

# Interim Report

January 1–June 30, 2005

■ Industrivärden's net asset value was SEK 41,171 M on August 2, 2005, compared with SEK 36,563 M at the start of the year, entailing an increase of SEK 4,608 M for the year to date. Net asset value on June 30, 2005, was SEK 38,401 M (34,443).

■ Net asset value per share on August 2, 2005, was SEK 213, compared with SEK 189 per share at the start of the year. Including reinvested dividends, net asset value per share was SEK 220. Net asset value per share on June 30, 2005, was SEK 199 (178). Average annual growth in net asset value over the last ten-year period, including reinvested dividends, was 17%. Earnings per share for the first six months of 2005 were SEK 14.77 (27.66).

■ The total return for Industrivärden's stock as per August 2, 2005, was 14%, compared with 22% for the return index. The average annual total return over the last ten-year period was 5 percentage points higher than the return index.

■ During the first half of the year, Industrivärden's ownership stake in SCA was increased to 10.0% of the capital and 29.5% of the votes through stock purchases totaling SEK 1.3 billion.

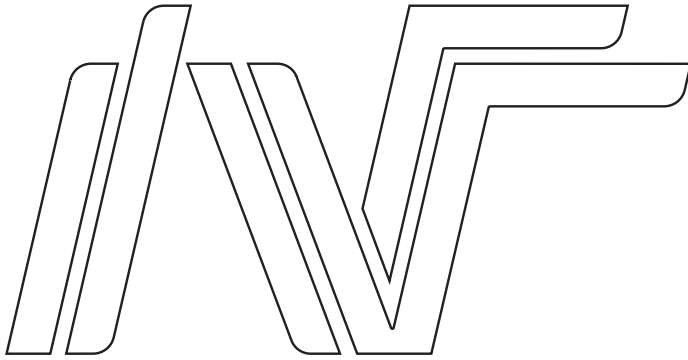
## Industrivärden in Summary

	Change, % Jan. 1-Aug.2	Average annual change, %	
		Five years, Aug. 00-Aug. 05	Ten years Aug. 95-Aug. 05
<b>Total return</b>			
Total return for Industrivärden's stock	14	1	18
Return index (SIXRX)	22	-2	13
Excess return, Industrivärden	-8	3	5
<b>Net asset value</b>			
Net asset value	13	-9	10
Net asset value incl. reinvested dividends	16	-3	17



## Composition of Net Asset Value

	SEK billion			SEK per share		
	2005 Aug. 2	2005 June 30	2004 Dec. 31	2005 Aug. 2	2005 June 30	2004 Dec. 31
Parent Company						
Equities portfolio	46.6	43.8	41.7	242	227	216
Net debt	-5.4	-5.4	-5.1	-29	-28	-27
Net asset value	41.2	38.4	36.6	213	199	189



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](http://www.industrivarden.net).

## CEO's Message

The global economy continues to perform well, albeit with a slightly weaker rate of growth than previously. It is hard to discern any inflation tendencies in the world economy, and so it appears that long-term interest rates – even though they may rise slightly – have settled at a low level. As an effect of this, during the past quarter the required rate of return in stock markets began to be notched downward at the same time that companies on the whole are showing good earnings growth. This adaptation of risk premiums is entirely logical and entails that, in a relative sense, equities are beginning to catch up with assets like real estate and fixed income securities. The question can be asked whether it is right and proper that well managed companies with good development prospects are being traded at dividend yield levels that exceed long-term bond rates. Against this backdrop, among other things, there is reason for us shareholders in Industrivärden to view the future with some optimism.

Industrivärden's portfolio consists of well managed companies which on the whole have shown good performance during the year. It is gratifying to note that Ericsson has established a strong position both commercially and financially. The company continues to take market shares and is showing continued strong earnings. Sandvik's performance continues to impress. The company's growth involves greater market shares along with further improvement in its good profitability. SSAB's earnings are also impressive and clearly demonstrate that the company is receiving a good payback from its consistent strategy of focusing on selected niche products.

In addition to the strong earnings reported by several of our portfolio companies, a few have had more capital than necessary for their operations. Such was the case for Sandvik and SSAB, which have carried out redemption programs in order to optimize their respective capital structures. For Industrivärden, this entails that we were able to sell redemption shares in Sandvik for slightly more than SEK 400 M without reducing our ownership stake. Where SSAB is concerned, we did not participate in the redemption offer, but rather sold our redemption rights, generating slightly more than SEK 50 M. This increased our share of capital and votes in SSAB by approximately 2 percentage points, to 15.6% of the capital and 20.3% of the votes.

