

Year-End Report 2004

- **IndustriVärden's net asset value was SEK 36,934 M on February 15, 2005, an increase of SEK 371 M since the start of 2005. Net asset value on December 31, 2004, was SEK 36,563 M (30,070), an increase of SEK 6,493 M in 2004.**
- **Net asset value per share on February 15, 2005, was SEK 191, an increase of SEK 2 per share since the start of the year. Net asset value on December 31, 2004, was SEK 189 per share (156). Including reinvested dividends the increase was SEK 39 per share in 2004. Average annual growth in net asset value over the last ten-year period, including reinvested dividends, was 16%. Earnings per share in 2004 were SEK 8.06 (-4.49).**
- **The total return for IndustriVärden's stock in 2004 was 46%, compared with 21% for the return index. During the last ten-year period the average annual total return was 6 percentage points higher than the return index.**
- **During the year, shares were purchased for SEK 5.2 billion (2.0) and sold for SEK 3.0 billion (1.9). Shares were purchased in Handelsbanken and Sandvik for SEK 3.4 billion.**
- **The Board of Directors proposes a dividend of SEK 6.00 per share (5.50).**

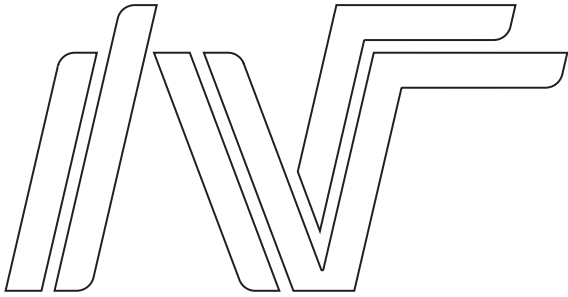
IndustriVärden in Summary

	Change, % 2004	Average annual change, %	
		Five years, 2000-2004	Ten years, 1995-2004
Total return			
Total return for IndustriVärden's stock	46	3	19
Return index (SIXRX)	21	-5	13
Excess return, IndustriVärden	25	8	6
Net asset value			
Net asset value	22	-9	9
Net asset value incl. reinvested dividends	25	-2	16



Composition of Net Asset Value

Parent Company	SEK billion			SEK per share		
	2005 Feb 15	2004 Dec. 31	2003 Dec. 31	2005 Feb 15	2004 Dec. 31	2003 Dec. 31
Equities portfolio	41.7	41.7	32.9	216	216	170
Net debt	-4.8	-5.1	-2.8	-25	-27	-14
Net asset value	36.9	36.6	30.1	191	189	156



CEO's MESSAGE

In 2004 the world economy was stronger than it has been for nearly 30 years, and essentially the entire global economy developed in a positive direction. The favorable conditions are reflected in the results of most of our portfolio companies, which posted strong development during the year through own measures and with the support of the economy.

The high quality of the holdings in our portfolio helped boost our net asset value in 2004 by 22%, or by SEK 6.5 billion, to SEK 36.6 billion. During the same period, Industrivärden's stock rose over 40%, which, taking into account our dividend payout, resulted in a total return of 46% for the Class A shares and 47% for the Class C shares.

The much stronger growth in the share price than in net asset value represents a significant reduction in the discount to net asset value. I believe that the lower discount is due to a greater recognition of the strength in our clear portfolio strategy and our work methodology. We take an active ownership role in a concentrated and transparent portfolio of primarily listed companies with good development potential. This work is performed by a lean, efficient and professional organization.

NET ASSET VALUE

Net asset value on February 15, 2005, was SEK 36,934 M, an increase of SEK 371 M since the start of the year. Net asset value on December 31, 2004, was SEK 36,563 M. Net asset value is

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. Industrivärden's mission is to create shareholder value based on a professional investment operation and active ownership. The goal is to generate high growth in net asset value over time. Based on this, the aim is to deliver a total return to Industrivärden's shareholders that is higher, over time, than the average for the Stockholm Stock Exchange. For more information, visit our website: www.industrivarden.net.

Again in 2004 we succeeded in achieving our goal of covering management costs with earnings from short-term equity trading and derivative transactions. The result of these transactions, SEK 103 M, more than amply covered our management costs of SEK 80 M during the year.

