



INDUSTRIVÄRDEN

ANNUAL REPORT

2011



CONTENTS

Overview

- 2 Industrivärden at a glance
- 6 CEO's message
- 7 2011 at a glance

Value-creating active ownership

- 9 Goals and goal achievement
- 10 Business model
- 16 Active ownership in practice
- 18 Net asset value
- 20 Industrivärden share

Equities portfolio

- 22 Handelsbanken
- 23 Sandvik
- 24 Volvo
- 25 SCA
- 26 Ericsson
- 27 SSAB
- 28 Skanska
- 29 Indutrade
- 30 Höganäs

Financial statements

- 31 Board of directors' report incl. corporate governance report
- 35 Proposed distribution of earnings
- 36 Income statements and balance sheets
- 37 Shareholders' equity
- 38 Statements of cash flows
- 39 Accounting policies
- 40 Financial risk management
- 41 Financing
- 43 Notes
- 48 Audit report

- 49 Board of directors, executive management and auditor
- 51 Tax rules for holding companies; glossary and definitions
- 52 Stock market information
- 53 2012 Annual General Meeting

FINANCIAL CALENDAR 2012

Interim reports will be released

- on April 5 for the period January–March,
- on July 5 for the period January–June,
- and on October 5 for the period January–September 2012.

All reports will also be published on Industrivärden's website:
www.industrivarden.net

See also the section "Stock market information", page 52.

The Annual Report is distributed to shareholders who have notified the Company that they would like to receive it in printed form. Information on the 2012 Annual General Meeting can be found on page 53.

This Annual Report is a translation of the Swedish original.

LONG-TERM PERSPECTIVE

Price is what you pay today – value is what is created over time. Creating true growth in value requires competence, strength and long-term perspective. Building for the future takes time; it has a long investment horizon over several business cycles and requires ownership responsibility in all market climates. A company that has the ability to invest and strengthen its business during times of adversity creates conditions for higher returns in the future. Based on substantial ownership and positions of trust, Industrivärden contributes to growth in the value of its portfolio companies through long-term active ownership.

With more than 60 years of experience in active ownership, Industrivärden has a unique position in creating long-term value in listed Nordic companies. The business is based on extensive experience, knowledgeable employees, a strong business model and a large network. The companies in our portfolio are leaders in their respective areas and all have strong global positions. With Industrivärden they have a professional and active owner – to the benefit of their long-term growth in value as well as Industrivärden's.

Since its stock market introduction in 1945, Industrivärden's stock has generated an annual total return of 14%, which is well above the market average of 13% for the Stockholm Stock Exchange, which for many years has been a strong performer from an international perspective.



GROWTH

Creating long-term growth requires strength, perseverance and favorable conditions. Through a strong commitment backed by a depth of knowledge and experience, Industrivärden actively contributes to value growth in its portfolio companies.

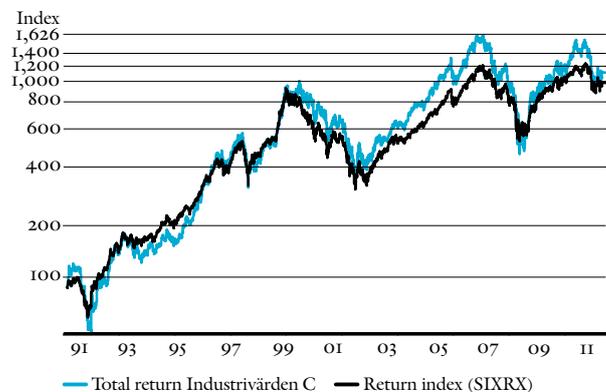
VALUE CREATION THROUGH ACTIVE OWNERSHIP



INDUSTRIVÄRDEN IS ONE of the Nordic region's leading holding companies. Its goal is to generate high growth in net asset value over time and thereby give the shareholders a total return which, over the long term, is higher than the average for the Stockholm Stock Exchange.

INDUSTRIVÄRDEN WAS ESTABLISHED by Handelsbanken in 1944 as a means of distributing the shareholdings it had acquired following the market crash in the 1930s to the bank's shareholders. The business proved to be successful and over time evolved into an effective form of managing pension capital for employees of Handelsbanken and SCA. Through Industrivärden's proven ability to create sustained shareholder value at a limited cost, its ownership has expanded over time to include a large number of public and private pension managers. Industrivärden's stock is also a popular investment for foundations and other long-term investors, as well as for a large number of private investors.

TOTAL RETURN



NET ASSET VALUE SEK PER SHARE



STRATEGY

INDUSTRIVÄRDEN CREATES VALUE through active ownership and a professional investment operation. Active ownership is based on Industrivärden's model for value creation in its portfolio companies. The investment operation is built upon a structured process of continuous analysis of existing and potential holdings.

INVESTMENT CRITERIA

HOLDINGS

- Mid- and large cap listed Nordic companies.
- Companies with business models that can be applied in several markets.
- Companies with a good ability to generate growth in cash flow.
- Leading positions in selected market segments.
- Strong potential for growth in value through active ownership.
- Ownership stakes that enable significant influence.

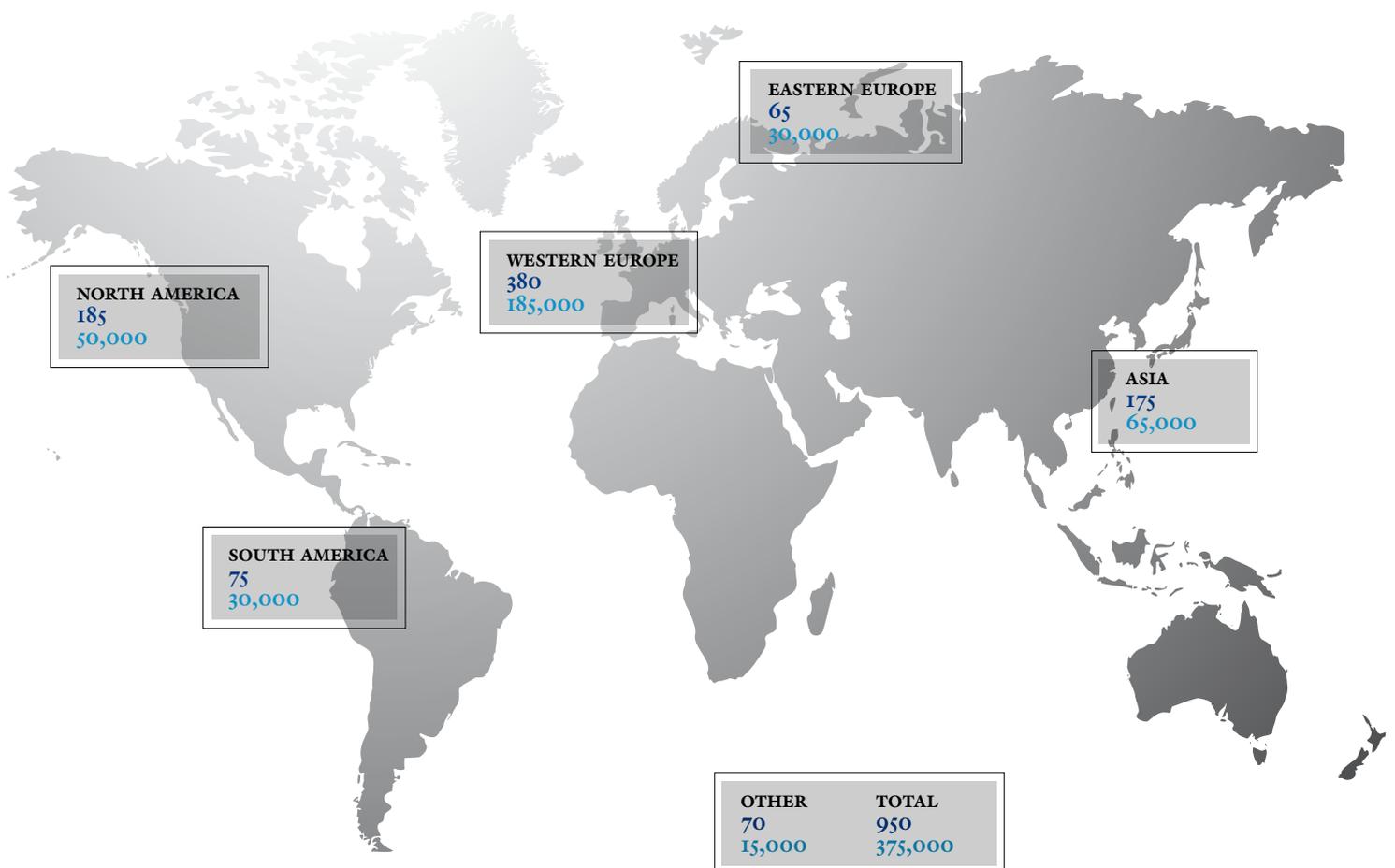
PORTFOLIO

- Fully invested in equities.
- Concentration on a limited number of shareholdings.
- Active ownership with long-term investment horizon.
- Borrowing provides leverage in equities portfolio.

LOCAL ORIGINS — GLOBAL PRESENCE

- The portfolio companies account for slightly more than 1/5 of the Stockholm Stock Exchange's market capitalization.
- Combined sales of SEK 950 billion, of which 1/3 in emerging markets.
- Operations in more than 180 countries.
- More than 375,000 employees in all.

Sales, SEK billion
Number of employees



THE INDUSTRIVÄRDEN SPHERE

SANDVIK is a world leader in materials technology, with products primarily for the manufacturing, mining and construction industries. Accounts for 21% of the portfolio value, or SEK 12.2 billion. Ownership of 12.2% of the votes and 12.2% of the capital.

SCA is the European leader in hygiene products and forest products. Accounts for 13% of the portfolio value, or SEK 7.2 billion. Ownership of 29.1% of the votes and 10.0% of the capital.



HANDELSBANKEN is a universal bank with home markets in the Nordic countries and the UK. Its business is characterized by local customer responsibility, high customer satisfaction and good profitability.

Accounts for 21% of the portfolio value, or SEK 12.3 billion. Ownership of 11.1% of the votes and 10.9% of the capital.

VOLVO has a world-leading position in commercial transport solutions. Accounts for 16% of the portfolio value, or SEK 9.3 billion. Ownership of 15.0% of the votes and 5.8% of the capital.

ERICSSON is the market's largest supplier of mobile telecom infrastructure, with a world-leading position in telecom development.

Accounts for 10% of the portfolio value, or SEK 5.6 billion. Ownership of 14.3% of the votes and 2.5% of the capital.

SKANSKA is a leading international construction and project development company. Accounts for 6% of the portfolio value, or SEK 3.2 billion. Ownership of 23.7% of the votes and 6.8% of the capital.

HÖGANÄS has a leading global position in metal powder technology. Accounts for 2% of the portfolio value, or SEK 0.9 billion. Ownership of 10.0% of the votes and 12.6% of the capital.



SSAB has a world-leading position in high-strength steel. Accounts for 6% of the portfolio value, or SEK 3.4 billion. Ownership of 22.6% of the votes and 17.6% of the capital.

INDUTRADE is a leading Nordic player in industrial technology sales. Accounts for 5% of the portfolio value, or SEK 2.7 billion. Ownership of 36.8% of the votes and 36.8% of the capital.

CEO'S MESSAGE

The second half of 2011 came to be overshadowed by two government financial crises – the euro crisis in Europe and the galloping federal budget deficit in the U.S. Both problems are a result of politicians' inability to deal with the situation that has arisen, but above all of extremely poor government finances that are worsening at an ever-faster pace. In essence it is a sort of tug of war between the financial market and the political system. It is up to the politicians to restore trust in their ability to get the weak government finances under control. It is a grueling process that takes time, at the same time that the market is demanding fast and concrete results. The single most important measure to reverse this problematic situation is not only to make cuts, but to stimulate growth. It is therefore gratifying to see growing signs that the U.S. is in the early stages of a recovery towards more normal growth figures. This is setting the stage for lower unemployment and reduced budget deficits. The euro zone is suffering not only from a currency/euro crisis as a result of weak government finances, but also from a weak bank system. A weak bank system impedes opportunities for economic development. It is therefore good to see that the European Central Bank (ECB) has acted and put three-year financing at the disposal of the banking market. This happened in December 2011 and February 2012. Moreover, the euro pact creates conditions for greater budget discipline. As a result of these strong measures, the acute liquidity crisis in the Continental European bank system has been abated.

Serious crises create anxiety and feed pessimism for the future. This pattern is repeating itself and is now being expressed in two inter-related effects – downward adjustments of growth forecasts and falling stock prices.

The forecasts for GDP growth in Europe and the world were steadily reduced in 2011. Sweden is now expected to go from growth of more than 4% in 2011 to slightly less than 1% in 2012 – a drop of more than 3 percentage points! Naturally, it remains to be seen how things actually turn out, but the downward adjustments are remarkably large in the Western world. However, most observers are forecasting a mild recession in Europe in 2012. The world economy is estimated to grow with 3.3% during 2012.

The world's stock markets, and the Swedish

“Gaining an idea of our portfolio companies' long-term value is at the heart of what we do, since it affects our investment decisions and the chosen level of debt. Price is what the stock market pays for a stock today – value is what is built up in a company over time.”

market in particular, fell sharply as the crisis reached its culmination in early October 2011. When the anxiety was at its greatest, the risk premium for equities was approximately 8%, compared with long-term interest rates of 1%–2%! This happened at the same time when companies in general – and our portfolio companies in particular – were showing continued favorable performance. But as always, it is expectations about the future that steer the stock market's valuation of equities in the near term. During the fall of 2011 there were many who feared a collapse, among other things as a result of the disintegrating euro cooperation. The stock markets, which normally focus on valuating company-specific factors, now shifted over to judging macro risks, with sharply falling prices as a result. Now a growing number of observers believe that the actions taken are moving the development in the right direction and that the world will not go under this time either. This insight is reflected in the stock market. Since hitting bottom in October 2011, the Stockholm Stock Exchange has gained 25%, and Industrivärden's Class C stock has risen more than 50%.

In anxious times with a bumpy stock market, it can be worthwhile to remind about Industrivärden's business model – the foundation for how we create shareholder value over time. We are long-term investors in great companies that we believe in and where we can play a role in affecting their development through substantial influence. At the core, we exercise our active ownership by participating in the

companies' board work and engaging in a close dialog with their executive managements. We contribute with many years of experience and a wealth of knowledge about factors that lead to industrial development – and thereby favorable growth in value – over time. It is a business model that requires involvement, knowledge and long-term perspective in order to succeed.

Since we take a long-term involvement in the strategic development of our portfolio companies, our view of their value differs from the market's valuation in the near-term perspective. At any given moment the stock market values a listed company's stock from a 6–12 month perspective. Stock prices are revised second by second on the basis of risk premium, earnings capacity, developments in the operating environment and a large number of other factors. Industrivärden is a long-term developer of companies with a distinct owner perspective. This means that, for natural reasons, we have a considerably longer assessment horizon than a strictly equity investor. Actively contributing to a company's development takes time. Owing to the longer time perspective, valuation factors such as risk premium and other, more short-term parameters have less weight, to the benefit of strategic parameters such as long-term market potential and company structure. Nor should one forget that large shareholdings with a large share of votes have another value than the price of an individual share. Gaining an idea of our portfolio companies' long-term value is at the heart of what we do, since it affects our investment decisions and the chosen level of

debt. Price is what the stock market pays for a stock today – value is what is built up in a company over time. Over longer periods, these values intersect, but at any given moment the difference can be significant. In our opinion, due to the anxiety in the general operating environment that I described above – plus the fact that several of our portfolio companies are showing good profitability – the difference between the short-term and long-term valuation is today substantial.

It is in this context that one should view the two convertible loans we issued in 2010 and 2011 in the euro market. Through these loans we have obtained a favorable form of financing for stock purchases in quality companies with historically low multiples. The current level of debt in absolute terms is considered to be well-balanced in view of the underlying assets' size, their good liquidity and the fact that half of the debt amount consists of long-term convertible loans. My belief is that the convertible loans will be converted to equity. This will reduce our debt dramatically and further increase our investment capacity over time.

2011 was characterized by a high level of activity and a number of important events in our portfolio companies.



2011 AT A GLANCE

ACTIVE OWNERSHIP IN THE PORTFOLIO COMPANIES

- Ensure long-term growth plans.
- Manage rising commodity and energy costs.

NET ASSET VALUE

- Net asset value at year-end was SEK 104 per share (149), a decrease of 28% (increase of 37%) for the year including reinvested dividends.

TOTAL RETURN

- The total return for Industrivärden's Class C shares was -28%, which was 14 percentage points lower than for the return index.
- During the last twenty years, the average annual total return for the Class C shares was 13%, which exceeded the return index by 1 percentage point per year.

EQUITY TRANSACTIONS DURING THE YEAR

- Stocks were purchased for SEK 11,388 M (5,644) and sold for SEK 6,927 M (3,097).
- Stocks were purchased for a net total of SEK 4,461 M (2,547).

LARGE PURCHASE OF SHARES IN VOLVO

- Additional purchases of shares in Volvo for SEK 2,873 M, corresponding to 4.1% of the votes.

SHORT-TERM TRADING

- As in previous years, Industrivärden's short-term equity trading covered the Company's management costs.

SUCCESSFUL ISSUES OF CONVERTIBLE BONDS

- In January 2011 Industrivärden issued additional six-year convertible bonds worth EUR 550 M to obtain low-cost financing with the opportunity to issue new equity. In January 2010, five-year convertible bonds worth EUR 500 M were issued.

PROPOSED DIVIDEND

- The Board of Directors proposes a dividend of SEK 4.50 (4.00) per share, which corresponds to a dividend yield of 5.2% (3.3%) for the Class A shares.

INDUSTRIVÄRDEN'S PERFORMANCE

	2011	2010
Equities portfolio		
– market capitalization as per December 31, SEK M	56,903	71,092
– total return ¹	–23%	31%
Borrowing		
– interest-bearing net debt as per December 31, SEK M	16,780	13,401
of which, interest-bearing loans	8,225	9,246
of which, convertible loans	8,555	4,155
– debt-equities ratio before full conversion	29.5%	18.9%
– debt-equities ratio after full conversion	14.5%	13.0%
– average interest expense	3.5%	3.8%
Net asset value as per December 31, SEK M	40,123	57,691
Net asset value as per December 31, SEK/share	104	149
– Change ²	–28%	37%
Management cost	0.18%	0.13%
Dividend, SEK/share ³	4.50	4.00
Dividend yield, Class A shares	5.2%	3.3%
Dividend yield, Class C shares	5.5%	3.4%
Total return, Class A shares	–25%	40%
Total return, Class C shares	–28%	48%
Total return index	–14%	27%

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

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

3) Dividend for the respective financial years. For 2011 as proposed by the Board of Directors.

SCA announced in rapid succession the acquisition of Georgia Pacific's European tissue business and the sale of its European packaging operation. Through this shift SCA has obtained a fine operation that has substantial synergies with its other hygiene businesses. SCA has thereby become a consumer products company backed up by a well-run forest products business. Its ownership of Europe's largest private forest holdings is a vital source of raw material and tempers the sensitivity of fluctuations in commodity prices for the hygiene business.

Sandvik – under the direction of CEO Olof Faxander, who took office in February 2011 – has further developed its strategy. The objective is to achieve clearer profitability targets, efficiency improvements and greater synergies between the company's different business areas, mainly in administration. The announced ambition to divest Medtech and the acquisition of Seco Tools are clear expressions of Sandvik's efforts to strengthen its core business. The new

group management that has been installed represents a rejuvenation with added international breadth.

Also Volvo, under the direction of its new CEO, Olof Persson, who took office in September 2011, has announced changes in the form of a new organization. Its goal has been to achieve efficiency improvements and a greater focus on profitability. The declared ambition to sell Volvo Aero is an expression of a greater concentration on the core business. Volvo's nominating committee has proposed Carl-Henrik Svanberg to succeed Louis Schweitzer as Chairman, who has declined re-election.

Handelsbanken continues to perform well. The bank is standing firmly on its own legs and did not need state support or subsidies to manage its funding during this bank crisis, either. It is worth noting that in 2011 alone, Handelsbanken paid SEK 1.1 billion in government fees, of which the Swedish Stability Fund accounted for the greater share. This is an added burden for the company and its shareholders. The new calculation bases for calculating the bank's capital adequacy, under Basel III, have now been set. It is gratifying and impressive that Handelsbanken, with slightly more than 14% in core tier 1 capital, is one of the most well capitalized banks in Europe. It would be unfortunate from a competition perspective if Handelsbanken and other Swedish banks were to have greater demands imposed on them from the Swedish FSA than their European counterparts. Handelsbanken's organic growth with good profitability in the UK is a textbook example of how a company – step-by-step, with limited risk and a successful business model – can gain a foothold in a new market.

Ericsson is today an industry leader in mobile telecom systems and related services. While Ericsson has strengthened its position over time, most of its European and American competitors have been diminished or disappeared, and its lead over the Chinese competitors has widened. The company is today a major player in terms of both volume and profitability in the important U.S. market. During the year, Ericsson invested in capturing market shares in Europe at a time when the European operators were modernizing their networks. This investment in market shares has put pressure on profitability in the near term. Ericsson's sale of its 50% stake in Sony Ericsson to Sony and the acquisition of Telcordia are good examples of investments in the core business. In April 2011 Leif Johansson was elected as Ericsson's new chairman.

Skanska is pursuing further expansion – both in scope and geographically – of its highly successful project development business. Currently the company is developing its first commercial property development projects in the U.S. At the same time, Skanska's success, which is the result of a large and profitable construc-

tion operation combined with a successful project development business, has resulted in a favorable total return over time.

In 2011 we bought shares in portfolio companies for SEK 4.5 billion, net. Among other things, we continued to strengthen our ownership position in Volvo – a portfolio company that we believe has good future opportunities with major value potential. In total we bought Volvo stock for SEK 2.9 billion, after which our ownership now amounts to slightly more than 15% of the votes.

Earnings from our short-term trading amounted to SEK 152 M, compared with our management costs of SEK 105 M, or 0.18% of managed assets. We have now passed SEK 1 billion in profits from our short-term trading since the start in 2003.