During the second quarter of 2005 Industrivärden purchased additional shares in SCA. We have taken advantage of the market situation, and thus far in 2005 we have invested SEK 1.3 billion in a company with a strong position and favorable long-term potential. Following these purchases we own 10.0% of the capital and 29.5% of the votes in SCA. The shares were purchased at an average price that is below the current market price.

Our net asset value rose by SEK 4.6 billion during the first seven months of the year. Earnings from derivative transactions and short-term equity trading during the first half of the year totaled SEK 55 M and amply covered our management costs, which were essentially unchanged compared with the same period a year ago.

The work on preparing for the initial public offering of the wholly owned technology trading company Indutrade during the second half of 2005 is continuing according to plan.

ANDERS NYRÉN  
*President and CEO*

## NET ASSET VALUE

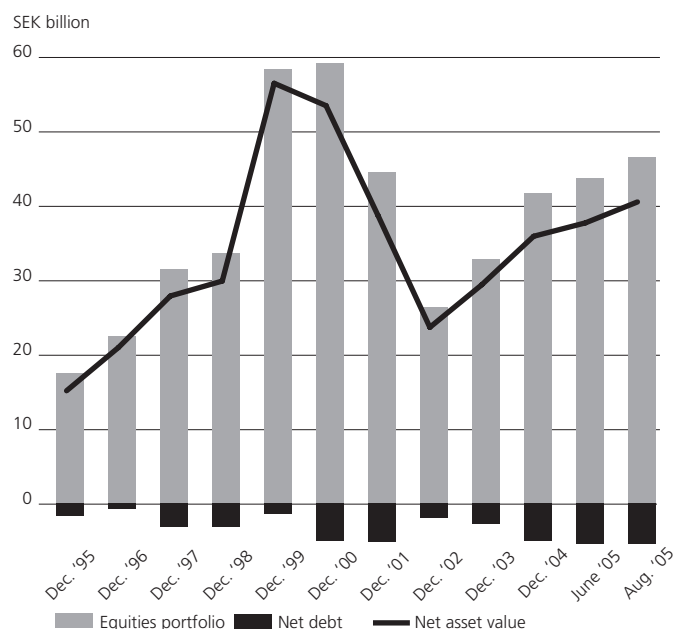
Net asset value has grown by an average of 10% per year over the last ten-year period. Including reinvested dividends, the annual increase was 17%, compared with 13% for the return index.

Total growth in net asset value including reinvested dividends

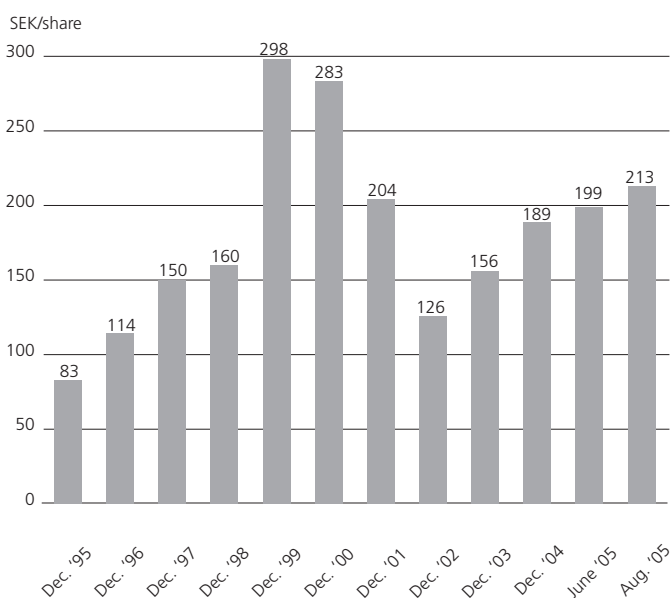
during the last ten-year period was 372%, compared with 239% for the return index.

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

### Development of Net Asset Value



### Net Asset Value per Share



Industrivärden's equities portfolio was valued at SEK 43,754 M on June 30, 2005. Stocks were purchased for SEK 1,489 M and sold for SEK 941 M during the first half of the year.

Management costs amounted to SEK 39 M, which were covered by the surplus of SEK 55 M generated by derivative transactions and short-term equity trading. Net financial items for portfolio management amounted to SEK -90 M. Overall, net debt increased by SEK 225 M, to SEK 5,353 M.

