

# Year-End Report 2005

- **Industrivärden's net asset value was SEK 50,596 M on February 14, 2006, an increase of SEK 2,344 M for the year to date. Net asset value on December 31, 2005, was SEK 48,252 M (36,563), an increase of SEK 11,689 M during 2005.**
- **Net asset value per share on February 14, 2006, was SEK 262, an increase of SEK 12 per share since the start of the year. Net asset value per share on December 31, 2005, was SEK 250 (189). Including reinvested dividends, the increase was SEK 68 per share in 2005.** Average annual growth in net asset value over the last ten-year period, including reinvested dividends, was 18%. Earnings per share for 2005 were SEK 73.54 (38.62).
- **The total return for Industrivärden's Class A stock was 33%, and the total return for the Class C stock was 36%, compared with 36% for the return index.** The average annual total return over the last ten-year period was 6 percentage points higher than the return index.
- **During the year, Indutrade became listed on the Stockholm Stock Exchange O-List, whereby 63% of the shares were sold. In addition, the entire holding in Ossur was sold. Together Indutrade and Ossur increased Industrivärden's net asset value in 2005 by SEK 1.4 billion, or slightly more than SEK 7 per share.**
- **During the year shares were purchased for SEK 3.0 billion (5.2) and sold for SEK 4.0 billion (3.0). Shares were purchased in SCA for a net of SEK 1.3 billion.**
- **The Board of Directors proposes a dividend of SEK 7.00 per share (6.00), an increase of 17%.**

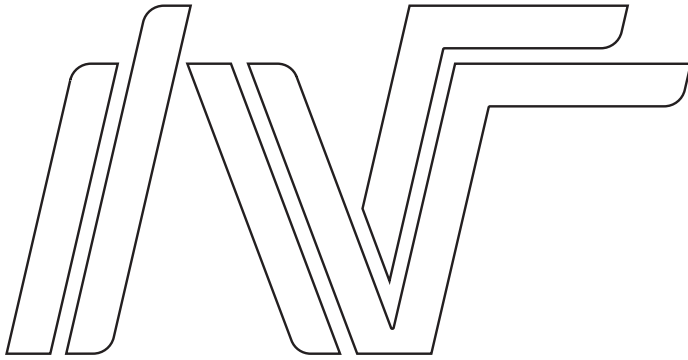
## Industrivärden in Summary

	Change, % 2005	Average annual change, %	
		Five years, 2001-2005	Ten years, 1996-2005
<b>Total return</b>			
Industrivärden Class A	33	6	20
Return index (SIXRX)	36	4	14
Excess return, Industrivärden Class A	-3	2	6
<b>Net asset value</b>			
Net asset value	32	-2	12
Net asset value incl. reinvested dividends	37	4	18



## Composition of Net Asset Value

	SEK billion			SEK per share		
	2006 Feb. 14	2005 Dec. 31	2004 Dec. 31	2006 Feb. 14	2005 Dec. 31	2004 Dec. 31
Parent Company						
Equities portfolio	55.2	52.3	41.7	286	271	216
Net debt	-4.6	-4.0	-5.1	-24	-21	-27
Net asset value	50.6	48.3	36.6	262	250	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 performed well in 2005, and the rate of growth was broadly higher than anticipated in major parts of the world economy. At the same time, an adaptation to the record-low short-term interest rates to more normal levels has now been initiated in most major economies. However, due to the absence of clear inflationary tendencies, long-term rates should remain low in a historical perspective.

Our equities portfolio performed well during the year. Most of Industrivärden's portfolio companies have first-rate global market positions and are leaders in their respective industries. This good performance is reflected in our net asset value, which including reinvested dividends rose 37%, or by SEK 68 per share. The total return for Industrivärden's Class A and C stock was 33% and 36%, respectively.

One important event during the year was the introduction of Indutrade on the Stockholm Stock Exchange O-List. The Initial Public Offering was a success and was oversubscribed 12 times, with a subsequent 37% rise in Indutrade's share price in 2005. Our belief in Indutrade and its future growth opportunities is strong, and we are staying on as a major shareholder. The Indutrade IPO increased our net asset value during the year by SEK 1.2 billion and decreased our net debt by SEK 1.9 billion.