Industrivärden has a proven ability to create shareholder value, and over the last fifteen years, Industrivärden has delivered an annual total return that is 2 percentage points higher than the Stockholm Stock Exchange, which for a long time has been a strong performer in an international comparison. In 2011 we were affected by the negative trend in the stock market and the portfolio's exposure to the industrial and banking sectors. The portfolio value fell by slightly more than SEK 14 billion, to SEK 57 billion, and net asset value was SEK 104 per share, or SEK 106 per share after full conversion. The total return for Industrivärden's stock was –28%, compared with –14% for the return index. During the start of 2012, the stock market has assigned a higher value to our portfolio companies, and to date this year Industrivärden's stock has risen by 25%, compared with 10% for the Stockholm Stock Exchange.

The Board proposes a dividend of SEK 4.50 per share, which entails that – as in previous years – we will fulfill our goal of paying a dividend yield that is higher than the average for the Stockholm Stock Exchange.

Through our know-how, our resources and a well-proven work approach, we are well equipped to take an active ownership role for continued, competitive shareholder value over time.

Stockholm, February 2012



Anders Nyren
President and CEO

HIGHER LONG-TERM TOTAL RETURN THAN RETURN INDEX

Industrivärden's goal is to generate high growth in net asset value over time and to deliver a total return to the Company's shareholders which, over the long term, is higher than the average for the Stockholm Stock Exchange (NASDAQ OMX Nordic, Stockholm). Industrivärden has achieved this goal by a good margin, and Industrivärden's stock stands up well in comparison to similar long-term investment alternatives.

Industrivärden works according to a well proven model for structured investment activities and active value creation in its portfolio

companies. Using this as a foundation and with a long-term approach, Industrivärden has generated favorable growth in net asset value in both the short- and long-term perspectives. This favorable performance, combined with the Company's dividend policy of paying a dividend yield that is higher than the average for the Stockholm Stock Exchange, has enabled Industrivärden to deliver an attractive and competitive total return to its shareholders.

For long periods of time – including the entire time since the Company's stock market introduction in 1945 – Industrivärden's stock

has generated a higher total return than the average for the Stockholm Stock Exchange, which in many years has been a strong performer from an international perspective. For long periods, calculated as an average for moving ten-year periods, Industrivärden has delivered an annual excess return of two percentage points compared with the stock market. In 2011 the total return was –25% for the Class A shares and –28% for the Class C shares, compared with –14% for the return index.

AVERAGE GROWTH IN NET ASSET VALUE¹

	2011	Five years	Ten years	Fifteen years	Twenty years
Net asset value, %	–30	–7	0	4	6
Net asset value including reinvested dividends, % ²	–28	–4	4	7	10

1) Yearly average.

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

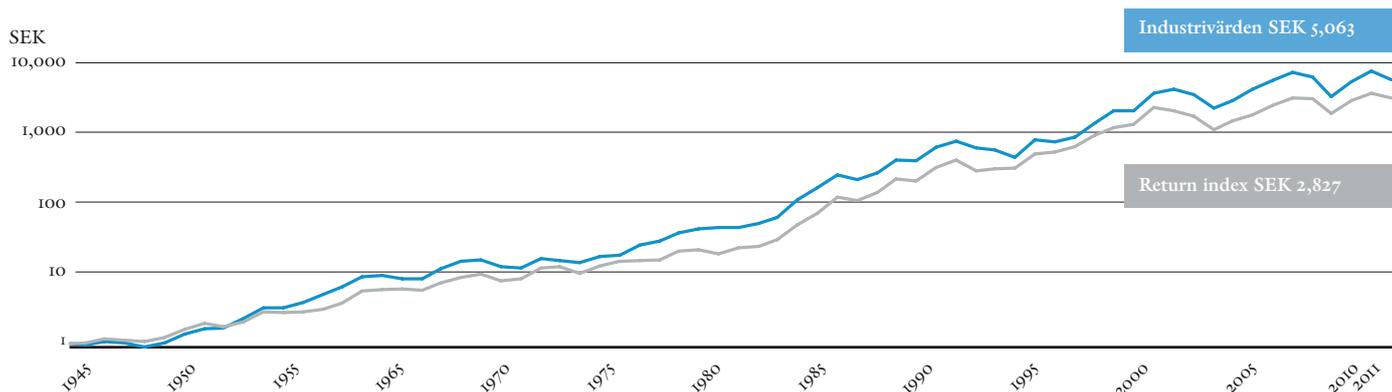
TOTAL RETURN FOR INDUSTRIVÄRDEN COMPARED WITH RETURN INDEX

Annual total return ³	Industrivärden		Return index	Industrivärden ⁴		MSCI Total Return Europe ⁴
	Class A, %	Class C, %	SIXRX, %	Class A, %	Class C, %	%
20 years	12	13	12	–	–	–
15 years	10	10	8	–	–	–
10 years	5	5	6	5	6	1
5 years	–5	–4	0	–4	–4	–4
1 year	–25	–28	–14	–24	–28	–8

3) Growth in value including reinvested dividends.

4) Morgan Stanley Index. All data denominated in EUR.

TOTAL RETURN (VALUE OF SEK ONE INVESTMENT SINCE STOCK MARKET INTRODUCTION IN 1945)



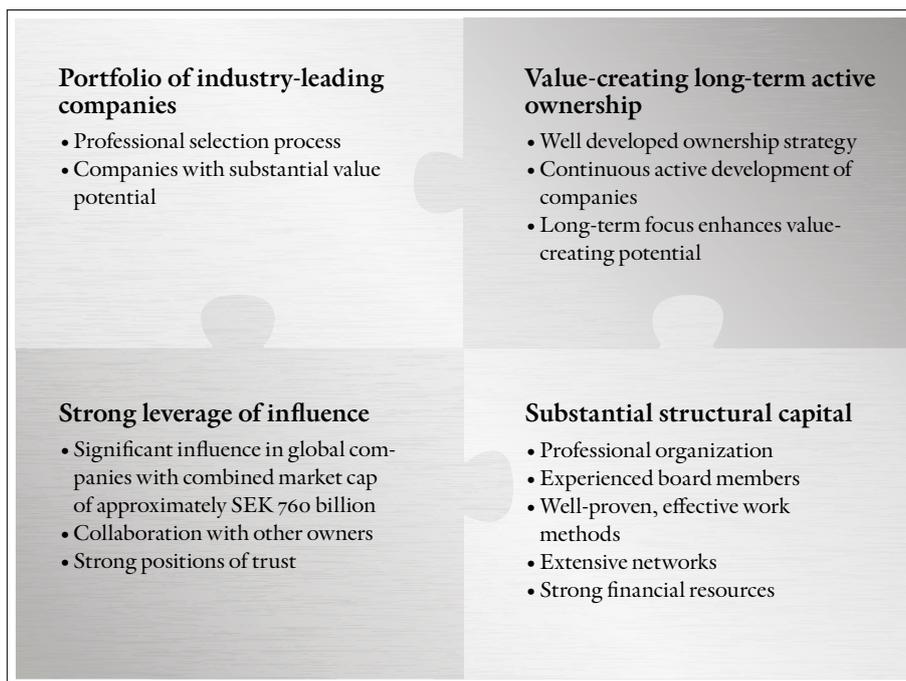
BUSINESS MODEL

STRUCTURED VALUE CREATION

Industrivärden's core business is to invest in listed Nordic companies with good potential for value appreciation, and through active ownership to contribute to continuous growth in value in its portfolio companies. The role as active owner requires that Industrivärden can exercise significant ownership influence and entails a long-term investment horizon. An active ownership perspective fosters a keen understanding of the portfolio companies' businesses, operating environments and continuing development. Contributing to value creation in the portfolio companies increases asset values at the same time that active involvement and knowledge about the companies reduces Industrivärden's equities risk.

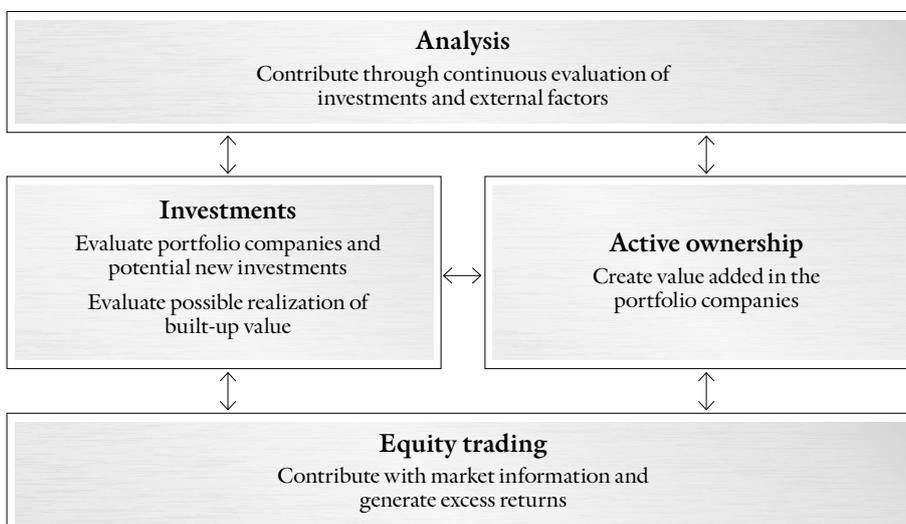
SUCCESSFUL BUSINESS MODEL

Industrivärden has many years of experience in value-creating active ownership and works according to a well proven business model. Industrivärden's success can ultimately be credited to its employees and well established work processes.



HIGHLY REFINED WORK PROCESSES

Work is conducted in four processes, where most of Industrivärden's resources are dedicated to value-creating active ownership. Each portfolio company is analyzed with respect to potential growth in value. Quantitative goals are evaluated on a continuous basis, as are various options for a future exit. Major emphasis is put on continuous comparisons with long-term investments in other listed companies. Investments are evaluated continuously with a 5–8 year time horizon.



INVESTMENTS

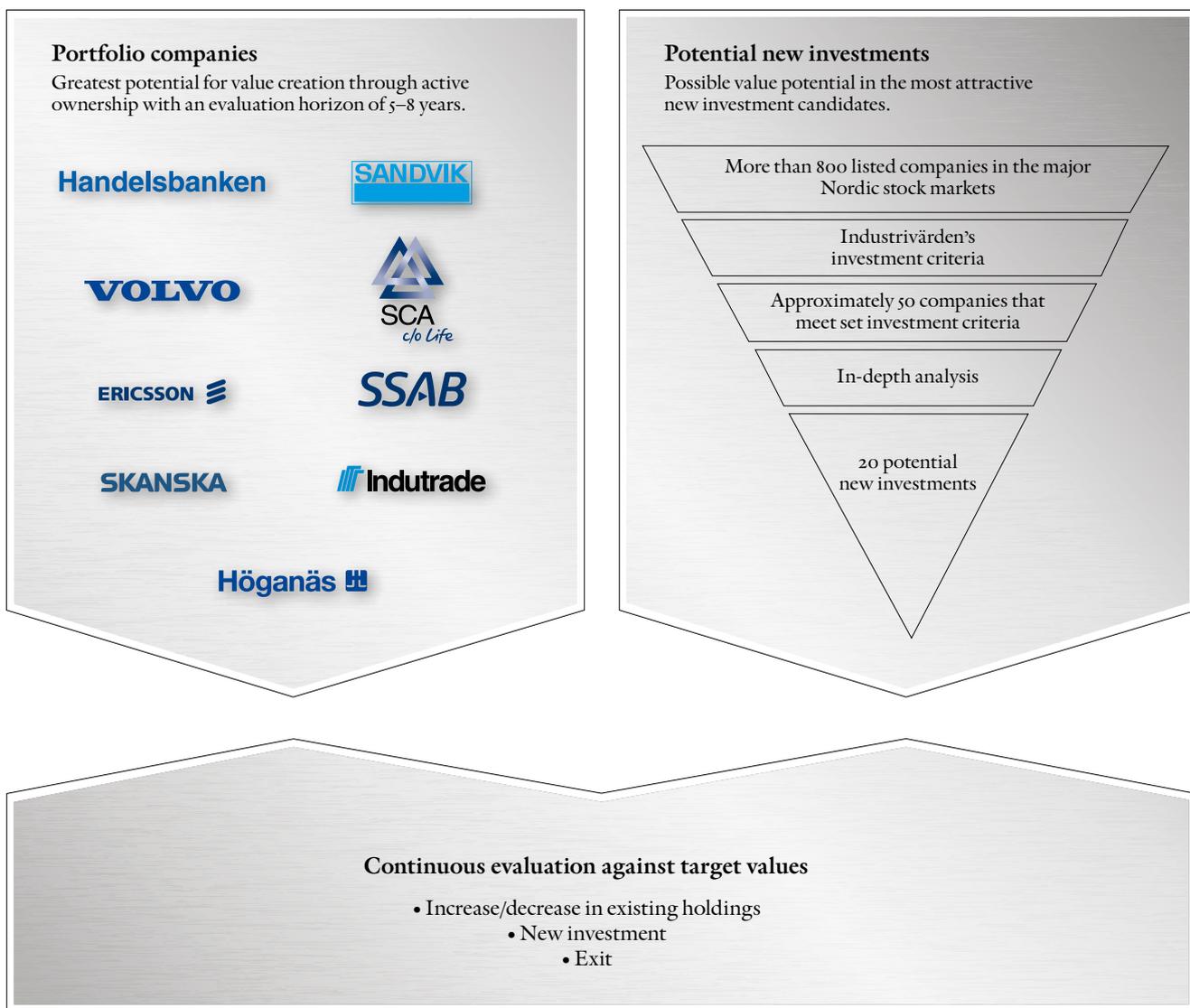
The investment process involves evaluating existing investments against set target values and providing a continuous and current picture of new investments that meet the set investment criteria. The aim is to be able to act quickly when investment opportunities arise.

Clear investment criteria

Investments are made in companies with proven business models and considerable opportunities for future growth in value.

- Investments in mid- and large cap listed Nordic companies.
- Focus on business models that can be applied in several markets.

- Good ability to generate growth in cash flow.
- Major potential for value appreciation through active ownership.
- Ownership stakes that enable significant influence.
- Leading positions in selected market segments.



ACTIVE OWNERSHIP

Industrivärden's influence in its portfolio companies is grounded in significant ownership stakes and a strong position of trust. From this foundation, Industrivärden takes an active ownership role through interaction with other major owners in the aim of finding ways to build value in the shareholdings. Active ownership is exercised by directors on the boards of the portfolio companies who have ties to Industrivärden, through participation in the respective companies' nominating processes, and through direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies. Active ownership is conducted from a platform of continuous, fundamental analysis and an action plan for value creation.

The work is conducted from an overarching ownership perspective and focuses on such matters as strategy, company structure, market potential, capital structure and corporate governance. One of the most central duties of the respective companies' boards is to appoint the CEO and continuously evaluate the work of the company's management. Active ownership gives company management the security to act with a long-term focus.

Board representation

Active ownership is ultimately conducted through board representation. The portfolio company's chairman normally has ties to Industrivärden, which as a rule is represented by at least one director on the company's board. Such directors are

normally also members of Industrivärden's board. A detailed presentation of Industrivärden's board of directors can be found on page 49.

Nominating committee work

The composition of the boards of the portfolio companies is of central importance, which is why Industrivärden participates actively in the preparation work behind nominations of directors for company boards. Normally, the nominating committee chair for a portfolio company has ties to Industrivärden, which as a rule is represented by at least one director. Industrivärden's Executive Vice President, Carl-Olof By, is responsible for the Group's corporate governance work and represents Industrivärden on the portfolio companies' nominating committees.



Sverker Martin-Löf

Doctor of Technology, Honorary Ph.D. Chairman of Industrivärden, SCA, Skanska and SSAB. Vice Chairman of Ericsson. Director of Svenska Handelsbanken. Former CEO of SCA, with experience from several executive positions at SCA.

Fredrik Lundberg,

M.Sc. Eng., MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering. President and CEO of L E Lundbergföretagen. Chairman of Holmen and Hufvudstaden. Vice Chairman of Svenska Handelsbanken. Director of L E Lundbergföretagen, Sandvik and Skanska. Active in L E Lundbergföretagen since 1977.

Hans Larsson

B.A. Chairman of Handelsbanken. Director of Holmen. Former CEO of Nordstjernan, Esselte and Swedish Match.

Stuart Graham

MBA. Director of Skanska, PPL Corporation and Harsco Corporation. Former CEO of the Skanska Group, Skanska USA and Sordoni Skanska, among others.

Boel Flodgren

J.S.D., Honorary Doctor of Economics and Business Administration, Professor. Director of Brinova and the University of Copenhagen. Professor of Business Law and former President of Lund University.

Christian Caspar

MBA. Director of Stena and Bonnier. More than thirty years of experience in senior positions with McKinsey & Company.

Anders Nyren

MBA, U.S. MBA. President and CEO of Industrivärden. Chairman of Sandvik. Vice Chairman of Svenska Handelsbanken. Director of Ericsson, SCA, SSAB, Volvo, Ernströmgruppen, the Stockholm School of Economics, and the Stockholm School of Economics Association. Former Executive Vice President of Skanska, Nordbanken and Securum. Former CEO of OM International and other companies.



ANALYSIS

Industrivärden has a cost-efficient organization that is distinguished by high flexibility and short decision-making channels. The Company has just over 20 employees, seven board members and an extensive contact network with specialist expertise. Operations are project-oriented and involve personnel from both the investment organization and staff functions.

Each portfolio company and potential new-investment candidate is monitored by an investment team. The investment team performs a fundamental company analysis that culminates in a so-called core analysis. Based on this analysis, the team continuously updates an action plan, which serves as a platform for the design, implementation and evaluation of Industri-

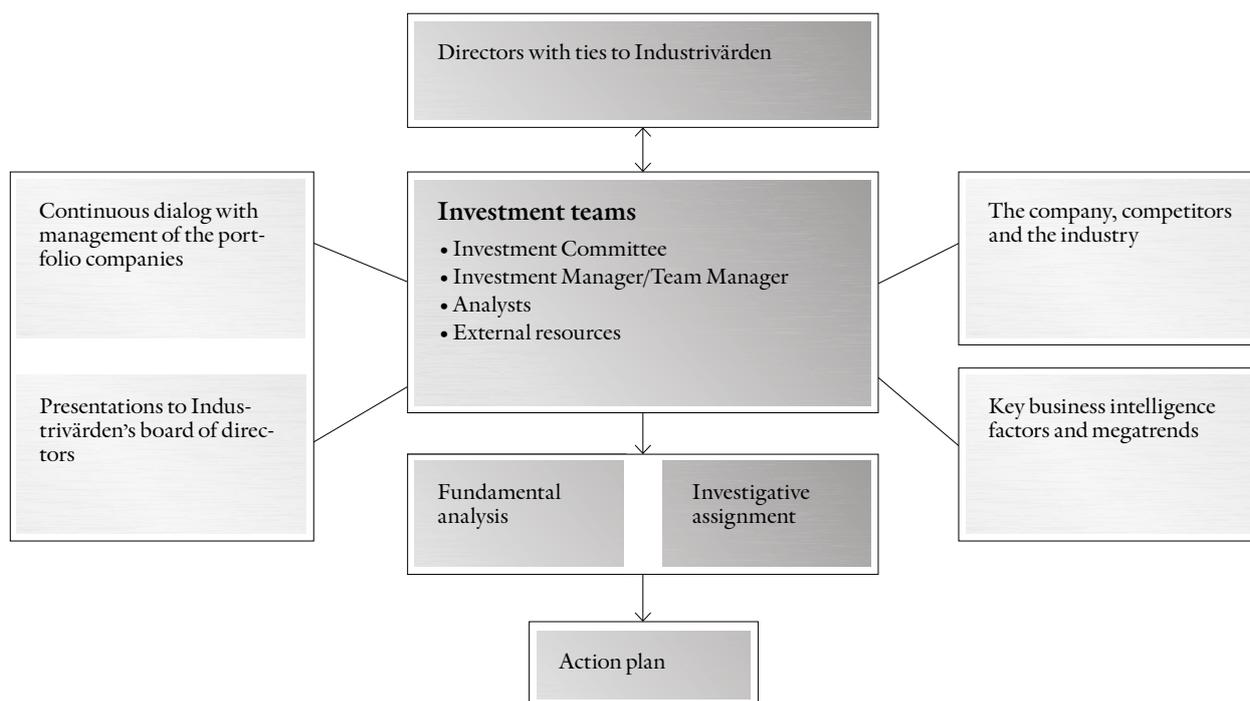
värden's active ownership. The aim is primarily to identify and describe various opportunities for value growth as well as strategic measures for achieving this value.

All analysis is based on external information material. Each investment team presents its action plan on a continuous basis to the director or directors with ties to Industrivärden serving on the board of the portfolio company. In this way, Industrivärden's representatives are provided with a current picture of identified opportunities and measures. The investment teams also conduct an ongoing dialog with the company management of the respective portfolio companies. By working with sound, well-researched ideas, Industrivärden can exert influence on the respective portfolio companies'

boards. In this way, over time parts of the action plans can be put to concrete work in the portfolio company for future value creation.

Corporate social responsibility

Industrivärden has a long tradition of corporate responsibility, both in its role as an active owner and as a listed company. A fundamental value held by Industrivärden is that social and environmental responsibility create business opportunities that contribute to long-term shareholder value. All businesses shall conform to laws and generally accepted regulations, and are responsible for drawing up relevant guidelines with quantifiable goals.





Visit at Skanskas' infrastructure project – St. Bartholomew's Hospital in London.

Carl-Olof By
Executive Vice President,
B.A., M. Pol. Sc.