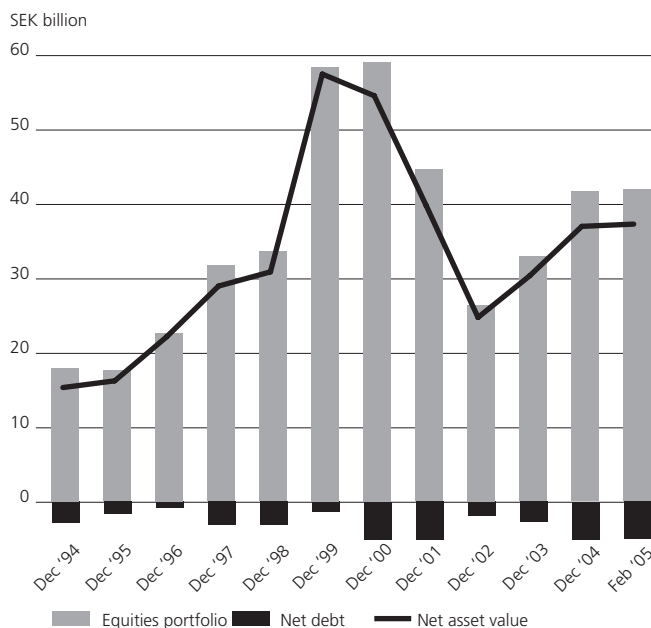
Our strategy entails that Industrivärden's main business is to work with matters related to active ownership. In 2004 we have also had a high level of new investments: during the year we purchased stocks with a combined value of SEK 5.2 billion and sold stocks for SEK 3.0 billion. The largest share purchases were in Handelsbanken and Sandvik, for a total of SEK 3.4 billion.

The dividend of SEK 6 per share proposed by the Board of Directors represents an increase of 9% for the year and a dividend yield of 3.5% as per year-end. As previously, we have thereby achieved our objective of paying a dividend yield that is higher than the average for the Stockholm Stock Exchange.

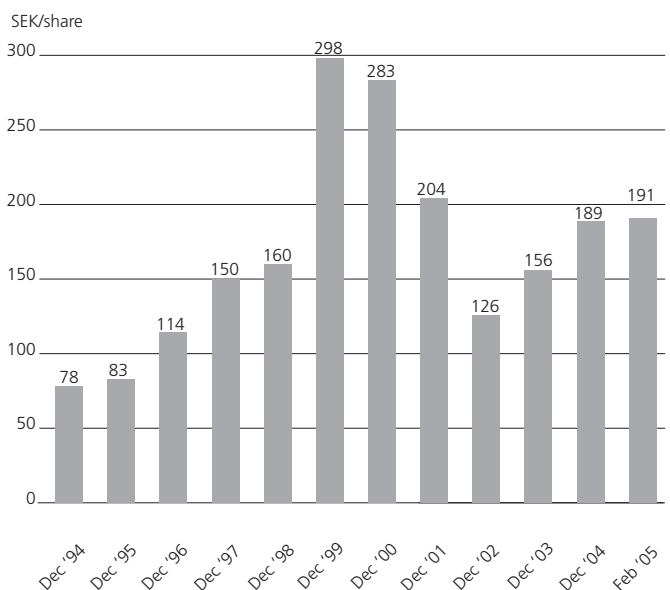
ANDERS NYRÉN
President and CEO

the difference between the market value of the equities portfolio and net debt. The change in net asset value over the last ten-year period is shown in the charts below.

Development of Net Asset Value



Net Asset Value per Share



Equities Portfolio¹

The market value of Industrivärden's equities portfolio on December 31, 2004, was SEK 41,691 M (SEK 32,890 M at the start of the year) and the surplus value was SEK 21,660 M (SEK 15,414 M at the start of the year). The market value on Febru-

ary 15, 2005, was SEK 41,765 M. Taking into account purchases and sales, the change in value was 1% since the start of the year. A detailed portfolio specification as per December 31, 2004, is provided on page 6.

Company	As per Dec. 31, 2004		Total return, % Year 2004	Average annual total return, %		As per Feb. 15, 2004	
	No. of shares	Value breakdown, SEK M		Five years, 2000–2004	Ten years, 1995–2004	No. of shares	Value breakdown, SEK M
Handelsbanken	66,364,100	11,481	22	13	22	66,364,100	11,415
Ericsson	372,000,000	8,072	56	-26	10	372,000,000	7,775
Sandvik	26,953,500	7,224	13	4	13	26,953,500	7,709
SCA	18,381,960	5,254	1	6	14	18,381,960	5,001
Skanska	32,302,756	2,576	31	5	13	32,299,756	2,689
SSAB	14,113,750	2,258	30	9	12	14,113,750	2,477
Indutrade		2,022	–	–	–		2,022
Munters	3,219,350	644	17	16	–	3,219,350	612
Ossur hf	65,118,000	537	75	–	–	65,118,000	631
Isaberg Rapid		290	–	–	–		290
Others		1,333					1,144
Total		41,691	24				41,765
Return index			21	-5	13		

Of the shareholdings listed above, Munters and Ossur have been held for less than five years, while Sandvik has been held for less than ten years. The valuation of the wholly owned subsidiaries Indutrade and Isaberg Rapid is explained in a definition on page 6.

Handelsbanken posted its best nine-month results ever in 2004. Operating profit for the period January–September improved by 12%, mainly due to higher net commissions on insurance and brokerage fees, and higher net trading income from equities trading. Although net interest income decreased slightly, lending continued to increase. Overheads were largely unchanged, and recoveries exceeded loan losses. Handelsbanken's year-end report will be released on February 22.