In October we sold our entire shareholding in the Icelandic medtech company Ossur, following an approximate 90% growth in value of our original investment since 2002. The sale decreased our net debt by SEK 850 M and generated a capital gain of SEK 398 M.

In 2005 we acquired an additional SEK 1.3 billion in stock in our portfolio company SCA, at an average share price of SEK 255. We know the company well and are strongly confident about SCA's future performance.

As a result of the refinement of Industrivärden's equities portfolio in recent years, today we have an almost fully transparent portfolio in which 99% of the managed value consists of listed equities. At year-end 2005 our net debt was SEK 4.0 billion, and our total equity portfolio were worth SEK 52.3 billion. The net debt-equity ratio was 7%.

Earnings from our short-term trading amounted to SEK 122 M and thus amply covered our management costs of SEK 78 M, corresponding to 0.2% of managed assets.

The Board's proposed dividend increase of 17% to SEK 7.00 per share entails that we have once again achieved our goal of paying a dividend that exceeds the average for the Stockholm Stock Exchange.

ANDERS NYRÉN  
*President and CEO*

## NET ASSET VALUE

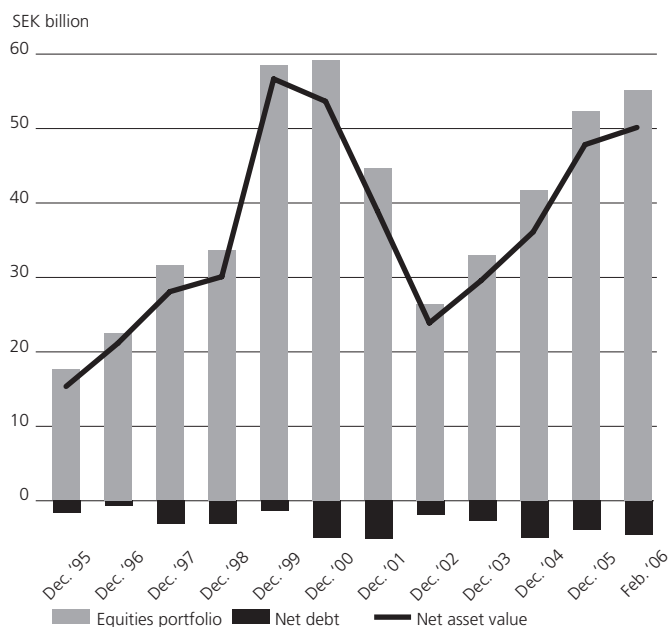
Net asset value has grown by an average of 12% per year over the last ten-year period. Including reinvested dividends, the average annual increase is 18%, compared with 14% for the return index.

Total growth in net asset value including reinvested dividends

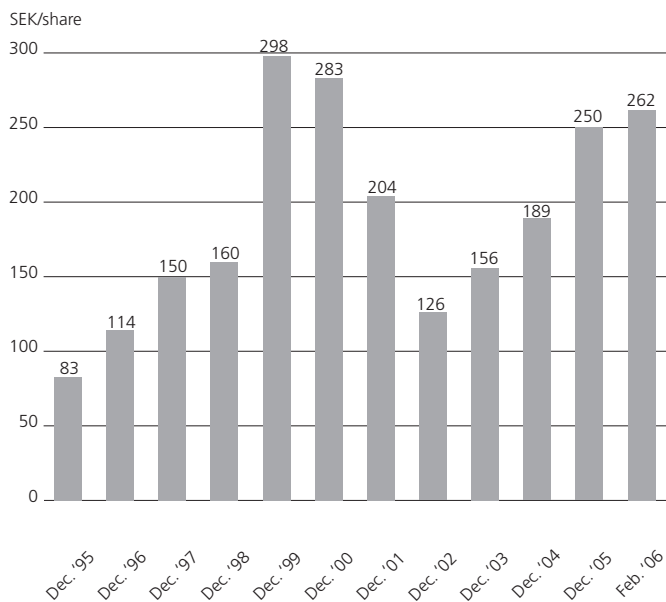
during the last ten-year period was 445%, compared with 277% for the return index.

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 52,265 M (41,691) on December 31, 2005. Stocks were purchased for SEK 3,023 M and sold for SEK 3,964 M in 2005.