Fredric Calles
Head of Short-Term Trading,
MBA

Sverker Sivall
Head of Corporate Communications,
MBA

Anders Nyrén
President and CEO,
MBA, U.S. MBA

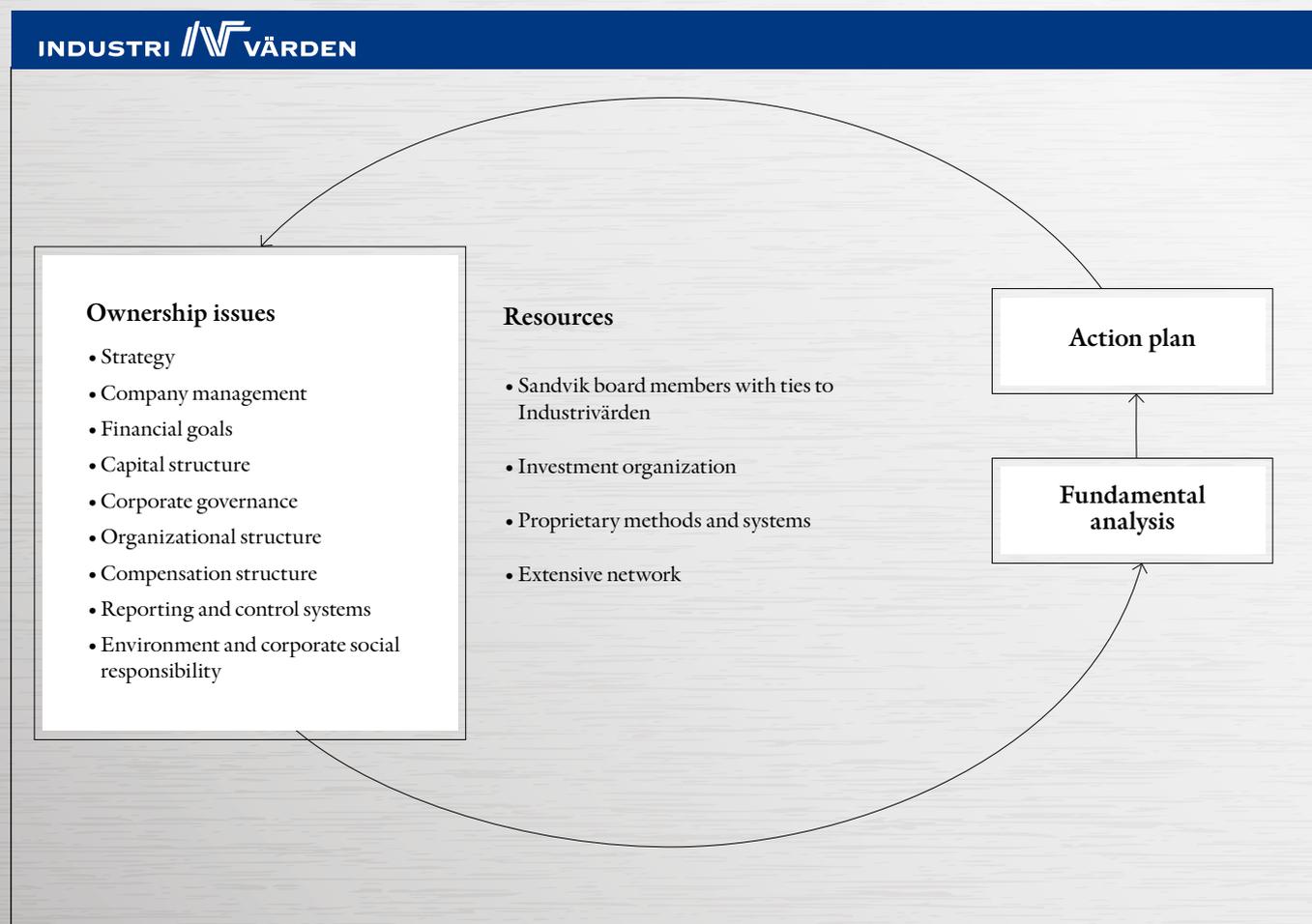
Martin Hamner
Chief Financial Officer,
MBA

Executive Management and Investment Committee

The CEO is responsible for Industrivärden's day-to-day administration, which is handled by the Company's Executive Management. This work involves strategic, organizational and financing matters as well as control and follow-up, among other things. Industrivärden's Executive Management also serves as the Investment Committee, which adopts action plans and makes investment decisions within set mandates. Representatives of the Executive Management participate on the investment teams, with overarching responsibility.

Industrivärden works with a lean and flexible organization, thus enabling the Executive Management to participate actively in the operating activities within their respective areas. A substantial part of the CEO's work time is dedicated to board work within the framework of active ownership in the portfolio companies. Other members of the Executive Management can also contribute with specialist expertise on Industrivärden's investment teams. A detailed presentation of the members of the Executive Management can be found on page 50.

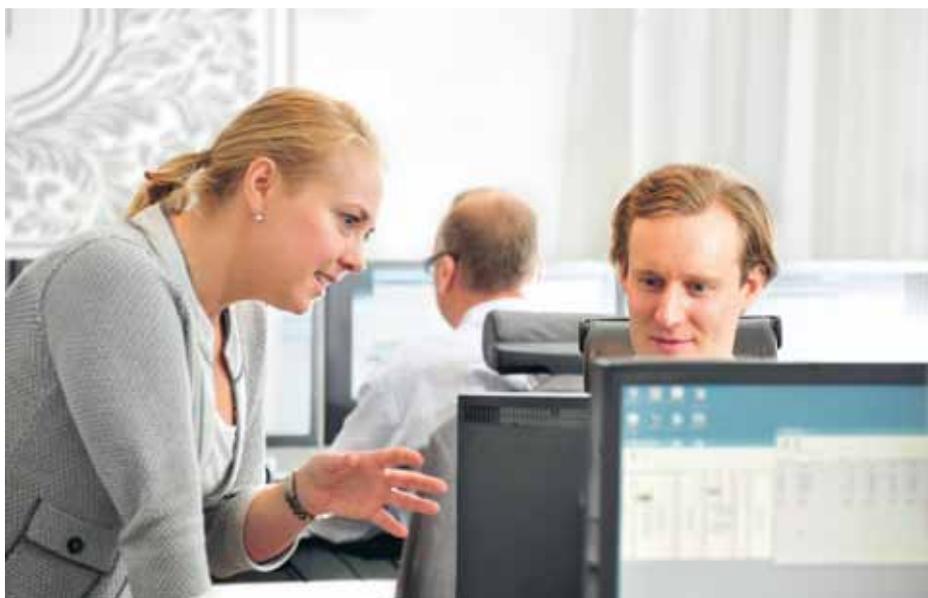
VALUE CREATION THROUGH INFLUENCE, KNOWLEDGE AND INVOLVEMENT – WITH SANDVIK AS AN EXAMPLE



EQUITY TRADING

Industrivärden has a separate, short-term trading function to support the investment activities with market information and to execute investment decisions. In an effort to generate excess returns, short-term trading is conducted in equities and equity-related instruments. Value is created primarily through derivative transactions in the shares of existing portfolio companies.

By monitoring the market's valuation of the portfolio companies over time, Industrivärden has gained a good feeling for the market's pricing of the portfolio companies' stocks. To utilize this knowledge, short-term derivative transactions are conducted to a limited extent on a continuous basis in Industrivärden's long-term equity investments. Industrivärden's short-term trading, which has been highly successful, has generated earnings of approximately SEK 1 billion since the start in 2003.



Short-term trading operations.

SANDVIK

Board work

Anders Nyrén, Chairman of the Board, and Fredrik Lundberg, director, have ties to Industrivärden. Twelve board meetings were held in 2011. Following were some of the more important matters of business:

- Olof Faxander, who was appointed as CEO in December 2010, took office in February 1, 2011.
- Focus on the company's strategic direction.
 - Five business areas and clearer operational focus.
 - Stronger platform for joint resources.
 - New model for business control.
- Structure, objectives and organizational matters.
- New Group management.
- Acquisition of Seco Tools.
- New long-term incentive program.
- Drafting of dividend proposal.

Continuous dialog and company visits

In 2011, Industrivärden's company team held three meetings with senior executives of Sandvik. The team participated at several capital market days held by major engineering companies and paid a number of company visits to various players in the industry around the world.

Collaboration with other major shareholders

In 2011, continuous, customary dialog was held with other major shareholders of Sandvik.

Recommendation for board members

- Carl-Olof By, Nominating Committee chair, represents the shareholder Industrivärden. During the 2011 calendar year, five Nominating Committee meetings were held, and the Nominating Committee's recommendation for election of board members was presented in March 2011.
- At the Annual General Meeting in May 2011, the directors were elected in accordance with the Nominating Committee's recommendation.



ACTIVE OWNERSHIP IN PRACTICE

	Investment case	Strategic decisions
	<p>HANDELSBANKEN</p> <p>A well developed universal banking business and decentralized branch network with local customer responsibility contribute to high customer satisfaction and good profitability.</p>	<ul style="list-style-type: none"> • Consistently applied business model. • Organic growth in priority markets in the Nordic countries and the UK. • Strong financial position and strengthened market position in a turbulent operating environment.
	<p>SANDVIK</p> <p>Through a niche focus and strong R&D position, Sandvik has established a world-leading position in materials technology with products primarily for the manufacturing, mining and construction industries.</p>	<ul style="list-style-type: none"> • Strategic focus and new organization. • New Group management. • Consolidation of completed acquisitions. • Strong positions in emerging markets.
	<p>VOLVO</p> <p>Through innovative, customer-adapted product development and high quality, Volvo has attained a world-leading position in commercial transport solutions.</p>	<ul style="list-style-type: none"> • Strategic focus and new organization. • New Group management. • Strong position in Asia, among other growth markets. • Development of new platform of medium-duty engines.
	<p>SCA</p> <p>Europe's leading producer of hygiene products, with a fast-growing range of personal care products. Europe's largest private forest owner.</p>	<ul style="list-style-type: none"> • Restructured product portfolio with focus on growth in the hygiene segment. • Stronger presence in hygiene segment in Brazil. • Strengthening of global and regional brands. • Accelerated pace of innovation.
	<p>ERICSSON</p> <p>The market's largest and most profitable supplier of mobile telephony infrastructure, with a leading position in telecom development.</p>	<ul style="list-style-type: none"> • Strong position ahead of operators' investments in the next generation of telecom systems (4G). • North America's leading supplier of network systems through goal-oriented acquisitions and contracts. • Acquisition of U.S. company Telcordia for SEK 7 billion strengthens position in multimedia solutions.
	<p>SSAB</p> <p>World-leading position in advanced high-strength steel segments creates solid foundation for growth and sustained high profitability.</p>	<ul style="list-style-type: none"> • North American acquisition has increased capacity and enables continued international expansion. • Greater focus on growth markets for specialty products.
	<p>SKANSKA</p> <p>Comprehensive know-how in construction combined with a process focus has created a leading construction services company with world-class value-creating project development.</p>	<ul style="list-style-type: none"> • Efficient construction operation generates good cash flows. • Successful model for value-creating project development.
	<p>INDUTRADE</p> <p>The combination of sales of industrial, high-tech consumables, good organic growth and a highly refined model for acquisition-based growth has resulted in impressive profitability growth.</p>	<ul style="list-style-type: none"> • Establishment in new geographic markets. • Flexibility through decentralized business model.
	<p>HÖGANÄS</p> <p>Market leader in growing niche of metal powders, used primarily for component manufacturing in the automotive industry.</p>	<ul style="list-style-type: none"> • Increased activity in emerging markets. • Focus on collaboration with customers on new component development.

Ownership focus	Board member(s) with ties to Industrivärden	Nominating committee representative/Responsible on investment team
Good profitability, strong financial position and organic growth with broadened geographic base.	Hans Larsson (Chairman), Sverker Martin-Löf, Anders Nyrén (Vice Chairman) and Fredrik Lundberg (Vice Chairman)	Carl-Olof By (nominating committee chair) Erik Røjvall (Investment Manager)
Strengthening of profitability by optimizing growth together with cost reductions.	Anders Nyrén (Chairman) and Fredrik Lundberg	Carl-Olof By (nominating committee chair) Peter Sigfrid (Team Manager)
Improved profitability through greater internal efficiency.	Anders Nyrén	Carl-Olof By (nominating committee chair) Madeleine Wallmark (Team Manager)
Profitability through greater share of hygiene products and efficiency improvement measures.	Sverker Martin-Löf (Chairman) and Anders Nyrén	Carl-Olof By (nominating committee chair) Erik Røjvall (Investment Manager)
Growth and improved profitability based on the company's leading position in end-to-end telecommunications solutions.	Sverker Martin-Löf (Vice Chairman) and Anders Nyrén	Carl-Olof By (nominating committee chair) Peter Nyström (Team Manager)
Profitability strengthened through expansion in high-strength steel niche segment.	Sverker Martin-Löf (Chairman) and Anders Nyrén	Carl-Olof By (nominating committee chair) Peter Nyström (Team Manager)
Continued favorable profitability for the construction operations combined with selective expansion in value-creating projects.	Sverker Martin-Löf (Chairman), Stuart Graham (Vice Chairman) and Fredrik Lundberg	Carl-Olof By (nominating committee chair) Erik Røjvall (Investment Manager)
Favorable profitability growth through continuous development of the company's unique business model.	Bengt Kjell (Chairman)	Carl-Olof By (nominating committee chair) Madeleine Wallmark (Team Manager)
Growth in new application areas with good profitability.	Bengt Kjell	Carl-Olof By (nominating committee member) Peter Nyström (Team Manager)

NET ASSET VALUE

Net asset value is a measure of the shareholders' total net worth in the Company, defined as the market value of the equities portfolio less interest-bearing net debt.

Net asset value at year-end 2011 was SEK 40.1 billion (57.7), or SEK 104 per share (149). Net asset value including reinvested dividends grew 10% per year during the 20-year period 1992–2011, compared with 12% for the return index.

The long-term growth of net asset value is shown in the charts on page 19.

EQUITIES PORTFOLIO

Industrivärden's equities portfolio comprises large shareholdings in Handelsbanken, Sandvik, Volvo, SCA, Ericsson, SSAB, Skanska, Indutrade and Högånäs, all of in which Industrivärden is a long-term active owner. The companies are characterized by front positions in selected market segments, industry-leading positions and a high level of international business.

The equities portfolio, which is valued at market prices as per December 31, 2011, had a market value of SEK 56.9 billion (71.1), corresponding to SEK 147 (184) per Industrivärden share.

INVESTMENT ACTIVITIES 2011

During the year, stocks were purchased for SEK 4,461 M (2,547) net. The largest net purchases pertained to Volvo, for SEK 2,873 M, and Handelsbanken, for SEK 728 M. The shares in Volvo that were bought in 2011 correspond to 4.1% of the votes (2.2%).

PERFORMANCE OF THE EQUITIES PORTFOLIO IN 2011

The market value of the equities portfolio at year-end 2011 was SEK 56,903 M (71,092), which exceeded cost by SEK 18,389 M (37,743). Taking purchases and sales into account, the value of the equities portfolio decreased by 26% during the year (increased by 28%), while the Stockholm Stock Exchange's market index (OMXSPI), decreased by 17% during the year (increased by 23%).

Dividends received during the year totaled SEK 2,403 M (1,379). The total return for the portfolio, i.e., the change in value including reinvested dividends, was -23% (31%), compared with -14% (27%) for the return index (SIXRX).

SHORT-TERM TRADING

Short-term derivative transactions and short-term equity trading are conducted on a regular basis to enhance the return of the equities portfolio. Combined income from Industrivärden's short-term derivative transactions and equity trading totaled SEK 152 M (114).

INTEREST-BEARING NET DEBT

Interest-bearing net debt amounted to SEK 16.8 billion (13.4) at year-end 2011, corresponding to SEK 43 (35) per Industrivärden share. Of total net debt, SEK 8.6 billion consists of the loan portion of the convertible bonds that were issued in January 2010 and January 2011. Upon conversion, the debt is transformed to equity. The current level of debt in absolute terms is considered to be well-balanced in view of the underlying assets' size, their good liquidity and the fact that half of the debt amount consists of long-term convertible loans. The debt-equities ratio at year-end 2011 was 29%, or 14% after full conversion of the convertible loans.

ISSUE OF CONVERTIBLE LOANS

In January 2010 Industrivärden issued a five-year convertible loan worth EUR 500 M. The aim was to take advantage of strong market conditions and good credit quality to obtain attractive financing with the opportunity to issue new equity. In January 2011 a second convertible loan for six years was issued for EUR 550 M to further enhance Industrivärden's financial flexibility. Some of this capital has been used for investments in portfolio companies with favorable dividend yields and potential for growth in value – mainly Volvo, Handelsbanken and Sandvik.

NET ASSET VALUE

SEK billion	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Equities portfolio	56.9	71.1	53.5	34.7	65.8
Interest-bearing net debt	-16.8	-13.4	-10.8	-10.8	-11.0
of which, interest-bearing loans	-8.2	-9.2	-10.8	-10.8	-11.0
of which, convertible loans	-8.6	-4.2	-	-	-
Net asset value	40.1	57.7	42.8	23.9	54.8
Net asset value per share, SEK	104	149	111	62	142
Debt-equities ratio, %	29.5	18.9	20.1	31.1	16.6
Net asset value per share, SEK after full conversion	106	144	-	-	-
Debt-equities ratio, % after full conversion	14.5	13.0	-	-	-

EQUITIES PORTFOLIO AS PER DECEMBER 31, 2011

	No. of shares	Market value, SEK M	Cost, SEK M	Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
Handelsbanken	67,810,927	12,274	7,155	21	10.9	11.1
Sandvik	144,577,252	12,210	7,277	21	12.2	12.2
Volvo	122,768,857	9,323	10,869	16	5.8	15.0
SCA	70,800,000	7,174	2,611	13	10.0	29.1
Ericsson	80,708,520	5,613	3,555	10	2.5	14.3
SSAB	56,860,957	3,443	4,178	6	17.6	22.6
Skanska ¹	28,366,306	3,234	1,931	6	6.8	23.7
Indutrade	14,727,800	2,695	102	5	36.8	36.8
Höganäs	4,408,046	937	836	2	12.6	10.0
Total		56,903	38,514	100		

¹) Skanska's Class A shares, which are not listed on the Stockholm Stock Exchange, have been assigned the same value as the Class B shares.

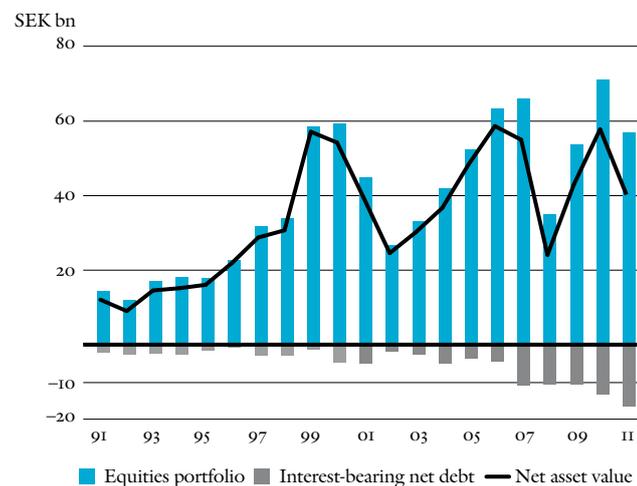
PERFORMANCE OF HOLDINGS IN THE EQUITIES PORTFOLIO 2011

	Price change, %	Total return, %	Total return ¹			
			5 years, %	10 years, %	20 years, %	
Handelsbanken	-16	-12	2	6	15	
Sandvik	-36	-34	0	11	13	
Volvo	-34	-32	-1	13	14	
SCA	-4	0	0	5	9	
Ericsson	-6	-3	-10	-9	9	
SSAB	-46	-45	-14	11	14	
Skanska	-14	-6	3	11	12	
Indutrade ²	-21	-19	10	-	-	
Höganäs	-19	-16	9	7	-	
Equities portfolio	-26	-23				
Index (OMXSPI):	-17	Index (SIXRX):	-14	0	6	12

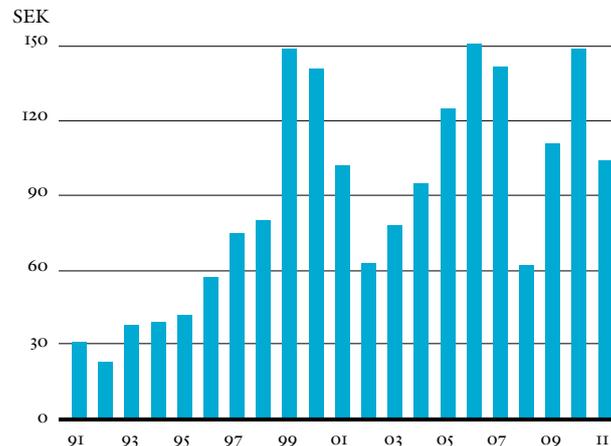
¹) Average annual total return.

²) Indutrade was listed on the stock market on October 5, 2005.

GROWTH OF NET ASSET VALUE



NET ASSET VALUE PER SHARE



Average annual growth in net asset value during the last ten- and twenty-year periods was 4% and 10%, respectively, including reinvested dividends.

INDUSTRIVÄRDEN SHARE DATA

During the last 20-year period, the total return including reinvested dividends was 12% for the Class A shares and 13% for the Class C shares, compared with 12% for the market as a whole. In 2011 the total return was –25% for the Class A shares and –28% for the Class C shares, compared with –14% for the market as a whole.

Trading volume of Industrivärden shares on the Stockholm Stock Exchange in 2011 was SEK 19 billion (16), corresponding to a turnover rate of 13% (25%) for the Class A shares and 89% (91%) for the Class C shares. Average daily trading volume was 233,000 Class A shares and 526,000 Class C shares.

DIVIDEND

Industrivärden's dividend policy is to pay the shareholders a dividend yield that is higher than the average for listed Swedish stocks. This goal has been achieved every year during the last ten-year period. The dividend should be well balanced with respect to the goals, scope and risk of operations. The Board of Directors has proposed that the 2012 Annual General Meeting declare a dividend of SEK 4.50 (4.00) per share, corresponding to a dividend yield of 5.2% for the Class A shares and 5.5% for the Class C shares.

INDUSTRIVÄRDEN'S STOCK AND SHAREHOLDERS

Industrivärden's Class A and Class C shares are listed on the Stockholm Stock Exchange (NASDAQ OMX Nordic, Stockholm). Industrivärden's stock is listed in the large cap segment, consisting of companies with a market capitalization in excess of EUR 1 billion. Industrivärden has 49,000 shareholders (49,000). Foreign ownership in the Company is 12% (10%).

