee has been appointed based on the mandate from the next year's Annual General Meeting. The composition of the Nominating Committee shall be made public not later than six months before the 2008 Annual General Meeting;
- to carry out a 2:1 stock split.

At the statutory board meeting held immediately after the AGM, Sverker Martin-Löf was appointed as Vice Chairman of the Board.

### Nominating Committee

The Nominating Committee is mainly tasked with recommending directors for election by the Annual General Meeting.

The composition of the Nominating Committee was published in September 2007. The members of the Nominating Committee are Tom Hedelius (Chairman of the Board), Bo Damberg (Jan Wallander och Tom Hedelius Stiftelse), Curt Källströmer (Committee Chair, Handelsbanken Pension Foundation, Handelsbanken Pension Fund and others), Ulf Lundahl (L E Lundbergföretagen) and Anders Nyberg (SCA Pension Foundations and others). The Nominating Committee has seen the evaluation of the Board's work. The Committee, which had two meetings, recommended re-election of board members Tom Hedelius, Boel Flodgren, Lars O Grönstedt, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Lennart Nilsson and Anders Nyrén.

The Nominating Committee also makes recommendations for the appointment of the Company's auditor. Öhrlings PricewaterhouseCoopers AB was appointed by the 2006 AGM to serve as auditor until the close of the 2010 AGM.

### Members of the Board of Directors

Industrivärden's board of directors, which is elected by the Annual General Meeting, currently consists of eight members, including the CEO. Industrivärden has not set any specific age limit for board members, nor any term limit for how long a director can serve on the Board. At the 2006 Annual General Meeting, Lars O Grönstedt was elected as a director on Industrivärden's board, and the other board members were reelected. At the 2007 AGM, all of the board members were reelected.

Industrivärden's chairman, Tom Hedelius, is a former CEO and chairman of Handelsbanken. Vice Chairman Sverker Martin-Löf is a former CEO of SCA and is Chairman of SCA, Skanska and SSAB. Boel Flodgren is a professor of commercial law and a former president of Lund University. Lars O Grönstedt is a former CEO of Handelsbanken and is currently Chairman of Handelsbanken. Finn Johnsson is a former CEO of Mölnlycke Health Care, United Distillers and Euroc, and is currently Chairman of Volvo. Fredrik Lundberg is CEO of L E Lundbergföretagen and Chairman of Cardo, Holmen and Hufvudstaden. Lennart Nilsson is a former CEO of Cardo.

A presentation of the current directorships held by the members of the Board can be found on page 80. The board members' professional biographies are presented on Industrivärden's website. Where necessary, other Industrivärden executives participate at board meetings.

### Independence Conditions

All directors except for Chairman Tom Hedelius, who has been a member of the Board for more than 12 years, and CEO Anders Nyrén are independent in relation to Industrivärden. Of the board members who are independent in relation to Industrivärden, Boel Flodgren, Lars O Grönstedt, Finn Johnson, Sverker Martin-Löf and Lennart Nilsson are also independent in relation to Industrivärden's major shareholders. Only one board member, CEO Anders Nyrén, is a member of the executive management.

### The Duties and Work of the Board of Directors

The Board has ultimate responsibility for the Company's organization and administration, and is also responsible for making decisions on strategic matters. The Board's work is conducted according to a yearly plan. Each meeting follows an agenda, which together with the underlying documentation is distributed to the directors in advance of each board meeting. In general, the Board deals with matters of material importance, such as:

- setting the Board's work plan, including instructions for the CEO. These instructions cover, among other things, investment rules for stocks and derivative instruments which indicate the

maximum amounts for the CEO's right between board meetings to decide on purchases and sales of stocks and derivative instruments;

- a strategic plan regarding active ownership
- acquisitions and sales of companies or businesses; and
- major purchases and sales of listed stocks.

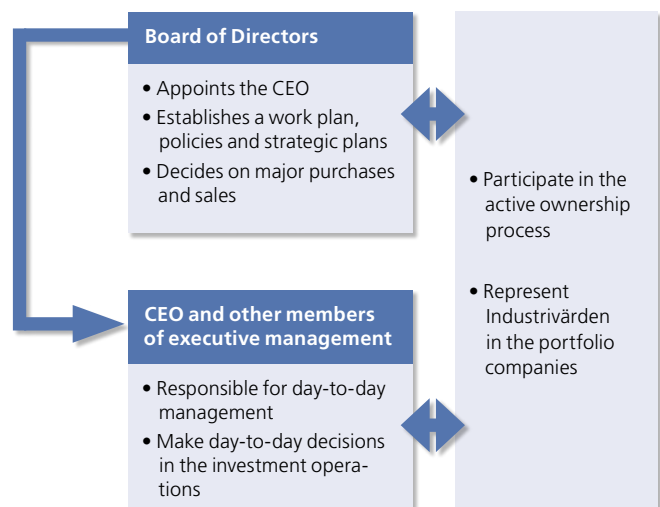
In addition to the statutory board meeting, which is held directly after the Annual General Meeting, the Board normally meets four times a year (regular meetings). Extra meetings are called when necessary.

The statutory meeting deals with election of the Vice Chairman, adoption of the Board's work plan, and decisions on the Company's signatories and persons to check the minutes of board meetings.

In connection with the board meeting that deals with the annual financial statements, the Board of Directors' Report, the proposed distribution of earnings and the year-end report, the Company's Chief Auditor reports on the auditors' observations and remarks from their audit. A similar report is also presented in connection with the nine-month interim report.

The regular meetings cover a number of set agenda items. These include, among other things, a report on the current financial result of operations and on the development of net asset value and the performance of the equities portfolio, including detailed information on stock transactions that have been carried out. Reports are also made on the share price and earnings trends. In addition, a special review is normally conducted of one or more of the portfolio companies and of potential investment decisions.

### Roles in Continuing Corporate Governance





## Attendance, Fees and Independence Conditions

Name	Year elected	Position <sup>1</sup>	Audit Committee	Compensation Committee	Attendance at board meetings	Attendance at committee meetings	Fee, 2007 SEK 000 <sup>2</sup>	Non-independence in relation to Industrivärden <sup>3,4</sup>	Non-independence in relation to major shareholders <sup>3</sup>
Tom Hedelius	1991	Chairman	Director	Chairman	All	All	1,110	X	X
Sverker Martin-Löf	2002	Vice Chairman	Chairman	Director	All	All	740		
Boel Flodgren	2002	Director	Director	–	All	All	370		
Lars O Grönstedt	2006	Director	Director	–	All	All	370		
Finn Johnsson	2000	Director	Director	–	All	All	370		
Fredrik Lundberg	2004	Director	Director	–	All	All	370		X
Lennart Nilsson	1997	Director	Director	–	All	All	370		
Anders Nyrén	2001	Director	–	–	All	–	–	X	
<b>Total</b>							<b>3,700</b>		

1) In 2002 Tom Hedelius and Sverker Martin-Löf were named Chairman and Vice Chairman of Industrivärden's board, respectively, for the first time.

2) No fee is payable for committee work.

3) Independence conditions according to the Swedish Code of Corporate Governance and the Stockholm Stock Exchange Listing Agreement.

4) Tom Hedelius has been a Company director for more than 12 years. Industrivärden's President and CEO, Anders Nyrén, is the only executive director of the Company.

At one or more board meetings during the year, the management of one of the portfolio companies presents a report on the company's development.

Committees appointed by the Board are tasked with preparing matters ahead of board decisions.

Each year the Board evaluates the financial reporting it receives from the Company and makes demands on its content and design in order to ensure its quality as follows from the Internal Control section below.

The Board's work is evaluated each year under the direction of the Chairman of the Board.

Decisions based on extensive documentation are made by the Board after a discussion that is monitored by the Chairman. The Company Secretary is attorney Sven Unger, from the law firm Mannheimer Swartling.

### Important Matters for the Board

#### During the 2007 Fiscal Year

In 2007 the Board had a total of five meetings in addition to the statutory meeting, of which one was held per capsulam. The most important task of the Board concerns matters related to the active holdings in the equities portfolio. In addition to strategic planning, the most important single matters in 2007 involved sales and purchases of stocks. In addition, the Board resolved to issue a guarantee of SEK 1.6 billion to subscribe for shares in SSAB's rights issue, corresponding to Industrivärden's own shareholding.

#### The Chairman's Role

In addition to directing the work of the Board, the Chairman

monitors the Group's continuing performance through regular contacts with the CEO on strategic matters, and represents the Company in shareholder matters.

### Compensation Committee

The Board has appointed a compensation committee, which had two meetings. The compensation guidelines for senior executives were adopted by the 2007 Annual General Meeting. The Compensation Committee draws up recommendations for the CEO's compensation, decides on compensation for the other members of the executive management, and submits proposals for incentive programs. The members of the Compensation Committee are Tom Hedelius (Chairman of the Board and committee chairman) and Sverker Martin-Löf (Vice Chairman of the Board). No compensation has been paid for their work on the committee.

### Audit Committee

The Board has also appointed an audit committee, which includes all the Company's directors except for the CEO. This is a departure from rule 3.8.2 of the Swedish Code of Corporate Governance. The reason why the Audit Committee has such a composition is related to the significance of accounting and auditing matters in holding companies. Sverker Martin-Löf is chairman of the Audit Committee. The Audit Committee is tasked with examining the routines for the Company's risk management, governance and control, and financial reporting. The Company's investment instructions and finance policy are adopted each year by the Board. The Chairman of the Board maintains regular contact with the Company's auditors to ensure that internal and external reporting meet established requirements and to discuss the scope

and focus of audit work. The auditors normally report their observations to the Audit Committee in connection with their review of the nine-month interim report and in connection with their audit of the financial statements. No compensation has been paid to the members for their work on the committee.

### Executive Management

The members of the executive management are presented in the Organization and Employees section on page 15.

The CEO is responsible for Industrivärden's day-to-day management, which is administrated by the Company's Executive Management Team. The CEO's decision-making right regarding investments, purchases and sales of stocks, and with respect to financing matters, is subject to rules laid down by the Board of Directors. Industrivärden's President and CEO, Anders Nyrén, joined the Company in 2001. From 1997 to 2001 he was employed by Skanska as Executive Vice President and CFO. From 1996 to 1997 he served as an executive vice president and member of the executive management of Nordbanken. He was Executive Vice President and CFO of Securum from 1992 to 1996, and from 1987 to 1992 he served as CEO of OM International.

Anders Nyrén is Vice Chairman of Handelsbanken and Sandvik, and a director on the boards of Ericsson, SCA, Skanska and SSAB. Anders Nyrén owns 61,550 shares in Industrivärden.

Bengt Kjell, Executive Vice President and Chief Investment Officer, joined Industrivärden in 2002. He was a Senior Partner of Navet from 1987 to 2002. From 1995 to 1997 he worked for Securum as head of Corporate Finance and was a member of the executive management. From 1992 to 1995 he worked for Independent in charge of winding up the company, and from 1984 to 1987 he served as Executive Vice President and CFO of K.G. Knutsson. Bengt Kjell is Chairman of Indutrade and Kungsleden, and is a director on the boards of Handelsbanken Southern Sweden Region, Munters and Höganäs. Bengt Kjell owns 25,000 shares in Industrivärden.

Carl-Olof By, Executive Vice President with responsibility for financial and administrative matters, joined Industrivärden in 1990. From 1980 to 1990 he served as CFO of Investment AB Bahco. Carl-Olof By is a director on the board of Handelsbanken Region Stockholm, KnowIT and OMX Nordic Exchange Group. Carl-Olof By owns 34,000 shares in Industrivärden.

Fredric Calles, head of market operations and CEO of Nordinvest, joined Industrivärden in 2003. From 1996–2003 he was employed by Alfred Berg Fondkommission. Fredric Calles owns 2,000 shares in Industrivärden.

### Executive Compensation

The members of the executive management receive a base salary and

standard employment benefits, to which are added pension benefits and a variable salary component. The proposed principles regarding compensation for the members of the executive management in 2008 are described on page 51. Directors' fees payable to the CEO and other members of the Executive Management that are directly related to their service have been paid to the Company.

### Active Ownership

Industrivärden's Chairman, CEO, four other board members and the Executive Vice President and Chief Investment Officer are each directors of one or more of the companies in which Industrivärden serves as an active owner. These exercise Industrivärden's active ownership role in accordance with the principles described earlier in this Annual Report under the Business Model section on pages 11–14.

Participation in the portfolio companies' nominating processes is a vital aspect of Industrivärden's active ownership. Carl-Olof By chairs the nominating committees of Ericsson, Handelsbanken, Hemtex, Indutrade, Munters, Sandvik, SCA, Skanska and SSAB, and is a nominating committee member for Höganäs and Volvo.

### Auditor

At the 2006 Annual General Meeting, Öhrlings PricewaterhouseCoopers AB was elected as the Company's auditor for a term through the 2010 Annual General Meeting.

Anders Lundin, Authorized Public Accountant, is Chief Auditor. During 2007 Anders Lundin was also Chief Auditor for the listed companies AarhusKarlshamn, Bong Ljungdal, Husqvarna, Melker Schörfling, SCA, SäkI and Teligent.

In 2007 Öhrlings PricewaterhouseCoopers had a total of 101 auditing assignments for companies listed on the Stockholm Stock Exchange, of which one was in cooperation with another auditing firm. Auditors' fees are disclosed in Note 9 on page 68.

### Ethical Guidelines

Industrivärden strives to ensure that its business activities are conducted according to high standards of integrity and ethics internally as well as in the companies that make up Industrivärden's portfolio of active holdings. Industrivärden's insider trading rules are described on page 64.

### Internal Control

The most important control process in Industrivärden's business consists of the continuous follow-up of its value exposure in the equities portfolio. Industrivärden's internal control is therefore primarily focused on ensuring the reliability of valuations of outstanding equity and derivative positions and of the reporting of

purchases and sales of stocks and other securities.

According to the Swedish Companies Act, the Board is responsible for internal control. This responsibility includes conducting a yearly evaluation of the financial reporting that the Board receives and making demands on its content and design in order to ensure the quality of reporting. These demands entail that the financial reporting must be suitable and apply the applicable accounting rules and other requirements of listed companies. The following description is limited to Industrivärden's internal control of the financial reporting.

#### *Control Environment*

The control environment forms the basis of internal control. Decision-making channels, authority and responsibility are defined in a financial manual which covers – among other things – accounting principles, finance policy and finance instructions, banking policy, payment authorization instructions, routines for transactions in listed stocks and related instruments, investment rules for stocks and derivative instruments, and the work plan for the Board's work.

#### *Risk Assessment*

Industrivärden's greatest risk consists of value exposure in the equities portfolio. The chief risk in the work processes pertains to potential errors in the accounting and reporting of equity transactions. Each year Industrivärden assesses the risks associated with the handling of equity transactions. This results in a risk analysis which is discussed with the auditors.

#### *Control Activities*

Control activities pertaining to the equities portfolio include approval of all business transactions, registration in business systems not later than the day after the transaction date, follow-up to ensure that equity transactions are in accordance with decisions made by the Investment Committee, and checks to make sure that the value of purchases and sales of stocks and of underlying stocks in derivative transactions are within the scope of the CEO's mandate. All equity positions are followed up on a continuous basis in real time. Short-term transactions conducted by the subsidiary Nordinvest are subject to strict rules which limit the risks that may be taken and which limit the potential loss in the event of a drop in stock prices.

The performance of the equities portfolio is monitored in real time for the Parent Company and Nordinvest with respect to both equities and derivative instruments. Net debt is also calculated on a continuous basis and takes into account purchases and sales of equities and derivatives, paid and received dividends, management costs and net financial items. This enables net asset value and the

net debt-equity ratio to be monitored in real time, which minimizes the risk for inaccurate decision-making documentation.

Bookkeeping of all transactions in equities and derivatives is done not later than the day after the transaction date. All incoming and outgoing payments of equity purchases and sales are settled daily with the bank, as are holdings in Industrivärden's and Nordinvest's equity custody accounts.

#### *Information and Communication*

Through the financial manual and other instructions, all employees who are involved in equity transactions have access to the rules that apply for the Parent Company and Nordinvest. Through various forms of system support, the Company's management can monitor transactions that are conducted and the outcome of the various equity positions.