Management costs amounted to SEK 78 M, which were covered by the surplus of SEK 122 M generated by short-term derivative transactions and equity trading. Net financial items for portfolio management amounted to SEK -217 M. Overall, net debt decreased by SEK 1,115 M, to SEK 4,013 M, mainly due to net sales of stocks during the final quarter, totaling SEK 2,120 M.

Net asset value at December 31, 2005, was SEK 48.3 billion, an increase of SEK 11.7 billion for the year.

As per February 14, 2006, net asset value was SEK 50.6 billion, an increase of SEK 2.3 billion during the year to date.

Development of Net Asset Value, SEK M		Year 2005	Jan. 1–Feb. 14, 2006	
<b>Net asset value, Dec. 31, 2004/Dec. 31, 2005</b>		<b>36,563</b>	<b>48,252</b>	
<i>Equities portfolio</i>	Opening value	<b>41,691</b>	<b>52,265</b>	
	Purchases	3,023	557	
	Sales <sup>1</sup>	-3,964	-26	
	Change in value of equities portfolio:			
	Sandvik	2,771	1,066	
	Ericsson	2,158	-75	
	SSAB	1,881	553	
	Handelsbanken	1,599	-67	
	Skanska	1,332	210	
	Indutrade	896	-18	
	SCA	426	736	
	Ossur hf	225	-	
	Munters	69	-11	
	Other stocks <sup>2</sup>	158 11,515	<b>10,574</b>	-34 2,360 <b>2,891</b>
	Closing value	<b>52,265</b>	<b>55,156</b>	
<i>Net debt</i>	Opening value	<b>-5,128</b>	<b>-4,013</b>	
	Dividend paid out	-1,159	-	
	Dividends received <sup>3</sup>	1,572	-	
	Management costs	-78	-10	
	Net financial items	-217	-25	
	Purchases/sales of stocks, net <sup>1</sup>	941	-531	
	Other <sup>2</sup>	56	<b>1,115</b>	19 <b>-547</b>
	Closing value	<b>-4,013</b>	<b>-4,560</b>	
<b>Net asset value</b>		<b>48,252</b>	<b>50,596</b>	

<sup>1</sup> During the fourth quarter, 62.9% of Indutrade was sold for SEK 1,596 M, and the entire holding in Ossur was sold for SEK 1,008 M.

<sup>2</sup> Includes total surplus of SEK 122 M from short-term derivative transactions and equity trading as per December 2005.

<sup>3</sup> Includes SEK 301 M in dividends, etc. from Indutrade.

## Equities Portfolio<sup>4</sup>

The market value of Industrivärden's equities portfolio on December 31, 2005, was SEK 52,265 M (SEK 41,691 M at the start of the year), which exceeded cost by SEK 31,592 M (SEK 21,660 M at the start of the year). See the detailed portfolio speci-

fication as per December 31, 2005, on page 7. The market value on February 14, 2006, was SEK 55,156 M. Taking into account purchases and sales, the change in value was 5% compared with the start of 2006.

Company	As per Dec. 31, 2005		Total return, % Year 2005	Average annual total return, %		As per Feb. 14, 2006	
	No. of shares	SEK M		Five years, 2001–2005	Ten years, 1996–2005	No. of shares	SEK M
Handelsbanken	67,000,000	13,199	18	8	19	67,000,000	13,132
Ericsson	377,000,000	10,367	28	-18	10	377,000,000	10,291
Sandvik	26,000,000	9,620	46	15	17	26,000,000	10,686
SCA	23,600,000	7,009	8	12	15	23,600,000	7,745
SSAB	14,200,000	4,104	92	33	21	14,155,622	4,650
Skanska	32,300,000	3,908	59	9	15	32,300,000	4,118
Indutrade	14,857,800	1,322	37	–	–	14,857,800	1,304
Munters	3,400,000	745	12	7	–	3,400,000	734
Others		1,991					2,496
<b>Total</b>		<b>52,265</b>	<b>32</b>				<b>55,156</b>
Return index			36	4	14		

Of the shareholdings listed above, Munters has been held for less than five years, while Sandvik has been held for less than ten years. Indutrade was listed on the stock market in October 2005.