Ericsson's income after financial items improved to SEK 28 billion (-12) as a result of higher volumes, lower overheads and a favorable balance of products. Cash flow remained positive and the financial position strengthened. Successes in GSM and WCDMA continued. The global market for mobile systems is expected to grow somewhat in 2005. Half-owned Sony Ericsson has achieved profitability with a well-composed product portfolio that is geared for sustained growth. Based on Ericsson's strong finances, the board proposes that the company resume payment of dividends.

In 2004 *Sandvik* achieved record earnings after net financial items as a result of high demand in all its business areas, higher market shares, greater capacity utilization and the completion of efficiency improvement measures. Operating profit improved for all three business areas. The Tooling and Materials Technology units both improved their operating profits by more than 60%. The return on capital employed was a record 19.4%. The

board proposes that approximately SEK 4 billion be distributed to the shareholders through a redemption offer and that previously repurchased shares be canceled.

SCA's earnings after financial items decreased due to pressure on prices, currency movements and rationalization costs. The effect of higher delivery volumes was offset by strong competitive pressure in SCA's most important product areas. However, in relative terms, earnings for all three product areas were better than for SCA's other European competitors. Efficiency-improvement measures are in progress and will be expanded. Annual cost savings are estimated at slightly more than SEK 1 billion, which will be realized in 2005. Cost-cutting measures and integration of acquired units will continue to have high priority.

Skanska's income after financial items fell as a result of lower gains from sales of commercial premises and project write-downs in the U.S. and U.K., which were partly offset by capital gains on divested businesses. Cash flow remained strong. The core businesses performed well during the fourth quarter, with improved earnings and higher margins in a number of Skanska's construction markets.

SSAB reported a record profit after financial items, which more than tripled as a result of improved margins and higher deliveries of core niche products, steel slabs and trading products. The year's result should also be viewed in the context of substantially higher prices caused by the rise in global steel consumption to a

¹ Pertains to the Parent Company's equities portfolio. Based on these holdings, derivative transactions are also conducted. Industrivärden also conducts short-term equity trading through the subsidiary Nordinvest, which had shareholdings with a market value of SEK 252 M at December 31, 2004.

new record level in 2004. Cash flow more than doubled. Deliveries of ultra high strength steel sheet and quenched steel rose by approximately 30% and accounted for half of total delivery volume. The board has proposed that approximately SEK 2 billion be distributed to the shareholders through a redemption offer.

The wholly owned subsidiary *Indutrade* lifted its earnings after financial items to SEK 216 M (182). Return on capital employed increased to 24% (19%). Earnings improved mainly in Sweden and Finland.

Munters' earnings after financial items fell slightly during the first nine months of 2004. Order bookings developed favorably during the period. Action programs previously decided on have been carried out and are expected to have effect starting in the first quarter of 2005. Munters year-end report will be released on February 17.

Ossur's profit after financial items more than tripled in 2004, mainly as a result of strong volume growth, cost-efficient production and a new product technology platform. All of the company's markets contributed to the rise in net sales.

The wholly owned subsidiary *Isaberg Rapid* reported operating earnings of SEK 31 M (49). After costs of SEK 39 M for ongoing action programs, earnings after financial items were SEK -8 M.

Equity Transactions During the Year

During the fourth quarter of 2004, purchases of stocks totaled SEK 603 M and sales totaled SEK 440 M. Major net purchases consisted of 597,900 Sandvik and 860,300 Handelsbanken. Purchases and sales of listed stocks in 2004 are shown in the table below.

Purchases	No. of shares	SEK M
Handelsbanken A	14,412,200	2,109
Sandvik	6,386,000	1,613
Ericsson B	22,960,724	511
Scania B	900,000	223
Volvo A	561,700	140
SSAB A	1,006,400	129
Munters	513,600	91
Ossur hf	13,118,000	89
Other		298
Total		5,203

Sales

SCA B	2,980,640	854
Scania A (entire shareholding)	2,286,600	556
Scania B (entire shareholding)	1,950,200	473
Pfizer Inc.	1,017,500	263
Ericsson B	15,000,000	256
Sandvik	600,000	161
Handelsbanken A	800,000	129
Other		264
Total		2,956

Earnings from equity and derivative transactions in 2004 totaled SEK 459 M, as shown in the table below.

Earnings from Parent Company's

Equities and Derivative Transactions, SEK M	2004 Oct.–Dec.	2004 Jan.–Dec.
SCA B	15	316
Ericsson B	–	156
Handelsbanken A	76	76
Derivative transactions	16	69
Scania A (entire shareholding)	–	-110
Scania B (entire shareholding)	–	-73
Other	39	25
Total	146	459

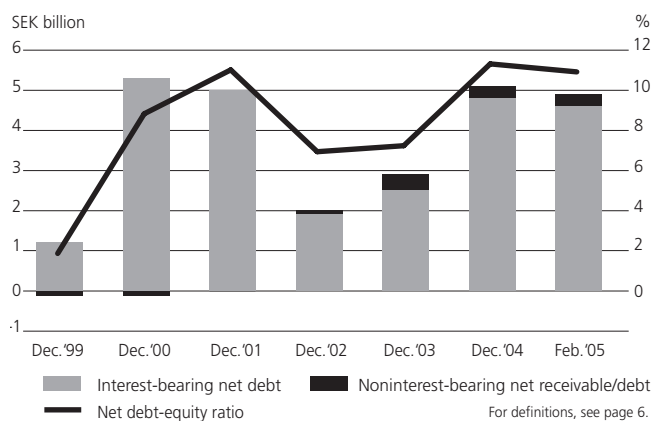
Derivative transactions in the Parent Company generated a profit of SEK 69 M. In addition, short-term equity trading by the subsidiary Nordinvest generated a further profit of SEK 34 M. The combined profit from short-term trading was thus SEK 103 M.