At the end of each month and in connection with reporting to the stock market, not later than the day after the settlement day, exhaustive statistics are prepared of equity transactions that have been carried out as well as a calculation of net asset value per share. Industrivärden normally publishes current net asset value data per share at the end of every month.

In connection with board meetings, a report is prepared of the current financial outcome of operations and of the trend in net asset value and the equities portfolio, including detailed information about equity transactions that have been carried out. This reporting includes a description of the share price trend and earnings performance, with comparisons made against other holding company peers to Industrivärden and with competitor-companies for the active holdings.

To ensure Industrivärden's external information to the stock market and the media, rules have been established by the Board and CEO which stipulate what is to be communicated, by whom, and in which manner.

#### *Follow-Up*

The Investment Committee continuously follows up investment decisions that have been made and obtains assurances that they have been executed properly.

In connection with each quarterly book-closing, the external auditors examine accounting and reporting matters pertaining to business transactions that have been carried out, as well as the financial reports in general that are issued to the stock market. Review reports are published in the quarterly reports. Against this background and in light of how the financial reporting is organized in general, the Board does not see any need for a special review function in the form of an internal audit unit.



# FINANCIAL STATEMENTS

# Board of Directors' Report

Registered number SE 556043-4200

The Board of Directors and President of AB Industrivärden (publ) herewith submit their annual report and consolidated financial statements for the 2007 fiscal year, the company's sixty-third year of operation. The following income statements, balance sheets, statement of changes in shareholders' equity, statements of cash flows and notes to the financial statements form an integral part of this annual report and have been audited by the Company's auditors.

## Operations

Industrivärden is one of the Nordic region's leading holding companies, taking an active ownership role in a concentrated selection of listed Nordic companies with good development potential. The goal is to generate high growth in net asset value over time.

## Net Asset Value

During the year, net asset value fell from SEK 58.5 billion, or SEK 151 per share, to SEK 54.8 billion, or SEK 142 per share. Taking into account reinvested dividends, net asset value decreased by 3%. The components making up net asset value are shown below:

	SEK billion		SEK per share	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Equities portfolio	65.8	63.3	170	164
Net debt	-11.0	-4.8	-28	-13
<b>Net asset value</b>	<b>54.8</b>	<b>58.5</b>	<b>142</b>	<b>151</b>

## Equities Portfolio

The market value of the equities portfolio at year-end was SEK 65,844 M (63,325), an increase of 4% (21%). The market value exceeded cost by SEK 36,260 M (41,370). Purchases of stocks during the year totaled SEK 8,834 M (3,193), and sales totaled SEK 2,124 M (2,072). Thus stocks were bought for a net amount of SEK 6,710 M (1,121).

Taking into account purchases and sales, the value of the portfolio fell by 6% (increase of 19%) during the year. The stock market index (OMXSPI) fell by 6% (increase of 24%) during the same period.

During the year, stock splits were carried out by Munters (3:1), SCA (3:1) and Volvo (5:1). Industrivärden's shareholding in Munters thereby increased by 7,300,000 shares to 10,950,000 shares, its holding of SCA A shares increased by 32,000,000 shares to 48,000,000 shares, its holding of SCA B shares increased by 15,200,000 shares to 22,800,000 shares, and its holding of Volvo A shares increased by 15,060,600 shares to 18,825,750 shares.

Redemption shares with automatic redemption were issued by

Munters, Sandvik and Volvo. The total amount received through these redemptions was SEK 571 M.

SSAB carried out a rights issue, whereby four shares carried entitlement to subscribe for one new share. Industrivärden issued a guarantee to subscribe for SEK 1.6 billion in shares in SSAB's rights issue, which corresponded to its own shareholding. Industrivärden subscribed for its allotment, corresponding to 10,697,302 Class A shares and 17,500 Class B shares, in addition to purchasing 2,943,732 Class A shares and 34,294 Class B shares, of which 2,750,000 with the support of acquired subscription rights. In total, shares and subscription rights worth SEK 2,275 M were purchased.

## Equity Transactions During the Year

	No. of shares	SEK M
<b>Purchases</b>		
Volvo A	31,366,650	4,216
SSAB A	16,368,434	2,792
Sandvik	6,431,200	768
Handelsbanken A	1,335,000	282
Other		776
<b>Total</b>		<b>8,834</b>
<b>Sales</b>		
Tandberg Television <sup>1</sup>	5,963,150	728
Sandvik redemption shares	134,700,000	404
SSAB A	1,771,400	303
Handelsbanken A	1,050,000	213
Other		476
<b>Total</b>		<b>2,124</b>

1) The entire shareholding.

## Short-Term Derivative and Equity Trading

Nordinvest AB conducts short-term equity trading. During the year purchases of listed stocks totaled SEK 3,598 M (1,725) and sales totaled SEK 3,697 M (1,817). Stocks were thus sold for a net total of SEK 99 M (92). Income after net financial items was SEK 16 M (64). Including earnings from the Parent Company's short-term derivative transactions, totaling SEK 126 M (109), total income from short-term derivative transactions and equity trading amounted to SEK 142 M (173).

## Net Debt

At year-end 2007 net debt amounted to SEK 11,007 M (4,814), including SEK 10,951 M in interest-bearing net debt (4,543), corresponding to a net debt-equity ratio of 16.6% (7.2%). Interest-bearing net debt increased by SEK 6,408 M, mainly as a result of net purchases of stocks totaling SEK 6,710 M.

## Group

Consolidated operating income amounted to SEK -1,813 M (11,858), including SEK 2,107 M (1,733) in dividend income, SEK -3,975 M (10,037) in change in value of stocks, SEK 142 M (173) from short-term derivative transactions and equity trading, SEK -86 M (-81) in management costs, and SEK -1 M (-4) in other income and expenses. After SEK -289 M (-187) in net financial items, income totaled SEK -2,102 M (11,671). After tax of SEK 160 M (-73) and income after tax from discontinued operations, totaling SEK - M (23), net income for the year was SEK -1,942 M (11,621).

The Group's capital expenditures in property, plant and equipment amounted to SEK 1 M (3), and scheduled depreciation totaled SEK 2 M (4).

## Parent Company

The Parent Company's operating income totaled SEK -1,272 M (6,533), including SEK 2,107 M (1,733) in dividend income, SEK -3,463 M (4,667) in change in the value of stocks, SEK 126 M (109) from short-term derivative transactions, management costs of SEK -86 M (-81) and SEK 44 M (105) in other income and expenses. In calculating the change in the value of stocks for the Parent Company, the associated companies Indutrade, SCA, Skanska and SSAB are carried at cost, while in the Group they are stated at market value, in accordance with International Financial Reporting Standards (IFRS). After net financial items of SEK -276 M (-190) and taxes totaling SEK 165 M (-51), net income for the year was SEK -1,383 M (6,292).

## Ruling by the Supreme Administrative Court

In a ruling handed down in 2007, the Supreme Administrative Court ruled in favor of Industrivärden's appeal of the Administrative Court of Appeal's ruling in 2004 on the questioned right to deduction for interest paid in holding companies owned by and subsequently merged with Industrivärden. As a result of the Supreme Administrative Court's favorable ruling, a provision of SEK 165 M for the potential tax liability plus SEK 54 M in back interest could be dissolved.

## Risks and Uncertainties

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a decrease in value caused by changes in share prices. A 1% change in the share price of the holdings in the equities portfolio as per December 31, 2007, would have affected the market value by approximately +/- SEK 650 M. A detailed description of the risks associated with Industrivärden's business is provided on pages 62-63.

## Employees

The average number of employees in the Group was 22 (22 persons excluding discontinued operations). The average number of employ-

ees in the Parent Company was 20 (20). A breakdown of the number of employees, and information on wages, salaries, other remuneration and social security costs for the Board, the CEO, and other employees, is provided in Notes 7 and 8. A description of Industrivärden's organization and employee structure is provided on page 15.

## Shares and Shareholders

Information on Industrivärden's shares and shareholders is provided in the Industrivärden Share Data section on pages 8-10.

## Proposed Guidelines for the Compensation of Executives

Compensation paid to the CEO and other members of the executive management shall consist of base salary, a variable salary component, other benefits and pension. The total compensation should be in line with the going rate in the market and competitive, and shall be commensurate with the executive's responsibilities and authority. The variable salary component consists of a short-term variable salary (yearly) and a long-term variable salary. The variable salary component shall be maximized to and never exceed the base salary. The short-term variable salary component is based on the outcome in relation to set targets and on individual performance. The long-term variable salary is based on incentive programs that are linked to the long-term performance of the Company's stock. None of the variable components are pensionable. Upon termination of an executive's employment contract by the Company, a two-year term of notice applies. There should not be any severance pay. Pension benefits shall be either defined-benefit or defined-contribution, or a combination of both, and give the members of the executive management the right to retire from 60 years of age, depending on their position. The Board may depart from these guidelines if there are special reasons for doing so in individual cases.

## Proposed Dividend

The Board of Directors proposes a dividend of SEK 5.00 (4.50) per share. The proposed dividend corresponds to 5% of the Parent Company's shareholders' equity and 4% of the Group's shareholders' equity. Of shareholders' equity, 55%, or SEK 22.0 billion in the Parent Company, and 66%, or SEK 36.3 billion in the Group, is attributable to the fair valuation of assets and liabilities. Industrivärden's dividend policy is to offer the shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange. In the Board's judgment, the proposed dividend is well balanced in view of the objectives, scope and risk of operations, as well as with respect to the Company's ability to meet its future obligations. According to the proposal, the total dividend payout amounts to SEK 1,931 M (1,738), entailing that the Group's equity ratio as per December 31, 2007, all else unchanged, would decrease by 3 percentage points, to 80%. Industrivärden has substantial liquidity scope in the form of market-listed equities.

## Proposed Distribution of Earnings

According to the Group Balance Sheet, retained earnings for the year amount to SEK 52,801 M, of which SEK -1,942 M pertains to net income for the year.

The following earnings of the Parent Company are at the disposal of the Annual General Meeting:

Retained earnings according to decision by 2007 AGM	SEK 39,430 M
Net loss for the year	SEK -1,383 M
	SEK 38,047 M

The Board of Directors and President propose that the earnings be disposed of as follows:

To shareholders, a dividend of SEK 5.00 per share totaling	SEK 1,931 M
To be carried forward	SEK 36,116 M
	SEK 38,047 M

The Board of Directors and President declare that the Annual Report has been prepared in accordance with generally accepted accounting principles, that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of July 19, 2002, on application of international financial reporting standards, that disclosures herein give a true and fair view of the Parent Company's and Group's financial position and results of operations, and that the statutory Administration Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Group's and Parent Company's earnings and position in general are shown in the following income statements, balance sheets, statement of changes in shareholders' equity, statements of cash flows and notes to the financial statements.

Final adoption of the Annual Report will take place at the Annual General Meeting on April 15, 2008.

Stockholm, February 13, 2008

Tom Hedelius  
*Chairman*

Sverker Martin-Löf  
*Vice Chairman*

Boel Flodgren  
*Director*

Lars O Grönstedt  
*Director*

Finn Johnsson  
*Director*

Fredrik Lundberg  
*Director*

Lennart Nilsson  
*Director*

Anders Nyrén  
*President and CEO, Director*

Our Audit Report was submitted on February 22, 2008

Öhrlings PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*

# Group and Parent Company Income Statements

SEK M	Note	Group		Parent Company	
		2007	2006	2007	2006
Dividend income from stocks	1	2,107	1,733	2,107	1,733
Change in value of stocks	2	-3,975	10,037	-3,463	4,667
Short-term derivative transactions and equity trading	3	142	173	126	109
Management costs	4	-86	-81	-86	-81
Other income and expenses	5	-1	-4	44	105
<b>Operating income</b>	7-9	<b>-1,813</b>	11,858	<b>-1,272</b>	6,533
Financial income	6	25	18	27	19
Financial expenses	6	-314	-205	-303	-209
<b>Income after financial items</b>		<b>-2,102</b>	11,671	<b>-1,548</b>	6,343
<b>Tax</b>	10	<b>160</b>	-73	<b>165</b>	-51
<b>Income for the year for continuing operations</b>		<b>-1,942</b>	11,598	<b>-1,383</b>	6,292
<b>Income for the year from discontinued operations</b>	11	<b>-</b>	23	<b>-</b>	-
<b>Net income for the year</b>		<b>-1,942</b>	11,621	<b>-1,383</b>	6,292
<b>Earnings per share, SEK<sup>1</sup></b>		<b>-5.03</b>	30.09	<b>-3.58</b>	16.29

1) Net earnings for the year divided by 386,271,224 shares. There is no dilutive effect.

## Comments on the Group Income Statement

### Operating Income

Dividend income from stocks totaled SEK 2,107 M (1,733), an increase of 22% (36%). All of the portfolio companies raised their dividends. The redemption programs at Munters, Sandvik and Volvo, entailing the automatic sale of redemption shares, generated additional income of SEK 571 M, which is included in Change of value in stocks.

The change in the value of stocks, which includes the change in value since the start of the year of stocks held for the entire year as well as stocks purchased or sold during the year, amounted to SEK -3,975 M (10,037). The largest changes in value pertained to Sandvik, by SEK 1,879 M (3,315), SSAB, by SEK 644 M (2,775), Volvo, by SEK -635 M (290), and Ericsson, by SEK -4,668 M (48).

Short-term derivative transactions by the Parent Company amounted to SEK 126 M (109), and short-term equity trading by Nordinvest amounted to SEK 16 M (64), for a combined total of SEK 142 M (173), which amply covered the Company's management costs of SEK -86 M (-81), corresponding to 0.13% (0.13%) of the market value of the equities portfolio.

Operating income was thus SEK -1,813 M (11,858), including SEK -1 M (-4) in other income and expenses.

### Net Financial Items and Tax

Net financial items amounted to SEK -314 M (-187), of which SEK 54 M pertains to the dissolution of calculated back interest as the result of the favorable ruling by the Supreme Administrative

Court, which is described below. Interest-bearing net debt increased by SEK 6,408 M, to SEK 10,951 M (4,543), mainly as a result of net purchases of stocks, totaling SEK 6,710 M (1,121).

Income after financial items totaled SEK -2,102 M (11,671).

The Group's tax was SEK 160 M (-73), of which SEK 165 M pertained to a dissolution of a provision for a tax liability resulting from a ruling by the Supreme Administrative Court in 2007, which upheld Industrivärden's appeal in 2004 of a ruling made by the Administrative Court of Appeal. The case pertained to the questioned right to deduction for interest paid during the fiscal years 1995-1998 in holding companies owned by and subsequently merged with Industrivärden. As in preceding years, no tax is paid on the Parent Company's income for the year. Dividends rendered are deductible for holding companies. After deducting the proposed dividend of SEK 5.00 (4.50) per share - recalculated for the 2:1 stock split - a tax loss of SEK -197 M (-206) arose in the Parent Company. The accumulated tax loss carryforward thereby amounts to SEK -655 M (-458).

## Comments on the Parent Company Income Statement

The change in the value of stocks amounted to SEK -3,463 M (4,667). In calculating the change in the value of stocks for the Parent Company, the associated companies Indutrade, SCA, Skanska and SSAB are carried at cost in accordance with the Swedish Annual Accounts Act, while in the Group they are stated at market value, in accordance with International Financial Reporting Standards (IFRS).