*Handelsbanken's* operating profit for the first nine months of the year improved as a result of – among other things – larger business volume in the banking operations and a more than doubling of revenues in the insurance operations. Net commissions improved due to higher business volume and a positive trend in the stock market. Operating profit for the third quarter was the best ever for an individual quarter, and loan losses were lower than recoveries. SPP was demutualized with effect on January 1, 2006. Due to its favorable capital situation, Handelsbanken has been able to resume share buybacks. Handelsbanken's year-end report will be released on February 21.

*Ericsson's* income after financial items rose nearly 30% as a result of good volume growth and a low rise in overheads. A technologically leading product portfolio, high customer confidence and continuous efficiency improvements have been key success factors. During the year, Ericsson was awarded several strategic contracts in mobile networks and in the growing service sector, and thereby strengthened its position. Strategic parts of Marconi's business were acquired during the autumn, and the integration process is proceeding according to plan. Development for half-owned Sony Ericsson continued favorably. Ericsson continued to grow faster than the market in 2005, which has strengthened its position as a leading player.

*Sandvik's* profit after financial items rose nearly 30% in 2005 as a result of higher sales volumes and prices, a better product mix and improved efficiency. All three business areas noted earnings and margin improvements, and achieved their margin targets. Investments in product development have strengthened the company's market-leading position in priority segments, and all market areas reported continued favorable growth.

*SCA's* earnings after financial items decreased in 2005 as a result of a general market decline in the industry and the implementation of structural measures. However, both sales and earnings for the Personal Hygiene business unit improved during the year. Through SCA's consumer focus, regional presence and continuous efficiency improvement initiatives, the company is well equipped to meet changes in the economy and in competitive patterns. In 2005 the company's ongoing efficiency improvement programs, which are proceeding according to plan, lowered costs by approximately SEK 700 M. Consolidated sales and earnings increased during the fourth quarter.

*Skanska's* income after financial items in 2005, excluding discontinued operations, rose nearly 20%. Most units in the core business stream Construction as well as the Residential Project Development business stream showed improved operating margins. Commercial Project Development generated good profits from sold real estate projects, and Infrastructure Development activities continued to grow during the year.

*SSAB's* profit after financial items rose by 50% in 2005. The earnings rise is mainly attributable to the price increases carried out in recent years, which more than amply compensated for substantially higher raw material costs. Deliveries of core niche products – ultra high strength steel sheet and quenched steel – rose 10% for the full year and account for more than 30% of steel deliveries. In view of the low debt-equity ratio and the current structure of operations, SSAB's board has proposed a new redemption program worth approximately SEK 2.2 billion.

<sup>4</sup> Pertains to the Parent Company's equities portfolio. Based on these holdings, short-term 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 136 M as per December 31, 2005.

Indutrade's earnings after financial items 2005 were almost 30% higher compared to the previous year. Order bookings remained strong, and the return on capital employed improved. Indutrade became listed on the stock market on October 5.

Munters' earnings after financial items improved by 10% during the first nine months of 2005, following a strong third quarter primarily for the HumiCool and Dehumidification divisions. Order intake has been strong in all divisions during the third quarter, with a record high order backlog. Munters' year-end report will be released on February 16.

#### Equity Transactions During the Year

During the fourth quarter of 2005, purchases of stocks totaled SEK 811 M and sales totaled SEK 2,931 M. Major purchases consisted of 1,182,557 Höganäs B and 505,660 Sandvik, and major sales consisted of 25,142,200 Indutrade (of which 25,000,000 in connection with the IPO) and 89,817,286 Ossur hf (the entire holding).

The Initial Public Offering of Indutrade, along with dividends received from Indutrade, contributed SEK 1,197 M to net asset value during the year. The consolidated earnings effect of the IPO was SEK 2,253 M during the year.

Ossur, which was sold during the year, added SEK 225 M to net asset value. The capital gain based on historical cost was SEK 398 M.

Purchases and sales of stocks in 2005 are shown in the table below.

Purchases	No. of shares	SEK M
SCA B	6,485,440	1,664
Höganäs B	2,610,307	471
Ossur hf (of which, 15,473,167 newly issued)	24,699,286	247
Sandvik	505,660	193
Ericsson B	5,000,000	137
Handelsbanken A	635,900	119
Other		192
<b>Total</b>		<b>3,023</b>
Sales	No. of shares	SEK M
Indutrade	25,142,200	1,596
Ossur hf (entire holding)	89,817,286	1,008
Sandvik*	1,459,160	569
SCA B	1,267,400	335
Nokia (entire holding)	1,588,000	179
Pfizer Inc. (entire holding)	1,000,000	170
Other		107
<b>Total</b>		<b>3,964</b>

\* Of which, 1,077,100 shares were redeemed for SEK 436 M.