After the end of the reporting period, from January 1 through February 15, 2005, stocks were sold for a total of SEK 304 M. Major sales were 1,000,000 shares of Pfizer Inc. (the entire holding). No stocks were purchased.

Net Debt

The Parent Company's net debt was SEK 5.1 billion as per December 31, 2004, including SEK 4.8 billion in interest-bearing net debt, corresponding to a net debt-equity ratio of 11.5% (7.4% at the start of the year), as shown in the specification on page 8.

The Parent Company's net debt was SEK 4.8 billion on February 15, 2005, including SEK 4.5 billion in interest-bearing net debt. Interest-bearing net debt decreased by SEK 0.3 billion from the start of the year. The net debt-equity ratio was 10.8%.



EARNINGS

The Parent Company's earnings after financial items amounted to SEK 1,280 M (-887), including dividend income of SEK 1,033 M (849) and earnings of SEK 459 M (-1,410) from equity and derivative transactions. Earnings also included SEK -80 M (80) in management costs, SEK 47 M (-2) in other income and expenses, and net financial items of SEK -179 M (-244).

Consolidated earnings from portfolio management amounted to SEK 1,488 M (-538), and earnings from operating companies

totalled SEK 231 M (244). After management costs and net financial items, earnings totaled SEK 1,438 M (-623). Earnings after accounting for investments in associates and tax amounted to SEK 1,557 M (-867).

Interest-Bearing Net Debt

The Parent Company's interest-bearing net debt increased by SEK 2.3 billion in 2004, to SEK 4.8 billion.

The Group's interest-bearing net debt was SEK 5.4 billion on December 31, 2004, an increase of SEK 2.5 billion from the start of the year.

DIVIDEND PROPOSAL

The Board proposes a dividend of SEK 6.00 per share (5.50), for a total dividend payout of SEK 1.159 M.

OTHER INFORMATION

Annual General Meeting

The Annual General Meeting will be held at 2 p.m. on Wednesday, April 20, 2005. Location: Grand Hotel, Vinterträdgården room, Stockholm.

Nominating Committee for Election of Directors

The 2004 Annual General Meeting resolved to authorize the Chairman of the Board to appoint at least four members from among the shareholders' representatives, who are not directors on Industrivärden's board, to form with the Chairman a nominating committee for future board elections. In accordance with this resolution, the following persons have been appointed as members of the Nominating Committee: Tom Hedelius (Chairman of Industrivärden), Christer Elmehagen (AMF Pension), Curt Källströmer, committee chairman, (Handelsbanken), Ulf Lundahl (L E Lundbergföretagen), and Anders Nyberg (SCA).

The Nominating Committee proposes to the annual General Meeting that the following directors be re-elected: Boel Flodgren, Tom Hedelius, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Arne Mårtensson, Lennart Nilsson and Anders Nyrén. In addition, the Nominating Committee proposes that Tom Hedelius be elected as Chairman of the Board at the Annual General Meeting. Shareholders together representing approximately 70 percent of the total number of votes in the Company intend to support the proposal.

Accounting Principles

This year-end report has been prepared in accordance with Swedish Financial Accounting Standards Council recommendation RR20 Interim Financial Reporting.

To adapt its reporting to recommendation RR22 Presentation of Financial Statements, starting with the 2003 year-end accounts, in its consolidated financial statements Industrivärden is applying the equity method of accounting for investments in associates. By an associate is meant a company in which the shareholding amounts to at least 20% of the number of votes. Industrivärden's associates are SCA, Skanska and Ossur. As from September 2004, Ericsson is no longer classified as an associate, since the voting

rights attached to the Class A and B shares have been changed as described in a note to the "Equities Portfolio as per December 31, 2004" table on page 6.

Starting on January 1, 2004, recommendation RR29 Employee Benefits is applied. Application of the new recommendation has had only a marginal effect on the company's reported earnings and position.

In other respects, this report has been prepared using the same accounting principles and calculation methods as in the 2003 Annual Report.

Starting in 2005 Industrivärden will begin reporting according to International Financial Reporting Standards (IFRS). The reporting standards that will have the greatest effect are IAS 39, pertaining to the recognition and measurement of financial instruments, and IAS 28, pertaining to investments in associates. These recommendations affect, among other things, the valuation principles for the listed-equities portfolio. Had IFRS been applied in 2004, the Industrivärden Group's earnings for 2004 would have risen by SEK 5.9 billion to SEK 7.5 billion. Taking into account adjustments of opening shareholders' equity at January 1, 2004, shareholders' equity would have increased by SEK 18.5 billion, to SEK 35.2 billion as per December 31, 2004, which is shown on p. 12.