## Group and Parent Company Balance Sheets

SEK M	Note	Group		Parent Company	
		Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	24	87	–	–
Equities	13, 16	65,844	63,030	41,719	41,244
Shares in associated companies	14, 16	–	–	9,695	6,843
Shares in subsidiaries	15, 16	–	–	97	140
Long-term receivables	10, 17	66	1	65	–
<b>Total non-current assets</b>		<b>65,934</b>	63,118	<b>51,576</b>	48,227
<b>Current assets</b>					
Receivables from subsidiaries		–	–	60	175
Prepaid expenses and accrued income	18	19	10	18	10
Other current receivables		10	23	9	14
Short-term equity investments	19	73	114	–	–
Cash and cash equivalents	20	257	738	254	738
Assets in discontinued operation	11	–	708	–	–
<b>Total current assets</b>		<b>359</b>	1,593	<b>341</b>	937
<b>TOTAL ASSETS</b>		<b>66,293</b>	64,711	<b>51,917</b>	49,164

## Group and Parent Company Balance Sheets

SEK M	Note	Group		Parent Company	
		Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b> (see page 58)					
Capital stock		966	966	966	966
Other capital contribution/Statutory reserve		1,062	1,062	1,062	1,062
Reserves/Fair value reserve		8	-18	8	-
Retained earnings		54,743	44,860	39,430	34,876
Net income for the year		-1,942	11,621	-1,383	6,292
<b>Total shareholders' equity</b>		<b>54,837</b>	<b>58,491</b>	<b>40,083</b>	<b>43,196</b>
<b>Non-current liabilities</b>					
Liabilities to subsidiaries		-	-	1	1
Non-current interest-bearing liabilities	12, 21-23, 27	9,857	2,778	9,855	2,775
Non-current noninterest bearing liabilities	10, 24	18	32	-	-
<b>Total non-current liabilities</b>		<b>9,875</b>	<b>2,810</b>	<b>9,856</b>	<b>2,776</b>
<b>Current liabilities</b>					
Liabilities to subsidiaries		-	-	409	292
Current interest-bearing liabilities	12, 25	1,416	2,505	1,416	2,504
Accounts payable, trade		4	5	3	4
Tax liabilities	10	1	193	-	174
Accrued expenses and deferred income	26	142	204	133	195
Other current liabilities		18	23	17	23
Liabilities in discontinued operation	11	-	480	-	-
<b>Total current liabilities</b>		<b>1,581</b>	<b>3,410</b>	<b>1,978</b>	<b>3,192</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>66,293</b>	<b>64,711</b>	<b>51,917</b>	<b>49,164</b>
Contingent liabilities	27	0	0	3	3

### Comments on the Group Balance Sheet

The item Equities pertains to the market value of the Group's holdings of listed stocks, totaling SEK 65,844 M (SEK 63,030 M, including SEK 52 M in other stocks). The market value exceeded cost by SEK 36,260 M (41,370). Net purchases of stocks during the year totaled SEK 6,710 M (1,121). Stock purchases totaled SEK 8,834 M (3,193), of which Volvo A accounted for SEK 4,216 M and SSAB A for SEK 2,792 M, whereby in SSAB's rights issue, stocks and subscription rights were purchased for a total of SEK 2,275 M. Sales of stocks totaled SEK 2,124 M (2,072), of which Tandberg ASA accounted for SEK 728 M.

The market value of the equities portfolio, taking purchases and sales into account, decreased by 6% (increase of 19%), compared with -6% (increase of 24%) for the market index.

Shareholders' equity decreased by SEK 3,654 M, to SEK 54,837 M (58,491), and thereby amounted to SEK 142 per share (151), which corresponds to net asset value. The change pertains primarily to net income for the year, totaling SEK -1,942 M (11,621) and the dividend payout for 2006, totaling SEK -1,738 M (-1,352), corresponding to SEK 4.50 per share (3.50).

Interest-bearing liabilities, including interest-bearing pension provisions, increased by SEK 5,990 M to SEK 11,273 M (5,283). Cash and cash equivalents amounted to SEK 257 M (738), and interest-bearing receivables totaled SEK 65 M (2), for a total of SEK 322 M (740). Interest-bearing net debt was thus SEK 10,951 M (4,543).

## Group and Parent Company Statements of Cash Flows

SEK M	Group		Parent Company	
	2007	2006	2007	2006
<b>OPERATING ACTIVITIES</b>				
Dividend income from stocks	2,107	1,733	2,107	1,733
Cash flow from short-term derivative and equity trading	241	238	125	160
Management costs paid	-82	-80	-82	-80
Other items affecting cash flow	-2	6	-1	0
<b>Operating cash flow before financial items and tax</b>	<b>2,264</b>	<b>1,897</b>	<b>2,149</b>	<b>1,813</b>
Interest received	31	18	24	20
Interest paid	-337	-195	-335	-199
Other financial items	-9	-7	-9	-6
Tax paid	-23	-56	-8	-42
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1,926</b>	<b>1,657</b>	<b>1,821</b>	<b>1,586</b>
<b>INVESTING ACTIVITIES</b>				
Purchases of listed stocks	-8,834	-3,193	-8,834	-3,193
Sales of listed stocks	1,924	2,072	1,924	2,072
Sales of subsidiaries <sup>1</sup>	313	-	225	-
Net purchase/sale of other non-current assets	-1	-2	-	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-6,598</b>	<b>-1,123</b>	<b>-6,685</b>	<b>-1,121</b>
<b>FINANCING ACTIVITIES</b>				
Loans raised and amortization of debt	5,929	299	5,929	299
Change in financing of subsidiaries	-	-	189	69
Dividends paid	-1,738	-1,352	-1,738	-1,352
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>4,191</b>	<b>-1,053</b>	<b>4,380</b>	<b>-984</b>
<b>CASH FLOW FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>
<b>NET CASH FLOW FOR THE YEAR</b>	<b>-481</b>	<b>-514</b>	<b>-484</b>	<b>-519</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>738</b>	<b>1,307</b>	<b>738</b>	<b>1,257</b>
<b>Less: Cash and cash equivalents in discontinued operations</b>	<b>-</b>	<b>-54</b>	<b>-</b>	<b>-</b>
<b>Exchange rate difference in cash and cash equivalents</b>	<b>-</b>	<b>-1</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>257</b>	<b>738</b>	<b>254</b>	<b>738</b>
1) Value of divested assets and liabilities in sold subsidiaries				
SEK M	2007	2006		
Non-current assets	283	-		
Current assets	489	-		
Non-current liabilities	-173	-		
Current liabilities	-323	-		
Capital gains	102	-		
<b>Total purchase price</b>	<b>378</b>	<b>-</b>		
Portion of purchase price not paid out	-65	-		
<b>Cash flow attributable to sales of subsidiaries</b>	<b>313</b>	<b>-</b>		

### Comments on the Statements of Cash Flows

The Group's statement of cash flows is prepared in accordance with the direct method, which only takes into account transactions that entail incoming or outgoing payments. The statement of cash flows is broken down into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

#### *Operating Activities*

Cash flow from operating activities pertains to dividends received, totaling SEK 2,107 M (1,733), in addition to cash flow from short-term equity trading by Nordinvest and derivative transactions conducted by the Parent Company, together totaling SEK 241 M (238). Added to this are SEK -82 M (-80) in management costs paid and other items affecting cash flow totaling SEK -2 M (6). Cash flow from operating activities before financial items was thus SEK 2,264 M (1,897). Added to cash flow computed in this manner is interest received, totaling SEK 31 M (18), interest paid out, totaling SEK -337 M (-195), payment of other financial items, totaling SEK -9 M (-7), and tax paid, totaling SEK -23 M (-50). After factoring in these figures, total cash flow from operating activities was SEK 1,926 M (1,657).

#### *Investing Activities*

Cash flow from investing activities pertains to purchases of listed stocks by the Parent Company, totaling SEK -8,834 M (-3,193), sales of listed stocks, totaling SEK 1,924 M (2,072), and sales of subsidiaries, totaling SEK 313 M (-).

The net sum of purchases and sales of other non-current assets pertains mainly to machinery and equipment, totaling SEK -1 M (-2). Total cash flow from investing activities was thus SEK -6,598 M (-1,123).

#### *Financing Activities*

Financing activities pertain to changes in receivables, totaling SEK 63 M (4), loans raised, totaling SEK 8,449 M (1,404) and amortization of debt, totaling SEK -2,457 M (-1,109), for a net total of SEK 5,929 M (299), and dividends paid, totaling SEK -1,738 M (-1,352).

Cash flow from financing activities was thus SEK 4,191 M (-1,053).

#### *Cash Flow, Cash and Cash Equivalents*

The net of the various cash flow items was SEK -481 M (-514). Cash and cash equivalents were also affected by cash and cash equivalents in discontinued operations, totaling SEK -M (-54) and by an exchange rate difference of SEK -M (-1), and thus cash and cash equivalents decreased during the year by SEK 481 M to SEK 257 M (738).

## Group and Parent Company Shareholders' Equity

Changes in shareholders' equity, SEK M

Group	Capital stock <sup>1</sup>	Other capital contribution	Reserves <sup>2</sup>	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2005	966	1,062	-13	32,010	14,202	48,227
Translation differences	-	-	-5	-	-	-5
<b>Total transactions reported in shareholders' equity</b>	-	-	-5	-	-	-5
Transfer of previous year's net income	-	-	-	14,202	-14,202	-
Net income for the year	-	-	-	-	11,621	11,621
<b>Total reported income and expenses</b>	-	-	-	14,202	-2,581	11,621
Dividend to shareholders	-	-	-	-1,352	-	-1,352
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2006</b>	<b>966</b>	<b>1,062</b>	<b>-18</b>	<b>44,860</b>	<b>11,621</b>	<b>58,491</b>
Translation differences	-	-	18	-	-	18
Change in hedging reserve	-	-	8	-	-	8
<b>Total transactions reported in shareholders' equity</b>	-	-	26	-	-	26
Transfer of previous year's net income	-	-	-	11,621	-11,621	-
Net income for the year	-	-	-	-	-1,942	-1,942
<b>Total reported income and expenses</b>	-	-	-	11,621	-13,563	-1,942
Dividend to shareholders	-	-	-	-1,738	-	-1,738
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2007</b>	<b>966</b>	<b>1,062</b>	<b>8</b>	<b>54,743</b>	<b>-1,942</b>	<b>54,837</b>

Parent Company	Capital stock <sup>1</sup>	Statutory reserve	Fair value reserve	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2005	966	1,062	-	25,861	10,367	38,256
Transfer of previous year's net income	-	-	-	10,367	-10,367	-
Net income for the year	-	-	-	-	6,292	6,292
Dividend to shareholders	-	-	-	-1,352	-	-1,352
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2006</b>	<b>966</b>	<b>1,062</b>	<b>-</b>	<b>34,876</b>	<b>6,292</b>	<b>43,196</b>
Change in hedging reserve	-	-	8	-	-	8
Transfer of previous year's net income	-	-	-	6,292	-6,292	-
Net income for the year	-	-	-	-	-1,383	-1,383
Dividend to shareholders	-	-	-	-1,738	-	-1,738
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2007</b>	<b>966</b>	<b>1,062</b>	<b>8</b>	<b>39,430</b>	<b>-1,383</b>	<b>40,083</b>

1) The capital stock as per December 31, 2006, consisted of 193,135,612 shares, of which 134,273,702 were Class A shares and 58,861,910 were Class C shares. After the 2:1 split in 2007, the capital stock as per December 31, 2007, consisted of 386,271,224 shares, of which 268,547,404 were Class A shares and 117,723,820 were Class C shares. The share quota value is SEK 2.50. See also the section Industrivärden Share Data, pages 8–10.

2) The amount as per December 31, 2007, pertains to the market valuation of interest rate swaps used to hedge cash flows. Translation differences in the Group as per December 31, 2006, have been dissolved, since the subsidiary Isaberg Rapid has been sold (see Note 11).

# Accounting Principles

## Applied rules

The consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Swedish Annual Accounts Act. However, the Annual Accounts Act requires certain complementary disclosures regarding the consolidated financial statements which are regulated by Swedish Financial Accounting Standards Council (SFASC) recommendation RR 30:05 Supplementary Accounting Regulations for Groups.

The Annual Report for the Parent Company, AB Industrivärden, has been prepared in conformity with the Swedish Annual Accounts Act and takes into account the pronouncements issued by the Emerging Issues Task Force of the SFASC and conforms to SFASC recommendation RR 32:06 Accounting for Legal Entities. This means that as a main rule, International Financial Reporting Standards (IFRS/IAS – see below) are used for the Parent Company as far as possible, but that certain exceptions are made which stem primarily from the Annual Accounts Act.

## Basis of accounting

### Group

Industrivärden applies the cost method in valuing assets and liabilities. Financial assets and derivatives have been stated at fair value. Changes in value are recognised in the income statement. For Industrivärden, preparing the financial statements at fair value in accordance with IFRS entails valuation using known market quotations and is not dependent on the estimations made by company management.

The reporting standard IAS 39 Financial Instruments: Recognition and Measurement stipulates – among other things – that in the consolidated financial statements, most financial instruments are to be measured at market value as per the balance sheet date. Listed equities are carried at their current share price as per the balance sheet date, and equity derivatives are stated at their current market value.

Upon adoption of IFRS, Industrivärden has elected at the Group level to report changes in the market value of all listed shareholdings and equity derivatives in the income statement. In accordance with IAS 28 point 1, holdings in listed associated companies are also reported in the same way. Consequently, associated companies are not reported in accordance with the equity method, but in a manner that is more fair for a holding company.

According to IAS 39, shares in subsidiaries may not be measured at fair value. As previously, subsidiaries are consolidated in the consolidated financial statements according to the purchase method.

Reporting of changes in the market value of listed equities in the income statement entails that compatibility is achieved in large part in the financial statements with continuing changes in net asset value at the same time that shareholders' equity in the consolidated financial statements is in agreement with total reported net asset value.

The ongoing changes and interpretations of financial standards that have been introduced starting on January 1, 2007, have not had any effect on the Group's earnings and position.

### Parent Company

Special rules for market (fair) valuation apply for the Parent Company, AB Industrivärden, since the Annual Accounts Act does not allow market valuation of associated companies and subsidiaries. This means that only listed holdings that are not associated companies will be measured at market value, and that their change in value will be reported on a continuing basis in the income statement. Listed associated companies and subsidiaries are thus carried at historical cost, which deviates from consolidated accounting according to IFRS, which is done at market value.

## Principles of consolidation

The consolidated financial statements apply to the Parent Company and all companies in which the Parent Company directly or indirectly has a controlling influence. The consolidated balance sheet has been prepared according to the purchase method. This entails that the Parent Company's cost of shares in subsidiaries – by which is meant companies in which Industrivärden owns more than 50% of the votes – is eliminated against the subsidiaries' shareholders' equity at the time of acquisition. Thus only earnings that have arisen after the date of acquisition are included in the Group's shareholders' equity. Shareholders' equity in acquired subsidiaries is determined on the basis of a fair valuation of assets and liabilities at the time of acquisition. In cases where the cost of shares in subsidiaries exceeds the acquired shareholders' equity in accordance with the above, the difference is reported as goodwill in the balance sheet. Goodwill values are tested for impairment yearly. However, if the cost of shares in subsidiaries falls below the acquired shareholders' equity as per the above, the difference is reported directly in the income statement.

Subsidiaries that have been sold during the year are included in the consolidated financial statements up until the point at which the controlling influence ceases and are reported in accordance with IFRS 5. Companies that have been acquired during the year are included in the consolidated financial statements starting on the date of acquisition. Intra-Group transactions have been eliminated.

## Applied accounting principles

### *Reporting currency and translation of foreign currency*

In the consolidated financial statements, the Swedish krona is used as the Parent Company's functional and reporting currency. Transactions in foreign currency are translated to the functional currency using the exchange rates in effect on the transaction date. Foreign exchange gains and losses that arise upon payment of such transactions and when translating monetary assets and liabilities in foreign currency at the year-end exchange rate are reported in the income statement.

### *Recognition of income*

Dividend income from stocks is recognized when it is received.

For stocks held at both the start and end of the year, the change in value consists of the difference in the market value between these dates. For stocks acquired during the year, the change in value consists of the difference between cost and the market value at the end of the year. For stocks sold during the year, the change in value consists of the difference between the sales price received and the value of the stocks at the start of the year. All changes in value are reported in the income statement under the heading Change in value of stocks.

Interest income is recognized taking into account accrued interest on the balance sheet date.

### *Associate accounting*

Associated companies are companies in which Industrivärden has a significant but not controlling influence, which as a rule concerns shareholdings in which the number of votes amounts to between 20% and 50%. Industrivärden's share of votes exceeds 20% in Indutrade, SCA, Skanska and SSAB. In the Group, shares in associated companies are carried at market value and in the Parent Company at cost. The capital gain or loss generated upon the sale of shares in associated companies is calculated accordingly.