After the end of the reporting period, from January 1 through February 14, 2006, stocks were purchased for SEK 557 M and sold for SEK 26 M.

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

A profit of SEK 122 M was generated from short-term derivative transactions by the Parent Company and equity trading by Nordinvest.

#### Net Debt

The Parent Company's net debt was SEK 4.0 billion on December 31, 2005, including SEK 3.7 billion in interest-bearing net debt, corresponding to a net debt-equity ratio of 7.0% (11.5% at the start of the year), as shown in the specification below.

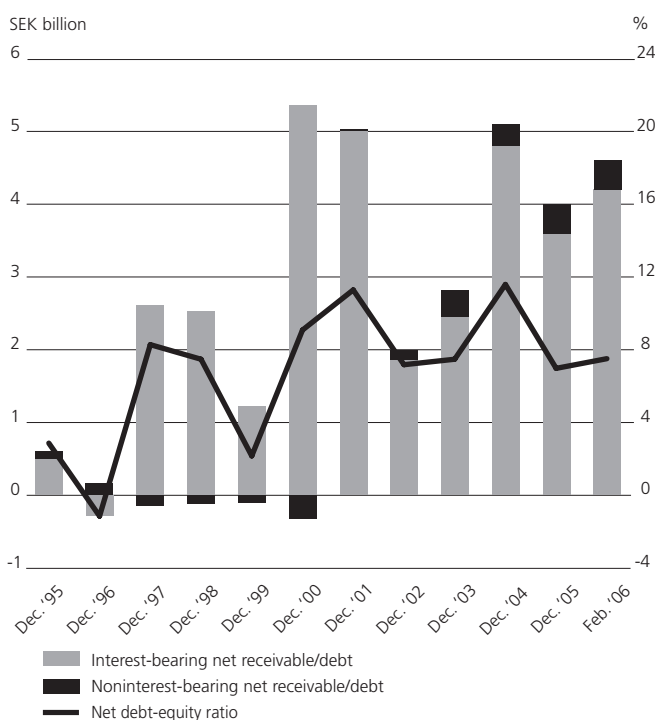
Interest-bearing net debt decreased by SEK 1.1 billion compared with the start of the year, mainly due to the sales of Indutrade and Ossur in October 2005.

Net debt as per February 14, 2006, was SEK 4.6 billion, including SEK 4.2 billion in interest-bearing net debt.

#### Change in Interest-Bearing Net Debt

SEK M	Dec.31 2004	Dec. 31 2005	Feb. 14 2006
Cash and cash equivalents	453	1,257	809
Current interest-bearing receivables	358	89	83
Long-term interest-bearing liabilities	4,102	3,870	3,870
Current interest-bearing liabilities	1,650	1,350	1,435
	4,941	3,874	4,413
Less: liabilities to subsidiaries	-143	-202	-195
<b>Interest-bearing net debt</b>	<b>4,798</b>	<b>3,672</b>	<b>4,218</b>
Market value of equities portfolio	41,691	52,265	55,156
<b>Net debt-equity ratio, %</b>	<b>11.5</b>	<b>7.0</b>	<b>7.6</b>

#### Net Debt-Equity Ratio



## EARNINGS

### Group

Consolidated earnings from portfolio management amounted to SEK 14,334 M (7,557), including SEK 1,275 M (1,032) in dividend income, SEK 12,937 M (6,427) in change in value of stocks, SEK 122 M (106) from short-term derivative transactions and equity trading, and SEK 0 M (-8) in other income and expenses. Earnings from other operations, pertaining primarily to the subsidiary Isaberg Rapid, totaled SEK 22 M (10). After SEK -78 M (-80) in management costs and SEK -231 M (-188) in net financial items, earnings after financial items were SEK 14,047 M (7,299). After tax of SEK -7 M (-9) and earnings after tax from discontinued operations, totaling SEK 162 M (168), pertaining to Indutrade, net earnings for the year were SEK 14,202 M (7,458).

The Group's interest-bearing net debt amounted to SEK 4.0 billion as per December 31, 2005, a decrease of SEK 1.4 billion (of which SEK 0.2 billion pertained to Indutrade) compared with the start of the year.

### PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 7.00 per share (6.00), entailing a total dividend payout of SEK 1,352 M.

### OTHER INFORMATION

#### Annual General Meeting

The Annual General Meeting will be held at 2 p.m. on Monday, May 8, 2006, at the Grand Hotel, Vinterträdgården room, Stockholm.

#### Employee Stock Options

Under the existing employee stock option program, the CEO was granted an additional 20,000 stock options after year-end 2005, and the two executive vice presidents have been granted an additional 30,000 options in total. Following these grants, the CEO and the two executive vice presidents hold 50,000 and totally 70,000 stock options, respectively. As per December 31, 2005, the theoretical value was SEK 41.60 per option. The grant of these options entails no additional cost to the Company.

#### Accounting Principles

Starting on January 1, 2005, Industrivärden's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. 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 year-end report has also been prepared in conformity with Swedish Financial Accounting Standards Council recommendation RR 31 – Interim Reporting for Groups.

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 Initial Public Offering of Indutrade, the reports for 2005 have also been affected by IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

Stockholm, February 16, 2006

AB Industrivärden (publ), 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, 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 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 and IAS 34.

Stockholm, February 16, 2006

Öhrlings PricewaterhouseCoopers AB

ANDERS LUNDIN, *Authorized Public Accountant*

#### Nominating Committee's proposal for the Board of Directors

Industrivärden's 2005 Annual General Meeting resolved to authorize the Chairman of the Board to appoint at least four members from among the major shareholders' representatives, who are not directors on Industrivärden's board, to form with the Chairman a Nominating Committee for the next election of directors. Accordingly, the following persons have been named as members of the Nominating Committee: Tom Hedelius, Chairman of the Board 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: reelection of Boel Flodgren, Tom Hedelius, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Lennart Nilsson and Anders Nyrén. Arne Mårtensson has declined reelection. Lars O Grönstedt, (born 1954), President and CEO in Svenska Handelsbanken, was proposed as a new Board member. In addition, the Committee proposes that Tom Hedelius be elected as Chairman of the Board at the Annual General Meeting. Shareholders who together represent approximately 70% of the total number of votes in the Company intend to support the Nominating Committee's proposals.

## Further Information

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 Complete contact information can be found on page 1.

## Financial Calendar

The 2005 Annual Report will be published in mid-March 2006.  
 The Annual General Meeting will be held in Stockholm on  
 May 8, 2006.  
 Interim report January–March 2006: May 8, 2006  
 Interim report January–June 2006: August 3, 2006  
 Interim report January–September 2006: October 31, 2006

## Parent Company's Equities Portfolio

Holdings as per December 31, 2005	No. of shares	Value breakdown				Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		Market value		Cost	Surplus value			
		SEK M	SEK/share	SEK M	SEK M			
Handelsbanken A	67,000,000	13,199	68	4,524	8,675	25	10.0	10.3
Ericsson A	372,000,000	10,367	54	3,262	7,105	20	2.3	13.3
Ericsson B	5,000,000							
Sandvik	26,000,000	9,620	50	5,365	4,255	18	11.3	11.3
SCA A	16,000,000	7,009	36	2,466	4,543	13	10.2	28.9
SCA B	7,600,000							
SSAB A	14,200,000	4,104	21	915	3,189	8	15.6	20.4
Skanska A	15,000,000	3,908	20	1,579	2,329	8	7.7	26.9
Skanska B	17,300,000							
Indutrade	14,857,800	1,322	7	248	1,074	3	37.1	37.1
Volvo A	1,900,000	880	5	553	327	2	0.6	1.2
Volvo B	500,000							
Munters	3,400,000	745	4	614	131	1	13.6	13.6
Höganäs B	3,400,000	585	3	609	-24	1	9.7	7.7
Isaberg Rapid		205	1	205	-	0	100.0	100.0
Other		321	2	333	-12	1		
<b>Total as per December 31, 2005</b>		<b>52,265</b>	<b>271</b>	<b>20,673</b>	<b>31,592</b>	<b>100</b>		

Share of capital and votes in Handelsbanken and Sandvik is calculated after cancellation of shares repurchased in 2005.

Share of capital and votes in Sandvik and SSAB is calculated after completion of redemption program during the first half of 2005.