Net asset value at the end of June 2005 was SEK 38.4 billion, an increase of SEK 1.8 billion since the start of the year. As per August 2, 2005, net asset value was SEK 41.2 billion, an increase of SEK 4.6 billion during the year to date.

<sup>1</sup> Includes surplus of SEK 55 M from derivative transactions and short-term equity trading.

<sup>2</sup> Includes dividends from stocks and repayment of shareholder contributions.

Development of Net Asset Value		Jan. 1–June 30, 2005		Jan. 1–Aug. 2, 2005	
SEK M					
<b>Net asset value, Dec. 31, 2004</b>		<b>36,563</b>		<b>36,563</b>	
<i>Equities portfolio</i>		<b>41,691</b>		<b>41,691</b>	
Opening value					
Purchases		1,489		1,575	
Sales		-941		-942	
Change in value of equities portfolio:					
Ericsson		1,339		1,860	
Sandvik		730		1,492	
Skanska		541		702	
SSAB		337		649	
Ossur hf		80		149	
Munters		-88		-76	
SCA		-667		-408	
Handelsbanken		-896		-198	
Other <sup>1</sup>		139	1,515	152	4,322
Closing value		<b>43,754</b>		<b>46,646</b>	
<i>Net debt</i>		<b>-5,128</b>		<b>-5,128</b>	
Opening value					
Dividend paid out		-1,159		-1,159	
Dividends received <sup>2</sup>		1,572		1,572	
Management costs		-39		-45	
Net financial items		-90		-105	
Purchases/sales of stocks, net		-548		-633	
Other <sup>1</sup>		39	-225	23	-347
Closing value		<b>-5,353</b>		<b>-5,475</b>	
<b>Net asset value, June 30 and August 2, 2005</b>		<b>38,401</b>		<b>41,171</b>	

## Equities Portfolio<sup>2</sup>

The market value of Industrivärden's equities portfolio on June 30, 2005, was SEK 43,754 M (SEK 41,691 M at the start of the year), which exceeded cost by SEK 23,342 M (SEK 21,660 M at the start of the year). See the detailed portfolio specification as

per June 30, 2005, on page 7. The market value on August 2, 2005, was SEK 46,646 M. Taking into account purchases and sales, the change in value was 11% since the start of the year.

Company	As per June 30, 2005		Total return, % Period, Jan 05-June 05	Average annual total return, %		As per Aug. 2, 2005	
	No. of shares	SEK M		Five years, June 00-June 05	Ten years, June 95-June 05	No. of shares	SEK M
Handelsbanken	66,464,100	10,601	-4	8	20	66,464,100	11,299
Ericsson	372,000,000	9,412	18	-26	8	372,000,000	9,932
Sandvik	25,850,400	7,510	15	15	13	25,850,400	8,272
SCA	23,248,060	5,829	-9	13	11	23,362,860	6,118
Skanska	32,299,756	3,117	27	9	16	32,299,756	3,278
SSAB	14,158,515	2,549	20	22	13	14,158,515	2,860
Indutrade		2,022	-	-	-		2,022
Ossur hf	71,118,000	675	4	3	-	71,118,000	744
Munters	3,269,000	564	-12	12	-	3,265,000	576
Isaberg Rapid		290	-	-	-		290
Other		1,185					1,255
<b>Total</b>		<b>43,754</b>	<b>7</b>				<b>46,646</b>
Return index			15	-3	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 valuations of the wholly owned subsidiaries Indutrade and Isaberg Rapid are explained in a definition on page 11.

*Handelsbanken's* net interest income and net commissions rose during the first quarter. However, operating profit was down slightly from a year ago, mainly due to lower income from equity transactions. Overheads increased slightly. Loan losses decreased further from low levels. The capital ratio remained high. Handelsbanken's interim report for the first half of 2005 will be released on August 23.

*Ericsson* reported a continued strong earnings trend for the first half of the year. Income after financial items rose nearly 40% as a result of volume growth and continued good cost control. The GSM market continues to grow, with greater investment in both network coverage and capacity. Expansion of the third-generation mobile system continues, most notably in the U.S. The service segment is also showing strong development. Ericsson's market share in mobile infrastructure equipment increased by 2–3 percentage points in 2004, and its market share is estimated to have risen further during the first half of 2005.