### *Non-current assets*

Property, plant and equipment are carried at cost less depreciation. No depreciation is made of land. Depreciation of other assets, in order to distribute the cost to the calculated residual value over the estimated useful life, is done on a linear scale of 50 years for buildings, 20 years for land improvements, and 5 years for equipment.

### *Employee stock options*

An employee stock option program expired in February 2007, as shown in Note 8 on page 67. The expenses and income stemming from this employee stock option program affected earnings during the term of the program. At year-end 2007 there were no employee stock option programs in effect.

### *Income taxes*

Reported income taxes include taxes for the current year, adjustments of previous years' taxes and changes in deferred taxes. Valuation of all tax liabilities and tax assets is done at nominal amounts in accordance with the applicable tax rules. Deferred tax is calculated on all temporary differences that arise between reported and tax values of assets and liabilities in the consolidated financial statements. Deferred tax assets pertaining to tax-loss carryforwards are reported to the extent that it is likely that the deduction can be offset against surpluses in future taxation.

### *Valuation of financial assets and liabilities*

Financial assets and liabilities are valued in the following categories, namely, financial assets and liabilities carried at fair value in the income statement, and loan receivables and financial liabilities. The classification depends on the purpose for which the financial item was acquired.

### *Valuation of equities*

Purchases and sales of stocks are reported as per the trade date. Listed stocks are carried in the consolidated financial statements at market value. By market value for listed stocks is meant the current market price.

Listed stocks held by the Parent Company are carried at market value, except for shares in associated companies, which are carried at cost in accordance with the stipulations of the Swedish Annual Accounts Act (see Associate accounting above).

### *Valuation of stock options issued*

Industrivärden issues, on a regular basis, call and put options on the shares in its equities portfolio. Option premiums received are booked as a debt and are deducted from premiums paid upon repurchase. If an issued option expires without being exercised, the premium is recognized as income. Upon exercise of an issued option, the premium increases the exercise price upon the sale of the shares or reduces the exercise price upon the purchase of shares. On the balance sheet date, the market value of issued options is determined, and the difference between it and provisioned premiums is taken up in the income statement. The options are carried on the balance sheet as accrued income and accrued expenses, respectively.

### *Measurement of fair value of financial instruments*

The fair value of Industrivärden's financial instruments is normally based on the market price on the balance sheet date of market-listed financial instruments, namely stocks and stock options.

*Hedging of equity investments in foreign currency*

Industrivärden hedges exchange rate movements for investments in foreign, listed stocks by taking out loans in the same currency corresponding to the invested amount. Changes in the exchange rate when translating the liability to Swedish kronor are reported in the income statement as Change in value of stocks.

*Hedging of fixed exchange rates through cash flow hedges*

To eliminate interest rate fluctuations and thus future uncertainties in interest payments, derivative instruments in the form of interest rate swaps are used to create a known cash flow. See also the section Interest rate risk on page 63 for a description of Industrivärden's interest rate swap agreements.

Derivative instruments that are used for this type of hedge accounting are reported in accordance with the technique for cash flow hedging. The fundamental requirement for hedge accounting is that the swap is effective in accordance with IAS 39, which entails that there must be a clear coupling to the hedged item. Further requirements are that the hedge effectively protects the hedged item, that hedge documentation is prepared, and that the effectiveness can be shown to be sufficiently high through continuous effectiveness measurement. Since these requirements are met, the interest coupon portion is reported as an interest expense, while other market value changes of the swap are reported directly against the hedging reserve in shareholders' equity.

*Cash and cash equivalents*

Cash and cash equivalents include – in addition to cash and bank balances – short-term financial investments with remaining terms of less than three months.

*Borrowings*

Borrowings are carried initially at fair value and thereafter at amortized cost.

*Leases*

Finance leases are reported by the Group as property, plant and equipment, and as current and long-term interest-bearing liabilities. Operating leases are expensed on a linear basis over the leasing period.

*Pensions*

Pension liability refers to Industrivärden's defined benefit pension obligations – both FPG/PRI obligations and individual pension obligations – all calculated for the Group in accordance with IAS 19 with the assistance of an external actuary. Defined benefit pension plans insured with Alecta are reported as defined contribution plans since Alecta has not been able to provide necessary information. Industrivärden has elected at the Group level to utilize the so-called corridor in reporting actuarial gains and losses. The Parent Company adheres to the rules of the Pension obligations vesting act (“Lagen (1967:531) om tryggnad av pensionsutfästelse”) and FAR accounting standard no. 4, Reporting of pension liabilities and pension costs. See also Note 21, Pensions, on pages 73–74.

*Segment reporting*

No segment reporting has been prepared, since operations were streamlined in 2006 to entail exclusively equities management.



# Financing and Financial Risk Management

## Organization

The Parent Company's financing and management of financial risks are conducted in accordance with guidelines set by the Board of Directors. The Parent Company's finance function works primarily with financing and investment of surplus liquidity.

## Financing

The Parent Company's financing is arranged through both short- and long-term borrowing. The financing facilities give Industrivärden the ability to act on attractive investment opportunities at short notice. Short-term borrowing consists of confirmed (committed) credit lines with banks and commercial paper programs. Long-term borrowing consists primarily of a Medium-Term Note (MTN) program and bank loans. In addition to this are confirmed bank facilities that can be used in 2008 for borrowing with a maximum term of five years, and a syndicated loan with a term extending through August 2012.

At the end of 2007 AB Industrivärden and the Group had confirmed credits corresponding to SEK 12.2 billion (4.6), of which SEK 5.8 billion (0.0) were utilized, and unconfirmed credits and market programs totaling SEK 10.0 billion (17.4), of which SEK 5.4 billion (5.2) were utilized. Borrowing increased in 2007, among other things as a result of net purchases of stocks, totaling SEK 6.4 billion.

A specification of non-current and current interest-bearing liabilities is shown in Notes 22 and 26 on page 75.

## Financing as per December 31, 2007

Credit facilities	Amount, SEK M	Utilized amount, SEK M	Term
Bank loans	5,800	5,800	2009–2017
MTN program	8,000	4,000	2009–2012
<b>Total long-term borrowing</b>	<b>13,800</b>	<b>9,800</b>	
MTN-program		721	2008
Commercial paper	2,000	695	–
Bank overdraft facility	2,500	0	–
<b>Total short-term borrowing</b>	<b>4,500</b>	<b>1,416</b>	
Bank loans	2,000	–	2011–2013
Syndicated loan	1,894	–	2012
<b>Total credit facilities</b>	<b>22,194</b>	<b>11,216</b>	

## Average interest rate

The average interest rate for AB Industrivärden's debt portfolio as per December 31, 2007, was 4.6% (3.5%).

## Changes in the Group's interest-bearing net debt

SEK M	Dec. 31, 2007	Cash flow	Change in borrowing	Other changes	Dec. 31, 2006
Cash and cash equivalents	257	–481	–	–	738
Interest-bearing receivables	65	–	–	63	2
Non-current interest-bearing liabilities	9,857	–	7,079	–	2,778
Current interest-bearing liabilities	1,416	–	–1,089	–	2,505
<b>Interest-bearing net debt</b>	<b>10,951</b>	<b>481</b>	<b>5,990</b>	<b>63</b>	<b>4,543</b>

## Liquidity analysis

Maturity structure for undiscounted, contracted interest-bearing receivables and liabilities and derivative instruments along with future interest payments accruing therewith:

SEK M	2008	2009–2012	After 2012	Total
Interest-bearing receivables	257	73	–	330
Interest-bearing liabilities	–1,893	–6,490	–5,260	–13,643
Derivative instruments	4	3	–	7
<b>Total as per December 31, 2007</b>	<b>–1,632</b>	<b>–6,414</b>	<b>–5,260</b>	<b>–13,306</b>
SEK M	2007	2008–2011	After 2011	Total
Interest-bearing receivables	738	–	–	738
Interest-bearing liabilities	–2,655	–2,973	–	–5,628
Derivative instruments	–	–5	–	–5
<b>Total as per December 31, 2006</b>	<b>–1,917</b>	<b>–2,978</b>	<b>–</b>	<b>–4,895</b>

## Ratings

Industrivärden has been assigned international corporate credit ratings of A+/Stable/A–1 by Standard & Poor's, which has also assigned the commercial paper programs the highest credit ratings, K1 and A–1, respectively.

## Financial risk management – general

The types of financial risks that the Industrivärden Group encounters in its business consist primarily of equities risk and – to a limited extent – other financial risks in the form of interest rate risk, liquidity risk and currency risk.

Industrivärden's operational risk is minimized by the use of highly refined internal routines for effective risk management that are designed to enable Industrivärden to conduct its operations with limited and controlled risk.

### Equities risk

Equities risk pertains to share price risk, liquidity risk and counterparty risk. By share price risk is meant the risk of a decline in value caused by changes in prices in the stock market. This is the most dominant risk in Industrivärden's business.

Active ownership has a central role in Industrivärden's business concept and is aimed at working together with other owners to identify value-enhancing measures in the portfolio companies. Industrivärden's portfolio companies generally show historically good growth in value, which has entailed – among other things – that Industrivärden's total return has been higher than the average for the Stockholm Stock Exchange for long periods of time. Industrivärden's contribution to value creation should reduce the relative equities risk in the portfolio companies and thereby also in Industrivärden's portfolio. Moreover, the active ownership role provides a good understanding of the portfolio companies' operations, operating environment and continuing development.

By having a well balanced composition of different holdings in the equities portfolio, exposure to industry- or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time.

Industrivärden's equity investments are made within the parameters of the investment rules set by the Board of Directors. New investments, sales and reallocations are tested on a regular basis by a separate investment committee made up of the members of the executive management. Decisions are made based on analyses that are presented by the investment organization.

In addition to investments in listed stocks, Industrivärden also conducts transactions in standardized and non-standardized stock options. Derivative transactions are conducted in accordance with applicable investment rules for equities and equity-related instruments. In order to limit counterparty risk, derivative transactions may only be made with counterparties that are approved by Industrivärden.

The subsidiary Nordinvest conducts short-term equity trading within the framework of Industrivärden's strategy. The equities risk in this respect is minimized by a special set of investment rules with strict risk mandates and stop-loss rules.

Share price risk can be illustrated as such that a 1% change in the price of all listed shareholdings in Industrivärden's equities portfolio as per December 31, 2007, would have impacted net asset value by SEK +/-650 M.

Industrivärden's strategy of investing in large and midcap listed Nordic companies can involve holdings of foreign equities, which are affected by currency movements (currency risk). For investments in foreign, listed equities, hedges are taken out through lending in the foreign currency corresponding to the

invested amount. As per December 31, 2007, there were no investments in listed, foreign equities.

Equities risk also includes liquidity risk, which can arise, for example, for a stock that is difficult to sell. Industrivärden's equities portfolio consists mainly of listed stocks with good liquidity, and thus the liquidity risk is limited.

For additional information on Industrivärden's equities risk, see page 6.

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates.

The financial instruments that are exposed to interest rate risk consist of loans with variable interest rates and any swap agreements with variable rates. Swap agreements may be used to limit interest expenses and to adjust maturities, under the condition that the risk in the instrument can be calculated in monetary terms.

At year-end 2007 there were four interest rate swap agreements in effect under which variable interest rates had been swapped against fixed interest rates. The interest rate swap agreements are matched exactly to the underlying loans with respect to amount, duration and interest payments, among other things. The agreements pertain to borrowings totaling SEK 1,700 M with durations of 2–3 years. At year-end 2007 the market value of the interest rate swap agreements was SEK 8 M, which is reported directly against shareholders' equity.

Assuming a hypothetical one percentage point increase in market interest rates, the effect for 2008 would be that the average interest rate in the debt portfolio would increase from approximately 4.6% (3.5%) to approximately 4.7% (3.7%), entailing an annual cost increase of roughly SEK 8 M. The reason why a one percentage point increase would not have a full impact on Industrivärden's interest expense is that most of the loans carry fixed rates of interest.

At year-end the average term of fixed interest rates for Industrivärden's net borrowings was 58 (16) months.

Industrivärden's interest rate risk and its effect on earnings is judged to be low.

### Liquidity risk and refinancing risk

Liquidity risk is the risk of encountering difficulties in accessing liquid assets in order to meet obligations associated with financial instruments.

Industrivärden's liquidity risk is limited, since its assets consist mainly of liquid, listed equities. Moreover, in accordance with Industrivärden's finance policy, at any given time the Group has a minimum of SEK 3 billion in confirmed credit facilities at its disposal.

Refinancing risk is the risk that a company cannot obtain financing or that financing can only be obtained at a considerable cost. In the aim of minimizing refinancing risk, the loans' maturities are distributed evenly over time to lower the likelihood of a large portion of loans being refinanced at the same date. The average term of maturity in the loan portfolio on December 31, 2007, was 58 (20) months.

A breakdown of maturities per year is shown in Note 22 on page 75.

Industrivärden's liquidity risk and refinancing risk are judged to be low. With an equity ratio of 83% (90%), Industrivärden has great financial flexibility.

### Currency risk

Currency risk is the risk that the value of a financial instrument will vary due to changes in exchange rates. The currency risk that can arise pertains to equities denominated in foreign currency (see above).

Industrivärden's currency risk and its effect on earnings is judged on the whole to be low.

### Book-closing exchange rates

	Year-end rate		Average rate	
	2007	2006	2007	2006
EUR	9.47	9.05	9.25	9.27
GBP	12.89	13.48	13.53	13.61
USD	6.45	6.87	6.76	7.41
NOK	1.19	1.09	1.15	1.15
DKK	1.27	1.21	1.24	1.24

### Counterparty risk

Counterparty risk is the risk of a party in a transaction with a financial instrument not being able to meet its commitments and thereby causing loss to the other party.

The Industrivärden Group is exposed to counterparty risks through financial commitments in the form of investments, derivative transactions, etc. Counterparty risk in financial commitments is limited by Industrivärden's finance policy, which prescribes that surplus liquidity is to be invested with counterparties with a very high creditworthiness based on Standard & Poor's rating, with limits on amount as well as maturity.

Industrivärden's financial agreements concerning transactions in equities, equity-related derivatives and other derivatives are evaluated quarterly and are made with several different credit-worthy and specially selected financial institutions with which Industrivärden has wide-ranging and long-term cooperation arrangements. The credit institutions shall have high ratings.

Routines set by Industrivärden prescribe high creditworthiness of counterparties with respect to investments, derivative transactions, etc., which is why counterparty risk is considered to be low.

### Operational risks

Operational risk is the risk of incurring a loss due to defects in internal routines and systems. AB Industrivärden's risk management rests on a foundation of internal guidelines and rules, and of policies adopted by the Board of Directors. Important rules include investment rules, the finance policy, authorization instructions and other instructions. Legal reviews of contracts and commitments are performed on a regular basis. In addition, controls that govern and ensure responsibility and authorization in the day-to-day operations are performed on a regular basis. The subsidiaries have their own instructions that are based on the rules that apply for the Parent Company.

To strengthen internal control, Industrivärden's external auditors perform a limited review of all three interim reports.

The Group's insurance risks are managed in accordance with estimated insurance needs. The respective companies have insurance for various types of liability and property risks.

Matters pertaining to confidentiality and information security are of major importance for Industrivärden and are regulated by internal guidelines. An information policy issued by Industrivärden governs actions related to communication matters and ensures compliance with applicable rules. With respect to IT security, systems and routines are under continuous development.

An external review of IT security was performed in 2006, and security was judged to be good.

### Insider rules

Industrivärden adheres to applicable insider rules and stipulations on public disclosure regarding shareholding transactions. In addition, Industrivärden has internal rules in place which prohibit employees from trading in shares in the companies in which Industrivärden has major shareholdings for 30 days prior to publication of interim reports and the year-end report, including the day of reporting. All employees of Industrivärden have reported their total holdings of financial instruments in the portfolio companies in an internal register.

# Notes

Amounts in SEK M unless stated otherwise.

The Annual Report and consolidated financial statements were approved for issuance by the Board of Directors on February 13, 2008.