The share of votes in SCA decreased from 29.5% to 28.5% through the reclassification of 982,000 Class A shares to Class B shares; however, after reclassification by other shareholders, it thereafter increased and was 28.9% on December 31, 2005.

The share of capital and votes in Sandvik includes 900,000 OTC put options for the corresponding number of shares.

The share of capital and votes in SCA includes 500,000 issued OTC put options for the corresponding number of Class B shares.

The share of votes in Skanska decreased from 29.3% to 26.9% through the reclassification of 2,302,756 Class A shares to Class B shares.

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

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

Holdings as per December 31, 2004	No. of shares	Value breakdown				Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		Market value		Cost	Surplus value			
		SEK M	SEK/share	SEK M	SEK M			
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 during the period

#### January 1–December 31, 2005:

Purchases	3,023
Sales	-3,964
Change in value	11,515

**Market value as per Dec. 31, 2005**      **52,265**

## Industrivärden Consolidated Income Statement

SEK M	2005 Oct.–Dec.	2004 Oct.–Dec.	2005 Jan.–Dec.	2004 Jan.–Dec.
<b>Portfolio management</b>				
Dividend income from stocks	–	1	1,275	1,032
Change in value of stocks	4,551	1,771	12,937	6,427
Short-term derivative transactions and equity trading	53	40	122	106
Other income and expenses	0	-1	0	-8
<b>Earnings from portfolio management</b>	<b>4,604</b>	1,811	<b>14,334</b>	7,557
<b>Other operations</b>				
Net sales	255	222	894	862
Cost of goods sold	-169	-159	-583	-566
Development costs	-5	-15	-25	-31
Selling costs	-52	-31	-184	-164
Administrative costs	-24	-23	-80	-94
Other operating income and expenses	2	3	0	3
<b>Earnings from other operations</b>	<b>7</b>	-3	<b>22</b>	10
<b>Management costs</b>	<b>-20</b>	-21	<b>-78</b>	-80
<b>Operating earnings</b>	<b>4,591</b>	1,787	<b>14,278</b>	7,487
Interest income	7	3	13	7
Interest expenses	-70	-58	-230	-195
Other financial items	-2	1	-14	0
<b>Earnings after financial items</b>	<b>4,526</b>	1,733	<b>14,047</b>	7,299
<b>Tax</b>	<b>-3</b>	5	<b>-7</b>	-9
<b>Earnings for the year for continuing operations</b>	<b>4,523</b>	1,738	<b>14,040</b>	7,290
<b>Earnings for the year for discontinued operations<sup>5</sup></b>	<b>–</b>	33	<b>162</b>	168
<b>Net earnings for the year*</b>	<b>4,523</b>	1,771	<b>14,202</b>	7,458
Depreciation included in operating earnings	10	13	42	48
Earnings per share, SEK <sup>6</sup>	23.42	9.17	73.54	38.62

<sup>5</sup> Earnings from discontinued operations pertains to Indutrade until October 5, 2005, which is the date on which the company became listed on the stock exchange.

	2005	2004
Net sales	2,763	3,486
Expenses	-2,538	-3,243
Earnings after financial items	225	243
Tax	-63	-75
Earnings for the year	162	168

<sup>6</sup> Net earnings for the year divided by 193,135,612 shares. There is no dilutive effect.

### Breakdown by business unit

#### Earnings after financial items

<b>Portfolio management</b>	<b>4,519</b>	1,739	<b>14,038</b>	7,298
<b>Other operations</b>	<b>7</b>	-6	<b>9</b>	1
	<b>4,526</b>	1,733	<b>14,047</b>	7,299
<b>Discontinued operations</b>	<b>–</b>	51	<b>225</b>	243
<b>Group</b>	<b>4,526</b>	1,784	<b>14,272</b>	7,542

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

Reported net earnings according to previous accounting principles		157		1,557
Effect of introduction of IFRS:				
Change in value of equities (IAS 39)		1,643		6,066
Market valuation of equity derivatives (IAS 39)		1		3
Reversal of goodwill amortization (IFRS 3)		7		37
Impairment of goodwill (IAS 36)		-2		-2
Discontinuation of associate accounting (IAS 28)		-35		-203
Total IFRS effects		1,614		5,901
Net earnings for the year according to IFRS		1,771		7,458