*Sandvik's* earnings after financial items rose 26% during the first half of the year. Growth has been good for twelve consecutive quarters, based on a favorable business climate and higher market shares. All markets and business areas reported higher growth during the second quarter, while all three business areas noted earnings improvements stemming from higher sales volumes and prices, better capacity utilization and the effects of completed efficiency improvement measures.

*SCA's* earnings after financial items for the first half of the year decreased due to price pressure in Europe and costs for ongo-

ing cost-cutting programs. However, the North American market showed improved demand and rising prices. The previously announced efficiency improvement program, which is expected to yield cost savings of slightly more than a billion kronor with full effect starting in 2006, will be augmented with additional measures which will lead to improved earnings corresponding to a 1.5 percentage point improvement in the gross margin. A number of new hygiene product launches are also in progress.

*Skanska's* income after financial items rose during the first half, mainly due to higher gains on sales of commercial premises and the divestment of Skanska Prefab Mark. Most business units reported improved margins. Earnings for the core Construction operations were favorable in most of Skanska's markets, but remained weak in the U.S. Residential Project Development reported higher sales and an improved return.

*SSAB's* profit after financial items during the first half of the year more than doubled and was nearly two billion kronor higher compared with the same period a year ago. The earnings rise is mainly attributable to the price increases carried out in 2004 and the first quarter of 2005, which more than amply compensated for substantially higher costs for raw materials. Deliveries of core niche products – ultra high strength steel sheet and quenched steel – rose 12% during the first half of the year. Cash flow was slightly more than three billion kronor, which covered the dividend and share redemption. Steel prices are expected to decline somewhat during the third quarter.

<sup>2</sup> 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 167 M at June 30, 2005.

*Indutrade's* earnings after financial items for the first six months of the year were 16% higher than the same period a year ago. Order bookings remained strong, and the return on capital employed improved.

*Ossur* reported an improved profit after financial items for the first half of the year, with continued high profitability. An agreement was reached in July to acquire the U.S. orthotics manufacturer Royce Medical, with annual sales of slightly more than SEK 500 M and good profitability. The acquisition makes Ossur one of the leading orthotics companies in the U.S.

*Munters'* earnings after financial items decreased during the first half of the year, mainly due to developments in the Dehumidification segment. Earnings were charged with one-time items stemming from actions plans that had been previously decided on. Order intake rose 11% during the second quarter, with a record high order backlog.

*Isaberg Rapid* reported poorer earnings after financial items for the first six months compared with a year earlier.

#### Equity Transactions During the Year

Sandvik and SSAB have made share redemption offers. In connection with these, Industrivärden redeemed shares in Sandvik, while all redemption rights in SSAB were sold.

In June 2,302,756 Class A shares in Skanska were converted to Class B shares, whereby Industrivärden's share of votes decreased from 29.3% to 26.9%.

During the second quarter of 2005, purchases of stocks totaled SEK 1,128 M and sales totaled SEK 616 M. Major net purchases consisted of 3,885,200 SCA B. Major sales consisted of 1,077,100 redemption shares in Sandvik and 14,094,550 redemption rights in SSAB A. Purchases and sales of listed stocks during the first half of 2005 are shown in the table below.

<b>Purchases</b>	No. of shares	SEK M
SCA B	5,128,500	1,309
Ossur hf	6,000,000	57
Other		123
<b>Total</b>		<b>1,489</b>
<b>Sales</b>	No. of shares	SEK M
Sandvik redemption shares (all)	1,077,100	436
Nokia (entire holding)	1,588,000	179
Pfizer Inc. (entire holding)	1,000,000	170
SSAB Class A redemption rights (all)	14,094,550	54
Other		102
<b>Total</b>		<b>941</b>

After the end of the reporting period, from July 1 through August 2, 2005, stocks were purchased for SEK 86 M and sold for SEK 1 M.

#### Derivative Transactions and Short-Term Equity Trading

A profit of SEK 55 M was generated from derivative transactions by the Parent Company and short-term equity trading by Nordinvest.