Note	Page		Note	Page	
<b>1</b>	65	Dividend income from stocks	<b>15</b>	72	Shares in subsidiaries
<b>2</b>	65	Change in value of stocks	<b>16</b>	72	Change in equities
<b>3</b>	66	Short-term derivative and equity trading	<b>17</b>	72	Non-current receivables
<b>4</b>	66	Management costs	<b>18</b>	72	Prepaid expenses and accrued income
<b>5</b>	66	Other income and expense	<b>19</b>	73	Short-term equity investments
<b>6</b>	66	Financial income and interest expenses	<b>20</b>	73	Cash and cash equivalents
<b>7</b>	66	Average number of employees	<b>21</b>	73	Pensions
<b>8</b>	66	Wages, salaries and other remuneration; social security costs	<b>22</b>	75	Non-current interest-bearing liabilities
<b>9</b>	68	Auditors' fees	<b>23</b>	75	Obligations to company directors and CEOs
<b>10</b>	69	Tax and specification of deferred tax assets and deferred tax liabilities	<b>24</b>	75	Non-current noninterest-bearing liabilities
<b>11</b>	70	Discontinued operations	<b>25</b>	75	Current interest-bearing liabilities
<b>12</b>	70	Property, plant and equipment	<b>26</b>	75	Accrued expenses and deferred income
<b>13</b>	71	Equities	<b>27</b>	75	Contingent liabilities
<b>14</b>	72	Shares in associated companies	<b>28</b>	75	Related-party transactions

## Note 1 Dividend income from stocks

	2007	2006
Ericsson	188	170
Handelsbanken	547	469
Höganäs	22	20
Indutrade	55	41
Munters	25	19
Sandvik	438	351
SCA	283	260
Skanska	267	210
SSAB	193	126
Volvo	76	56
Other	13	11
<b>Group and Parent Company</b>	<b>2,107</b>	<b>1,733</b>

## Note 2 Change in value of stocks

	Group <sup>1</sup>		Parent Company <sup>2</sup>	
	2007	2006	2007	2006
Ericsson	-4,667	48	-4,667	48
Handelsbanken	-11	676	-11	676
Höganäs	-152	25	-152	25
Indutrade	-172	684	14	-
Munters	-244	342	-244	342
Sandvik	1,879	3,315	1,879	3,315
SCA	-269	1,553	19	86
Skanska	-436	458	-	67
SSAB	644	2,775	195	37
Tandberg Television ASA	217	-195	217	-195
Volvo	-635	290	-635	290
Other <sup>3</sup>	-133	63	-82	-27
	<b>-3,979</b>	<b>10,034</b>	<b>-3,467</b>	<b>4,664</b>
Long-term derivative transactions <sup>4</sup>	4	3	4	3
<b>Total</b>	<b>-3,975</b>	<b>10,037</b>	<b>-3,463</b>	<b>4,667</b>

- 1) For stocks held at both the start and end of the year, the change in value consists of the difference in the market value between these dates. For stocks acquired during the year, the change in value consists of the difference between the price paid and the market value at the end of the year. For stocks sold during the year, the change in value consists of the difference between the sales price received and the value of the stocks at the start of the year.
- 2) The Swedish Annual Accounts Act applies for the Parent Company, which entails that associated companies are stated at cost. Capital gains/losses on sales of shares in associated companies are reported accordingly.
- 3) Including SEK -37 M (35) in currency hedging for foreign shareholdings and SEK 102 M (-) in result of divested subsidiaries.
- 4) Incentive programs pertaining to call options issued to members of the executive management of Indutrade and SSAB, with remaining terms of up to three years.

**Note 3 Short-term derivative and equity trading**

	Group		Parent Company	
	2007	2006	2007	2006
Short-term equity derivative transactions	126	109	126	109
Short-term equity trading by Nordinvest	16	64	–	–
<b>Total</b>	<b>142</b>	<b>173</b>	<b>126</b>	<b>109</b>

Short-term equity derivative transactions pertain to issued call and put options based on the active holdings. The term is six months at the most.

**Note 4 Management costs**

	Group		Parent Company	
	2007	2006	2007	2006
Payroll costs	–50	–45	–50	–45
Exercised employee stock options including social security costs	–	–7	–	–7
Effect of swap agreements pertaining to employee stock options	–	7	–	7
Directors' fees including social security costs	–5	–5	–5	–5
Other <sup>1</sup>	–31	–31	–31	–31
<b>Total</b>	<b>–86</b>	<b>–81</b>	<b>–86</b>	<b>–81</b>

1) Costs for being listed on the stock exchange, for the Annual Report and interim reports, for computer and system support, and consulting costs.

**Note 5 Other income and expenses**

	Group		Parent Company	
	2007	2006	2007	2006
Repayment of shareholder contribution	–	–	46	110
Other	–1	–4	–2	–5
<b>Total</b>	<b>–1</b>	<b>–4</b>	<b>44</b>	<b>105</b>

**Note 6 Financial income and interest expenses**

	Group		Parent Company	
	2007	2006	2007	2006
<b>Financial income</b>				
Interest income – subsidiaries	–	–	2	2
Interest income – other	25	17	25	16
Other	–	1	–	1
<b>Total</b>	<b>25</b>	<b>18</b>	<b>27</b>	<b>19</b>
<b>Interest expenses</b>				
Interest expenses – subsidiaries	–	–	–7	–4
Interest expenses – other	–289 <sup>1</sup>	–198	–289 <sup>1</sup>	–198
Bank costs	–7	–7	–7	–7
Other	–18 <sup>2</sup>	0	0	0
<b>Total</b>	<b>–314</b>	<b>–205</b>	<b>–303</b>	<b>–209</b>

1) Of which, dissolution of provision for back interest, totaling SEK 54 M, after the Supreme Administrative Court upheld Industrivärden's appeal of a ruling by the Administrative Court of Appeal. See also note 10.

2) Dissolution of translation differences pertaining to the divested subsidiary Isaberg Rapid.

**Note 7 Average number of employees**

	2007		2006 <sup>1</sup>	
	Number of employees	Of whom, women	Number of employees	Of whom, women
<b>Parent Company</b>	<b>20</b>	<b>5</b>	20	5
<b>Subsidiaries in Sweden</b>	<b>2</b>	<b>–</b>	2	–
<b>Total, Sweden</b>	<b>22</b>	<b>5</b>	22	5

1) Excluding divested operation (see note 11).

**Reporting of sickness-related absence**

Combined sickness-related absence in the Parent Company during the year was 123 hours out of a total of 36,699 hours, or 0.3% (0.3%) of total working hours. Of the total sickness-related absence rate, no part (0.0) pertained to long-term absence, i.e., uninterrupted absence of more than 60 days, and 0.3 percentage points (0.3) to short-term absence.

**Reporting of gender distribution in boards and company managements**

The gender distribution in the Parent Company's board and executive management is stated in the specification on pages 80–81. All persons on the subsidiaries' boards and management are men.

**Note 8 Wages, salaries and other remuneration; social security costs**

	2007			2006 <sup>1</sup>		
	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
<b>Parent Company<sup>2,3</sup></b>	<b>30</b>	<b>25</b>	<b>16</b>	34 <sup>4</sup>	25	13
<b>Subsidiaries</b>	<b>6</b>	<b>3</b>	<b>1</b>	5	2	1
<b>Total</b>	<b>36</b>	<b>28</b>	<b>17</b>	39	27	14

**Note 8 (cont.)****Wages, salaries and other remuneration, broken down between board members, CEOs, executive vice presidents and other employees**

	2007				2006 <sup>1</sup>			
	Board of directors, CEO and executive vice presidents	Of which, bonuses and similar	Directors' fees paid to the Company <sup>3</sup>	Other employees	Board of directors, CEO and executive vicpresidents	Of which, bonuses and similar	Directors' fees paid to the Company <sup>3</sup>	Other employees
<b>Parent Company<sup>2</sup></b>	<b>17</b>	<b>2</b>	<b>-5</b>	<b>18</b>	19 <sup>4</sup>	5 <sup>4</sup>	-4	19
<b>Subsidiaries in Sweden</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>2</b>	3	1	-	2
<b>Total, Sweden</b>	<b>21</b>	<b>4</b>	<b>-5</b>	<b>20</b>	22	6	-4	21

1) Excluding discontinued operations. See note 11.

2) See below.

3) Directors' fees payable to the CEO and Executive Vice President, totaling SEK 5 M (4), which were associated with their duties, have been paid to the Parent Company and thereby reduced the payroll cost.

4) The salary amount for 2006 includes exercised employee stock options worth SEK 5.5 M, of which SEK 2.2 M pertains to the CEO and Executive Vice Presidents and SEK 1.8 M to social security costs.

**Specification of Note 8: Wages, salaries and other remuneration; social security costs**

- The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting, submits recommendations on directors' fees to the Annual General Meeting. Fees were paid to the Chairman of the Board, the Vice Chairman and other directors in accordance with a resolution of the Annual General Meeting.
- Compensation of the CEO and other three members of the executive management, of whom one is an employee of Nordinvest, is based on guidelines adopted by the 2007 Annual General Meeting. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and decides on the compensation of other members of the executive management.

The members of the executive management receive a base salary, a variable salary component and standard employment benefits. Added to this are pension benefits.

For disclosures on holdings of shares in Industrivärden by directors and members of the executive management, see pages 80 and 81.

In 2007 the Board was paid a fee of SEK 3.7 M (3.3), in accordance with a resolution by the Annual General Meeting. Of this amount, the Chairman received SEK 1.11 M (0.99) and the Vice Chairman SEK 0.74 M (0.66). Other directors, except for the CEO, each received SEK 0.37 M (0.33). A specification per board member is provided on page 68. No fee is paid for committee work. Of the Board's members, seven are men and one is a woman.

In 2002 an incentive program was established for employees of the Parent Company, which ran until February 28, 2007. At year-end 2006 all of the employee stock options had been exercised, whereby compensation corresponding to a total of 75,000 options – for which a provision was made as per December 31, 2006 – was paid in January 2007 in the amount of SEK 6.2 M. No costs for the option program were charged against 2007 earnings. During the term of the option program, 2002–2007, the program resulted in SEK 8.1 M in net income for Industrivärden, taking into account hedges through share swap agreements. No stock-based incentive programs were in effect at year-end 2007.

The CEO received a base salary of SEK 5.8 M (5.6). Added to this is a variable salary component of SEK 1.0 M (1.3) for the 2007 fiscal year, which will be paid out in 2008. The principles for determining the variable salary component are described in the second from last paragraph below. In addition, the CEO exercised all 50,000 of his employee stock options in December 2006, of which SEK 0.7 M was paid out in 2006 and the remaining SEK 3.4 M, corresponding to 40,000 options, was paid out in January 2007. The fees from directorships paid to the CEO that have been directly linked to his position have been paid to the Company, totaling SEK 3.8 M for 2007 (3.6). The CEO is entitled to pension benefits between 60 and 65 years of age equivalent to 70% of his average base salary during the three years prior to his sixtieth birthday, and to lifetime retirement pension benefits after 65 years of age equivalent to 60% of his average base salary during the three

years prior to retirement, indexed from the date of retirement in the same manner that would apply for a pension from Alecta. Pension benefits are earned in a linear manner up until the age of retirement and are a vested pension obligation, i.e., they are not conditional on future employment.

In addition, the CEO is entitled to disability pension equivalent to 50% of his base salary the year before such pension occasion, and his survivors are entitled to survivorship benefits equivalent to 35% of his base salary plus a supplement for children under the age of 20. The cost of defined benefit pension obligations in 2007 was SEK 8.3 M (4.5). The Company must give two years' notice if it cancels the CEO's employment contract.

The other three members of the executive management together received base salary of SEK 7.7 M (6.9). Added to this is a variable salary portion for the 2007 fiscal year totaling SEK 3.1 M (2.6), which will be paid out in 2008. The other members of the executive management also exercised all 70,000 stock options that they held in 2006, of which SEK 1.5 M was paid out in 2006 and SEK 2.8 M, corresponding to 35,000 options, was paid out in January 2007.

The fees from directorships paid to the other members of the executive management, that have been directly linked to their positions, have been paid to the Company, totaling SEK 0.9 M for 2007 (0.9). One of these executives is entitled to pension benefits equivalent to 70% of his base salary between 60 and 65 years of age, which is earned in a linear manner. The entire pension liability, totaling SEK 8 M for 2007 and SEK 1 M for 2008, has been paid to the beneficiary; this amount was earned and expensed through 2006. All three of these executives are covered from 65 years of age by defined contribution pension plans, whereby the amount of the pension benefits is dependent on the performance of their contracted pension plans. The total cost of the pension obligation in 2007 for these three executives was SEK 1.7 M (1.8). In the event the Company serves notice, all three executives are entitled to two years' notice. Reserved provisions (see Note 21) for the defined benefit pensions pertaining to the CEO and other senior executives as above are invested in the Parent Company's equities portfolio along with the returns it generates. All four members of the executive management are men.

The CEO has the right to a discretionary, variable salary component for 2007 amounting to a maximum of 50% of his base salary. Other employees of the Parent Company have the right to a variable salary component, which for 2007 could amount to a maximum of 50% of their respective base salaries, provided that the employee had achieved individually set goals. In addition, there is a joint target for net asset value growth which entails that the variable salary component is reduced by 10 percentage points if net asset value decreases during the year. Further, there is another joint target for the trend in net asset value over a two-year period to outperform the stock market index, which entails that the variable salary component is reduced by a further 10 percentage points if that target is not achieved. A provision of SEK 5.7 M (5.4) has been made for the accrued cost for the variable salary component for the 2007 fiscal year.

Compensation consisting of the variable salary component is not pensionable.

**Note 8 (cont.)****Compilation of executive management's compensation, pension costs and employee stock options for 2007**

	Base salary	Variable salary portion <sup>1</sup>	Cash settlement of employee stock options <sup>2</sup>	Other benefits	Pension costs
CEO	5.8	1.0	3.4	0.1	8.3
Other members of executive management (3 persons) <sup>3</sup>	7.7	3.1	2.8	0.3	1.7
<b>Total</b>	<b>13.5</b>	<b>4.1</b>	<b>6.2</b>	<b>0.4</b>	<b>10.0</b>

1) Pertains to the 2007 fiscal year and will be paid out in 2008.

2) All employee stock options had been exercised by year-end 2006, whereby compensation stemming from a total of 75,000 options was paid out in January 2007.

3) Including one employee of Nordinvest.

**Compilation of directors' fees for 2007**

Name	Position	Fees 2007, SEK 000s
Tom Hedelius	Chairman	<b>1,110</b>
Sverker Martin-Löf	Vice Chairman	<b>740</b>
Boel Flodgren	Director	<b>370</b>
Lars O Grönstedt	Director	<b>370</b>
Finn Johnsson	Director	<b>370</b>
Fredrik Lundberg	Director	<b>370</b>
Lennart Nilsson	Director	<b>370</b>
Anders Nyström	Director	–
<b>Total</b>		<b>3,700</b>

**Note 9 Auditors' fees**

	Group <sup>1</sup>			Parent Company <sup>1</sup>		
	2007	2006	2005	2007	2006	2005
<b>Auditing fees</b>						
Öhrlings PricewaterhouseCoopers	<b>1.4</b>	1.4	1.3	<b>1.2</b>	1.2	1.2
Other auditing firms	–	–	–	–	–	–
Total auditing fees	<b>1.4</b>	1.4	1.3	<b>1.2</b>	1.2	1.2
<b>Consulting fees</b>						
Öhrlings PricewaterhouseCoopers	<b>0.5</b>	0.9	0.6	<b>0.5</b>	0.7	0.6
Other auditing firms	–	–	–	–	–	–
Total consulting fees	<b>0.5</b>	0.9	0.6	<b>0.5</b>	0.7	0.6
<b>Total</b>	<b>1.9</b>	2.3	1.9	<b>1.7</b>	1.9	1.8

1) Including value-added tax (since AB Industrivärden is not subject to value-added tax and thereby cannot deduct value-added tax).