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

EMPLOYEE SHAREHOLDINGS IN INDUSTRIVÄRDEN

Information on shareholdings of Company directors, members of the executive management and senior executives is provided on pages 49–50.

INDUSTRIVÄRDEN'S STOCK AS PER DECEMBER 31, 2011

Number of shares	Capital stock, SEK M	Percentage of	
		votes	shares
268,530,640 Class A shares	671.4	96	70
117,740,584 Class C shares	294.3	4	30
386,271,224 shares	965.7	100	100

CONVERSION TO CLASS A AND CLASS C SHARES

At the Annual General Meeting on May 5, 2011, a share conversion clause was added to Industrivärden's articles of association. Shareholders have the right at any time to convert Class A shares to Class C shares. Conversion forms are available on Industrivärden's website under the "Share data" menu. A total of 16,764 Class A shares were converted to Class C shares in 2011.

CONVERSION TO CLASS C SHARES

The issues of convertible bonds that were decided on in 2010 and 2011 will increase the number of underlying shares by 74 million new Class C shares upon full conversion at the original conversion prices. No conversions took place in 2011.

INDUSTRIVÄRDEN CONVERTIBLE LOANS

	Nominal value, EUR M	Conversion price, SEK	Fixed conversion price, SEK	Maximum number of additional Class C shares, millions
Convertible loan 2010–2015	500	115.50	10.2258	44.3
Convertible loan 2011–2017	550	162.00	8.8803	30.1

DIVIDEND

SEK	2011	2010	2009	2008	2007
Dividend	4.50 ¹	4.00	3.00	4.50	5.00
Annual growth in dividend, %	13	33	–33	–10	11
Dividend yield, Class A shares, %	5.2	3.3	3.4	7.9	4.4
Dividend yield, Class C shares, %	5.5	3.4	3.6	9.0	4.8
Dividend yield for Stockholm Stock Exchange, % ²	3.8	3.2	2.8	4.5	4.0

¹) Proposed by the Board of Directors.

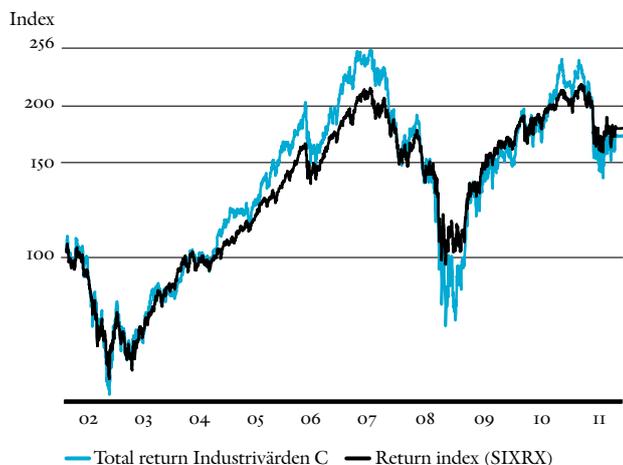
²) Source: NASDAQ OMX. Preliminary figures for 2011 in February 2012.

OWNERSHIP STRUCTURE AT DECEMBER 31, 2011¹

Largest shareholders	Number of shares	Percentage of	
		votes	capital stock
L E Lundbergföretagen	50,000,000	12.9	17.8
Handelsbanken Pension Foundation	29,800,000	7.7	10.6
Handelsbanken Pension Fund	29,350,000	7.6	10.5
Jan Wallander and Tom Hedelius Foundation	25,800,000	6.7	9.2
SCA Pension Foundation	18,824,080	4.9	6.7
SCA Group Holding	10,525,655	2.7	3.8
Swedbank Robur Mutual Funds	9,707,585	2.5	0.5
SCA Vorsorge-Treuhand	9,514,630	2.5	3.4
Government of Norway	7,787,569	2.0	1.4
SCA Pension Foundation for salaried employees and foremen	7,018,336	1.8	2.5
Svenska Handelsbanken	6,669,521	1.7	2.4
Fredrik Lundberg	5,240,000	1.4	1.9
AMF Pension	4,525,000	1.2	0.2
Skandia Liv	4,014,245	1.0	0.2
Third Swedish National Pension Fund	3,613,841	0.9	0.6
Second Swedish National Pension Fund	3,526,916	0.9	0.3
Tore Browaldh Foundation	3,410,000	0.9	1.2
State Street Bank, Pension Fund	2,601,769	0.7	0.4
Oktogonen	2,476,875	0.6	0.9
Total above	234,406,022	60.7	74.3
Other shareholders	151,865,202	39.3	25.7
Total Industrivärden	386,271,224	100.0	100.0

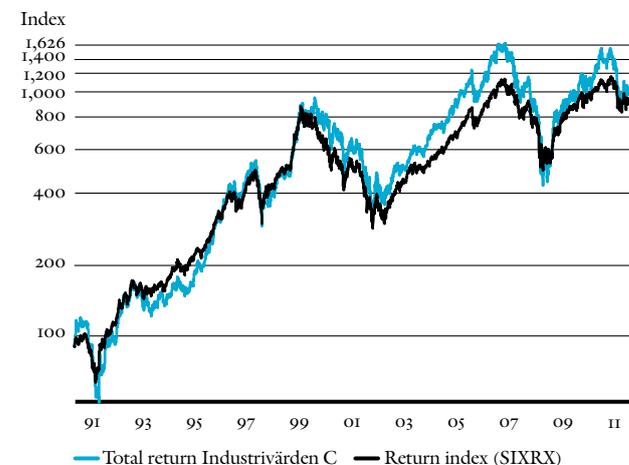
1) Source: Euroclear.

INDUSTRIVÄRDEN'S TOTAL RETURN, 10 YEARS

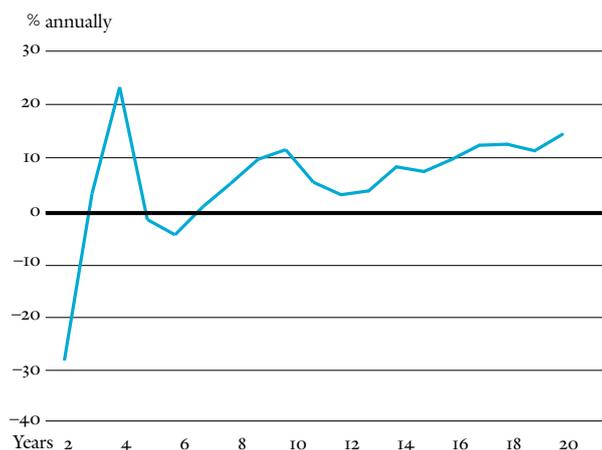


The average annual total return during the last ten and twenty year periods was 5% and 13%, respectively.

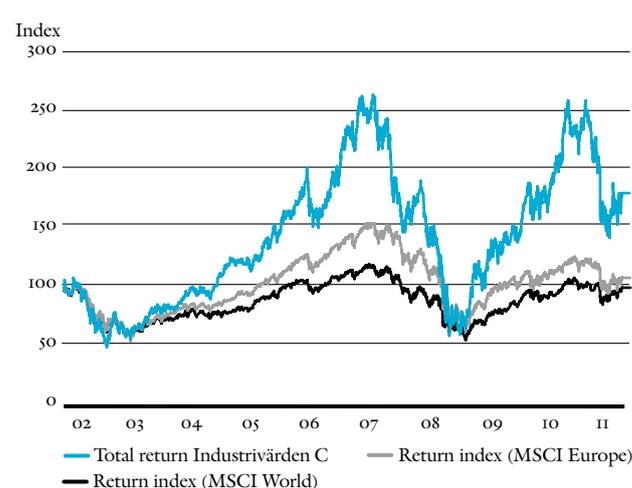
INDUSTRIVÄRDEN'S TOTAL RETURN, 20 YEARS



INDUSTRIVÄRDEN C, ANNUAL TOTAL RETURN



TOTAL RETURN FOR INDUSTRIVÄRDEN'S STOCK



Morgan Stanley index. All data denominated in EUR.

PROFITABLE GROWTH THROUGH LOCAL CUSTOMER RESPONSIBILITY



Handelsbanken

HOLDING

Shares: 67,810,927 Class A shares

Market value: SEK12,274 M

Share of votes: 11.1% Share of capital: 10.9%

Share of equities portfolio: 21%

OPERATIONS

Handelsbanken is a universal bank whose business concept is to offer a comprehensive range of high quality financial services to private and corporate customers in the Nordic region and the U.K. A fundamental tenet of this concept is that overall customer responsibility rests with the local branch that serves the customer. This enables deep and enduring customer relationships that are characterized by availability, simplicity and a high degree of service. The branches conduct their marketing activities by assigning local priorities to customer categories or product areas. Through consistent application of this highly effective business model, Handelsbanken has established a strong financial position and has strengthened its market position in a turbulent environment. Low risk appetite has contributed to considerably lower loan losses than the industry as a whole and favorable share dividends even during financial crises, without the need for new issues and/or government support. Handelsbanken has a strong position in the Swedish market, with 461 branches. In the other Nordic countries the bank has a total of 149 branches, plus 104 branches in the U.K. and 32 in the rest of the world. In all, Handelsbanken conducts business in 22 countries. Operations are geared for continued growth, mainly organic, in selected markets.

Handelsbanken aspires to have the most satisfied customers while achieving higher cost effectiveness than its peer banks. Profitability is always prioritized above volume. In the bank's lending activities, this entails that credit quality may never be sacrificed to achieve higher volumes or margins.

PERFORMANCE 2011

- Operating income rose 12% to SEK 16.5 billion (14.8). Total income amounted to SEK 32.8 billion (31.3). Net interest income rose 11% to SEK 23.6 (21.3) billion, and net commissions decreased to SEK 7.7 billion (8.0).
- Loan losses decreased to SEK 0.8 billion (1.5).
- Return on equity increased to SEK 13.5% (12.9%).
- Continued organic growth in the U.K. reaching a total of 104 branches (83) at year-end.
- Strong financial position and top ratings.

HANDELSBANKEN AT A GLANCE

Board members with ties to Industrivärden: Hans Larsson (Chairman), Sverker Martin-Löf, Anders Nyrén (Vice Chairman) and Fredrik Lundberg (Vice Chairman)

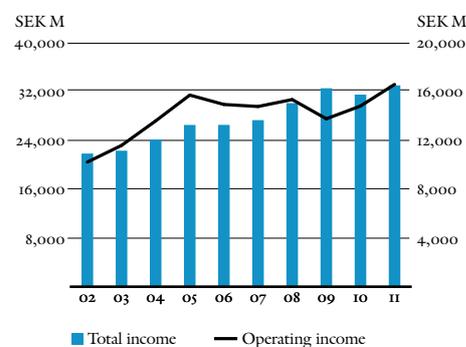
CEO: Pär Boman

For more information on Handelsbanken, visit www.handelsbanken.com.

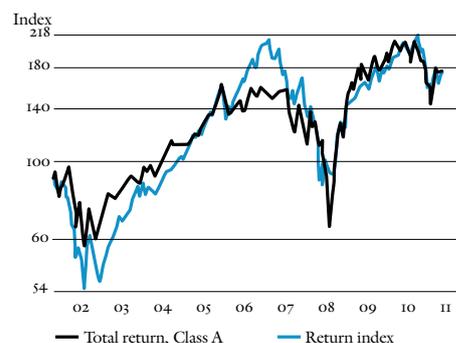
KEY DATA	2011	2010
Earnings per share, SEK	19.78	17.72
Dividend per share, SEK	9.75 ¹	9.00
Share price on December 31, SEK		
Class A shares	181.00	214.90
Class B shares	176.90	211.50

¹) Proposed by the board of directors.

TOTAL INCOME AND OPERATING INCOME



HANDELSBANKEN'S STOCK



GROWTH THROUGH MARKET-LEADING DEVELOPMENT AND CUSTOMER FOCUS



SANDVIK

HOLDING

Shares: 144,577,252 shares

Market value: SEK 12,210 M

Share of votes: 12.2% Share of capital: 12.2%

Share of equities portfolio: 21%

OPERATIONS

Sandvik is a high-technology industrial group with unique experience in extraction, development and shaping of metals and other materials. With a global base of operations, the company works as a local partner in 130 countries. The Group is structured in five business areas, including four core areas in which the goal is to have a world-leading position: Machining Solutions specializes in productivity-enhancing products and solutions for advanced metalworking; Mining focuses on products, solutions and service for the mining industry; Construction offers products for selected segments of the construction industry; Materials Technology manufactures high value-added and advanced products in selected niches. The fifth business area, Venture, consists mainly of attractive and fast-growing businesses with ties to Sandvik's core areas.

Sandvik's strength factors include major know-how in materials technology based on advanced R&D and a keen understanding of customers' processes, in-house manufacturing, direct sales to end customers, efficient logistics systems and a strong company culture. Sandvik aspires for world class in its core areas, increased speed in all processes, greater focus in selected core businesses and a more global approach with strong local ties.

PERFORMANCE 2011

- Net sales rose 20% to SEK 94.1 billion.
- Income after net financial items amounted to SEK 8.2 billion (9.4).
- Operating income pro-forma was SEK 6.5 billion for Machining Solutions, SEK 5.4 billion for Mining, SEK 0.3 billion for Construction, SEK 0.7 billion for Materials Technology, and SEK 1.4 billion for Venture.
- Olof Faxander new CEO since February 2011.
- Strategic focus and new organization.
- A new organizational structure with five business areas took effect on January 1, 2012, along with new Group management.
- Acquisition of Seco Tools.

SANDVIK AT A GLANCE

Board members with ties to Industrivärden:

Anders Nyrén (Chairman) and Fredrik Lundberg

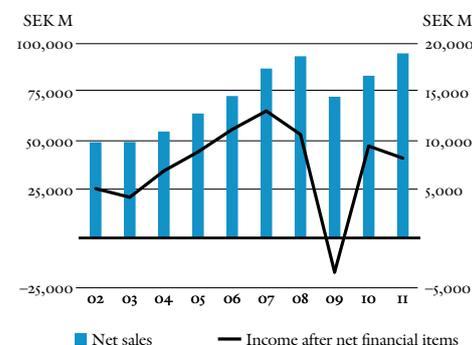
CEO: Olof Faxander

For more information on Sandvik, visit www.sandvik.com.

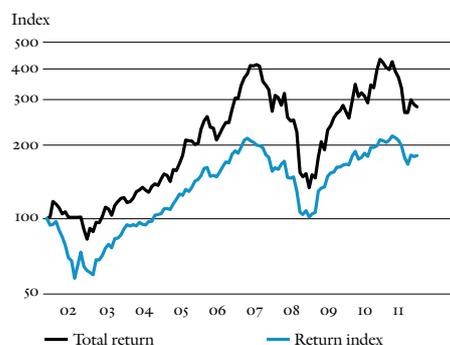
KEY DATA	2011	2010
Earnings per share, SEK	4.63	5.59
Dividend per share, SEK	3.25 ¹	3.00
Share price on December 31, SEK	84.45	131.10

¹) Proposed by the board of directors.

NET SALES AND INCOME



SANDVIK'S STOCK



WORLD LEADER IN COMMERCIAL TRANSPORT SOLUTIONS



VOLVO

HOLDING

Shares: 121,506,918 Class A shares and

1,261,939 Class B shares

Market value: SEK 9,323 M

Share of votes: 15.0% Share of capital: 5.8%

Share of equities portfolio: 16%

OPERATIONS

Volvo Group is a world-leading supplier of commercial transport solutions, with sales in some 180 countries. The company's products are distinguished by care for the environment and energy efficiency. The business is based on extensive knowledge about diesel engines, where the Group coordinates its production and R&D based on a joint architecture and shared technology. Volvo Group has experienced favorable development during the last decade and has grown to become a truly global and leading player. Volvo Group is today one of the world's largest manufacturers of heavy trucks and the third-largest maker of construction equipment, with a market-leading position in wheel loaders and excavators in China.

Trucks are sold under the Volvo, Renault, Mack and UD Trucks brands, and under the Eicher brand by an Indian joint-venture company. At the start of 2012 a new organizational structure was adopted to further improve coordination in the truck operations and to create greater focus on development in markets, sales and brands. Volvo Group also offers construction equipment through the Volvo Construction Equipment unit. The Group also manufactures and sells buses, engines, and aircraft engine components.

Volvo's positions have strengthened in many markets across Asia following the acquisitions of UD Trucks and Lingong, and the joint venture with the Indian company Eicher in trucks and buses. Volvo Group also has strong positions in emerging markets in Eastern Europe and South America. Markets outside Western Europe and North America account for approximately half of the Group's total sales.

PERFORMANCE 2011

- Net sales rose 17% to SEK 310.4 billion (264.7).
- Income after financial items rose 46% to SEK 24.9 billion (15.5).
- Operating margin was record high 8.7% (6.8%).
- Strategic focus and new organization.
- New financial targets with focus on competitive profitability.
- Olof Persson new CEO since September 2011.
- Process initiated to sell Volvo Aero.

VOLVO AT A GLANCE

Board member with ties to Industrivärden: Anders Nyren

Chairman: Louis Schweitzer

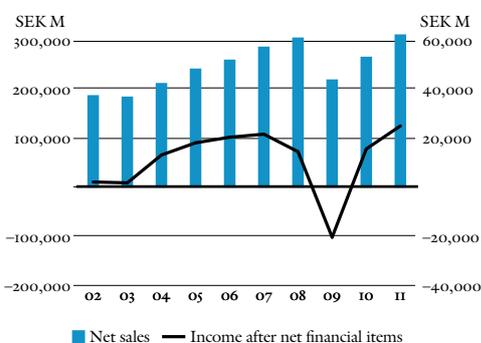
CEO: Olof Persson

For more information on Volvo Group, visit www.volvogroup.com.

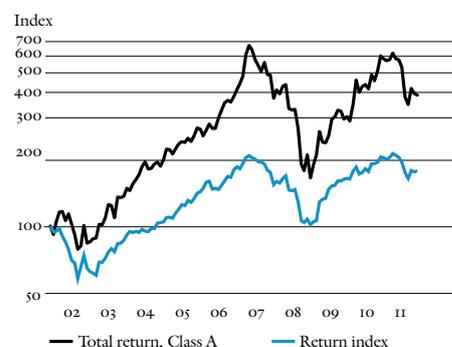
KEY DATA	2011	2010
Earnings per share, SEK	8.75	5.36
Dividend per share, SEK	3.00 ¹⁾	2.50
Share price on December 31, SEK		
Class A shares	75.95	114.50
Class B shares	75.30	117.00

¹⁾ Proposed by the board of directors.

NET SALES AND INCOME



VOLVO'S STOCK



LEADING GLOBAL HYGIENE PRODUCTS COMPANY



HOLDING

Shares: 43,100,000 Class A shares and 27,700,000 B shares

Market value: SEK 7,174 M

Share of votes: 29.1% Share of capital: 10.0%

Share of equities portfolio: 13%

OPERATIONS

SCA is a global hygiene products and paper company that develops, produces and markets personal care products, tissue, publication paper and forest products. SCA is Europe's largest private forest owner.

Operations are global, with sales in more than 100 countries and manufacturing in approximately 40 countries. SCA produces a growing array of innovative and highly refined products and services. Roughly 60% of sales are hygiene products such as toilet paper, kitchen rolls, facial tissue, incontinence products, feminine care products and diapers. SCA is the global market leader in incontinence products. SCA's sales are based on a portfolio of strong brands along with products sold under retailers' private labels. SCA has two global brands – TENA for incontinence products and Tork for tissue for the away-from-home (AFH) market – both generating in excess of EUR 1 billion in annual sales. A growing share of SCA's hygiene product sales are in emerging markets.

PERFORMANCE 2011

- Net sales totaled SEK 106 billion (107).
- Profit after financial items totaled SEK 8.0 billion (8.5).
- Acquisition of Georgia-Pacific's European tissue business for SEK 12.6 billion on a debt-free basis strengthens SCA's position in Europe and generates considerable synergies.
- Several strategic investments and acquisitions in the hygiene segment in emerging markets, including Brazil, Russia and Turkey.
- Business in Australasia sold to a co-owned joint venture, reducing net debt by SEK 3.2 billion.
- The packaging operations are being divested during the first half of 2012 for approximately SEK 15 billion on a debt-free basis.
- Reorganization of hygiene operations.

SCA AT A GLANCE

Board members with ties to Industrivärden:
Sverker Martin-Löf (Chairman) and Anders Nyren

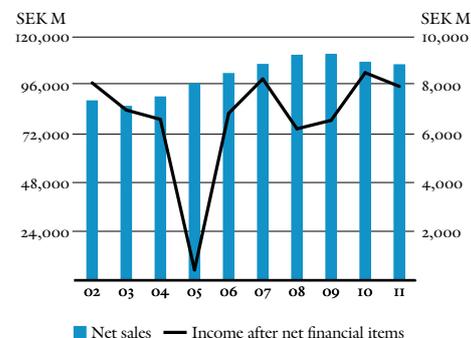
CEO: Jan Johansson

For more information on SCA, visit www.sca.com.

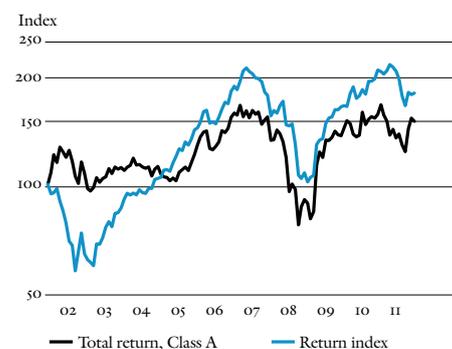
KEY DATA	2011	2010
Earnings per share, SEK	0.78	7.90
Dividend per share, SEK	4.20 ¹	4.00
Share price on December 31, SEK		
Class A shares	100.90	105.50
Class B shares	102.00	106.20

¹) Proposed by the board of directors.