#### Net Debt

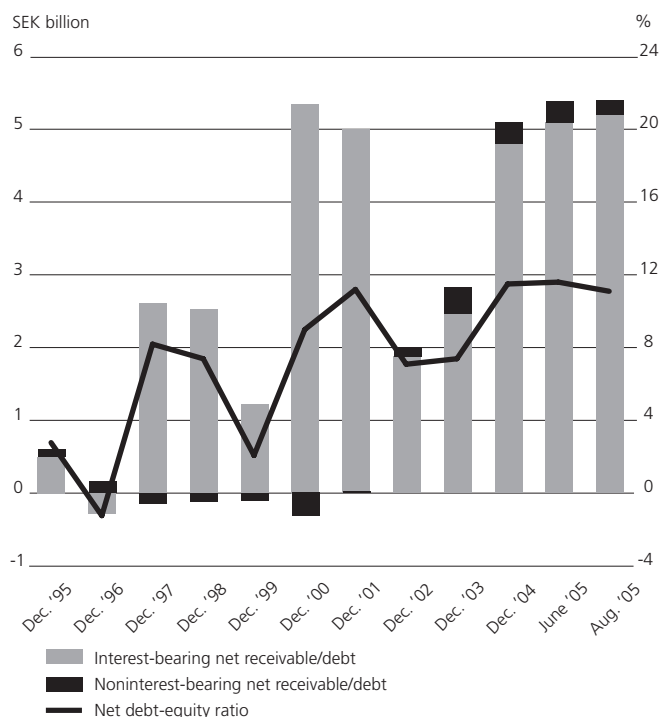
The Parent Company's net debt was SEK 5.4 billion on June 30, 2005, including SEK 5.1 billion in interest-bearing net debt, corresponding to a net debt-equity ratio of 11.6% (11.5% at the start of the year), as shown in the specification below.

Net debt as per August 2, 2005, was SEK 5.4 billion, including SEK 5.2 billion in interest-bearing net debt. Interest-bearing net debt increased by SEK 0.4 M since the start of the year. The net debt-equity ratio was 11.1%.

#### Change in Interest-Bearing Net Debt

SEK M	June 30 2005	Change	Dec. 31 2004
Cash and cash equivalents	81	-372	453
Current interest-bearing receivables	585	227	358
Long-term interest-bearing liabilities	4,701	599	4,102
Current interest-bearing liabilities	1,227	-423	1,650
	<b>5,262</b>	321	4,941
Less: liabilities to subsidiaries	-192	-49	-143
<b>Interest-bearing net debt</b>	<b>5,070</b>	272	4,798
Market value of equities portfolio	43,754		41,691
Net debt-equity ratio, %	<b>11.6</b>		11.5

#### Net Debt-Equity Ratio



## EARNINGS

### Group

Consolidated earnings from portfolio management amounted to SEK 2,888 M (5,383), including SEK 1,275 M (1,031) in dividend income, SEK 1,558 M (4,296) in change in value of stocks, SEK 55 M (62) from derivative transactions and short-term equity trading, and SEK 0 M (-6) in other income and expenses. Earnings from other operations totaled SEK 6 M (17). After SEK -39 M (-40) in management costs and SEK -104 M (-93) in net financial items, earnings were SEK 2,751 M (5,267). After tax of SEK 0 M (-10) and earnings after tax from operations being discontinued, totaling SEK 102 M (86) (pertaining to Indutrade), net earnings for the period were SEK 2,853 M (5,343).

The Group's interest-bearing net debt amounted to SEK 6.0 billion as per June 30, 2005, an increase of SEK 0.6 billion compared with the start of the year.

### Parent Company

The Parent Company's earnings after financial items amounted to SEK 3,032 M (2,179), including SEK 1,275 M (1,031) in external dividend income, SEK 217 M (50) in internal dividend income, and SEK 1,669 M (1,228) in changes in value of stocks and derivative transactions. Earnings also include SEK -39 M (-40) in management costs and SEK -90 M (-90) in net financial items.

## OTHER INFORMATION

### Accounting Principles

Starting on January 1, 2005, Industrivärden's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The interim report for the first quarter of 2005 was thus the first report that the company presented in accordance with IAS 34. Industrivärden applied the recommendations and pronouncements issued by the Swedish Financial Accounting Standards Council through 2004. The transition to IFRS is reported in accordance with IFRS 1, which is why the transition date is January 1, 2004, since the comparison year, 2004, is also presented in accordance with IFRS. The interim report has also been prepared in conformity with Swedish Financial Accounting Standards Council recommendation RR 31 – Interim Reporting for Groups and, with respect to the Parent Company, RR 32 – Reporting for Legal Entities. RR 32 requires that the Parent Company apply the same accounting principles as the Group, i.e., IFRS, to the extent allowed by RR 32.