**Note 10 Tax and specification of deferred tax assets and deferred tax liabilities**

	Group		Parent Company			Group		Parent Company	
	2007	2006	2007	2006		2007	2006	2007	2006
<b>Tax charge</b>					<b>Tax liability</b>				
Current tax	-5	-22	-	-	Opening value	193	165	174	165
Tax change	0	0	-	-	Current tax charge	-160	22	-165	-
Deferred tax	165	-51	165	-51	Additional tax	-	51	-	51
<b>Additional tax</b>	<b>160</b>	<b>-73</b>	<b>165</b>	<b>-51</b>	Paid tax	-28	-56	-9	-42
<b>Tax attributable to discontinued operation</b>	-	-5	-	-	Other changes	-4	11	-	-
					<b>Closing value</b>	<b>1</b>	<b>193</b>	<b>-</b>	<b>174</b>

The tax-loss carryforward of the Parent Company amounted to SEK 458 M for the 2007 tax year. After deducting SEK 197 M for an estimated loss carryforward for the 2007 fiscal year, the accumulated loss carryforward for the Group as well as Parent Company amounts to SEK 655 M, in accordance with the following calculation. Industrivärden cannot determine at present if the loss carryforwards can be utilized, which is why no deferred tax asset has been reported.

<b>Tax calculation in summary</b>	<b>2007</b>	2006
Market value of equities portfolio on January 1	63,030	52,265
Less: business-related shares (see page 77)	-60,061	-48,219
Basis for standard income	2,969	4,046
Standard income 1.5%	45	61
Dividends received	2,107	1,733
Management costs, net financial items, etc.	-418	-262
Dividend rendered	-1,931 <sup>1</sup>	-1,738
Taxable income	-197	-206
Accumulated tax-loss carryforward	-655	-458

1) Proposed by the Board of Directors.

In a ruling handed down in 2007, the Supreme Administrative Court ruled in favor of Industrivärden's appeal of the Administrative Court of Appeal's ruling in 2004 on the questioned right to deduction for interest paid during the year 1995–1998 in holding companies owned by and subsequently merged with AB Industrivärden. As a result of the Supreme Administrative Court's favorable ruling, a provision of SEK 165 M for the potential tax liability plus SEK 54 M in back interest could be dissolved.

**Specification of the Group's tax rate**

Special tax rules apply for holding companies. The most important of these rules are exemption from capital gains taxes on sales of stocks and the right to deduct dividends rendered, however, with the addition of a standard-calculated income based on the market value of the stocks. For a more detailed discussion of the tax rules for holding companies, see page 77.

As a result of the dividend paid by the Parent Company in 2006 and 2007, no current tax charge was incurred.

	Group	
	2007	2006
Income after financial items	-2,102	11,671
Tax according to Swedish tax rate of 28%	-	-3,268
Difference between Change in value of stocks in Parent Company and Group	-	1,478
Effect on Group's tax rate of the Parent Company's non-payment of tax	-	1,770
Other, net	-5	-2
<b>Total current tax</b>	<b>-5</b>	<b>-22</b>

**Deferred taxes**

The deduction right for dividends rendered enables the Parent Company to not pay any tax, which is why deferred tax assets and deferred tax liabilities are only specified for the Group, as below:

	Group	
	2007	2006
<b>Specification of deferred tax assets</b>		
Provisions for guarantees	-	6
Provisions for pensions	1	1
<b>Total deferred tax assets</b>	<b>1</b>	<b>7</b>
<b>Specification of deferred tax liabilities</b>		
Real estate, machinery and equipment	-	16
<b>Total deferred tax liabilities</b>	<b>-</b>	<b>16</b>
<b>Total deferred tax assets/liabilities, net</b>	<b>1</b>	<b>-9</b>
of which, deferred tax assets as per balance sheet (see Note 17)	1	1
of which, deferred tax liabilities as per balance sheet (see Note 24)	-	-10



**Note 11 Discontinued operations**

Discontinued operations are reported in accordance with IFRS 5, which also pertains operations in the process of being discontinued. At year-end 2006 the wholly owned subsidiary Isaberg Rapid was under discontinuation following a sale agreement signed in December 2006, with transfer of possession to the buyer in January 2007.

**Note 12 Property, plant and equipment**

	Group		
	Land and buildings	Equipment	Total property, plant and equipment
Opening cost	124	16	140
Investments during the year	–	1	1
Sales and disposals	–99	–1	–100
Closing accumulated cost	25	16	41
Opening depreciation	–44	–9	–53
Depreciation for the year	–1	–1	–2
Sales and disposals	38	0	38
Closing accumulated depreciation	–7	–10	–17
<b>Residual value, 12/31/2007</b>	<b>18<sup>1</sup></b>	<b>6</b>	<b>24</b>
Residual value, 12/31/2006	80 <sup>1</sup>	7	87

The balance sheet items Equipment and Non-current interest-bearing receivables (see Note 22), and Current interest-bearing liabilities (see Note 25) include SEK – M (1) for finance leases for vehicles.

Depreciation for the year amounted to SEK 2 M (4) and is reported in the income statement under Management costs, totaling SEK 0 M (0), and under Other income and expenses, totaling SEK 2 M (4).

The tax assessment value of Swedish properties was SEK 40 M (80).

1) Of which, land SEK 3 M (5).

**Note 13 Equities**

	2007					2006 <sup>1</sup>	
	Number of shares	Share of capital, %	Share of votes, %	Cost	Market value <sup>1</sup>	Market value <sup>1</sup>	
Ericsson A	372,000,000	2.4	13.4	3,125	5,714	10,267	
Ericsson B	10,000,000			259	152	138	
Handelsbanken A	68,285,000	10.9	11.1	4,934	14,135	14,076	
Handelsbanken B	118,900			24	24	23	
Hemtex	3,700,000	12.6	12.6	375	275	300	
Höganäs B	3,550,000	10.1	8.1	638	485	637	
Indutrade <sup>2</sup>	14,757,800	36.9	36.9	247	1,819	2,006	
Munters	10,950,000	14.6	14.6	684	840	1,153	
Sandvik	136,431,200	11.5	11.5	6,147	15,178	12,935	
SCA A	48,600,000	10.0	29.5	847	5,747	5,840	
SCA B	22,200,000			1,719	2,542	2,717	
Skanska A	15,010,700	7.9	27.1	709	1,831	2,026	
Skanska B	18,315,000			1,073	2,235	2,336	
SSAB A <sup>3</sup>	56,430,243	17.5	22.7	3,659	9,932	6,798	
SSAB B	121,794			18	19	11	
Tandberg Television ASA	–			–	–	510	
Volvo A	43,511,650	2.1	5.3	4,873	4,699	1,180	
Volvo B	2,000,000			253	217	25	
Other equities <sup>4</sup>					–	52	
<b>Group's holdings of equities<sup>5</sup></b>				<b>29,584</b>	<b>65,844</b>	<b>63,030</b>	
<b>Less: Other equities</b>					–	–52	
<b>Less: associated companies:</b>							
Indutrade					–1,819	–2,006	
SCA					–8,289	–8,557	
Skanska					–4,066	–4,362	
SSAB					–9,951	–6,809	
<b>Parent Company's holdings of equities, excluding shares in associated companies <sup>5</sup></b>					<b>41,719</b>	<b>41,244</b>	

1) The market value corresponds to the book value.

2) In 2005 and 2006 Indutrivärden issued a total of 284,800 call options to senior executives of Indutrade. Each option entitles the bearer to purchase one share of Indutrade stock for SEK 107.30 during the period May 1–June 30, 2010. The total cost of the underlying shares is SEK 1,974 thousand. The total value of the exercise price and expensed premium is SEK 32,403 thousand.

3) In 2003 Indutrivärden issued a total of 25,766 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 170 during the period May 28, 2003–May 31, 2008. Following exercise of the options and recalculation with respect to the share redemptions in 2005 and 2006, the stock split in 2006, and the rights issue in 2007, 8,757 call options remain with a recalculated exercise price of SEK 50.70. The total cost of the underlying shares is SEK 567 thousand. The total value of the exercise price and expensed premium is SEK 474 thousand.

4) Pertains to investments made by Indus Innovation, which have been transferred to Short-term equity investments (see note 22).

5) At year-end 2007, no shares were out on loan.

**Note 14 Shares in associated companies**

	Reg. no.	Domicile	Shareholders' equity	Net income	Share of capital, %	Share of votes, %	No. shares, 000s	Parent Company Book value
Indutrade	556017-9367	Stockholm	1,189	419	36.9	36.9	14,758	103
SCA	556012-6293	Stockholm	64,279	7,161	10.0	29.5	70,800	2,566
Skanska	556000-4615	Stockholm	20,724	4,121	7.9	27.1	33,326	1,782
SSAB	556016-3429	Stockholm	29,145	4,685	17.5	22.7	56,552	5,244
<b>Total</b>								<b>9,695</b>

**Note 15 Shares in subsidiaries**

	Reg. no.	Domicile	Share of capital, %	No. shares, 000s	Shareholders' equity	Parent Company Book value
Handus AB	556384-5428	Stockholm	100	10,000	317	0
Indus Innovation AB	556364-7758	Stockholm	100	100,000	2	1
Industrivärden Service AB	556289-9160	Stockholm	100	10,000	11	1
Nordinvest AB	556287-8826	Stockholm	100	42	109	94
Other			100			1
<b>Total</b>						<b>97</b>

**Note 16 Change in equities**

	Group Equities	
	2007	2006
Opening value	<b>63,030</b>	51,910
Sales of listed stocks at sales value	<b>-1,924</b>	-2,072
Purchases of listed stocks	<b>8,834</b>	3,193
Change in value <sup>1</sup>	<b>-4,044</b>	9,999
Other <sup>2</sup>	<b>-52</b>	-
<b>Closing value</b>	<b>65,844</b>	63,030

1) Excluding SEK -37 M (35) in currency hedging of foreign stocks and SEK 102 M (-) in capital gains from sold subsidiaries.

2) Transfer of equity investments made by Indus Innovation, totaling SEK -52 M.

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Opening value	<b>41,244</b>	35,515	<b>6,843</b>	6,731	<b>140</b>	230	<b>48,227</b>	42,476
Sales at sales value	<b>-1,541</b>	-1,544	<b>-383</b>	-528	<b>-200</b>	-	<b>-2,124</b>	-2,072
Purchases	<b>5,828</b>	2,743	<b>3,006</b>	450	-	-	<b>8,834</b>	3,193
Change in value <sup>1</sup>	<b>-3,812</b>	4,530	<b>229</b>	190	<b>157</b>	-90	<b>-3,426</b>	4,630
<b>Closing value</b>	<b>41,719</b>	41,244	<b>9,695</b>	6,843	<b>97</b>	140	<b>51,511</b>	48,227

1) Excluding SEK -37 M (35) in currency hedging of foreign stocks.

**Note 17 Non-current receivables**

	Group		Parent Company	
	2007	2006	2007	2006
Promissory note receivable	<b>65</b>	-	<b>65</b>	-
Deferred tax (see Note 10)	<b>1</b>	1	-	-
<b>Total</b>	<b>66</b>	1	<b>65</b>	-

**Note 18 Prepaid expenses and accrued income**

	Group		Parent Company	
	2007	2006	2007	2006
Prepaid rents	-	1	-	1
Accrued interest income	<b>4</b>	1	<b>4</b>	1
Prepaid service and maintenance charges	<b>2</b>	3	<b>1</b>	3
Other items	<b>13</b>	5	<b>13</b>	5
<b>Total</b>	<b>19</b>	10	<b>18</b>	10

**Note 19 Short-term equity investments**

	Group		Parent Company	
	2007	2006	2007	2006
Short-term equity investments <sup>1</sup>	73	114	–	–
<b>Total</b>	<b>73</b>	<b>114</b>	<b>–</b>	<b>–</b>

1) Of which, SEK 27 M (114) pertains to equity investments in Nordinvest with an investment horizon of not more than six months, and investments made by Indus Innovation totaling SEK 46 M (–).

**Note 20 Cash and cash equivalents**

	Group		Parent Company	
	2007	2006	2007	2006
Cash and bank balances <sup>1</sup>	7	38	4	38
Short-term investments <sup>2</sup>	250	700	250	700
<b>Total</b>	<b>257</b>	<b>738</b>	<b>254</b>	<b>738</b>

1) Of which, SEK – M (12) pertains to cash and cash equivalents that are blocked as security for issued stock options.

2) Pertains to financial investments with durations of less than three months at the time of purchase.

**Note 21 Pensions**

Industrivärden applies IAS 19 Employee Benefits. This standard is complemented with rules according to RR 30:05 Supplementary Accounting Rules for Groups, and for the Parent Company with RR 32:06 Accounting for Legal Entities. In accordance with IAS 19, an actuary working under assignment from Industrivärden has calculated the Group's pension liability and the amounts that are to be regularly reserved as pension provisions for the Group's employees. These actuarial computations are done at least on an annual basis. Calculation of Industrivärden's pension liability takes into account such actuarial assumptions as the anticipated discount rate, employees' future salary increases, anticipated inflation, etc., as shown in the table on page 74.

The pension plans are both defined benefit and defined contribution plans:

**Defined benefit plans**

Industrivärden's defined benefit plans involve retirement pensions, disability pensions and family pensions, and ordinarily entail an obligation to pay lifetime benefits. Earning of pension entitlement is based on the number of years in service and increases the employee's pension entitlement each year. The obligation is reported on a continuing basis in the income statement and as a pension provision in the balance sheet.

**Defined contribution plans**

The defined contribution plans involve retirement pensions, disability pensions and family pensions and entail that premiums are paid on a regular basis during the year to independent legal entities. The size of the pension premium is based on the employee's salary, and the cost of the premiums is reported on a continuing basis in the income statement.

The pensions for Industrivärden pertain primarily to traditional ITP or "high earner" solutions (for employees earning more than ten times the Base Amount), or pensions provisioned for in the FPG/PRI system. In addition there are individual pension plans based on defined benefit plans.

The pension liability amounted to SEK 58 M (59) for the Group and SEK 56 M (56) for the Parent Company as per December 31, 2007. The value of the plan assets was SEK 5 (4) for the Group, of which SEK 5 (4) pertains to the Parent Company. The Group's combined plan assets consist primarily of investments with insurance companies.

Actuarial gains and losses are recognized in the income statement as revenue or booked as an expense if the net amount of accumulated, unrealized actuarial gains and losses exceeds the higher of 10% of the present value of the defined benefit pension obligation or 10% of the fair value of the plan assets.

For 2007, the total actuarial loss was SEK 2 M for the Group, of which SEK 2 M pertained to the Parent Company, which corresponds to approximately 3% of the present value of the Group's pension obligations.

The Group's total reported pension cost amounted to SEK 17 M (14), of which SEK 16 M (13) pertained to the Parent Company. Interest on pension obligations and the return on plan assets are reported among financial items in the income statement. For 2008, the Parent Company's pension cost is expected to amount to approximately SEK 15 M.

The Parent Company's reserved provisions for defined benefit pensions have been continuously invested in the Parent Company's equities portfolio, with the return generated by the equities portfolio.

**Note 21 (cont.)**

	Group		Parent Company	
	2007	2006	2007	2006
<b>Pension liability</b>				
Pensions	58	59	56	56
<b>Total</b>	<b>58</b>	<b>59</b>	<b>56</b>	<b>56</b>

	Group	
	2007	2006
<b>Actuarial assumptions</b>		
Discount rate, %	4.5	3.9
Anticipated return on plan assets, %	5.0	5.0
Future salary increases, %	4.0	3.5
Anticipated inflation, %	2.0	2.0

	Group		Parent Company	
	2007	2006	2007	2006
<b>Obligations pertaining to compensation to employees, defined benefit plans</b>				
Present value of funded obligations	5	4	5	4
Fair value of funded plan assets	-5	-4	-5	-4
<b>Total funded obligations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Present value of unfunded obligations</b>	<b>60</b>	<b>61</b>	<b>58</b>	<b>58</b>
<b>Total</b>	<b>60</b>	<b>61</b>	<b>58</b>	<b>58</b>
Unrecognized actuarial losses	-2	-2	-2	-2
<b>Net liability on balance sheet</b>	<b>58</b>	<b>59</b>	<b>56</b>	<b>56</b>

	Group		Parent Company	
	2007	2006	2007	2006
<b>Reconciliation of pension liability</b>				
Net liability according to balance sheet at start of year	59	110	56	51
Transferred to discontinued operation (Note 11)	-	-56	-	-
Net cost recognized in income statement	11	8	11	8
Pension payments	-12 <sup>1</sup>	-3	-11 <sup>1</sup>	-3
<b>Net liability according to balance sheet at December 31</b>	<b>58</b>	<b>59</b>	<b>56</b>	<b>56</b>

1) Of which, SEK -8 M (-) pertains to pension payment to one beneficiary in the executive management, who is entitled to pension between 60 and 65 years of age. The amount paid out was earned and expensed in its entirety up to and including 2006.