NET SALES AND INCOME



SCA'S STOCK



WORLD LEADER IN TELECOM INDUSTRY



ERICSSON 

HOLDING

Shares: 80,708,520 Class A shares

Market value: SEK 5,613 M

Share of votes: 14.3% Share of capital: 2.5%

Share of equities portfolio: 10%

OPERATIONS

Ericsson is the world's leading supplier of communication networks and related services for telecom operators. The company is a global player with customers in more than 180 countries and one of the few companies that can offer end-to-end solutions for all major mobile communication standards. Ericsson is the world leader in mobile networks and is at the forefront of the 4G (LTE) global mobile broadband standard. Through long-term relationships with all major operators, Ericsson delivers the networks for more than 40% of the world's mobile subscribers. Today Ericsson has a strong product portfolio in mobile systems as well as in fixed line networks and business support systems. Operations are conducted primarily in three business segments. Networks develops and supplies equipment and software for mobile networks and fixed-line networks. Multimedia develops and supplies software-based solutions for TV, media applications and business support systems for telecom operators. Global Services offers services in installation, integration, operation and support. The Services segment, in which Ericsson has a leading position, accounts for 40% of consolidated sales.

PERFORMANCE 2011

- Net sales rose 12% to SEK 226.9 M (203.3).
- Income after net financial items rose 15% to SEK 18.1 billion (15.8).
- Further strengthening of position in mobile broadband through a leading product offering and successful utilization of market dynamics.
- Strengthened offering of operational support to telecom operators in the Multimedia business area through acquisition of U.S. company Telcordia for SEK 7 billion.
- Leif Johansson new Chairman since April 2011.
- Sale of interest in Sony Ericsson to Sony for approximately SEK 9.5 billion.

ERICSSON AT A GLANCE

Board members with ties to Industrivärden:

Sverker Martin-Löf (Vice Chairman)

and Anders Nyrén

Chairman: Leif Johansson

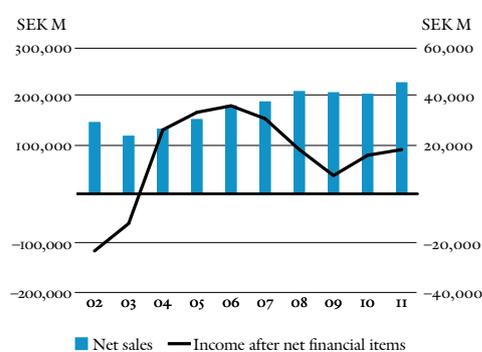
CEO: Hans Vestberg

For more information on Ericsson, visit www.ericsson.com.

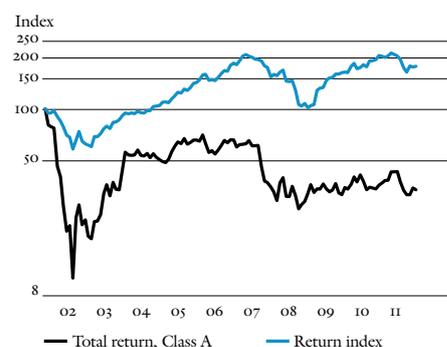
KEY DATA	2011	2010
Earnings per share, SEK	3.77	3.46
Dividend per share, SEK	2.50 ¹⁾	2.25
Share price on December 31, SEK		
Class A shares	69.55	74.00
Class B shares	70.40	78.15

¹⁾ Proposed by the board of directors.

NET SALES AND INCOME



ERICSSON'S STOCK



LEADER IN HIGH-STRENGTH STEEL



SSAB

HOLDING

Shares: 56,105,972 Class A shares and 754,985 Class B shares
Market value: SEK 3,443 M
Share of votes: 22.6% *Share of capital:* 17.6%
Share of equities portfolio: 6%

OPERATIONS

SSAB is a leading producer of high-strength steel with a base in the Nordic countries and North America. Niche products such as high-strength steel account for approximately 37% of total output, and this share will grow over time. In Sweden, production is integrated in blast furnace processes, while in the U.S., production is based on scrap metal and is conducted in modern, highly efficient electric arc furnaces.

SSAB's steel operations have been successfully developed through a conscious specialization strategy aimed at fortifying the company's position as a leading producer of high-strength steel. SSAB's steel creates productivity and environmental benefits by making customers' products lighter, stronger and more durable. SSAB has achieved strong market positions in its selected product segments. In the sheet segment, SSAB specializes in advanced high-strength sheet, which is used in the engineering industry and by container manufacturers, for example. In the plate segment, SSAB is the world's leading producer of quenched steels, i.e., plate with extra high strength and good weldability and formability. Quenched steels are used in construction equipment, mining equipment and cranes, among other things. SSAB works according to a goal-oriented strategy aimed at accelerating growth for its niche products and enhancing the profitability of existing plants.

The company is also striving to strengthen its positions in the Asian market, with special focus on China. A completed investment program for quenched steels creates a good base for continued expansion in North America and emerging markets.

PERFORMANCE 2011

- Net sales rose 12% to SEK 44.6 billion (39.9).
- Income after net financial items increased substantially to SEK 2.0 billion (0.7).
- The share of niche products increased to 37% (32%).
- Strategic investment program, which has been under way for a couple of years, to increase capacity in quenched steels and strengthen presence in China.
- Martin Lindqvist new CEO since January 2011.
- An efficiency program in Europe will lead to a cost base reduction of approx. SEK 0.8 billion.

SSAB AT A GLANCE

Board members with ties to Industrivärden:
 Sverker Martin-Löf (Chairman) and Anders Nyren

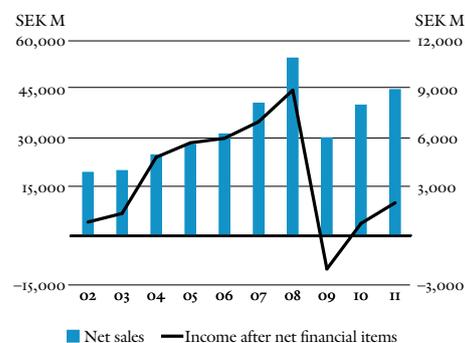
CEO: Martin Lindqvist

For more information on SSAB, visit www.ssab.com

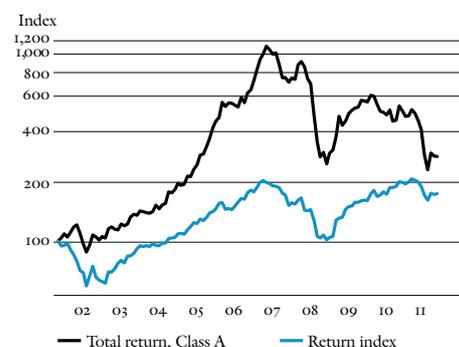
KEY DATA	2011	2010
Earnings per share, SEK	4.82	2.23
Dividend per share, SEK	2.00 ¹	2.00
Share price on December 31, SEK		
Class A shares	60.65	113.00
Class B shares	52.80	99.15

¹⁾ Proposed by the board of directors.

NET SALES AND INCOME



SSAB'S STOCK



LEADING PROJECT DEVELOPMENT AND CONSTRUCTION COMPANY



SKANSKA

HOLDING

Shares: 12,667,500 Class A shares and 15,698,806 B shares

Market value: SEK 3,234 M

Share of votes: 23.7% Share of capital: 6.8%

Share of equities portfolio: 6%

OPERATIONS

Skanska is one of the largest project development and construction companies in the world, with leading positions in its multiple home markets of Europe, the U.S. and Latin America. Its mission is to develop, build and maintain the physical environment for living, traveling and working. Skanska's overall goal is to generate customer and shareholder value, which is created in well implemented and profitable projects. The company's size and global presence create operational synergies in know-how, purchasing and product development. Financial synergies are created by investing cash flow from the construction operations in the company's project development business, generating a favorable return on capital. Operations are conducted in four business divisions: Construction, Residential Development, Commercial Development and Infrastructure Development. Construction involves both non-residential and residential building construction and civil construction and is Skanska's largest business division. The other business divisions work with value-creating product development. Residential Development develops residential projects for immediate sale primarily to private persons. Commercial Property Development initiates, develops, leases and divests commercial property projects, with a focus on office buildings, shopping malls and logistics properties. Infrastructure Development develops and invests in privately financed infrastructure projects, such as highways, hospitals, schools and power plants. Skanska strives to be the leading builder and project developer in its markets as well as in environmentally adapted and energy-efficient solutions.

PERFORMANCE 2011

- Net sales amounted to SEK 122.5 billion (121.7).
- Income after financial items amounted to SEK 9.1 billion (5.3).
- Operating income for Construction was SEK 3.5 billion (4.4), Commercial property development was SEK 1.2 billion (0.9), Infrastructure development was SEK 4.7 billion (0.3) and Residential development was SEK 0.3 billion (0.6).
- Construction contract for the New Karolinska Hospital in Stockholm worth SEK 14.5 billion, for which Skanska is a half-owner of the consortium that will build and thereafter run the hospital for 25 years.
- Several large construction contracts in the U.S.
- Sale of ownership in Chile's Autopista Central Highway for SEK 5.4 billion completed, generating capital gain of SEK 4.5 billion after tax.

SKANSKA AT A GLANCE

Board members with ties to Industrivärden:

Sverker Martin-Löf (Chairman), Stuart Graham (Vice Chairman) and Fredrik Lundberg

CEO: Johan Karlström

For more information on Skanska, visit www.skanska.com.

KEY DATA	2011	2010
Earnings per share, SEK	19.72	9.54
Dividend per share, SEK	6.00 ¹	12.00
Share price on December 31, SEK ²		
Class B shares	114.00	133.30

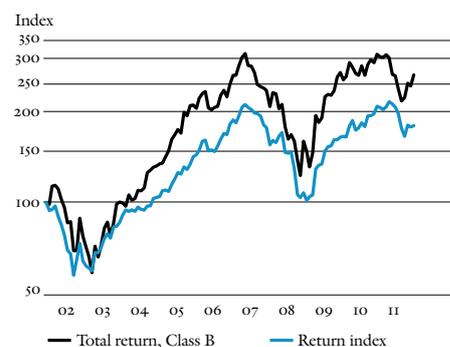
¹⁾ Proposed by the board of directors.

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

NET SALES AND INCOME



SKANSKA'S STOCK



NICHE-ORIENTED TECHNOLOGY SALES GROUP



Indutrade

HOLDING

Shares: 14,727,800 shares

Market value: SEK 2,695 M

Share of votes: 36.8% Share of capital: 36.8%

Share of equities portfolio: 5%

OPERATIONS

Indutrade is a technology sales group that manufactures, markets and sells components, systems and services with a high-tech content to industrial customers in selected niches. In addition to the technology sales business is a growing share of own manufacturing companies with proprietary brands. The focus is on niche products and services for customers with a repetitive need, which provides stability to the business and its flow of revenues. The organization is decentralized, with more than 160 companies in 25 countries which create value for their customers by structuring the value chain and enhancing the efficiency of their customers' use of technological components and systems. For Indutrade's suppliers, value is created through access to an effective sales organization with high technical expertise and established customer relationships. The aim is to make cooperation with Indutrade the most profitable way for suppliers to sell their products in the geographic markets in which Indutrade is active. Indutrade's most important product areas are valves, hydraulics and industrial equipment, measuring and analysis instruments, filters and process technology, pipe systems, automation, glass/plastics/ceramics, pumps, chemical-technical products, adhesives, medical technology and service. Key customer segments include engineering, energy, water/wastewater, pharmaceuticals, construction, and pulp and paper. The aim is to grow the business organically as well as through a tried-and-tested acquisition strategy involving continuous acquisitions of profitable companies.

PERFORMANCE 2011

- Net sales increased by 19% to SEK 8.0 billion (6.7)
- Income after net financial items totaled SEK 0.7 billion (0.6).
- A total of 12 companies were acquired in 2011, with combined net sales of SEK 0.7 billion.
- Acquisition of the Swiss company Abima, active in technical problem solving, creates platform for further expansion in Central Europe.
- The operating margin (EBITA) was 11.5% (10.4%), which exceeded the long-term target of at least 10% over a business cycle.

INDUTRADE AT A GLANCE

Board member with ties to Industrivärden:

Bengt Kjell (Chairman)

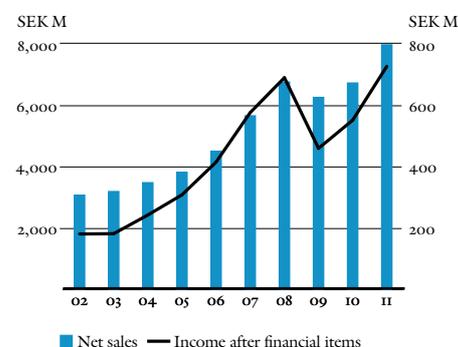
CEO: Johnny Alvarsson

For more information on Indutrade, visit www.indutrade.com.

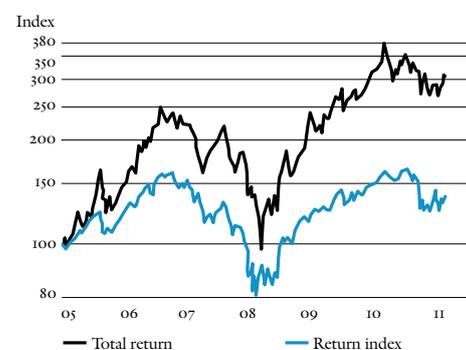
KEY DATA	2011	2010
Earnings per share, SEK	13.50	10.18
Dividend per share, SEK	6.75 ¹	5.10
Share price on December 31, SEK	183.00	232.00

¹) Proposed by the board of directors.

NET SALES AND INCOME



INDUTRADE'S STOCK



WORLD LEADER IN METAL POWDER TECHNOLOGY

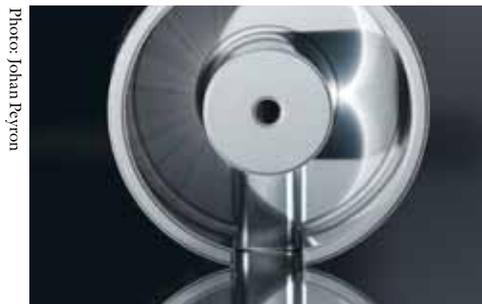


Photo: Johan Peyron

Höganäs 

HOLDING

Shares: 4,408,046 Class B shares

Market value: SEK 937 M

Share of votes: 10.0% *Share of capital:* 12.6%

Share of equities portfolio: 2%

OPERATIONS

Höganäs is the world's leading supplier of metal powder, with customers in 75 countries. The Components business area produces press powder for component manufacturing, mainly in the automotive industry, but also in the consumer products industry. Metal powder is used in engines, gearboxes and electric tools, among other things. The Consumables business area covers metal powder used in processes, such as in producing metals, as additives in chemical processes, and for water and air treatment. In terms of application areas, Höganäs's metal powders have particularly large potential in surface treatment, soldering, electromagnetic applications, filters and injection-molded components. At its core, Höganäs's potential lies in the major opportunities presented by metal powder to develop less costly, more lightweight and more energy-efficient components in many areas. Through its new prototype center, Höganäs is driving development towards greater use of metal powder in collaboration with customers and end users.

PERFORMANCE 2011

- Net sales rose 6% to SEK 7.1 billion (6.7).
- Income after financial items amounted to SEK 1.0 billion (1.1).
- Continued strong development in emerging markets.
- Substantial investments in component solutions for new electromagnetic applications and powder-based cogs for gearboxes.
- New mixing plant in Korea strengthens position in Asia.

HÖGANÄS AT A GLANCE

Board member with ties to Industrivärden:

Bengt Kjell

Chairman: Anders G. Carlberg

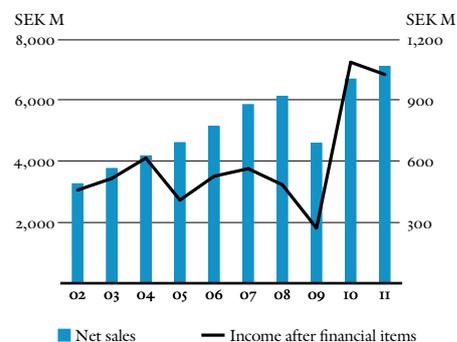
CEO: Alrik Danielsson

For more information on Höganäs, visit www.hoganas.com.

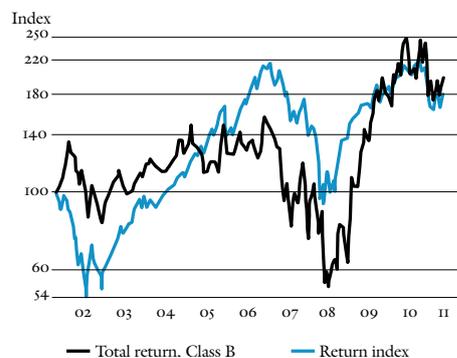
KEY DATA	2011	2010
Earnings per share, SEK	21.90	23.11
Dividend per share, SEK	10.00 ¹⁾	10.00
Share price on December 31, SEK		
Class B shares	212.50	263.00

¹⁾ Proposed by the board of directors.

NET SALES AND INCOME



HÖGANÄS'S STOCK



BOARD OF DIRECTORS' REPORT

WITH CORPORATE GOVERNANCE REPORT

REGISTERED NUMBER SE 556043-4200

The Board of Directors and President of AB Industrivärden (publ) herewith submit their annual report and consolidated financial statements for the 2011 fiscal year, the company's sixty-seventh year of operation. The following corporate governance report, income statements, balance sheets, statements of changes in shareholders' equity, statements of cash flows and notes to the financial statements are an integral part of this annual report and have been audited by the Company's auditor.

Industrivärden is one of the Nordic region's leading holding companies, taking an active ownership role in a concentrated selection of listed Nordic companies with good development potential. The goal is to generate high growth in net asset value over time and thereby give a total return to shareholders which is higher than average for the Stockholm Stock Exchange.

Corporate governance report

Industrivärden's governing bodies consist of general shareholders' meetings, the Board of Directors, the President and CEO, and the auditor. At the Annual General Meeting, the shareholders elect a board and auditor. The Board appoints the President and CEO as well as Executive Vice President. The auditor audits the financial statements as well as the Board's and CEO's administration. The Nominating Committee is tasked with nominating directors and an auditor for election by the Annual General Meeting.

Industrivärden adheres to the Swedish Code of Corporate Governance. The Corporate Governance Report pertains to the 2011 fiscal year and has been audited by the Company's auditor.

SHARES AND SHAREHOLDERS

Information on Industrivärden's stock and shareholders is provided in the Industrivärden Share Data section on pages 20–21.

GENERAL SHAREHOLDERS' MEETINGS

General shareholders' meetings are Industrivärden's highest governing body. At the Annual General Meeting (AGM), which is held within six months after the end of the fiscal year, resolutions are made concerning recommendations and proposals set forth by the Nominating Committee, the Board of Directors and shareholders. Among other things, the income statement and balance sheet are adopted, a decision is made regarding the dividend, the Board of Directors and – where applicable – the auditor is elected and their fees are determined, and other items of legally ordained business are conducted.

NOMINATING COMMITTEE

The members of the Nominating Committee ahead of the 2011 Annual General Meeting were Bo Damberg (the Jan Wallander and Tom Hedelius Foundation, and others), Ulf Lundahl (L E Lundbergföretagen), Sverker Martin-Löf (Chairman of Industrivärden), Anders Nyberg (SCA

Pension Foundations and others), and Håkan Sandberg (committee chair – Handelsbanken Pension Foundation and Handelsbanken Pension Fund). The same members have been appointed for nomination work ahead of the 2012 Annual General Meeting.

MEMBERS OF THE BOARD OF DIRECTORS

Industrivärden's board of directors, which was appointed by the 2011 Annual General Meeting, has seven members. The Chairman of the Board, Sverker Martin-Löf, is a former CEO of SCA and is the Chairman of SCA, Skanska and SSAB, among other positions. Christian Caspar has served in several senior positions for more than 30 years with McKinsey and is a director of Stena and Bonnier. Boel Flodgren is a Professor of Business Law and former President of Lund University. Stuart Graham is a director of PPL Corporation and Skanska, where he is also a former CEO. Hans Larsson is Chairman of Handelsbanken. Fredrik Lundberg is CEO of L E Lundbergföretagen and Chairman of Holmen and Hufvudstaden. Industrivärden's CEO, Anders Nyrén, is a former Executive Vice President and CFO of Skanska and former Executive Vice President and CFO of Securum, among other positions. At the 2011 Annual General Meeting, Olof Faxander, Finn Johnsson and Lennart Nilsson declined re-election, and Christian Caspar and Stuart Graham were elected as new board members.

A presentation of other significant assignments held by the members of the Board can be found on page 49. A more detailed description of the board members' professional experience can be found on Industrivärden's website.

INDEPENDENCE CONDITIONS

Independence conditions concerning the members of the Board of Directors are outlined in a table on page 32.

DUTIES AND WORK OF THE BOARD OF DIRECTORS

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

- setting the Board's work plan, including the CEO's instructions. These instructions cover, among other things, investment rules for equities and derivative instruments which indicate the maximum amounts for the CEO's authority between board meetings to decide on purchases and sales of stocks and derivative instruments;
- strategic matters regarding the forms and application of active ownership; and
- major purchases and sales of listed stocks.

ATTENDANCE, FEES AND INDEPENDENCE CONDITIONS

Name	Year elected	Board	Audit Committee	Compensation Committee	Attendance at meetings			Fee, 2011 SEK 000 ³	Non-independence in relation to Industrivärden ⁴	Non-independence in relation to major shareholders ⁵
					Board	Audit Comm.	Comp. Comm.			
Sverker Martin-Löf ¹	2002	Chairman	Member	Chairman	All	All	All	1,500		
Christian Caspar	2011	Director	Member	–	All ²	All ²	–	500		
Boel Flodgren	2002	Director	Member	–	All	All	–	500		
Stuart Graham	2011	Director	Member	–	All ²	All ²	–	500		
Hans Larsson	2010	Director	Chairman	Member	All	All	All	500		X
Fredrik Lundberg	2004	Director	Member	–	All	All	–	500		X
Anders Nyrén	2001	Director	–	–	All	–	–	–	X	
Total								4,000		

1) Sverker Martin-Löf was appointed as Vice Chairman in 2002 and as Chairman in 2010.

2) Christian Caspar and Stuart Graham were elected to the Board at the Annual General Meeting on May 5, 2011.