The accounting principles that have the greatest impact on Industrivärden's reporting are IAS 39 Financial Instruments: Recognition and Measurement, which concerns the measurement of financial instruments at fair value, and IAS 28 Investments in Associates, which covers the reporting of holdings in associated companies. The effect of the new accounting principles is shown in specifications to Industrivärden's consolidated income statement and balance sheet. In addition, Industrivärden

has previously provided more detailed descriptions of the effects of the introduction of IFRS, in the 2004 year-end report and the 2004 annual report as well as the interim report for the first quarter of 2005. As a result of the planned initial public offering of Indutrade, the interim report for the second quarter has also been affected by IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

Stockholm, August 4, 2005

ANDERS NYRÉN

*President and CEO*

### Auditors' Examination Report

We have conducted a general examination of the interim report for AB Industrivärden (publ.) for the period ended June 30, 2005, 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 interim report and thus have not issued an audit opinion.

Nothing has come to our attention that indicates that the interim report does not fulfill the requirements for interim reports as prescribed in the Swedish Annual Accounts Act and IAS 34.

Stockholm, August 4, 2005

Öhrlings PricewaterhouseCoopers AB

ANDERS LUNDIN

*Authorized Public Accountant*

### Further Information

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Industrivärden's complete contact information can be found on page 1.

### Financial Calendar

Interim report January–September 2005: October 31, 2005

2005 year-end report: February 16, 2006

The 2005 Annual Report will be published in mid-March 2006.



## Parent Company's Equities Portfolio

Holdings as per June 30, 2005	No. of shares	Value breakdown				Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		Market value		Cost SEK M	Surplus value SEK M			
		SEK M	SEK/share					
Handelsbanken A	66,464,100	10,601	55	4,421	6,180	24	9.9	10.2
Ericsson A	372,000,000	9,412	49	3,125	6,287	22	2.3	13.3
Sandvik	25,850,400	7,510	39	5,244	2,266	17	10.9	10.9
SCA A	16,982,000	5,829	30	2,340	3,489	13	10.0	29.5
SCA B	6,266,060							
Skanska A	15,000,000	3,117	16	1,579	1,538	7	7.7	26.9
Skanska B	17,299,756							
SSAB A	14,158,515	2,549	13	894	1,655	6	15.6	20.3
Indutrade		2,022	10	615	1,407	5	100.0	100.0
Volvo A	1,821,700	733	4	537	196	2	0.6	1.1
Volvo B	539,520							
Ossur hf	71,118,000	675	4	421	254	2	22.3	22.3
Munters	3,269,000	564	3	590	-26	1	13.1	13.1
Isaberg Rapid		290	2	199	91	0	100.0	100.0
Other		452	2	447	5	1		
<b>Total as per June 30, 2005</b>		<b>43,754</b>	<b>227</b>	<b>20,412</b>	<b>23,342</b>	<b>100</b>		

Share of capital and votes in Handelsbanken and Sandvik is calculated after cancellation of repurchased shares.

Share of capital and votes in Sandvik and SSAB is calculated after completion of redemption programs in spring 2005.

Share of capital and votes in SCA includes a net total of 300,000 issued OTC put options for the corresponding number of Class B shares.

The share of votes in Skanska has decreased through reclassification of 2,302,756 Class A shares to Class B shares.

Valuation of the wholly owned subsidiaries Indutrade and Isaberg Rapid is provided in a definition on page 11.

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

Holdings as per Dec. 31, 2004	No. of shares	Value breakdown				Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		Market value		Cost SEK M	Surplus value SEK M			
		SEK M	SEK/share					
Handelsbanken A	66,364,100	11,481	59	4,405	7,076	28	9.6	10.1
Ericsson A	372,000,000	8,072	42	3,125	4,947	19	2.3	13.3
Sandvik	26,953,500	7,224	38	5,468	1,756	17	10.2	10.2
SCA A	16,982,000	5,254	27	1,088	4,166	13	7.8	28.5
SCA B	1,399,960							
Skanska A	17,302,756	2,576	13	1,580	996	6	7.7	28.6
Skanska B	15,000,000							
SSAB A	14,113,750	2,258	12	885	1,373	5	14.0	18.3
Indutrade		2,022	10	693	1,329	5	100.0	100.0
Munters	3,219,350	644	3	581	63	2	12.9	12.9
Volvo A	1,821,700	579	3	506	73	2	0.5	1.1
Volvo B	444,120							
Ossur hf	65,118,000	537	3	363	174	1	20.4	20.4
Isaberg Rapid		290	2	193	97	1	100.0	100.0
Pfizer Inc.	1,000,000	178	1	300	-122	0	0.0	0.0
Other		576	3	844	-268	1		
<b>Total as per December 31, 2004</b>		<b>41,691</b>	<b>216</b>	<b>20,031</b>	<b>21,660</b>	<b>100</b>		