	Group					
	Defined benefit pension plans		Defined contribution pension plans		Total	
	2007	2006	2007	2006	2007	2006
<b>Pension cost</b>						
Current service cost	4	4	6	6	10	10
Interest on obligation	3	2	-	-	3	2
Anticipated return on plan assets	0	0	-	-	0	0
Actuarial gains and losses, net, during the year	0	0	-	-	0	-
Past service cost	4	2	-	-	4	2
<b>Net cost in income statement</b>	<b>11</b>	<b>8</b>	<b>6</b>	<b>6</b>	<b>17</b>	<b>14</b>
<b>-of which, included in operating income</b>	<b>8</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>14</b>	<b>12</b>
<b>-of which, included in financial items</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>2</b>

**Note 22 Non-current interest-bearing liabilities**

	Group		Parent Company	
	2007	2006	2007	2006
Bond issues	4,599	2,519	4,599	2,519
Promissory note	5,200	200	5,200	200
Pension liability (see Note 21)	58	59	56	56
<b>Total</b>	<b>9,857</b>	<b>2,778</b>	<b>9,855</b>	<b>2,775</b>

Maturity dates	Group		Parent Company	
	2007	2006	2007	2006
-2008	-	720	-	720
-2009	2,100	900	2,100	900
-2010	1,198	699	1,198	699
-2011	700	400	700	400
-2012 or later <sup>1</sup>	5,859	59	5,857	56
<b>Total</b>	<b>9,857</b>	<b>2,778</b>	<b>9,855</b>	<b>2,775</b>

1) Of which, pension liability 58 59 56 56

Market valuation of current and non-current interest-bearing liabilities as per 12/31/2007 would decrease the interest-bearing liabilities by SEK 223 M (decrease of 29).

**Note 23 Obligations to Company directors and CEOs**

The Group's non-current interest-bearing liabilities include SEK 45 M (45) for pension obligations and similar benefits for current and former company directors and CEOs. The corresponding amount for the Parent Company is SEK 42 M (42), as shown in the item Pension liability in Notes 21 and 22.

**Note 24 Non-current noninterest-bearing liabilities**

	Group		Parent Company	
	2007	2006	2007	2006
Deferred taxes (see Note 10)	-	10	-	-
Product liability	18	22	-	-
Other	-	-	-	-
<b>Total</b>	<b>18</b>	<b>32</b>	<b>-</b>	<b>-</b>

The Parent Company has a contingent liability on behalf of a subsidiary regarding product liability for a sold operation. Provisions considered necessary for this contingent liability have been made in the balance sheets of the subsidiary and the Group.

**Note 25 Current interest-bearing liabilities**

	Group		Parent Company	
	2007	2006	2007	2006
Utilized bank overdraft facility	-	-	-	-
Bond issues	721	1,800	721	1,800
Other interest-bearing liabilities	695	705	695	704
<b>Total</b>	<b>1,416</b>	<b>2,505</b>	<b>1,416</b>	<b>2,504</b>

The amount of the bank overdraft facility granted is SEK 2,500 M (2,826) for the Group and Parent Company.

**Note 26 Accrued expenses and deferred income**

	Group		Parent Company	
	2007	2006	2007	2006
Accrued interest expenses	93	132	93	132
Accrued staff-related expenses	27	26	23	23
Option premiums received	2	34	2	34
Other	20	12	15	6
<b>Total</b>	<b>142</b>	<b>204</b>	<b>133</b>	<b>195</b>

**Note 27 Contingent liabilities**

	Group		Parent Company	
	2007	2006	2007	2006
Contingent liabilities on behalf of other Group companies	-	-	3	3
Other contingent liabilities	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>

**Note 28 Related-party transactions***Transactions with subsidiaries*

Certain transactions have been made with wholly owned subsidiaries, such as rents for premises at market terms.

*Transactions with associated companies*

Stock dividends have been received from certain, listed associated companies. CEO Anders Nyren and Executive Vice President Bengt Kjell have received directors' fees from listed associated companies, which were paid to Industrivärden. The subsidiary Fastighets AB Raseborg, which was sold during the year, rents premises to Indutrade AB at market terms.

# Audit Report

To the Annual General Meeting of the shareholders of AB Industrivärden (publ)

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of AB Industrivärden (publ) for the year 2007. The company's annual report is included on pages 49–75 in the printed version of this document. The board of directors and the president are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and application of International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the president and significant estimates made by the board of directors and the president when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a

basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president. We also examined whether any board member or the president has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the president be discharged from liability for the financial year.

Stockholm, Sweden, February 22, 2008

Öhrlings PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*

# Tax Rules for Holding Companies

For a company to be defined as a holding company for tax purposes, the requirements are that the company is engaged exclusively or almost exclusively in the management of securities, that the company's stock is spread among a large number of shareholders, and that the portfolio of securities is well distributed.

## Intermediaries

Holding companies, along with mutual funds, are usually classified as intermediaries. The principles of legislation in this area are:

- that neutrality between direct and indirect ownership requires that the intermediary shall not be subject to taxation,
- that indirect ownership shall not be more advantageous than direct ownership, and
- that taxation shall enable reinvestment of the shareholding by the intermediary.

## Tax Rules

The main principles concerning taxation of holding companies are:

- that interest income is taxable, while interest expenses and management costs are tax deductible,
- that dividends received are taxable, while dividends rendered are tax deductible, and
- that capital gains on sales of stocks are tax exempt, but in return, a standard-calculated level of income, which amounts to 1.5% of the market value of the equities portfolio at the start of the fiscal year, is taxed. The basis for calculating the standard level of income does not include business-related shares, by which is meant unlisted shares as well as listed shares in which the holding corresponds to at least 10% of the number of votes. In order for listed business-related shares to be excluded from the standard income calculation, they must have been held for at least one year.

## Tax Deficits

Tax-loss carryforwards are deductible and can be accumulated in order to be deducted from future taxable surpluses. See also Note 10 on page 69.

## Industrivärden's Equities Portfolio from a Tax Perspective

At year-end 2006, business-related shares accounted for 96% of the total value of the equities portfolio. Of the business-related shares, shareholdings corresponding to 1% of the equities portfolio had been held for less than a year. Added to these are nonbusiness-related shares, which amounted to 4% of the equities portfolio. This means that the calculation of the standard level of income for 2007 is based on 5% of the market value of the equities portfolio at year-end 2006.

At the end of 2007, business-related shares accounted for 92% of the equities portfolio, of which shareholdings corresponding to 5% of the equities portfolio had been held for less than a year. Added to these are nonbusiness-related shares, which amounted to 8% of the equities portfolio. This means that the calculation of the standard level of income for 2008 will be based on 13% of the market value of the equities portfolio at year-end 2007.



# Industrivärden in Summary – SEK and Euros

## SEK

	2007	2006	2005	2004	2003 <sup>1</sup>
<b>Key ratios, SEK per share<sup>2</sup></b>					
Net asset value	142	151	125	95	78
Shareholders' equity	142	151	125	91	43
Earnings	-5.03	30.09	36.77	19.31	-2.25
Share price, December 31					
Class A shares	113	136	109	85	61
Class C shares	105	128	100	77	55
Dividend	5.00 <sup>3</sup>	4.50	3.50	3.00	2.75
Dividend growth, % per year	11	29	17	9	-5
Dividend yield, Class A shares, %	4.4	3.3	3.2	3.5	4.5
Total return, Class A shares, %	-14	29	33	46	28
Dividend yield, Class C shares, %	4.8	3.5	3.5	3.9	5.0
Total return, Class C shares, %	-15	32	36	48	27
<b>Key ratios, SEK M</b>					
Net asset value	54,837	58,511	48,252	36,563	30,070
Change in net asset value, %	-6	21	32	22	24
Equity ratio, %	83	90	89	83	78
Net debt-equity ratio, %	17	7	7	12	7
<b>Income statements, SEK M</b>					
Dividend income from stocks	2,107	1,733	1,275	1,032	850
Income from equity and derivative transactions <sup>4</sup>	-3,833	10,210	13,059	6,533	-1,385
Management costs	-86	-81	-78	-80	-80
Operating income	-1,813	11,858	14,258	7,487	-374
Income after financial items	-2,102	11,671	14,042	7,299	-623
Income from discontinued operations	-	23	162	168	-
Net income for the year	-1,942	11,621	14,202	7,458	-867
<b>Balance sheets, SEK M</b>					
Equities	65,844	63,030	51,910	39,190	18,123
Other non-current assets	90	88	323	795	804
Current assets	359	1,593	1,928	2,548	2,148
Total assets	66,293	64,711	54,161	42,533	21,075
Shareholders' equity	54,837	58,491	48,227	35,175	16,413
Interest-bearing liabilities incl. pensions	11,273	5,283	5,283	6,193	3,525
Noninterest-bearing liabilities	183	937	651	1,165	1,137

1) Comparison figures for 2003 are not IFRS-adjusted.

2) All per-share values have been recalculated to take into account the 2:1 stock split in 2007.

3) Proposed by the Board of Directors.

4) Change in value of stocks and short-term derivative and equity trading for 2004–2007.

5) A year-end exchange rate of 9.08 has been used for 2003, 9.00 for 2004, 9.42 for 2005, 9.05 for 2006, and 9.47 for 2007.

**Euros<sup>5</sup>**

	2007	2006	2005	2004	2003 <sup>1</sup>
<b>Key ratios, EUR per share<sup>2</sup></b>					
Net asset value	14.99	16.74	13.27	10.50	8.58
Shareholders' equity	14.99	16.74	13.27	10.11	4.68
Earnings	-0.53	3.33	3.91	2.15	-0.25
Share price, December 31					
Class A shares	11.93	15.03	11.52	9.45	6.66
Class C shares	11.09	14.15	10.62	8.56	6.00
Dividend	0.53 <sup>3</sup>	0.50	0.37	0.34	0.31
Dividend growth, % per year	11	29	17	9	-5
Dividend yield, Class A shares, %	4.4	3.3	3.2	3.5	4.5
Total return, Class A shares, %	-14	29	33	46	28
Dividend yield, Class C shares, %	4.8	3.5	3.5	3.9	5.0
Total return, Class C shares, %	-15	32	36	48	27
<b>Key ratios, EUR M</b>					
Net asset value	5,791	6,465	5,122	4,063	3,312
Change in net asset value, %	-6	21	32	22	24
Equity ratio, %	83	90	89	83	78
Net debt-equity ratio, %	17	7	7	12	7
<b>Income statements, EUR M</b>					
Dividend income from stocks	222	191	135	115	94
Income from equity and derivative transactions <sup>4</sup>	-404	1,128	1,387	726	-153
Management costs	-9	-9	-8	-9	-9
Operating income	-191	1,310	1,514	832	-41
Income after financial items	-222	1,290	1,491	811	-69
Income from discontinued operations	-	3	17	19	-
Net income for the year	-205	1,284	1,508	829	-95
<b>Balance sheets, EUR M</b>					
Equities	6,952	6,965	5,511	4,354	1,996
Other non-current assets	10	10	34	90	88
Current assets	38	176	205	283	237
Total assets	7,000	7,151	5,750	4,727	2,321
Shareholders' equity	5,791	6,463	5,120	3,907	1,808
Interest-bearing liabilities incl. pensions	1,190	584	561	690	387
Noninterest-bearing liabilities	19	104	69	130	126

## Board of Directors



**Tom Hedelius**, MBA, Honorary Doctor of Economics.  
Born 1939, Stockholm.  
Chairman of the Board since 2002.  
Director since 1991.  
Chairman of B&B Tools, Jan Wallanders och Tom Hedelius stiftelse and Anders Sandrews stiftelse.  
Vice Chairman of Addtech and Lagercrantz Group.  
Director of L E Lundbergföretagen, SCA and Volvo, among other companies.  
Honorary Chairman of Svenska Handelsbanken.  
Shareholding: 20,000.



**Sverker Martin-Löf**,  
Doctor of Technology, Honorary Ph.D.  
Born 1943, Stockholm.  
Vice Chairman of the Board since 2002.  
Director since 2002.  
Chairman of SCA, Skanska and SSAB.  
Vice Chairman of Ericsson.  
Director of Svenska Handelsbanken.  
Shareholding: 14,000.



**Boel Flodgren**, LL.D. Honorary Doctor of Economics, Professor.  
Born 1942, Lund.  
Director since 2002.  
Chairman of the Research Council of E.ON Sweden.  
Director of Brinova, the University of Oslo and the University of Copenhagen.  
Shareholding: 600.



**Lars O Grönstedt**, BA, MBA.  
Born 1954, Stockholm.  
Director since 2006.  
Chairman of Svenska Handelsbanken.  
Vice Chairman of the Stockholm Chamber of Commerce.  
Director of the Swedish Free Enterprise Foundation, Tore Browaldhs stiftelse, Jan Wallanders och Tom Hedelius stiftelse, and Probusiness bank.  
Shareholding: 200.



**Finn Johnsson**, MBA., Honorary Doctor of Economics.  
Born 1946, Gothenburg.  
Director since 2000.  
Chairman of Volvo, KappAhl, City Airline, Thomas Concrete Group, Unomedical A/S, Luvata Oy and EFG.  
Director of Skanska.  
Shareholding: 10,000.



**Fredrik Lundberg**, M.Sc. Eng., MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering.  
Born 1951, Djursholm.  
Director since 2004.  
President and CEO of L E Lundbergföretagen.  
Chairman of Cardo, Holmen and Hufvudstaden.  
Director of Svenska Handelsbanken, L E Lundbergföretagen, NCC and Sandvik.  
Shareholding: 4,570,000.



**Lennart Nilsson**, M. Sc., Eng., Honorary Doctor of Economics.  
Born 1941, Lund.  
Director since 1997.  
President of the Crafoord Foundation.  
Chairman of the Erik Philip Sörensen Foundation and the University of Kalmar. Vice Chairman of Cardo.  
Director of AMF Pension, the Albert Pålsson Foundation for Research and Charity, Kalmar Läns Kapitalförvaltning AB and Malmöhus Invest.  
Shareholding: 6,000.



**Anders Nyrén**, MBA, U.S. MBA.  
Born 1954, Bromma.  
President and Chief Executive Officer of Industrivärden.  
Director since 2001.  
Vice Chairman of Svenska Handelsbanken and Sandvik.  
Director of Ericsson, SCA, Skanska, SSAB and Ernströmgruppen.  
Chairman of the Association of Exchange-Listed Companies and the Association for Generally Accepted Principles in the Securities Market.  
Shareholding: 61,550.

# Executive Management



Fredric Calles, Anders Nyrén, Bengt Kjell and Carl-Olof By.

**Anders Nyrén**, MBA, U.S. MBA, born 1954. President and Chief Executive Officer. Industrivärden employee since 2001. Shareholding: 61,550. Directorships: see page 80.

**Bengt Kjell**, MBA, born 1954. Executive Vice President and Chief Investment Officer. Industrivärden employee since 2002. Shareholding: 25,000. Chairman of Indutrade and Kungsleden. Director of Svenska Handelsbanken (Southern Sweden Region), Munters and Höganäs.

**Carl-Olof By**, B.A., M.Pol. Sc., born 1945. Executive Vice President with responsibility for finance and administration. Industrivärden employee since 1990.

Shareholding: 34,000  
Director of Svenska Handelsbanken (Stockholm City Region), KnowIT and OMX Nordic Exchange Group.

**Fredric Calles**, MBA, born 1966. Head of Market Operations and CEO of Nordinvest. Industrivärden employee since 2003. Shareholding: 2,000.

## Committees

Compensation Committee to make recommendations to the Board on the CEO's compensation and to set the salaries, benefits and pensions for the other members of the Executive Management: Tom Hedelius (committee chairman) and Sverker Martin-Löf.