Stockholm, February 17, 2005

The Board of Directors

Auditors' Examination Report

We have conducted a general examination of the year-end report for AB Industrivärden (publ.) for the period ended December 31, 2004, in accordance with the recommendation issued by FAR (the Swedish Institute of Authorized Public Accountants).

A general examination is limited to discussion with the Company's employees and to an analytical examination of financial information and thus provides a lesser degree of certainty than an audit. We have not performed an audit of this year-end report and thus have not issued an audit opinion.

Nothing has come to our attention that indicates that the year-end report does not fulfill the requirements for year-end reports as prescribed in the Swedish Annual Accounts Act.

Stockholm, February 17, 2005

Öhrlings PricewaterhouseCoopers AB

INGVAR PRAMHÄLL

Authorized Public Accountant

Further Information

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Sverker Sivall, IR, tel. +46 8 666 64 19

Interim Reports

January–March 2005: May 3, 2005

January–June 2005: August 4, 2005

January–September 2005: October 31, 2005

Equities Portfolio as per December 31, 2004

Company	No. of shares	Value breakdown		Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		SEK M	SEK/share			
Handelsbanken A	66,364,100	11,481	59	28	9.6	10.1
Ericsson A	372,000,000	8,072	42	19	2.3	13.3
Sandvik	26,953,500	7,224	38	17	10.2	10.2
SCA A	16,982,000	5,254	27	13	7.8	28.5
SCA B	1,399,960					
Skanska A	17,302,756	2,576	13	6	7.7	28,6
Skanska B	15,000,000					
SSAB A	14,113,750	2,258	12	5	14.0	18,3
Indutrade		2,022	10	5	100.0	100,0
Munters	3,219,350	644	3	2	12.9	12,9
Volvo A	1,821,700	579	3	2	0.5	1.1
Volvo B	444,120					
Ossur hf	65,118,000	537	3	1	20.4	20.4
Isaberg Rapid		290	2	1	100.0	100.0
Pfizer Inc.	1,000,000	178	1	0	0.0	0.0
Other		576	3	1		
Total		41,691	216	100		

Valuation of the wholly owned subsidiaries Indutrade and Isaberg Rapid is provided in a definition below.

Total number of Industrivärden shares outstanding: 193,135,612.

At an extraordinary general meeting of Ericsson on August 31, 2004, the decision was made to change the voting power of Ericsson's Class B shares from one-thousandth of a vote to one-tenth of a vote. The meeting also resolved to issue conversion rights. Owners of Class A shares were allocated a conversion right for each Class A share held. Each conversion right entitles the holder to convert one Class B share to one Class A share. Following Industrivärden's conversion of 186,000,000 Class B shares to an equal number of Class A shares, the company's holding amounts to 372,000,000 Class A shares, corresponding to 13.3% of the votes (before conversion: 27.7%).

Definitions

Interest-bearing net debt:

Interest-bearing liabilities and pension provisions less cash and cash equivalents and interest-bearing receivables, and for the Parent Company, adjusted for liabilities to subsidiaries.

Market value of equities portfolio:

The market value of the equities portfolio is defined as the market value of the listed portfolio (based on the most recent price paid on the balance sheet date) and the estimated fair value of the operating subsidiaries Indutrade and Isaberg Rapid (using a P/E multiple of 13 based on earnings for the year excluding costs for ongoing action programs), and shareholders' equity for other shareholdings.

Net asset value:

The market value of the Parent Company's equities portfolio less net debt.

Net asset value including reinvested dividends:

The development of net asset value including reinvested dividends after tax, recalculated taking into account the development 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 earnings, since dividends rendered are tax-deductible.

Net debt:

Net debt is defined as the Parent Company's interest-bearing and noninterest-bearing net debt.

Net debt-equity ratio:

The Parent Company's interest-bearing net debt in relation to the market value of the Parent Company's equities portfolio.

Total return:

Price trend plus reinvested dividends.

Parent Company Income Statement

SEK M	2004 Oct.–Dec.	2003 Oct.–Dec.	2004 Jan.–Dec.	2003 Jan.–Dec.
Portfolio management				
Dividend income from stocks	1	2	1,033	849
Earnings from equity transactions	130	-1,558	390	-1,511
Earnings from derivative transactions	16	25	69	101
Other income and expenses	–	–	47 ²	-2
Earnings from portfolio management	147	-1,531	1,539	-563
Management costs				
	-21	-20	-80	-80
Operating earnings	126	-1,551	1,459	-643
Financial items				
Interest income	2	2	7	32
Interest expenses	-55	-105	-185	-266
Other financial items	1	-7	-1	-10
Earnings after financial items	74	-1,661	1,280	-887
Tax	–	-165	–	-165
Net earnings for the year	74	-1,826	1,280	-1,052

² Includes repaid shareholders' contribution of SEK 50 M.