### Development from

#### January 1–June 30, 2005:

Purchases	1,489
Sales	-941
Change in value	1,515

**Market value as per June 30, 2005**     **43,754**

## Industrivärden Consolidated Income Statement

SEK M	2005 April-June	2004 April-June	2005 Jan.-June	2004 Jan.-June	2004 Jan.-Dec.
<b>Portfolio management</b>					
Dividend income from stocks	1,275	1,028	1,275	1,031	1,032
Change in value of equities	1,555	1,302	1,558	4,296	6,427
Derivative transactions and short-term equity trading	18	33	55	62	106
Other income and expenses	0	-5	0	-6	-8
<b>Earnings from portfolio management</b>	<b>2,848</b>	2,358	<b>2,888</b>	5,383	7,557
<b>Other operations</b>					
Net sales	219	219	437	444	862
Cost of goods sold	-136	-134	-281	-276	-566
Development costs	-8	-7	-15	-12	-31
Selling costs	-45	-43	-91	-96	-164
Administrative costs	-25	-26	-43	-44	-94
Other operating income and expenses	-3	-1	-1	1	3
<b>Earnings from other operations</b>	<b>2</b>	8	<b>6</b>	17	10
<b>Management costs</b>	<b>-19</b>	-19	<b>-39</b>	-40	-80
<b>Operating earnings</b>	<b>2,831</b>	2,347	<b>2,855</b>	5,360	7,487
Interest income	2	1	6	3	7
Interest expenses	-51	-46	-110	-87	-195
Other financial items	-9	-3	0	-9	28
<b>Earnings after financial items</b>	<b>2,773</b>	2,299	<b>2,751</b>	5,267	7,327
<b>Tax</b>	<b>2</b>	-11	<b>0</b>	-10	-9
<b>Earnings for the period for remaining operations</b>	<b>2,775</b>	2,288	<b>2,751</b>	5,257	7,318
<b>Earnings for the period for operations being discontinued<sup>3</sup></b>	<b>67</b>	54	<b>102</b>	86	168
<b>Net earnings for the period*</b>	<b>2,842</b>	2,342	<b>2,853</b>	5,343	7,486
Depreciation	26	24	48	48	95
Earnings per share, SEK <sup>4</sup>	14.71	12.12	14.77	27.66	38.76
<b>Breakdown by business unit</b>					
<b>Earnings after financial items</b>					
<b>Portfolio management</b>	<b>2,782</b>	2,292	<b>2,759</b>	5,254	7,326
<b>Other operations</b>	<b>-9</b>	7	<b>-8</b>	13	1
	<b>2,773</b>	2,299	<b>2,751</b>	5,267	7,327
<b>Operations being discontinued</b>	<b>91</b>	72	<b>141</b>	122	243
<b>Group</b>	<b>2,864</b>	2,371	<b>2,892</b>	5,389	7,570

<sup>3</sup> The decision has been made to proceed with an IPO of Indutrade, which is included in the item "Earnings for operations being discontinued."

	1H:2005	1H:2004	2004
Net sales	1,823	1,744	3,486
Expenses	-1,682	-1,622	-3,243
Earnings after financial items	141	122	243
Tax	-39	-36	-75
Earnings for the per.	102	86	168

<sup>4</sup> Net earnings for the period divided by 193,135,612 shares.

### \*Effect of introduction of IFRS on reported earnings

Rep. net earnings according to previous accounting principles	957		1,247	1,557
Effect of introduction of IFRS:				
Change in value of equities (IAS 39)		1,213	4,076	6,066
Fair valuation of equity derivatives (IAS 39)		-9	2	3
Reversal of goodwill amortization (IFRS 3)		10	20	37
Impairment of goodwill (IAS 36)		-	-	-2
Fair valuation of other financial instruments (IAS 39)		-2	-11	28
Discontinuation of associate accounting (IAS 28)		173	9	-203
Total IFRS effects		1,385	4,096	5,929
Net earnings for the period according to IFRS		2,342	5,343	7,486