3) Pertains to decision made at 2011 Annual General Meeting. No fee is paid for committee work.

4) Anders Nyrén is President and CEO of Industrivärden and the only executive director of the Company.

5) Fredrik Lundberg is President and CEO of L E Lundbergföretagen, which is a major shareholder of Industrivärden. Hans Larsson serves as Chairman of foundations that are major shareholders of Industrivärden.

The Board has a central role in Industrivärden's business model for active ownership, which is described at length on pages 10–17.

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

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

In connection with the board meeting that deals with the annual financial statements, the Board of Directors' Report, the proposed distribution of earnings and the year-end report, the Company's auditor submits a report to the Audit Committee on the auditors' observations and remarks from their audit.

The regular meetings cover a number of set agenda items. These include, among other things, a report on the current financial result of operations and on the development of net asset value and the performance of the equities portfolio, including detailed information on equity transactions that have been carried out. Reporting also includes a description of the portfolio companies' performance and macroeconomic conditions. In addition, a special review is normally conducted of one or more of the portfolio companies and of potential investments. At one or more board meetings during the year, the management of one of the portfolio companies presents a report on their company's development.

Committees appointed by the Board are tasked with conducting drafting work on matters ahead of board decisions. Each year the Board evaluates the financial reporting it receives from the Company and makes demands on its content and structure in order to ensure the quality of the financial reporting.

The Board's work is evaluated yearly in a structured process conducted under the direction of the Chairman of the Board.

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

IMPORTANT MATTERS FOR THE BOARD IN 2011

The Board held a total of eight meetings in 2011. The most important duties for the Board concerned matters related to the holdings in the equities portfolio and strategic planning. In addition, the Board decided to carry out an issue of convertible bonds and to use the proceeds from the issue to further increase Industrivärden's ownership positions in portfolio companies.

COMPENSATION COMMITTEE

The Board has appointed a compensation committee, which held two meetings. The guidelines for compensation of senior executives were adopted by the 2011 Annual General Meeting. The Compensation Committee draws up recommendations for the CEO's compensation and decides on compensation for the other members of the executive management. The members of the Compensation Committee are Chairman of the Board Sverker Martin-Löf (committee chair) and board member Hans Larsson. No compensation was paid for the directors' work on the committee.

PROPOSED GUIDELINES FOR EXECUTIVE COMPENSATION

The Board has issued the following recommendation for decision by the 2012 Annual General Meeting: Compensation paid to the CEO and other members of the executive management shall consist of a base salary, a variable salary, other benefits and pension. The total compensation should be competitive and in line with the going rate in the market, and shall be commensurate with the executive's responsibilities and authority. The variable salary consists of a short-term variable salary component (yearly) and a long-term variable salary component. The short-term variable salary component is based on individual performance, shall have a cap, and never exceed the base salary. The long-term variable salary is based on the long-term performance of the Company's stock and shall have a cap. None of the variable components shall be pensionable. Upon cancellation of an executive's employment contract by the Company, a two-year notice period applies. No severance pay should be payable. Pension benefits shall be either defined-benefit or defined-contribution, or a combination of both, and give the members of the executive

management the right to retire from 60 or 65 years of age, depending on their position. The Board may depart from these guidelines if there are special reasons for doing so in individual cases. The proposal is generally consistent with the guidelines agreed on at the 2011 Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee, which held two meetings during the year, includes all of the members of the Board except for the CEO. Hans Larsson is chair of the Audit Committee. The Audit Committee is tasked with reviewing the routines for the Company's risk management, governance and control, and financial reporting. The Company's investment instructions and finance policy are adopted each year by the Board. The Audit Committee maintains regular contact with the Company's auditor to ensure that internal and external reporting meet established requirements and to discuss the scope and focus of the audit work. The auditor reports its observations to the Audit Committee in connection with the audit of the year-end financial statements. No compensation was paid to the Audit Committee members for their work on the committee.

AUDITOR

At the 2010 Annual General Meeting, PricewaterhouseCoopers AB was elected as the Company's auditor for a term through the 2014 Annual General Meeting. The chief auditor is Anders Lundin, Authorized Public Accountant.

In 2011 the half-year interim report was reviewed by the Company's auditor. Against this background and in view of how the financial reporting has been organized in general, the Board finds no need for a dedicated review function in the form of an internal audit unit.

RISKS AND UNCERTAINTIES

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a decrease in value caused by changes in share prices. A 1% change in the share price of the holdings in the equities portfolio as per December 31, 2011, would have affected the market value by approximately +/- SEK 600 M. A detailed description of the risks associated with Industrivärden's business is provided on pages 40–41.

INTERNAL CONTROL OF FINANCIAL REPORTING

Against the background of the share price risk described above, the most important control process in Industrivärden's business consists of the con-

tinuous monitoring of its value exposure in the equities portfolio. Industrivärden's internal control is therefore primarily focused on ensuring the reliability of valuations of outstanding equity and derivative positions and of the reporting of purchases and sales of stocks and other securities.

According to the Swedish Companies Act, the Board is responsible for internal control. The instructions regulating the delegation of duties between the Board and the CEO lay out investment rules for equities and derivative instruments as well as a finance policy. Decision-making channels, authority and responsibility are defined by a set of investment rules as well as finance instructions. Industrivärden has a specially appointed investment committee that makes regular decisions on investment matters within the framework of the CEO's mandate.

Other processes with a bearing on the financial reporting are regulated by Industrivärden's insider rules, information policy, confidentiality policy and other policies. Industrivärden's greatest risk consists of value exposure in the equities portfolio. The predominant risk in work processes pertains to potential errors in the accounting and reporting of equity transactions. Industrivärden continuously assesses the risks in the handling of equity transactions, which are discussed with the auditor and affect the structure of internal risk control.

Control activities pertaining to the equities portfolio include, among other things, approval of all business transactions, registration in internal systems not later than the day after the transaction date, follow-up of equity transactions to ensure that they are in accordance with decisions made by the Investment Committee, and checks to make sure that the value of purchases and sales of stocks and of underlying stocks in derivative transactions is within the scope of established exposure limits. All equity positions are followed up on a continuous basis in real time. The Investment Committee, which is made up of the executive management, continuously follows up investment decisions that have been made and checks to ensure that they have been executed correctly. Minutes are recorded of Investment Committee meetings.

INSIDER RULES

Apart from adherence to applicable insider rules and stipulations on public disclosure regarding transactions in shares of the portfolio companies, Industrivärden has internal rules that prohibit employees from trading in shares in the companies in which Industrivärden has major shareholdings for 30 days prior to publication of interim reports and the year-end report, including the day of reporting. All employees of Industrivärden are required to report their total holdings of financial instruments in the active portfolio companies in an internal register.

Operations

SIGNIFICANT EVENTS

In January convertible bonds were issued directed at European institutions. The loan is worth EUR 550 M, has a term until 2017 and carries a coupon of 1.875%. The conversion price is SEK 162.00, which represents a premium over net asset value at the time of the issue.

Part of the proceeds from the convertible issue has been used for investments in the equities portfolio. Net purchases totaled SEK 4.5 billion and included 30 million shares in Volvo for SEK 2.9 billion.

NET ASSET VALUE

During the year, net asset value decreased from SEK 57.7 billion, or SEK 149 per share, to SEK 40.1 billion, or SEK 104 per share, or by -28% reinvested dividend included. The components making up net asset value are shown in the following table:

	SEK billion		SEK per share	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Equities portfolio	56.9	71.1	147	184
Interest-bearing net debt	-16.8	-13.4	-43	-35
Net asset value	40.1	57.7	104	149
Net asset value after full conversion	48.7	61.8	106	144

Equities portfolio

The market value of the equities portfolio at year-end was SEK 56,903 M (71,092). The market value exceeded cost by SEK 18,389 M (37,743). During the year, stocks were purchased for SEK 4,461 M (2,547), net.

Taking into account purchases and sales, the value of the portfolio decreased by 26% during the year (increased by 28%). The stock market index (OMXSPI) fell 17% (rose 23%). The total return for the equities portfolio was -23% (31%), compared with -14% (27%) for the return index (SIXRX).

SHAREHOLDINGS 2011

SEK M	Dividend received 2011	Change in value	Net purchase/sale (-) per holding	Market value, 12/31/2011	Total return, %
Handelsbanken	632	-2,470	728	12,274	-12
Sandvik	428	-6,664	724	12,210	-34
Volvo	267	-4,263	2,873	9,323	-32
SCA	283	-330	17	7,174	0
Ericsson	175	-355	220	5,613	-3
SSAB	114	-2,965	61	3,443	-45
Skanska	385	-685	-362	3,234	-6
Indutrade	75	-722	-	2,695	-19
Höganäs	44	-196	199	937	-16
Total, equities portfolio	2,403	-18,650	4,461	56,903	-23
SIXRX					-14

Short-term derivative transactions and equity trading

The Group company Nordinvest AB conducts short-term equity trading. Income totaled SEK 32 M (17). Industrivärden's total income from short-term derivative transactions and equity trading amounted to SEK 152 M (114).

Interest-bearing net debt

At year-end 2011, convertible loans amounted to SEK 8,555 M (4,155) and other interest-bearing loans to SEK 8,225 M (9,246), whereby the total net debt amounted to SEK 16,780 M (13,401). The net debt-equities ratio was 29.5% (18.9%), and after full conversion of convertible loans, the net debt-equities ratio was 14.5% (13.0%) at the same point in time.

Parent Company

The Parent Company reports income after financial items of SEK -12,959 M (11,141). Shareholders' equity amounted to SEK 29,411 M (43,919) at year-end.

Proposed dividend

The Board of Directors proposes a dividend of SEK 4.50 (4.00) per share. The proposed dividend corresponds to 5.9% of the Parent Company's shareholders' equity and 4.4% of the Group's shareholders' equity. Of shareholders' equity 26%, or SEK 7.5 billion in the Parent Company, and 4.9%, or SEK 19.1 billion in the Group, is attributable to the fair valuation of assets and liabilities. Industrivärden's dividend policy is to pay the shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange. The Board finds that the proposed dividend is well balanced in view of the objectives, scope and risk of operations, as well as with respect to the Company's ability to meet its future obligations. According to the proposal, the total dividend payout amounts to SEK 1,738 M (1,545).

PROPOSED DISTRIBUTION OF EARNINGS

According to the Consolidated Balance Sheet, retained earnings for the year including net income for the year amount to SEK 37,206 M, of which SEK -15,647 M consists of net income for the year.

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

Retained earnings according to decision by the 2011 AGM	SEK 40,346 M
Net income for the year	SEK -12,959 M
	SEK 27,387 M

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

To the shareholders, a dividend of SEK 4.50 per share, totaling	SEK 1,738 M
To be carried forward	SEK 25,649 M
	SEK 27,387 M

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

The Group's and Parent Company's earnings and position in general are shown in the following income statements, balance sheets, statements of changes in shareholders' equity, statements of cash flows and notes to the financial statements. Adoption of the Consolidated and Parent Company Income Statements and Balance Sheets will take place at the Annual General Meeting on May 4, 2012.

Stockholm, February 8, 2012

Sverker Martin-Löf
Chairman

Christian Caspar
Director

Boel Flodgren
Director

Stuart Graham
Director

Hans Larsson
Director

Fredrik Lundberg
Director

Anders Nyrén
President and CEO, Director

Our Audit Report was submitted on February 8, 2012

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant

GROUP AND PARENT COMPANY

INCOME STATEMENTS

SEK M	Note	Group		Parent Company	
		2011	2010	2011	2010
Dividend income from stocks	1	2,403	1,379	1,502	567
Change in value of stocks etc.	2	-17,504	13,991	-14,177	11,072
Short-term derivative transactions and equity trading	4	152	114	85	79
Management costs	5, 8, 9	-105	-94	-105	-94
Other income and expenses		0	2	0	-10
Operating income		-15,054	15,392	-12,695	11,614
Financial income	6	10	19	84	19
Financial expenses	6	-603	-541	-348	-492
Income after financial items		-15,647	14,870	-12,959	11,141
Tax	10	-	-	-	-
Net income for the year		-15,647	14,870	-12,959	11,141
Earnings per share, SEK	11	-40.51	38.50		
Earnings per share after dilution, SEK	11	-40.51	37.37		

STATEMENT OF COMPREHENSIVE INCOME

Net income for the year	-15,647	14,870	-12,959	11,141
Change in hedging reserve	5	72	-4	171
Comprehensive income for the year	-15,642	14,942	-12,963	11,312

BALANCE SHEETS

SEK M	Note	Group		Parent Company	
		2011	2010	2011	2010
ASSETS					
Property, plant and equipment	12	52	27	-	-
Equities	13	56,903	71,092	28,083	36,138
Shares in associated companies	13, 14, 16	-	-	6,677	11,159
Shares in subsidiaries	15, 16	-	-	4,945	4,545
Non-current receivables		-	180	-	180
Total non-current assets		56,955	71,299	39,705	52,022
Other current receivables	17	104	72	1,861	972
Short-term equity investments		-	176	-	-
Cash and cash equivalents		57	0	53	0
Total current assets		161	248	1,914	972
TOTAL ASSETS		57,116	71,547	41,619	52,994
SHAREHOLDERS' EQUITY AND LIABILITIES					
Capital stock		966	966	966	966
Other capital contribution/Statutory reserve		1,062	1,062	1,062	1,062
Reserves/Fair value reserve		-94	-99	-4	-
Retained earnings		52,853	39,528	40,346	30,750
Net income for the year		-15,647	14,870	-12,959	11,141
Total shareholders' equity		39,140	56,327	29,411	43,919
Convertible loan	18, 20	8,555	4,155	8,555	4,155
Other non-current interest-bearing liabilities	19, 20	5,392	6,968	681	868
Non-current noninterest-bearing liabilities	21	527	1,344	527	1,344
Total non-current liabilities		14,474	12,467	9,763	6,367
Current interest-bearing liabilities	22	2,923	2,458	1,958	2,426
Other current liabilities	23	579	295	487	282
Total current liabilities		3,502	2,753	2,445	2,708
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		57,116	71,547	41,619	52,994
Contingent liabilities		0	0	5,264	6,396

GROUP AND PARENT COMPANY

SHAREHOLDERS' EQUITY

Group	Capital stock ¹	Other capital contribution	Reserves ²	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2009	966	1,062	-171	20,018	20,669	42,544
Net income for the year	-	-	-	-	14,870	14,870
Change in hedging reserve, fair value gains	-	-	72	-	-	72
Total comprehensive income	-	-	72	-	14,870	14,942
Transfer of previous year's net income	-	-	-	20,669	-20,669	-
Dividend to shareholders	-	-	-	-1,159	-	-1,159
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2010	966	1,062	-99	39,528	14,870	56,327
Net income for the year	-	-	-	-	-15,647	-15,647
Change in hedging reserve, fair value gains	-	-	5	-	-	5
Total comprehensive income	-	-	5	-	-15,647	-15,642
Transfer of previous year's net income	-	-	-	14,870	-14,870	-
Dividend to shareholders ³	-	-	-	-1,545	-	-1,545
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2011	966	1,062	-94	52,853	-15,647	39,140

Parent Company	Capital stock	Statutory reserve	Fair value reserve	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2009	966	1,062	-171	21,008	-10,901	33,766
Net income for the year	-	-	-	-	11,141	11,141
Change in hedging reserve, fair value gains	-	-	72	-	-	72
Change in hedging reserve, transfer to income statement – expense	-	-	99	-	-	99
Total comprehensive income	-	-	171	-	11,141	11,312
Transfer of previous year's net income	-	-	-	10,901	-10,901	-
Dividend to shareholders	-	-	-	-1,159	-	-1,159
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2010	966	1,062	0	30,750	11,141	43,919
Net income for the year	-	-	-	-	-12,959	-12,959
Change in hedging reserve, fair value gains	-	-	-4	-	-	-4
Total comprehensive income	-	-	-4	-	-12,959	-12,963
Transfer of previous year's net income	-	-	-	11,141	-11,141	-
Dividend to shareholders	-	-	-	-1,545	-	-1,545
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2011	966	1,062	-4	40,346	-12,959	29,411

1 As per December 31, 2011, there were 386,271,224 outstanding shares, of which 268,530,640 were Class A shares and 117,740,584 were Class C shares. The share quota value is SEK 2.50. See also the Industrivärden share data section, pages 20–21.

2) The hedging reserve pertains to fair valuation of interest swaps used for cash flow hedging.

3) The dividend in 2011 was SEK 4.00 per share.

GROUP AND PARENT COMPANY

STATEMENTS OF CASH FLOWS

SEK M	Note	Group		Parent Company	
		2011	2010	2011	2010
OPERATING ACTIVITIES					
Dividend income from stocks	I	2,403	1,379	1,502	567
Cash flow from short-term derivate transactions and equity trading		367	78	124	139
Management costs paid		-108	-103	-103	-101
Other items affecting cash flow		-6	24	13	28
Cash flow from operating activities before financial items		2,656	1,378	1,536	633
Interest received		24	26	47	23
Interest paid		-607	-576	-303	-526
Other financial items		-1	-1	-1	-1
CASH FLOW FROM OPERATING ACTIVITIES		2,072	827	1,279	129
INVESTING ACTIVITIES					
Purchases/sales of listed stocks	3, 16	-4,461	-2,547	-2,804	-2,990
Other		-	-	-	-8
CASH FLOW FROM INVESTING ACTIVITIES		-4,461	-2,547	-2,804	-2,998
FINANCING ACTIVITIES					
Loans raised and amortization of debt		-1,006	-1,787	-1,225	-7,987
Issue of convertible debentures		4,800	5,026	4,800	5,026
Investments in interest bearing assets		184	-271	184	-271
Change in financing of subsidiaries		-	-	-249	-21
Shareholder contributions and other items		-	-	-400	7,370
Dividend paid		-1,545	-1,159	-1,545	-1,159
CASH FLOW FROM FINANCING ACTIVITIES		2,433	1,810	1,565	2,959
NET CASH FLOW FOR THE YEAR		44	90	40	90
Cash and cash equivalents at start of year		0	0	0	0
Exchange rate difference in cash and cash equivalents		13	-90	13	-90
CASH AND CASH EQUIVALENTS AT END OF YEAR		57	0	53	0

ACCOUNTING POLICIES

APPLIED RULES

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU and with application of RFR 1. The annual report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and with application of RFR 2. The most important accounting policies applied are specified below. Unless otherwise stated, these are unchanged compared with preceding years. New or revised IFRSs and IFRIC interpretations have not had any effect on the Group's or Parent Company's result of operations or position.

BASIS OF PRESENTATION

Industrivärden applies the cost method except for equity investments and derivative instruments, which are mainly stated at fair value through profit or loss. In the consolidated accounting, Industrivärden has elected to report continuing changes in the market value of all holdings of listed shares and equity derivatives through profit or loss.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements, which have been prepared using the purchase method, apply – in addition to the Parent Company – to all companies in which the Parent Company directly or indirectly has a controlling interest.

ASSOCIATE ACCOUNTING

Associated companies are companies in which Industrivärden has a significant but not controlling interest. Shares in associated companies are carried at market value. The capital gain or loss generated upon the sale of shares in associated companies is calculated accordingly.

RECOGNITION OF INCOME

Dividend income from stocks is recognized from the day on which trading takes place ex-rights. Changes in value of financial assets and derivative instruments are recognized on a current basis through profit or loss under the heading Change in value of stocks, etc.

REPORTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are classified in the following categories: financial assets and liabilities carried at fair value through profit or loss, loan receivables, and other financial liabilities. The classification depends on the purpose for which the financial item was acquired. Purchases and sales of financial instruments are reported as per the transaction date.

REPORTING OF CONVERTIBLE LOANS

The convertible loans, which are issued in euros, consists of two components: a debt component and an option component. The debt component is initially measured at fair value, and thereafter at amortized cost using the effective interest method, in accordance with IAS 39. This entails that the loan is revalued over its term at nominal value. This revaluation is reported as a change in value in the income statement, while the coupon interest is reported as an interest expense. The conversion right is classified as an imbedded derivative, in accordance with IAS 39. The option component is reported as a liability, since the conversion price is in a currency that is different from the functional currency. In accordance with IAS 39, the option is measured on a continuous basis at fair value through profit or loss in the item Change in value of stocks, etc.

The value of the option portion is based on the fair value of the convertible. Transaction costs are allocated over the term of the loan and are included in the change in value reported in the income statement.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Transactions, assets and liabilities in foreign currency are translated to the functional currency using the exchange rates in effect on the transaction date or on the day the items were restated. The Parent Company's functional currency is SEK.

ISSUED STOCK OPTIONS

Option premiums received are booked as a liability and are deducted from premiums paid upon repurchase. If an issued option expires without being exercised, the premium is recognized as income. Upon exercise of an issued option, the premium increases the exercise price upon the sale of shares or reduces the exercise price upon the purchase of shares. On the balance sheet date, the market value of issued options is determined, and the difference between it and provisioned premiums is recognized in income. The outstanding options are carried on the balance sheet as accrued income and accrued expenses, respectively.

HEDGING OF FIXED INTEREST RATES THROUGH CASH FLOW HEDGES

The interest coupon portion is reported as a continuing interest expense, while other market value changes of the hedge (the swap) are reported directly against the hedging reserve in shareholders' equity, under the condition that the hedge is effective.

NON-CURRENT ASSETS

Property, plant and equipment are carried at cost less accumulated depreciation.

CASH AND CASH EQUIVALENTS

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

BORROWINGS

Borrowings are carried initially at fair value net of transaction costs and thereafter at amortized cost using the effective interest rate method.

PENSIONS

Pension liability refers to defined benefit pension obligations – all calculated annually for the Group in accordance with IAS 19 with the assistance of an external actuary. In accordance with UFR 6, defined benefit pension plans insured with Alecta are reported as defined contribution plans, since Alecta has not been able to provide adequate information. Industrivärden has elected at the Group level to utilize the so-called corridor in reporting actuarial gains and losses.

SHORT-TERM DERIVATIVE TRANSACTIONS AND EQUITY TRADING

Industrivärden's short-term trading consists of trading in stock options, short-term equity investments and financial instruments coupled to short-term equity investments.