## Industrivärden Consolidated Balance Sheet

SEK M	Dec. 31 2005	Dec. 31 2004
Intangible fixed assets	83	256
Tangible fixed assets	228	521
Equities	51,910	39,190
Other financial fixed assets	12	18
Inventories	197	747
Accounts receivable, trade	239	667
Other current assets	185	509
Cash and cash equivalents	1,307	625
<b>Total assets</b>	<b>54,161</b>	<b>42,533</b>
Shareholders' equity	48,227	35,175
Long-term noninterest-bearing liabilities	43	53
Long-term interest-bearing liabilities	4,037	4,493
Current noninterest-bearing liabilities	608	1,112
Current interest-bearing liabilities	1,246	1,700
<b>Total shareholders' equity and liabilities</b>	<b>54,161</b>	<b>42,533</b>

## Change in Consolidated Shareholders' Equity

SEK M	2005 Jan.–Dec.	2004 Jan.–Dec.
Opening shareholders' equity according to previous accounting principles		16,413
Effect of new accounting principles*		12,374
<b>Opening shareholders' equity</b>	<b>35,175</b>	<b>28,787</b>
Dividend to shareholders	-1,159	-1,062
Translation differences	9	-8
Net earnings for the year	14,202	7,458
<b>Closing shareholders' equity</b>	<b>48,227</b>	<b>35,175</b>
Shareholders' equity per share, SEK	250	182
<b>*Effect of new accounting principles</b>		
Fair valuation of equities (IAS 39)	–	14,165
Fair valuation of other financial instruments (IAS 39)	–	3
Effect of discontinuation of associated accounting (IAS 28)	–	-1,777
Effect of introduction of pension reporting (IAS 19)	–	-17
	–	12,374

## Industrivärden Consolidated Statement of Cash Flows

SEK M	2005 Jan.–Dec.	2004 Jan.–Dec.
<b>OPERATING ACTIVITIES</b>		
Operating cash flow from portfolio management	1,510	870
Operating cash flow from operating companies	26	295
Management costs paid	-79	-76
Financial items, net	-235	-179
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1,222</b>	<b>910</b>
<b>INVESTING ACTIVITIES</b>		
Cash flow from investments in portfolio management <sup>7</sup>	941	-2,277
Cash flow from investments in operating companies	-49	-75
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>892</b>	<b>-2,352</b>
<b>FINANCING ACTIVITIES</b>		
Loans raised and amortization of debt	-478	2,447
Dividend paid out	-1,159	-1,062
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-1,637</b>	<b>1,385</b>
<b>CASH FLOW FROM DISCONTINUED OPERATIONS<sup>8</sup></b>	<b>283</b>	<b>–</b>
<b>NET CASH FLOW FOR THE YEAR</b>	<b>760</b>	<b>-57</b>
Cash and cash equivalents at start of year	625	683
Less: cash and cash equivalents in discontinued operations	-83	–
Exchange rate difference in cash and cash equivalents	5	-1
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,307</b>	<b>625</b>

<sup>7</sup> Pertains to changes in the Parent Company's equities portfolio.

<sup>8</sup> Cash flow pertaining to discontinued operations pertains to Indutrade until October 5, 2005, which is the date on which the company became listed on the stock exchange.

	2005
Cash flow from:	
- operating activities	147
- investing activities	-184
- financing activities	19
Cash flow for the year	-18
Of which, dividend, etc. to Industrivärden	301
Cash flow from discontinued operations	283

### Change in Interest-Bearing Net Debt

SEK M	2005 Jan.–Dec.	2004 Jan.–Dec.
Interest-bearing net debt at start of year	5,392	2,872
Net cash flow for the year	-760	57
Change in borrowings	-478	2,447
Other changes	3	16
Changes pertaining to discontinued operations <sup>9</sup>	-187	–
Interest-bearing net debt at end of year	<b>3,970</b>	<b>5,392</b>

<sup>9</sup> Pertains to Indutrade's interest-bearing net debt at the start of the year and cash flow for the year.

## Definitions

### *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 shareholders' equity for the wholly owned company Isaberg Rapid and the other unlisted shareholdings, respectively.

### *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.

### *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.

### *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.

### *Total return*

Price trend plus reinvested dividends.

### *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 price 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.

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