## Industrivärden Consolidated Balance Sheet

SEK M	June 30 2005	June 30 2004	Dec. 31 2004
Intangible fixed assets	89	263	256
Tangible fixed assets	246	542	521
Equities	41,302	35,900	39,190
Other financial fixed assets	9	23	24
Assets in operations being discontinued <sup>5</sup>	1,862	–	–
Inventories	218	746	747
Accounts receivable, trade	213	707	667
Other current assets	724	595	532
Cash and cash equivalents	138	250	625
<b>Total assets</b>	<b>44,801</b>	<b>39,026</b>	<b>42,562</b>
Shareholders' equity	36,905	33,057	35,181
Long-term noninterest-bearing liabilities	35	59	53
Long-term interest-bearing liabilities	4,944	2,803	4,513
Current noninterest-bearing liabilities	560	1,094	1,115
Current interest-bearing liabilities	1,109	2,013	1,700
Liabilities in operations being discontinued <sup>5</sup>	1,248	–	–
<b>Total shareholders' equity and liabilities</b>	<b>44,801</b>	<b>39,026</b>	<b>42,562</b>

<sup>5</sup> Pertains to Indutrade.

## Change in Consolidated Shareholders' Equity

SEK M	2005 Jan.–June	2004 Jan.–June	2004 Jan.–Dec.
Opening shareholders' equity according to previous accounting principles	35,181	16,413	16,413
Effect of new accounting principles*	–	12,366	12,366
<b>Opening shareholders' equity</b>	<b>35,181</b>	<b>28,779</b>	<b>28,779</b>
Dividend to shareholders	-1,159	-1,062	-1,062
Actuarial pension effects	–	–	-14
Translation differences	30	-3	-8
Net earnings for the period	2,853	5,343	7,486
<b>Closing shareholders' equity</b>	<b>36,905</b>	<b>33,057</b>	<b>35,181</b>
Shareholders' equity per share, SEK	191	171	182

### \*Effect of new accounting principles

Fair valuation of equities (IAS 39)	–	14,165	14,165
Fair valuation of other financial instruments (IAS 39)	–	-5	-5
Effect of discontinuation of associate accounting (IAS 28)	–	-1,777	-1,777
Effect of introduction of pension reporting (IAS 19)	–	-17	-17
	–	12,366	12,366

## Industrivärden Consolidated Statement of Cash Flows

SEK M	2005 Jan.–June	2004 Jan.–June	2004 Jan.–Dec.
<b>OPERATING ACTIVITIES</b>			
Operating cash flow from portfolio management	1,376	898	840
Operating cash flow from operating companies	72	57	295
Management costs paid	-38	-42	-76
Financial items, net	-125	-105	-179
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1,285</b>	<b>808</b>	<b>880</b>
<b>INVESTING ACTIVITIES</b>			
Cash flow from investments in portfolio management <sup>6</sup>	-548	-1,098	-2,247
Cash flow from investments in operating companies	-179	-38	-75
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-727</b>	<b>-1,136</b>	<b>-2,322</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised and amortization of debt	171	956	2,447
Dividend paid out	-1,159	-1,062	-1,062
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-988</b>	<b>-106</b>	<b>1,385</b>
<b>NET CASH FLOW FOR THE PERIOD<sup>7</sup></b>	<b>-430</b>	<b>-434</b>	<b>-57</b>
Cash and cash equivalents at start of year	625	683	683
Exchange rate difference in cash and cash equivalents	6	1	-1
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>201</b>	<b>250</b>	<b>625</b>
Of which, cash and cash equivalents in operations being discontinued	63		
Of which, cash and cash equivalents in remaining operations	138		

<sup>6</sup> Pertains to changes in the Parent Company's equities portfolio.

<sup>7</sup> Cash flow pertaining to operations being discontinued

	1H:2005	1H:2004	2004
Indutrade	-37	-82	-70

### Change in Interest-Bearing Net Debt

SEK M	2005 Jan.–June	2004 Jan.–June	2004 Jan.–Dec.
Interest-bearing net debt at start of year	5,412	2,872	2,872
Net cash flow for the period	430	434	57
Change in borrowings	171	956	2,447
Other changes	-5	20	36
Interest-bearing net debt at end of period	<b>6,008</b>	<b>4,282</b>	<b>5,412</b>

## Definitions

### *Change in value of equities*

For equities held at both the start and end of the period, the change in market value consists of the difference in value between these two occasions. For equities sold during the period, the change in market value consists of the difference between the value at the start of the period and the payment received. For equities acquired during the period, the change in market value consists of the difference between the cost of the equities and their value at the end of the period.

### *Interest-bearing net debt*

Interest-bearing liabilities and pensions less cash and cash equivalents and interest-bearing receivables, and for the Parent Company, also 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 market price 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 2004), 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.

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