SHARE-BASED INCENTIVE PROGRAM

The 2008 Annual General Meeting of AB Industrivärden resolved that all employees of the Group would be offered stock options in Industrivärden at market terms and in other respects in accordance with the Board's complete proposal to the Annual General Meeting. The program involved the issuance of a maximum of 1,000,000 stock options for 1,000,000 Class C shares and has been secured through a total return swap. The offer was fully subscribed. In accordance with the terms of the offer, the exercise price per share was set at SEK 106.80. The options can be exercised to purchase Class C shares in the Company during the period July 1, 2008, through May 31, 2013. A subsidy (long-term varia-

ble salary) for option purchases corresponding to 75% of the option premium paid (gross, before tax) was paid out in 2011 to employees who own options. The Company's costs for this long-term variable salary component are covered by revenue from the sale of the options. No options were exercised during the year.

PARENT COMPANY

Listed shares in the Parent Company are carried at market value. In its reporting of pensions, the Parent Company complies with the Pension Obligations Vesting Act (Tryggandelagen) and FAR accounting recommendation no. 4, Reporting of pension liabilities and pension costs.

FINANCIAL RISK MANAGEMENT

GENERAL

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

EQUITIES RISK

Equities risk pertains mainly to share price risk, which is the entirely dominant risk in Industrivärden's business. By share price risk is meant the risk of a decline in value caused by changes in prices in the stock market. Industrivärden's active ownership should reduce the relative equities risk in the portfolio companies and thus also in Industrivärden's portfolio. Moreover, the active ownership role provides good insight into the portfolio companies' operations, external operating environment and continuing development. Having a mix of varied equities in the portfolio reduces volatility and contributes to a more stable return over time.

Industrivärden's equity investments are made within the parameters of the investment rules set by the Board of Directors. New investments, divestments and reallocations are tested on a regular basis by a separate investment committee made up of the members of the executive management. Decisions are based on analyses that are presented by the investment organization. In addition to investments in listed stocks, Industrivärden also conducts transactions in equity derivatives. The subsidiary Nordinvest conducts short-term equity trading within the framework of Industrivärden's strategy. Share price risk can be illustrated as such that a 1% change in the price of all listed shareholdings in Industrivärden's equities portfolio as per December 31, 2011, would have affected the market value by SEK +/- 600 M. Equities risk also includes liquidity risk, which can arise, for example, for a stock that is difficult to sell. Industrivärden's equities portfolio consists of listed stocks with good liquidity, and thus the liquidity risk is limited.

The option portion of issued convertible loans is reported as a non-interest-bearing liability and is stated at market value during the term of the loans. If the price of Industrivärden Class C shares rises, so does the carrying amount of the liability. A price increase of 10% is estimated to increase the liability by SEK 195 M and the value of the equities portfolio by SEK 5,700 M. Upon conversion, the liability is transferred from both the loan and option portions to shareholders' equity. The option portion does not affect Industrivärden's net asset value.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. The financial instruments that are exposed to interest rate risk consist of loans with variable interest rates and swap agreements with variable rates. Swap agreements may be used to limit interest expenses and to adjust maturities. Swaptions are used to a limited extent to limit interest expenses. Industrivärden's interest rate risk and its effect on earnings are judged to be low. At year-end 2011, two interest rate swap agreements were in effect under which a variable interest rate was swapped against a fixed interest rate. The agreements pertain to borrowings totaling SEK 2,600 M with a term of approximately three years. At year-end 2011 the market value of the interest rate swap agreements was SEK -94 M, which is reported directly against shareholders' equity in the consolidated financial statements. A parallel shift up or down in the interest rate curve by 1 percentage point would affect income after financial items 2012 by approximately +/- SEK 20 M.

LIQUIDITY RISK AND REFINANCING RISK

Liquidity risk is the risk of encountering difficulties in accessing liquid assets in order to meet obligations associated with financial instruments. In accordance with Industrivärden's finance policy, at any given time the Group has a minimum of SEK 2 billion in committed credit facilities at its disposal. Refinancing risk is the risk of the Company being unable to obtain financing or that financing can only be obtained at a considerably higher cost. In the aim of minimizing refinancing risk, the loans' maturities are distributed evenly over time to lower the likelihood of a large portion of loans being refinanced at the same date. Industrivärden's liquidity risk and refinancing risk are judged to be low. With an equity ratio of 69% (79%) and an A- rating, Industrivärden has great financial flexibility.

CURRENCY RISK

Currency risk is the risk that the value of assets and liabilities will vary due to changes in exchange rates. Industrivärden's currency risk is mainly coupled to the outstanding convertible loans of EUR 1,050 M. Most of the loans were hedged during the year, however, hedge accounting has not been applied. A 1% change in the value of the Swedish krona against EUR, all else unchanged, would affect income after financial items 2012 by approximately +/- SEK 1 M.

COUNTERPARTY RISK

Counterparty risk is the risk of a party in a transaction with a financial instrument not being able to meet its obligations and thereby causing loss to the other party. Internal rules set by Industrivärden prescribe high creditworthiness of counterparties with respect to investments, derivative transactions, etc., which is why counterparty risk is considered to be low.

OPERATIONAL RISKS

Operational risk is the risk of incurring a loss due to defects in internal routines and systems. AB Industrivärden's risk management rests on a foundation of internally adopted internal guidelines and rules, and of policies adopted by the Board of Directors. Important rules include investment rules and the finance policy. To strengthen internal control, Industrivärden's external auditors perform a review of interim reports. Matters pertaining to confidentiality and information security are of major importance for Industrivärden and are regulated by internal guidelines.

FINANCING

ORGANIZATION

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

FINANCING

Industrivärden's financing is arranged through both short- and long-term borrowing. The credit facilities give Industrivärden the ability to act on attractive investment opportunities at short notice. No part of the financing is conditional upon any covenants.

CREDIT FACILITIES AS PER DECEMBER 31, 2011

	Amount, SEK M	Utilized amount, SEK M	Term
Convertible loans	8,555	8,555	2015–2017
Bank loans	5,211	4,711	2013–2017
MTN programs	8,000	600	2014
Total long-term borrowing		13,866	
Bank loans	–	500	
MTN programs	–	800	
Commercial paper	2,000	1,200	
Bank overdraft facility	1,000	419	
Total short-term borrowing		2,919	

In addition, Industrivärden has unutilized committed bank loans totaling SEK 2,000 M.

AVERAGE INTEREST RATE AND INTEREST DURATION

The average interest rate for Industrivärden's debt portfolio as per December 31, 2011, was 3.5% (3.8%). The average interest duration was 42 months (43).

LIQUIDITY ANALYSIS

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

SEK M	2012	2013–2016	After 2016	Total
Interest-bearing receivables	7	19	–	26
Interest-bearing liabilities	–3,465	–8,972	–7,184	–19,621
Derivative instruments	–48	–7	–	–55
Total as per December 31, 2011	–3,506	–8,960	–7,184	–19,650

SEK M	2011	2012–2015	After 2015	Total
Interest-bearing receivables	14	210	–	224
Interest-bearing liabilities	–2,774	–9,356	–3,279	–15,409
Derivative instruments	–13	–4	–	–17
Total as per December 31, 2010	–2,773	–9,150	–3,279	–15,202

CONVERTIBLE LOANS

	Nominal value EUR M	Conversion price, SEK	Fixed conversion price, SEK	Max. no. of additional Class C shares, millions
Convertible loan 2010–2015	500	115.50	10.2258	44.3
Convertible loan 2011–2017	550	162.00	8.8803	30.1

CHANGE IN THE GROUP'S INTEREST-BEARING NET DEBT

SEK M	Dec 31, 2011	Change in borrowing	Other changes	Dec 31, 2010
Cash and cash equivalents	57	–	57	0
Interest-bearing receivables	33	–	–147	180
Non-current interest-bearing liabilities	13,947	2 824	–	11,123
Current interest-bearing liabilities	2,923	634	–169	2,458
Interest-bearing net debt	16,780	3,458	–79	13,401

RATINGS

Industrivärden has been assigned international corporate credit ratings of A-/Stable/A-2 by Standard & Poor's, which has also assigned the commercial paper program a credit rating of K-1.

FINANCIAL INSTRUMENTS BY CATEGORY

December 31, 2011	Loan receivables and trade accounts receivable	Assets at fair value through income statement	Derivatives used for hedging purposes	Available-for-sale financial assets	Total
Assets					
- Equities	-	56,903	-	-	56,903
- Other current receivables excluding interim items	36	-	-	-	36
Cash and cash equivalents	57	-	-	-	57
Total assets	93	56,903	-	-	56,996

December 31, 2011	Liabilities at fair value through income statement	Derivatives used for hedging purposes	Other financial liabilities	Total
Liabilities				
- Non-current interest-bearing liabilities	81	-	13,866	13,947
- Non-current noninterest-bearing liabilities	527	-	-	527
- Current interest-bearing liabilities	-	-	2,923	2,923
- Other current liabilities excluding interim items	140	94	223	457
Total liabilities	748	94	17,012	17,854

FAIR VALUATION OF FINANCIAL INSTRUMENTS

December 31, 2011	Level 1	Level 2	Level 3	Total	December 31, 2010	Level 1	Level 2	Level 3	Total
Assets					Assets				
- Equities	56,903	-	-	56,903	- Equities	71,261	5	-	71,266
Total assets	56,903	-	-	56,903	- Equity derivatives	-	15	-	15
Liabilities					Liabilities				
Other non-current liabilities					- Other derivatives	-	5	-	5
- Option portion of convertible loan	-	519	-	519	Total assets	71,261	25	-	71,286
Other current liabilities					Liabilities				
- Equity derivatives etc.	100	-	-	100	Other non-current liabilities				
- Derivative instruments used for hedging	-	94	-	94	- Option portion of convertible loan	-	1,319	-	1,319
- Other derivatives	59	-	-	59	Other current liabilities				
Total liabilities	159	613	-	772	- Equity derivatives	13	20	-	33
					- Derivative instruments used for hedging	-	99	-	99
					- Other derivatives	21	-	-	21
					Total liabilities	34	1,438	-	1,472

In accordance with IFRS 7, financial instruments are carried at fair value based on a 3-level hierarchy. The classification is based on the input data used in the valuation of the instruments.

For level 1, quoted prices on an active market are used, e.g., stocks listed on the Stockholm Stock Exchange.

For level 2, other observable market data than quoted prices for the asset or liability is used.

For level 3, fair value is determined using a valuation technique that is based on assumptions that are not supported by prices in observable data.

NOTES

AMOUNTS IN MILLIONS OF SWEDISH KRONOR (SEK M) UNLESS STATED OTHERWISE.

NOTE 1 Dividend income from stocks

	2011	2010
Ericsson	175	153
Handelsbanken	632	505
Höganäs	44	11
Indutrade	75	63
Munters	–	11
Sandvik	428	138
SCA	283	262
Skanska	385	182
SSAB	114	53
Volvo	267	–
Group	2,403	1,379

NOTE 2 Change in value of stocks, etc.

	2011	2010
Ericsson	–355	703
Handelsbanken	–2,470	691
Höganäs	–196	351
Indutrade	–722	1,429
Munters	–	333
Sandvik	–6,664	6,217
SCA	–330	733
Skanska	–685	385
SSAB	–2,965	–505
Volvo	–4,263	4,660
	–18,650	14,997
Option portion's change in value, convertible loan	1,399	–936
Revaluation of convertible loan	–174	–77
Other	–79	7
Group	–17,504	13,991

For stocks held at both the start and end of the year, the change in value consists of the difference in the market value between these dates. For stocks acquired during the year, the change in value consists of the difference between the price paid and the market value at the end of the year. For stocks sold during the year, the change in value consists of the difference between the sales price received and the value of the stocks at the start of the year.

NOTE 3 Net purchases and sales (–) per holding

	2011	2010
Ericsson	220	61
Handelsbanken	728	428
Höganäs	199	–
Indutrade	–	–4
Munters	–	–843
Sandvik	724	232
SCA	17	–
Skanska	–362	363
SSAB	61	540
Volvo	2,873	1,770
Group	4,461	2,547

NOTE 4 Short-term derivative transactions and equity trading

	Group		Parent Company	
	2011	2010	2011	2010
Short-term equity and derivative transactions	120	97	85	79
Short-term equity trading by Nordinvest	32	17	–	–
Total	152	114	85	79

NOTE 5 Management costs

	2011	2010
Payroll costs, incl. directors' fees	–67	–57
Other ¹	–38	–37
Group	–105	–94

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

NOTE 6 Financial income and expenses

	Group		Parent Company	
	2011	2010	2011	2010
Financial income				
Interest income – subsidiaries	–	–	17	–
Interest income – other	10	19	67	19
Total	10	19	84	19
	Group		Parent Company	
	2011	2010	2011	2010
Financial expenses				
Interest expenses – subsidiaries	–	–	–3	–3
Interest expenses – other	–601	–534	–343	–482
Bank charges	–2	–7	–2	–7
Total	–603	–541	–348	–492

NOTE 7 Average number of employees

	2011		2010	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	17	6	18	7
Subsidiaries	4	–	3	–
Total	21	6	21	7

NOTE 8 Wages, salaries and other remuneration; social security costs

	2011				2010			
	Directors' fees	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Directors' fees	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
Parent Company	4	28	35	22	4	27	26	17
Subsidiaries	–	11	5	1	–	9	4	1
Total, Group	4	39	40	23	4	36	30	18

EXECUTIVE MANAGEMENT'S COMPENSATION AND PENSION COSTS FOR 2011

	Base salary	Variable salary	Subsidy to buy stock options	Other benefits	Pension cost
CEO	9.2 ¹	0.0	0.9	0.2	12.8
Other members of executive management (4 persons)	9.4	6.5	2.2	0.4	5.1
Total, Group	18.6	6.5	3.1	0.6	17.9

1) The Company's cost amounts to SEK 3.7 M after deducting SEK 5.5 M for directors' fees from portfolio companies that were paid in to the Company.

DIRECTORS' FEES AND EXECUTIVE COMPENSATION

- The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting, submits recommendations on directors' fees to the Annual General Meeting. In accordance with a resolution by the Annual General Meeting in 2011, the Board was paid a fee of SEK 4.0 M (3.6). Of this amount, the Chairman received SEK 1.5 M (1.2). Other directors, except for the CEO, each received SEK 0.5 M (0.4). No fee is paid for committee work.

- Compensation of the CEO and other members of the executive management, of whom one is an employee of Nordinvest, is based on the guidelines adopted by the 2011 Annual General Meeting. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and decides on the compensation for the other members of the executive management. The members of the executive management receive a base salary, long-term and short-term variable salary, standard employment benefits and pension benefits.

The CEO received a base salary of SEK 9.2 M (7.2). In accordance with the terms of the stock option program, a subsidy to buy stock options in the form of long-term variable salary was paid in the amount of SEK 0.9 M (–). The CEO is entitled to pension benefits between 60 and 65 years of age equivalent to 70% of his average base salary during the three years prior to his sixtieth birthday, and to lifetime retirement pension benefits after 65 years of age equivalent to 60% of his average base salary during the three years prior to retirement, indexed from the date of retirement in the same manner that would apply for a pension from Alecta. Pension benefits are earned on a linear basis up until retirement and are vested, i.e., they are not conditional with respect to future employment. In addition, the CEO is entitled to disability pension equivalent to 50% of his base salary the year before such pension occasion, and his survivors are entitled to survivorship benefits equivalent to 35% of his base salary plus a supplement for children under the age of 20. The cost of defined benefit pension obligations in 2011 was SEK 12.8 M (12.4). The Company must give two years' notice if it cancels the CEO's employment contract. The other members of the executive management together received base salary

of SEK 9.4 M (8.8). The other members of the executive management are entitled to long-term and short-term variable salary. The outcome is based on the achievement of individually set goals as well as on joint targets regarding growth in net asset value. Variable salary regarding 2011 amounted to SEK 6.5 M (5.4) and will be paid out 2012–2013. In accordance with the terms of the stock option program, a subsidy to buy stock options in the form of long-term variable salary was paid in the amount of SEK 2.2 M (–). The other members of the executive management are covered from 65 years by defined contribution pension plans, whereby the amount of the pension benefits is dependent on the performance of their contracted pension plans. The total cost of the pension obligation in 2011 for these executives was SEK 5.1 M (2.0). In the event the Company cancels their employment contracts, these executives are entitled to two years' notice.

LONG-TERM VARIABLE SALARY

The 2008 Annual General Meeting of AB Industrivärden resolved that all employees of the Group would be offered the opportunity to purchase stock options in Industrivärden at market terms and in other respects in accordance with the Board's complete proposal to the Annual General Meeting. The program involved the issuance of a maximum of 1,000,000 stock options for 1,000,000 Class C shares and has been secured through a total return swap. The offer was fully subscribed. In accordance with the terms of the offer, the exercise price per share was set at SEK 106.80. The options can be exercised to purchase Class C shares in the Company during the period July 1, 2008, through May 31, 2013. A subsidy (long-term variable salary) for option purchases corresponding to 75% of the option premium paid (gross, before tax) was paid out in 2011 to employees who own options. The Company's costs for this long-term variable salary component are covered by revenue from the sale of the options. No options were exercised during the year.

NOTE 9 Auditors' fees

	Group ¹		Parent Company ¹	
	2011	2010	2011	2010
PWC				
Audit assignment	0.9	1.0	0.6	0.7
Auditing activities in addition to audit assignment	0.6	0.3	0.6	0.3
Tax consulting	0.9	0.1	0.9	0.1
Other services	0.2	0.7	0.2	0.7
Total	2.6	2.1	2.3	1.8

1) Including value-added tax (since holding companies are not subject to value-added tax and thereby cannot deduct value-added tax).

NOTE 10 Condensed tax computation for the Parent Company (see page 51)

	2011	2010
Market value of equities portfolio on January 1	47,297	32,265
Less: business-related shares	–41,214	–27,204
Basis for standardized income	6,083	5,061
Standardized income 1.5%	91	76
Dividends received during each year	1,502	567
Management costs, net financial items, etc.	–341	–563
Dividend paid out ²	–1,738 ¹	–1,545
Taxable income	–486	–1,466
Tax-loss carryforward from previous years	–2,028	–562
Accumulated tax-loss carryforward	–2,514	–2,028

1) Proposed by the Board of Directors.

2) Payment is made during the following year, in accordance with a decision by the AGM.

NOTE 11 Earnings per share

Income attributable to shareholders in the Parent Company	Group	
	2011	2010
Net income for the year	-15,647	14,870
Change in value of convertible options	-	936
Convertible interest	-	108
Indexing	-	63
Income attributable to equity holders of the Parent Company after dilution	-15,647	15,977

EARNINGS PER SHARE BEFORE DILUTION

The calculation of earnings per share before dilution is based on reported income attributable to equity holders of the Parent Company, amounting to SEK -15,647 M (14,870), and a weighted number of shares outstanding, amounting to 386,271,224 (386,271,224).

EARNINGS PER SHARE AFTER DILUTION

Calculation of earnings per share after dilution is based on reported income attributable to equity holders of the Parent Company, amounting to SEK -15,647 M (15,977), and a weighted average number of shares outstanding after the effect of convertible loans, amounting to 386,271,224 (427,506,734). For calculation of earnings per share after dilution, the weighted average number of common shares outstanding is adjusted for the dilutive effect of all potential common shares with a dilutive effect – in Industrivärden's case the convertible debentures. For the periods during which the convertible debentures give rise to a dilutive effect, they are assumed to have been converted to common shares, and earnings are adjusted to eliminate the earnings that the convertibles have generated. For 2011, there is no difference in the weighted average number of common shares that are used to calculate earnings per share before and after dilution, since the potential common shares that the convertible loans give rise to do not have any dilutive effect. As per December 31, 2011, the number of potential common shares that did not have any dilutive effect in 2011 but which would be created upon a future full conversion of the convertible loans is 74.4 million.

NOTE 12 Property, plant and equipment

	Group		
	Land and buildings	Equipment	Total property, plant and equipment
Opening cost	29	8	37
Investments during the year	26	0	26
Sales and disposals	-	-	-
Closing accumulated cost	55	8	63
Opening depreciation	-8	-2	-10
Depreciation for the year	-1	0	-1
Sales and disposals	-	-	-
Closing accumulated depreciation	-9	-2	-11
Residual value, 12/31/2011	46¹	6	52
Residual value, 12/31/2010	21 ¹	6	27

1) Of which, land SEK 17 M (3).

NOTE 13 Equities

	2011					2010
	Number of shares	Share of capital, %	Share of votes, %	Cost	Market value ¹	Market value ¹
Ericsson A	80,708,520	2.5	14.3	3,555	5,613	5,748
Handelsbanken A	67,810,927	10.9	11.1	7,155	12,274	14,015
Höganäs B	4,408,046	12.6	10.0	836	937	934
Indutrade ²	14,727,800	36.8	36.8	102	2,965	3,417
Sandvik	144,577,252	12.2	12.2	7,277	12,210	18,150
SCA A	43,100,000	10.0	29.1	751	4,349	4,758
SCA B	27,700,000			1,860	2,825	2,729
Skanska A	12,667,500	6.8	23.7	600	1,444	2,012
Skanska B	15,698,806			1,331	1,790	2,269
SSAB A	56,105,972	17.6	22.6	4,107	3,403	6,340
SSAB B	754,985			72	40	7
Volvo A	121,506,918	5.8	15.0	10,769	9,228	10,079
Volvo B	1,261,939			99	95	633
Group's holdings of equities				38,514	56,903	71,092
Less: associated companies					-6,677	-11,159
Less: holdings owned via subsidiaries					-22,143	-23,795
Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries					28,083	36,138

1) The market value corresponds to the book value.

2) In 2010 Industrivärden issued a total of 358,000 call options to senior executives of Indutrade. Each option entitles the bearer to purchase one share of Indutrade stock for SEK 191.44 during the period May 1–October 31, 2013. The total cost of the underlying shares is SEK 2,481 thousand. The total value of the exercise price and received premium is SEK 74,697 thousand.