Parent Company Balance Sheet

SEK M	Dec. 31 2004	Dec. 31 2003
Assets		
Equities*	19,421	16,799
Other financial fixed assets	–	3
Other current assets	297	87
Cash and cash equivalents	453	410
Total assets	20,171	17,299
Liabilities and equity		
Shareholders' equity	14,148	13,930
Provisions	46	49
Long-term interest-bearing liabilities	4,056	2,215
Current noninterest-bearing liabilities	341	379
Current interest-bearing liabilities	1,580	726
Total shareholders' equity and liabilities	20,171	17,299
*Market value of shares, according to table on page 6	41,691	32,890
Change during the year, %	27	25

Change in Parent Company's Shareholders' Equity

SEK M	Capital stock	Share premium reserve	Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
Amount at December 31, 2003	966	342	720	11,902	13,930
Dividend to shareholders	–	–	–	-1,062	-1,062
Net earnings for the year	–	–	–	1,280	1,280
Amount at December 31, 2004	966	342	720	12,120	14,148
Amount at December 31, 2002	966	342	720	13,567	15,595
Dividend to shareholders	–	–	–	-1,120	-1,120
Merger profit	–	–	–	507	507
Net earnings for the year	–	–	–	-1,052	-1,052
Amount at December 31, 2003	966	342	720	11,902	13,930

Parent Company Statement of Cash Flows

SEK M	2004 Jan.–Dec.	2003 Jan.–Dec.
OPERATING ACTIVITIES		
Dividend income from stocks	1,000	849
Cash flow from changes in working capital	-3	-7
Management costs paid	-76	-75
Financial items, net	-156	-208
CASH FLOW FROM OPERATING ACTIVITIES	765	559
INVESTING ACTIVITIES		
Net purchase/sale of listed stocks	-2,247	-79
Net purchase/sale of equity derivatives	76	68
Net purchase/sale of other stocks	-24	576
CASH FLOW FROM INVESTING ACTIVITIES	-2,195	565
FINANCING ACTIVITIES		
Loans raised and amortization of debt	2,594	-1,493
Change in financing of subsidiaries	-109	177
Dividend paid out	-1,062	-1,120
Payment of shareholder contribution	50	-103
CASH FLOW FROM FINANCING ACTIVITIES	1,473	-2,539
NET CASH FLOW FOR THE YEAR	43	-1,415
Cash and cash equivalents at beginning of year	410	1,825
CASH AND CASH EQUIVALENTS AT END OF YEAR	453	410

Change in interest-bearing net debt

SEK M	Dec. 31 2004	Cash flow	Change in loans	Other changes	Dec. 31 2003
Cash and cash equivalents	453	43	–	–	410
Interest-bearing receivables	288	–	210	–	78
Long-term interest-bearing liabilities	4,056	–	1,841	–	2,215
Current interest-bearing liabilities	1,580	–	854	–	726
Interest-bearing pensions	46	–	–	-3	49
	4,941	-43	2,485	-3	2,502
Less: liabilities to subsidiaries	-143	–	-93	–	-50
Interest-bearing net debt	4,798	-43	2,392	-3	2,452
Market value of equities portfolio	41,691				32,890
Net debt-equity ratio, %	11.5				7.4

Industrivärden Consolidated Income Statement

SEK M	2004 Oct.–Dec.	2003 Oct.–Dec.	2004 Jan.–Dec.	2003 Jan.–Dec.
Portfolio management				
Dividend income from stocks	1	2	1,036	850
Earnings from equity transactions	152	-1,555	395	-1,486
Earnings from derivative transactions	16	25	69	101
Other income and expenses	-2	0	-12	-3
Earnings from portfolio management	167	-1,528	1,488	-538
Operating companies				
Net sales	1,129	1,084	4,348	4,075
Cost of goods sold	-775	-708	-2,940	-2,695
Development costs	-18	-9	-42	-33
Selling costs	-231	-238	-870	-856
Administrative costs	-80	-66	-263	-246
Other operating income and expenses	22	2	-2	-1
Earnings from operating companies³	47	65	231	244
Management costs	-21	-20	-80	-80
Operating earnings	193	-1,483	1,639	-374
Interest income	4	4	11	33
Interest expenses	-63	-111	-211	-286
Other financial items	1	-6	-1	4
Earnings after financial items	135	-1,596	1,438	-623
Result of associate accounting*	35	182	203	9
Tax	-13	-185	-84	-253
Net earnings for the year	157	-1,599	1,557	-867
*Adjustments pertaining to the equity method				
Dividend income from associated companies	–	–	-323	-249
Share in associated companies' earnings	24	287	930	497
Adjustment of acquisition value pertaining to divested associated companies	–	13	-85	0
Tax pertaining to associated companies	11	-118	-319	-239
Result of associate accounting	35	182	203	9
Depreciation included in operating earnings	32	34	132	135
Earnings per share, SEK ⁴	0.81	-8.28	8.06	-4.49
Breakdown by business unit				
Net sales				
Indutrade	907	843	3,486	3,197
Isaberg Rapid	221	241	861	877
Other, net	1	0	1	1
Total, operating companies	1,129	1,084	4,348	4,075
Earnings after financial items				
Portfolio management⁵	95	-1,653	1,229	-849
Indutrade	47	38	216	182
Isaberg Rapid ³	-8	23	-8	49
Other, net	1	-4	1	-5
Total operating companies	40	57	209	226
Group	135	-1,596	1,438	-623

³ Including SEK 39 M in costs for ongoing action programs at Isaberg Rapid in 2004.