Audit Committee for oversight of the Company's risk management, business management and control, and financial reporting: Industrivärden's Board of Directors excluding CEO Anders Nyrén. Committee chairman: Sverker Martin-Löf.

Nominating Committee for election of the Board of Directors: Tom Hedelius (Chairman of the Board), Bo Damberg (Jan Wallanders och Tom Hedelius stiftelse), Curt Källströmer (Handelsbanken Pension Foundation and Handelsbanken Pension Fund – committee chairman), Ulf Lundahl (L E Lundbergföretagen), and Anders Nyberg (SCA pension foundations and others).

A presentation of the committees' work can be found in the Corporate Governance Report on pages 43–48.

## Other Executives

**Martin Hamner**, MBA, born 1964. Chief Financial Officer. Industrivärden employee since 2008.

**John Klint**, MBA, born 1974. Investment Manager. Industrivärden employee since 2007. Shareholding: 400.

**Jens Melander**, MBA, born 1976. Investment Manager. Industrivärden employee since 2002.

**Erik Röjvall**, MBA, born 1973. Investment Manager. Industrivärden employee since 2000. Shareholding: 42,000.

**Sverker Sivall**, MBA, born 1970. Investor Relations Officer. Industrivärden employee since 1997. Shareholding: 5,000.

*Industrivärden's organizational structure is presented on page 15.*

## Auditor

Öhrlings PricewaterhouseCoopers AB.

Chief Auditor: **Anders Lundin**, Authorized Public Accountant, born 1956, Stockholm. In 2007 Anders Lundin was Chief Auditor of the listed companies Industrivärden, AarhusKarlshamn, Bong Ljungdahl, Husqvarna, Melker Schörling, SCA, Säkl and Teligent.

In 2007 Öhrlings PricewaterhouseCoopers had a total of 101 auditing assignments for companies listed on the Stockholm Stock Exchange, of which one was in cooperation with other auditing firms.

## Glossary and Definitions

*Change in value of stocks* For stocks held at both the start and end of the year, the change in market value consists of the difference in value between these two dates. For stocks sold during the year, the change in market value consists of the difference between the sales price of the shares and their value at the start of the year. For stocks acquired during the year, the change in market value consists of the difference between the cost of the shares and their value at the end of the year.

*Discount to net asset value* The difference between net asset value per share and the share price, measured in proportion to net asset value.

*Dividend yield* Dividend per share in relation to the share price on December 31.

*Earnings per share* Income after tax divided by the total number of shares after full dilution.

*Interest-bearing net debt* Interest-bearing liabilities and pensions less cash and cash equivalents and interest-bearing receivables.

*Market value of equities portfolio* The value of the equities portfolio based on market prices on the balance sheet date.

*Net asset value* The market value of the equities portfolio less net debt.

*Net asset value including reinvested dividends* To calculate the development of net asset value before dividends rendered, the dividends paid out by the Company after tax are recalculated to take into account the performance of the listed portfolio. This gives a measure of how net asset value would have developed if Industrivärden had not paid any dividends and thereby had taxable income, since dividends rendered are tax-deductible.

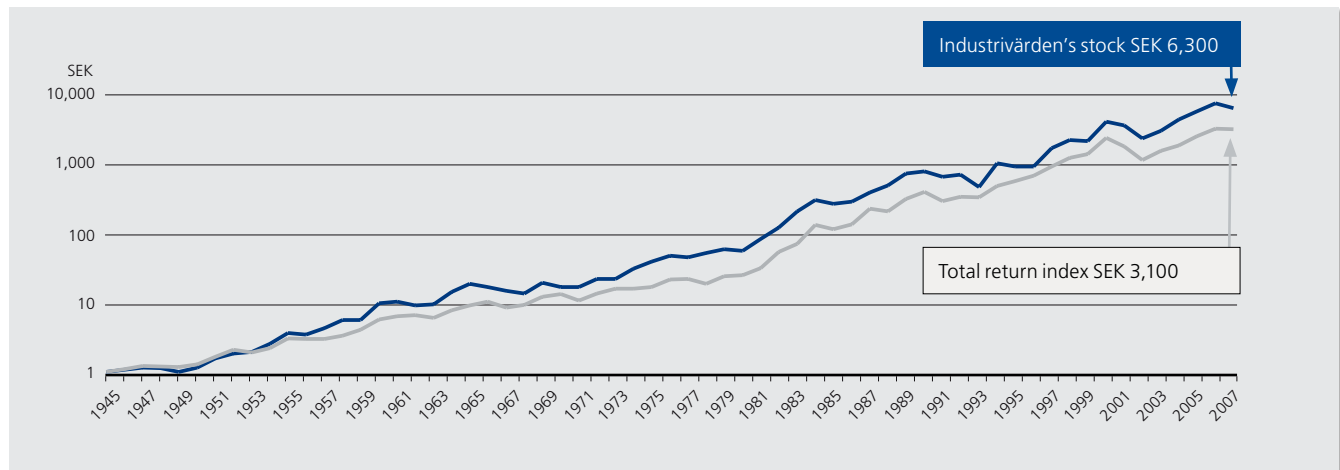
*Net debt* Interest-bearing net debt and the net value of other assets and liabilities excluding the equities portfolio.

*Net debt-equity ratio* Interest-bearing net debt in relation to the market value of the equities portfolio.

*Short-term derivative and equity trading* Short-term equity derivative transactions in the Parent Company and short-term derivative and equity trading in the subsidiary Nordinvest.

*Total return* Change in the share price taking into account share redemptions and reinvested dividends. The total return is compared against the return index (SIXRX), which indicates the price trend including reinvested dividends for stocks listed on the Stockholm Stock Exchange.

## Industrivärden's History – Sixty Years in Brief



An investment of SEK 1 in Industrivärden at its stock market introduction in 1945 would have grown to SEK 6,300 in 2007, compared with SEK 3,100 for the return index.

### 1944: Industrivärden established

During the financial crises of the 1920s and '30s, Handelsbanken took over majority equity stakes in several Swedish industrial companies to protect its credits in connection with various financial crises. A holding company was formed in 1944, to which the shareholdings were transferred. This company was given the name Industrivärden ("Industrial value") to symbolize its stewardship of this industrial value. Industrivärden was sold to Handelsbanken's owners in 1945 and has been a publicly listed company ever since.

### 1950s and '60s: Equity stakes acquired in leading listed companies

Ericsson has been included in Industrivärden's equities portfolio since the start. During the 1950s Industrivärden acquired major shareholdings in AGA, SCA and Handelsbanken. During the 1960s major investments were made in the construction and real estate sectors. These holdings were sold in the 1980s, among others to Skanska, which paid with own stock.

### 1980s: Concentration of listed portfolio

The listed portfolio was concentrated during the 1980s, bringing the total number of holdings to around ten by the start of the 1990s.

### 1990s: An industrial operation is acquired and divested

Through the acquisition of PLM and the holding companies Dacke and Bahco in the late 1980s/early 1990s, Industrivärden created a substantial wholly owned operation which was subsequently divested in stages, generating substantial capital gains.

### Major transactions during the last ten years

During the past ten years Sandvik and SSAB became new, major shareholdings, while Industrivärden's stakes in AGA and PLM, as well as its subsidiaries Besam and Thorsman, were sold.

### 2000s: Shifts as result of adapted strategy

As part of its strategy of investing in listed Nordic companies in which it can take an active ownership role, Industrivärden sold its shareholding in the pharmaceutical company Lundbeck in 2002, in Skandia in 2003 and in Scania in 2004. Stock in the moisture control company Munters was purchased in 2003. Stock in the Icelandic med-tech company Ossur was purchased in 2002 and sold in 2005 at a good profit. Sizable complementary purchases of stock were made in Handelsbanken and Sandvik in 2004, and in SCA in 2005. A majority shareholding in the wholly owned technology trading company Indutrade was sold in 2005 in connection with that company's introduction on the stock market. A substantial shareholding in Höganäs was purchased in 2005. Industrivärden's last remaining operating subsidiary, Isaberg Rapid, was sold in 2006. Sizable shareholdings were purchased in Volvo in 2007 and also in SSAB in connection with its rights issue.

### Industrivärden today

Today operations are focused on a concentrated portfolio of long-term holdings in listed Nordic companies with good potential for value growth. Through its active ownership role, Industrivärden is contributing to growing value.

At year-end 2007 Industrivärden's equities portfolio consisted of ten listed companies in which Industrivärden controls at least 10% of the votes or capital.

## Stock Market Information

Industrivärden has high aspirations regarding the demands on communication with its shareholders and the stock market in general. Information to the market will maintain a high standard of quality and be made quickly available to anyone interested. Through a close dialog with market participants, Industrivärden strives to continuously develop and improve its communication.

### Reporting Dates 2008

*Interim reports will be published on the following dates*

- May 5 for the period January–March
- August 4 for the period January–June
- October 31 for the period January–September

*Data on net asset value per share is published as follows*

- Monthly through press releases on Industrivärden's website
- Quarterly in the interim reports and year-end report

*2008 Annual General Meeting*

- Tuesday, April 15, in Stockholm

### Information Channels

*Publications*

Interim reports, year-end reports, annual reports and press releases can be ordered using any of the following alternatives:

- by post from AB Industrivärden (publ),  
Box 5403, SE-114 84 Stockholm, Sweden
- by phone, at +46-8-666 64 00
- by fax, at +46-8-661 46 28
- by e-mail at: [info@industrivarden.se](mailto:info@industrivarden.se)

*Industrivärden Online*

Industrivärden's website, [www.Industrivarden.net](http://www.Industrivarden.net), is a central communication channel for contact with parties interested in the company. It presents current information about the Company and the major shareholdings, including the most recently published net asset value, stock prices, press releases, and a database of current press clippings about Industrivärden. In addition, press releases, interim reports and year-end reports are available in their entirety in connection with their publication. Visitors to the website can use interactive analysis tools to help them conduct their own analyses of Industrivärden's stock and of Industrivärden's active shareholdings. The website also includes an extensive description of Industrivärden as a company and equity investment, as well as a separate Corporate Governance section.

*Press Releases and Reports "Direct"*

Anyone with Internet access can subscribe to Industrivärden's press releases and interim reports simply by registering their e-mail address at [www.Industrivarden.net](http://www.Industrivarden.net) or [www.cision.se](http://www.cision.se). In connection with the publication of press releases and interim reports, subscribers will be sent an e-mail containing the press release or report in question.

### Investor Contact

Head of Investor Relations: Sverker Sivall, tel. +46-8-666 64 19, e-mail: [info@industrivarden.se](mailto:info@industrivarden.se)

### Investor Activities

Industrivärden participates regularly in various investor meetings and also conducts exclusive presentations of the Company and its stock. Requests for company presentations are always welcome.

### Financial Analysts Who Monitor Industrivärden

ABG Sundal Collier	Jon Arnell	+46-8-56 62 86 00
C A I Cheuvreux Nordic	David Halldén	+46-8-723 51 00
Carnegie Fondkommission	Frida Willmansson	+46-8-676 88 00
Cazenove Equities	Christopher Brown	+44-20-7155 5000
Danske Markets Equities	Fasial Kalim Ahmad	+45-33-44 04 00
SEB Enskilda	Andreas Joelsson	+46-8-52 22 95 00
Erik Penser Fondkommission	Marcus Lundquist	+46-8-463 80 00
Evli Bank	Anders Berg	+46-8-407 80 00
Hagströmer & Qviberg Fondkommission	Andreas Koski	+46-8-696 17 00
Handelsbanken Markets	Magnus Dalhammar	+46-8-701 10 00
Kaupthing Bank	Christian Hellman	+46-8-791 48 00
Kaupthing Bank	Adrian Westman	+46-8-791 48 00
Standard & Poor's Equity Research	Joakim Ström	+46-8-440 59 00
Swedbank Fondkommission	Niclas Höglund	+46-8-58 59 18 00
UBS Nordic Research	Olof Cederholm	+46-8-453 73 00
Öhman Equities	Katarina Åselius	+46-8-402 50 00

### International Corporate Credit Rating

Standard & Poor's	Andreas Kindahl	+46-8-440 59 00
-------------------	-----------------	-----------------



# 2008 Annual General Meeting

## Time and place

The Annual General Meeting will be held at 2 p.m. on Tuesday, April 15, 2008, at the Grand Hotel, Vinterträdgården room (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm, Sweden. The doors will open at 1 p.m., and registration will take place until 2 p.m., at which time the doors will be closed. Coffee will be served before the Meeting.

## Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders must be listed on the shareholder register printed out by VPC (Swedish Depository and Clearing House) on April 9, 2008, and give notice of their intention to participate in the Meeting no later than 3 p.m. on Thursday, April 10, 2008.

## How to become registered in the shareholder register

Shares are registered in the shareholder register maintained by VPC in the name of either the owner or the owner's nominee. Shareholders who have not arranged to have their shares registered in the nominee's name are registered in their own names. Shareholders whose shares are managed by a third party may have chosen to have their shares registered in the nominee's name. In order to be able to participate in the Meeting, such shareholders who own nominee-registered shares must request in advance that their shares be temporarily registered in their own names as per April 9, 2008. Shareholders are advised to contact their nominee well in advance before April 9, 2008.

## Notice of attendance

Notice of intention to participate in the Meeting can be made using one of the following alternatives:

- by post to AB Industrivärden (publ), Box 5403, SE-114 84 Stockholm, Sweden (see attached notification form)
- by phone at +46-8-666 64 00
- by fax at +46-8-661 46 28 (see attached notification form)
- by e-mail at [agm@industrivarden.se](mailto:agm@industrivarden.se), which requires the Company's confirmation by e-mail (within 24 hours) that notification has been registered
- by filling in the form on Industrivärden's website

## Upon notification, shareholders must indicate their:

- name
- national ID number (or corporate registration number)
- address and phone number

## Proxies

Shareholders may exercise their entitlement to participate in the Meeting by proxy. Please use the proxy statement provided on the notification form. For representation of legal persons by proxy, the proxy must be signed by an authorized signatory of the company/organization, and a copy of the registration certificate, which indicates the company's/organization's authorized signatories, must be attached. Proxies may not be older than one year. Proxy statements must be sent in or shown in original.

## Dividend

The dividend for 2007 will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes April 18, 2008, as the record date. Provided that the Annual General Meeting approves the Board's proposal, dividend payments are expected to be made via VPC on April 23, 2008.





AB INDUSTRIVÄRDEN (PUBL) • REG. NO. 556043-4200, BOX 5403 • SE-114 84 STOCKHOLM, SWEDEN  
PHONE +46-8-666 64 00 • FAX +46-8-661 46 28 • WWW.INDUSTRIVARDEN.NET • INFO@INDUSTRIVARDEN.SE

# Notification

**Notification to attend the Annual General Meeting of AB Industrivärden (publ) on April 15, 2008 at 2 p.m., at the Grand Hotel in Stockholm, Sweden (Vinterträdgården room). This application form must be received by AB Industrivärden (publ) not later than 3 p.m. on April 10, 2008.**

Affix  
stamp  
here

\_\_\_\_\_  
Shareholder's name (block letters)

\_\_\_\_\_  
National ID number/corp.reg.no.

\_\_\_\_\_  
Street address

\_\_\_\_\_  
Postal code and city/town/country

\_\_\_\_\_  
Phone (daytime)

\_\_\_\_\_  
Assistants, if any (names only)

- Attending meeting in person.  
 Represented by proxy as per below.

*Tear off this side along perforation at left, fold down center, and tape according to marking*

Svarspost  
110 595 100

Industrivärden  
SE-110 05 Stockholm  
Sweden

-----  
*Fold here*

## Proxy for

\_\_\_\_\_  
Proxy's name (block letters)

\_\_\_\_\_  
National ID number/corp.reg.no.

\_\_\_\_\_  
Street address

\_\_\_\_\_  
Postal code and city/town/country

\_\_\_\_\_  
Phone (daytime)

to represent all my shares in the Company at the Annual General Meeting of AB Industrivärden (publ) on April 15, 2008.

\_\_\_\_\_  
Location

\_\_\_\_\_  
Date

\_\_\_\_\_  
Shareholder's signature

\_\_\_\_\_  
Name (block letters)

*Tape here*