NOTE 14 Shares in associated companies

	Reg. no.	Domicile	Shareholders' equity	Earnings after tax	Parent Company			
					Share of capital, %	Share of votes, %	No. shares, oos	Book value
Skanska	556000-4615	Stockholm	19,583	8,129	6.8	23.7	28.4	3,234
SSAB	556016-3429	Stockholm	30,768	1,560	17.6	22.6	56.9	3,443
Total								6,677

NOTE 15 Shares in subsidiaries

	Reg. no.	Domicile	Share of capital, %	No. shares	Shareholders' equity	Parent Company
						Book value
Industrivärden Invest AB (publ)	556775-6126	Stockholm	100	1,000	6,754	1,330
Industrivärden Förvaltning AB	556777-8260	Stockholm	100	1,000	4,911	1,510
Industrivärden Holding AB	556260-3067	Stockholm	100	10,000	2,454	1,500
Industrivärden Service AB	556364-7758	Stockholm	100	100,000	24	42
Investment AB Nils Dacke	556833-0558	Stockholm	100	500	0	0
Perbastra AB	556833-0533	Stockholm	100	500	400	400
Investment AB Promotion	556833-0525	Stockholm	80	80,000	200	8
Florås Kulle AB	556364-8137	Stockholm	100	10,000	92	155
Total						4,945

NOTE 16 Change in equities

	Group Equities		Parent Company							
	2011	2010	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Opening value	71,092	53,548	36,138	22,094	11,159	10,036	4,545	11,948	51,842	44,078
Disposals at sales value	-6,927	-3,097	-4,854	-2,241	-1,554	-435	-	-1	-6,408	-2,677
Purchases	11,388	5,644	8,412	4,011	799	1,655	-	8	9,211	5,674
Change in value	-18,650	14,997	-11,613	12,274	-3,727	-97	-	-	-15,340	12,177
Other	-	-	-	-	-	-	400	-7,410	400	-7,410
Closing value	56,903	71,092	28,083	36,138	6,677	11,159	4,945	4,545	39,705	51,842

NOTE 17 Other current receivables

	Group		Parent Company	
	2011	2010	2011	2010
Interest-bearing receivables	33	-	-	-
Receivables from subsidiaries	-	-	1,845	901
Prepaid expenses and accrued income	68	47	13	47
Other current receivables	3	25	3	24
Total	104	72	1,861	972

NOTE 18 Convertible loan

In January 2010 and January 2011, Industrivärden issued two convertible bonds with terms of five and six years, respectively, for a combined value of EUR 1,050 M. The conversion price was set at premiums in relation to the share price and exceeded net asset value at the time of issue.

	Convertible loan 2010–2015	Convertible loan 2011–2017
Nominal amount, EUR M	500	550
Conversion price, SEK	115.50	162.00
Fixed translation rate, SEK	10.2258	8.8803
Coupon, %	2.500	1.875
Maximum number of additional Class C shares, millions	44.3	30.1

If the dividend yield for Industrivärden's Class C shares exceeds 3.5% and 4.0%, respectively, the conversion prices will be adjusted using a standard formula. Industrivärden has the right to demand conversion after approximately 3.5 years, provided that the value of the convertible exceeds the nominal value by 30% for a certain period of time. Upon maturity, Industrivärden has an opportunity to convert part or all of the loan even if the current share price has not reached the conversion price. In such case, the convertible owners would be guaranteed to receive shares/cash corresponding to the nominal amount of the loan. The loans mature on February 27, 2015, and February 27, 2017.

NOTE 19 Pensions

The Group's total reported pension costs amount to SEK 23 M (18), of which SEK 22 M (17) pertains to the Parent Company. Interest on pension obligations and the return on plan assets are reported in the income statement as Financial items. For 2012, the Parent Company's pension costs are estimated to amount to approximately SEK 25 M.

DEFINED CONTRIBUTION PLANS

The defined contribution plans involve retirement pensions, disability pensions and family pensions and entail that premiums are paid on a regular basis during the year to independent legal entities.

DEFINED BENEFIT PLANS

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

The pension liability as per December 31, 2011, was SEK 81 M (68) for the Group and Parent Company. The value of plan assets was SEK 4 M (3). Unreported actuarial losses amounted to SEK 16 M (4) for the Group and Parent Company.

Actuarial assumptions	Group	
	2011	2010
Discount rate, %	3.4	4.5
Anticipated return on plan assets, %	3.4	5.0
Future salary increases, %	3.4	4.0
Anticipated inflation, %	1.4	2.0

NOTE 20 Non-current interest-bearing liabilities

	Group		Parent Company	
	2011	2010	2011	2010
Convertible loans	8,555	4,155	8,555	4,155
MTN program	600	800	600	800
Bank loans	4,711	6,100	–	–
Pension liability (see Note 19)	81	68	81	68
Total	13,947	11,123	9,236	5,023

Market valuation of current and long-term interest-bearing liabilities as per 12/31/2011 would increase current interest-bearing liabilities by SEK 19 M (7) and non-current interest-bearing liabilities by SEK 259 M (376).

Maturity dates of loans	Group		Parent Company	
	2011	2010	2011	2010
–2012	–	1,300	–	800
–2013	2,000	2,000	–	–
–2014	1,600	1,000	600	–
– 2015 or later ¹	10,347	6,823	8,636	4,223
Total	13,947	11,123	9,236	5,023
1) Of which, pension liability	81	68	81	68

NOTE 21 Non-current noninterest-bearing liabilities

	2011	2010
	Option portion of convertible loans	519
Other	8	25
Group	527	1,344

NOTE 22 Current interest-bearing liabilities

	Group		Parent Company	
	2011	2010	2011	2010
Commercial paper	1,195	1,196	199	1,196
MTN program	800	455	800	455
Bank loan	500	200	–	–
Bank overdraft facility	419	429	–	682
Interim payments	9	178	–	93
Liabilities to subsidiaries	–	–	959	–
Total	2,923	2,458	1,958	2,426

NOTE 23 Other current liabilities

	Group		Parent Company	
	2011	2010	2011	2010
Interest rate swaps	94	99	94	99
Other current liabilities	324	96	292	93
Accrued interest	52	43	45	41
Other accrued expenses	104	55	52	46
Liabilities to subsidiaries	–	–	–	1
Accounts payable, trade	5	2	4	2
Total	579	295	487	282

NOTE 24 Obligations to company directors and CEOs

The Group's non-current interest-bearing liabilities include SEK 75 M (68) for pension obligations and similar benefits for current and former company directors and CEOs. The corresponding amount for the Parent Company is SEK 75 M (68), as shown in the item Pension liability in Notes 19 and 20.

NOTE 25 Related-party transactions**TRANSACTIONS WITH SUBSIDIARIES**

Certain transactions have been made with wholly owned subsidiaries, such as rents for premises at market terms and internal loans. The size of these dealings as per 12/31/2011 is shown in the balance sheet.

TRANSACTIONS WITH ASSOCIATED COMPANIES

Stock dividends have been received from certain, listed associated companies. Members of the executive management have received directors' fees from listed associated companies, which have been paid to Industrivärden. In May, Industrivärden exchanged 2,432,000 Class A shares in Skanska for 10% more Class B shares in Skanska, from LE Lundbergföretagen. Two companies were acquired from the Skanska Group during the year, whose operations have been discontinued, at a combined market price of SEK 192 M.

AUDIT REPORT

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF
AB INDUSTRIVÄRDEN (PUBL), REG. NO. 556043-4200

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of AB Industrivärden (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 31-47 and 51.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report

and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of AB Industrivärden (publ) for the year 2011.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 8, 2012
PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant

BOARD OF DIRECTORS



SVERKER MARTIN-LÖF
 Doctor of Technology, Honorary Ph.D.
 Born 1943, Stockholm.
 Chairman of the Board since 2010.
 Vice Chairman of the Board 2002–2010.
 Director since 2002.
 Chairman of SCA, Skanska and SSAB.
 Vice Chairman of Ericsson.
 Director of Svenska Handelsbanken.
 Shareholding: 14,000



CHRISTIAN CASPAR
 MBA.
 Born 1951, Zurich.
 Director since 2011.
 Director of Stena and Bonnier.
 Shareholding: 0



BOEL FLODGREN
 J.S.D., Honorary Doctor of Economics and Business Administration, Professor.
 Born 1942, Lund.
 Director since 2002.
 Director of Brinova and the University of Copenhagen.
 Shareholding: 1,900



STUART GRAHAM
 MBA.
 Born 1946, Vero Beach.
 Director since 2011.
 Director of Skanska, PPL Corporation and Harsco Corporation.
 Shareholding: 2,000



HANS LARSSON
 B.A.
 Born 1942, Stockholm.
 Director since 2010.
 Chairman of Svenska Handelsbanken.
 Director of Holmen.
 Shareholding: 0



FREDRIK LUNDBERG
 M.Sc. Eng., MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering.
 Born 1951, Djursholm.
 Director since 2004.
 President and CEO of L E Lundbergföretagen.
 Chairman of Holmen and Hufvudstaden.
 Vice Chairman of Svenska Handelsbanken. Director of L E Lundbergföretagen, Sandvik and Skanska.
 Shareholding: 5,260,000; related entities 50,000,000



ANDERS NYSTRÖM
 MBA, U.S. MBA.
 Born 1954, Bromma.
 President and CEO of Industrivärden.
 Director since 2001.
 Chairman of Sandvik.
 Vice Chairman of Svenska Handelsbanken. Director of Ericsson, SCA, SSAB, Volvo, Ernströmgruppen, the Stockholm School of Economics, and the Stockholm School of Economics Association.
 Shareholding: 61,550
 Stock options: 125,000

EXECUTIVE MANAGEMENT



Martin Hamner, Anders Nyrén, Fredrik Calles, Sverker Sivall and Carl-Olof By.

ANDERS NYRÉN

MBA, U.S. MBA, born 1954, President and Chief Executive Officer, Industrivärden employee since 2001.

Shareholding: 61,550. Stock options: 125,000. Anders Nyrén is Chairman of Sandvik, Vice Chairman of Svenska Handelsbanken, and a director of Ericsson, SCA, SSAB, Volvo, Ernströmgruppen, the Stockholm School of Economics, and the Stockholm School of Economics Association. From 1997 to 2001 he served as Executive Vice President and CFO of Skanska; from 1996 to 1997 he was an executive of Nordbanken and member of the executive management; from 1992 to 1996 he served as Executive Vice President and CFO of Securum; and from 1987 to 1992 he served as CEO of OM International.

CARL-OLOF BY

B.A., M. Pol. Sc., born 1945, Executive Vice President, Industrivärden employee since 1990.

Shareholding: 34,000. Stock options: 85,000. Carl-Olof By is a director of Handelsbanken Region Stockholm, KnowIT and NASDAQ OMX Nordic Limited. From 1980 to 1990 Carl-Olof By served as CFO for Investment AB Promotion/Bahco.

Committees

Compensation Committee to make recommendations to the Board on the CEO's compensation and to set the compensation for the other members of the Executive Management: Sverker Martin-Löf (committee chair) and Hans Larsson.

Audit Committee for oversight of the Company's risk management, business management and control, and financial reporting: Industrivärden's Board of Directors excluding CEO Anders Nyrén. Committee chair: Hans Larsson.

Nominating Committee for election of the Board of Directors: Sverker Martin-Löf (Chairman of the Board), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation), Håkan Sandberg (Handelsbanken Pension Foundation and Handelsbanken Pension Fund – committee chair), Ulf Lundahl (L E Lundbergföretagen), and Anders Nyberg (SCA pension foundations and others).

A presentation of the committees' work can be found in the Corporate Governance Report on pages 31–33.

Investor Relations Officer

ANDERS GUSTAVSSON, MBA, born 1981.

IRO, Industrivärden employee since 2012.

In 2011 Anders Gustavsson served as Business Controller for H&M, and from 2007 to 2010 he served as a strategic analyst for Caterpillar.

MARTIN HAMNER

MBA, born 1964, Chief Financial Officer, Industrivärden employee since 2008. Shareholding: 5,000. Stock options: 65,000. From 1999 to 2007 Martin Hamner served as Group Controller and Head of Investor Relations for ASSA ABLOY, and from 1987 to 1999 he served as an Authorized Public Accountant for PricewaterhouseCoopers.

FREDRIC CALLES

MBA, born 1966, Head of Short-term Trading, Industrivärden employee since 2003.

Stock options: 85,000. From 1996 to 2003 Fredric Calles served as Head of Trading for Alfred Berg Fondkommission; from 1993 to 1996 he served as Assistant Trading Manager for UBS Sweden.

SVERKER SIVALL

MBA, born 1970, Head of Corporate Communications, Industrivärden employee since 1997.

Shareholding: 5,000. Stock options: 65,000. From 1997 to 2010 Sverker Sivall served as Head of Investor Relations for Industrivärden; from 1994 to 1997 he served as Investment Controller for AstraZeneca.

Investment/team managers

ERIK RÖJVALL, MBA, born 1973

Investment Manager, Industrivärden employee since 2000.

PETER NYSTRÖM, M.Sc. Eng., born 1960

Team Manager, Industrivärden employee since 2002. Stock options: 40,000

PETER SIGFRID, LL.M., M.Sc. L.A., born 1974

Team Manager, Industrivärden employee since 2005. Stock options: 65,000

MADELEINE WALLMARK, MBA, born 1982

Team Manager, Industrivärden employee since 2006. Stock options: 25,000

Auditor

PricewaterhouseCoopers AB.

Chief Auditor: **ANDERS LUNDIN**, Authorized Public Accountant, born 1956, Stockholm. In 2011 Anders Lundin was Chief Auditor of the listed companies Industrivärden, AarhusKarlshamn, Electrolux, Husqvarna, Melker Schörling and SCA, among others.

In 2011 PricewaterhouseCoopers had a total of 88 auditing assignments for companies listed on OMX NASDAQ Nordic Stockholm or the NGM exchange.

TAX RULES FOR HOLDING COMPANIES

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

INTERMEDIARIES

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

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

TAX RULES

The main principles concerning taxation of holding companies are:

- that interest income is taxable, while interest expenses and management costs are tax deductible,

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

TAX DEFICITS

Tax-loss carryforwards are deductible and can be accumulated in order to be deducted from future taxable surpluses.

CALCULATION OF TAXES

See note 10 on page 44.

GLOSSARY AND DEFINITIONS

CHANGE IN VALUE OF STOCKS

For stocks held at both the start and end of the year, the change in market value consists of the difference in value between these two dates. For stocks sold during the year, the change in market value consists of the difference between the sales price of the shares and their value at the start of the year. For stocks acquired during the year, the change in market value consists of the difference between the cost of the shares and their value at the end of the year.

DISCOUNT TO NET ASSET VALUE

The difference between net asset value per share and the stock price, measured in proportion to net asset value.

DIVIDEND YIELD

Dividend per share in relation to the share price on December 31.

EARNINGS PER SHARE

Net income for the year divided by the total number of outstanding shares.

INTEREST-BEARING NET DEBT

Interest-bearing liabilities and pension liabilities less cash and cash equivalents and interest-bearing receivables.

MARKET VALUE OF EQUITIES PORTFOLIO

The value of the equities portfolio based on market prices on the balance sheet date.

NET ASSET VALUE

The market value of the equities portfolio less interest-bearing net debt.

NET ASSET VALUE INCLUDING REINVESTED DIVIDENDS

To calculate the development of net asset value before dividends paid out, the dividends paid out by the Company are recalculated to take into account the performance of the listed portfolio. This gives a measure of how net asset value would have developed if Industrivärden had not paid any dividend.

NET DEBT-EQUITIES RATIO

Interest-bearing net debt in relation to the market value of the equities portfolio.

TOTAL RETURN

Change in the share price taking into account reinvested dividends. The total return is compared against the return index (SIXRX), which indicates the price trend including reinvested dividends for stocks listed on the Stockholm Stock Exchange.

STOCK MARKET INFORMATION

Industrivärden aspires to meet strong demands for communication with its shareholders and the stock market in general. Information provided to the market shall maintain a high standard of quality and be made quickly available to all recipients. Through a close dialog with market participants, Industrivärden strives to continuously develop and improve its communication.

REPORTING DATES 2012

Interim reports will be published on the following dates:

- April 5 for the period January–March
- July 5 for the period January–June
- October 5 for the period January–September

2012 Annual General Meeting

- Friday, May 4, in Stockholm

INFORMATION CHANNELS

Publications

Interim reports, year-end reports, annual reports and press releases can be ordered using any of the following alternatives:

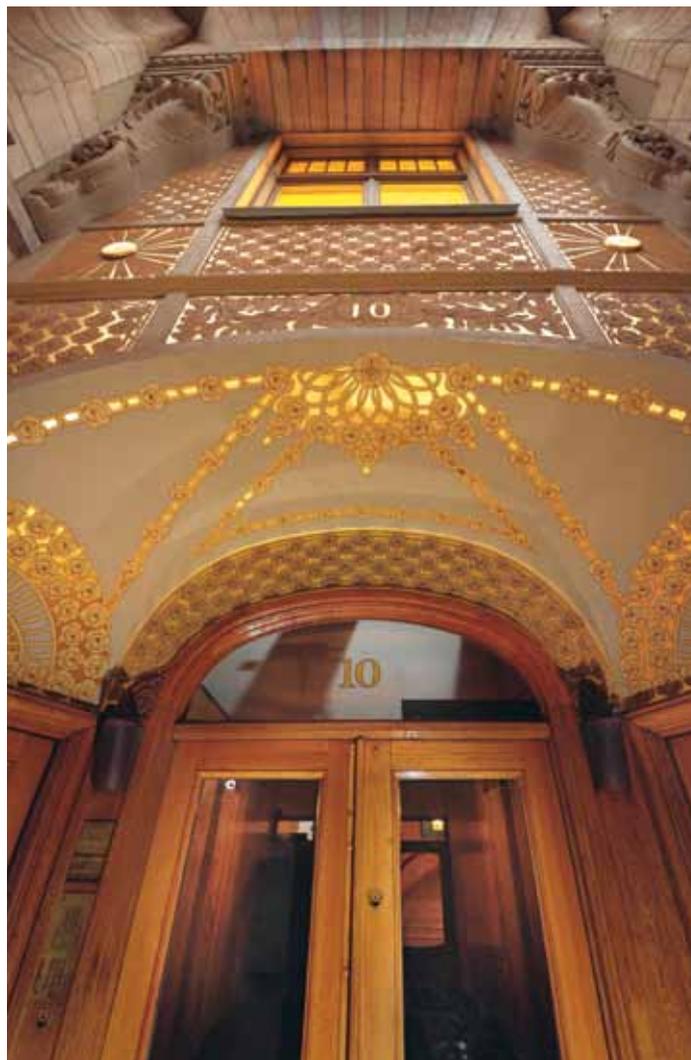
- by post from AB Industrivärden (publ),
Box 5403, SE-114 84 Stockholm, Sweden
- by phone, at +46-8-666 64 00
- by registration on www.industrivarden.net, or
- by e-mail at: info@industrivarden.se

Subscribing for publications

Subscriptions for Industrivärden's press releases, interim reports and year-end reports can be arranged through registration of an e-mail address on Industrivärden's website.

Industrivärden online

Industrivärden's website, www.industrivarden.net, is a central information channel for communicating with parties interested in the Company. It presents current and historic information about the Company in a clear and simple format.



INVESTOR CONTACT

Anders Gustavsson, tel. +46-8-666 64 00,
e-mail: info@industrivarden.se

ANNUAL GENERAL MEETING 2012

TIME AND PLACE

The Annual General Meeting will be held at 2 p.m. on Friday, May 4, 2012, at the Grand Hotel, Vinterträdgården room (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm, Sweden. The doors will open at 1 p.m., and registration will take place until 2 p.m., at which time the doors will be closed. Coffee will be served before the Meeting.

WHO IS ENTITLED TO PARTICIPATE?

To be entitled to participate at the Annual General Meeting, shareholders must be listed in the shareholder register printed out by Euroclear Sweden AB (formerly VPC) on April 27, 2012, and give notice of their intention to participate in the Meeting no later than April 27, 2012.

HOW TO BECOME REGISTERED IN THE SHAREHOLDER REGISTER

Shares are registered in the shareholder register maintained by Euroclear Sweden in the name of either the owner or the owner's nominee. Shareholders who have not arranged to have their shares registered in the nominee's name are registered in their own names. Shareholders whose shares are managed by a third party may have chosen to have their shares registered in the nominee's name. In order to be able to participate in the Meeting, such shareholders who own nominee-registered shares must request in advance that their shares be temporarily registered in their own names as per April 27, 2012. Shareholders are advised to contact their nominee well in advance before April 27, 2012.

NOTICE OF ATTENDANCE

Notice of intention to participate at the Meeting can be made using one of the following alternatives:

- by post to AB Industrivärden (publ), Box 5403, SE-114 84 Stockholm, Sweden
- by phone at +46-8-666 64 00
- by fax at +46-8-661 46 28
- by e-mail at agm@industrivarden.se, which requires the Company's confirmation by e-mail (within 24 hours) that notification has been registered
- by filling in the form on Industrivärden's website, www.industrivarden.net.

Upon notification, shareholders must indicate their:

- name
- national ID number (or corporate registration number)
- complete postal address and phone number
- where applicable: the number of assistants (max. two)

Notifications must be received by the Company no later than April 27, 2012.

PROXIES

Shareholders may exercise their right to participate at the Meeting by proxy. Please use the proxy statement provided on the notification form, which is available on Industrivärden's website. Proxy can also be arranged by providing the application information above for the shareholder as



well as his/her representative. The proxy statement must also include the date and location for signature as well as the shareholder's signature and name printed out. For representation of legal persons by proxy, the proxy must be signed by an authorized signatory of the company/organization, and a copy of the registration certificate, which indicates the company's/organization's authorized signatories, must be attached. Proxy statements must be sent in or shown in original.

DIVIDEND

The dividend will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes May 9, 2012, as the record date. Provided that the Annual General Meeting approves the Board's proposal, taking into account the so-called three-day payment schedule (three business days), this entails that purchases of Industrivärden shares on the day of the AGM, May 4, 2012, will normally carry rights to the dividend (provided that the purchase was recorded in the shareholder register on May 9, 2012), and that payment of the dividend is expected to take place via Euroclear Sweden on May 14, 2012.

INDUSTRI  VÄRDEN

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