⁴ Net earnings for the year divided by 193,135,612 shares.

⁵ Parent Company and other portfolio management companies.

Industrivärden Consolidated Balance Sheet

SEK M	Dec. 31 2004	Dec. 31 2003
Intangible fixed assets	221	259
Tangible fixed assets	491	532
Equities	14,989	10,403
Shares in associated companies	5,777	7,720
Other financial fixed assets	18	13
Inventories	747	734
Accounts receivable, trade	667	627
Other current assets	439	104
Cash and cash equivalents	625	683
Total assets	23,974	21,075
Shareholders' equity	16,713	16,413
Provisions	261	244
Long-term interest-bearing liabilities	4,283	2,632
Current noninterest-bearing liabilities	1,087	1,058
Current interest-bearing liabilities	1,630	728
Total shareholders' equity and liabilities	23,974	21,075

Change in Consolidated Shareholders' Equity

SEK M	Capital stock	Restricted reserves	Equity method reserve	Unrestricted reserves	Total share- holders' equity
Shareholders' equity according to adopted balance sheet at December 31, 2003	966	1,275	3,109	11,063	16,413
Effect of new accounting principles	-	-	-	-17	-17
Opening shareholders' equity according to adjusted balance sheet	966	1,275	3,109	11,046	16,396
Dividend to shareholders	-	-	-	-1,062	-1,062
Transfers between unrestricted and restricted shareholders' equity	-	-14	-	14	-
Translation differences	-	-1	-	-7	-8
Effect of associated companies on earnings for the year	-	-	-	-203	-203
Provision to equity method reserve	-	-	-143	176	33
Net earnings for the year	-	-	-	1,557	1,557
Amount at December 31, 2004	966	1,260	2,966	11,521	16,713
Shareholders' equity according to adopted balance sheet at December 31, 2002	966	1,265	-	14,408	16,639
Effect of new accounting principles	-	-	2,961	-871	2,090
Opening shareholders' equity according to adjusted balance sheet	966	1,265	2,961	13,537	18,729
Dividend to shareholders	-	-	-	-1,120	-1,120
Transfers between unrestricted and restricted shareholders' equity	-	10	-	-10	-
Translation differences	-	0	-	-7	-7
Effect of associated companies on earnings for the year	-	-	-	-9	-9
Provision to equity method reserve	-	-	148	-461	-313
Net earnings for the year	-	-	-	-867	-867
Amount at December 31, 2003	966	1,275	3,109	11,063	16,413

Industrivärden Consolidated Statement of Cash Flows

SEK M	2004 Jan.–Dec.	2003 Jan.–Dec.
OPERATING ACTIVITIES		
Operating cash flow from portfolio management	989	832
Operating cash flow from operating companies	295	215
Management costs paid	-76	-75
Financial items, net	-179	-205
CASH FLOW FROM OPERATING ACTIVITIES	1,029	767
INVESTING ACTIVITIES		
Cash flow from investments in portfolio management	-2,396	25
Cash flow from investments in operating companies	-75	-118
CASH FLOW FROM INVESTING ACTIVITIES	-2,471	-93
FINANCING ACTIVITIES		
Loans raised and amortization of debt	2,447	-995
Dividend paid out	-1,062	-1,120
CASH FLOW FROM FINANCING ACTIVITIES	1,385	-2,115
NET CASH FLOW FOR THE YEAR	-57	-1,441
Cash and cash equivalents at beginning of year	683	2,127
Exchange rate difference in cash and cash equivalents	-1	-3
CASH AND CASH EQUIVALENTS AT END OF YEAR	625	683

Change in interest-bearing net debt

SEK M	Dec. 31 2004	Cash flow	Change in loans	Other changes	Dec. 31 2003
Cash and cash equivalents	625	-57	–	-1	683
Interest-bearing receivables	106	–	106	–	–
Long-term interest-bearing liabilities	4,283	–	1,651	–	2,632
Current interest-bearing liabilities	1,630	–	902	–	728
Interest-bearing pension provisions	180	–	–	15	165
Interest-bearing net debt	5,362	57	2,447	16	2,842

YEAR-END REPORT 2004 RECALCULATED TO IFRS

Starting on 1 January 2005, new international reporting standards are being introduced which are obligatory for Swedish listed companies to apply in their consolidated accounting. These are called the International Financial Reporting Standards (IFRS).

Industrivärden will be reporting according to IFRS starting with the interim report for the first quarter of 2005, with adjusted comparison figures for the corresponding period in 2004. This will be done to achieve full comparability between accounting periods. The transition to IFRS is being treated in accordance with IFRS 1.

The reporting standards that have the greatest impact on Industrivärden's accounting are IAS 39, pertaining to the measurement of financial instruments at market (fair) value, and IAS 28, pertaining to the reporting of investments in associates. These standards govern the valuation principles for the equities portfolio. IFRS 3, which concerns reporting of goodwill, among other things, also has some impact on the accounting. Other standards have no or only a marginal effect on the Industrivärden Group's earnings and financial position. The initial effect of the transition to IFRS as per January 1, 2004, is reported as an adjustment directly against shareholders' equity, taking into account deferred tax.

Valuation of the Equities Portfolio

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 fair value as per the balance sheet date. Listed stocks are valued at the latest price paid on the balance sheet date.

At the Group level, Industrivärden will report the continuing changes in all listed shareholdings through the income statement. In accordance with IAS 28, point 1, listed associated companies will also be reported in the same manner, which entails that reporting of investments in associates will no longer be done in accordance with the equity method.

Shares in subsidiaries can not be measured at fair value according to IAS 39. These will continue to be consolidated according to the purchase method.

Reporting of changes in the market value of listed equities through the income statement will entail that compatibility is largely achieved in the accounting with reported changes in net asset value as well as that shareholders' equity will largely be in agreement with reported net asset value. The balance sheet item that deviates the most from net asset value is shares in subsidiaries, which may not be measured at fair value in the consolidated financial statements. This entails that adjusted reported shareholders' equity on December 31, 2004, is less than net asset value in the amount of approximately SEK 1.4 billion.

2004 Financial Statements Recalculated According to IFRS

SEK M		According to year-end report 2004	Adjusted financial statements according to IFRS	IFRS adjustment	IFRS 2004
Consolidated income statement					
Dividend income from stocks		1,036	–		1,036
Earnings from equity transactions	1	395	-395		–
Change in value of stocks	2	–	6,461		6,461
Earnings from derivative transactions	3	69	3		72
Other income and expenses		-12	–		-12
Earnings from portfolio management		1,488	6,069		7,557
Earnings from operating companies	4	231	37		268
Management costs		-80	–		-80
Operating earnings		1,639	6,106		7,745
Financial income and expenses	5	-201	28		-173
Earnings after financial items		1,438	6,134		7,572
Result of associate accounting	6	203	-203		–
Tax		-84	–		-84
Net earnings for the year		1,557	5,931		7,488
Consolidated balance sheet					
Equities	7	14,989	24,201		39,190
Shares in associated companies	6	5,777	-5,777		–
Other fixed assets	4	730	37		767
Total fixed assets		21,496	18,461		39,957
Current assets	3, 5	2,478	93		2,571
Total assets		23,974	18,554		42,528
Shareholders' equity	6, 8	16,713	18,484		35,197
Provisions and liabilities	5	7,261	70		7,331
Total shareholders' equity and liabilities		23,974	18,554		42,528

Note 1. According to accounting rules in 2004, earnings from equity transactions were calculated as the difference between the sales price and the original cost of the shares. According to IFRS, the earnings effect of a sold, listed stock is considered to correspond to the change in market value from the most recent accounting period until the date of sale. Changes in the income statement are reported under the heading "Change in value of stocks," which means that no distinction is made between the change in value of sold, listed stocks and the change in value for the remaining portfolio of listed stocks (see note 2 below).

Note 2. The change in the market value of listed stocks is reported together with the change in value of sold stocks as a separate item in the income statement.

Note 3. According to IFRS, derivative positions are to be stated at market value.

Note 4. According to IFRS, goodwill is to be tested annually for impairment. Provided that there is no need to recognize impairment, the value of goodwill remains unchanged, which for 2004 entails an improvement in earnings from operating companies by SEK 37 M.

Note 5. According to IFRS, derivatives used to control exposure in the debt portfolio shall be measured at market value in certain cases.

Note 6. In reference to IAS 28, point 1, associated company accounting will not be applied, which was required under the previous rules.

Note 7. The item "Equities" includes listed stocks, which according to IFRS are to be reported at market value. Under the previous rules, listed stocks that were not in associated companies were reported collectively in a portfolio at the lower of cost or market.

Note 8. Reported shareholders' equity under IFRS is affected mainly by the reporting of all listed stocks at market value, while stocks in subsidiaries may not be measured at fair value. This means that total shareholders' equity is not fully in agreement with net asset value, which also includes an estimated market value of subsidiaries.

Change in shareholders' equity:

Reported shareholders' equity according to official accounting, 12/31/2003	16,413
Initial adjustment – change in market value according to IFRS 1/1/2004*	14,160
Change in shareholders' equity according to official accounting 2004	300
Adjustment items in 2004 income statement according to IFRS (see above)*	5,931
Adjustment for ending of associate accounting (IAS 28)*	-1,607
Adjusted shareholders' equity according to IFRS as per 12/31/2004	35,197
*of which, adjustment of shareholders' equity according to IFRS	18,484