



INDUSTRIVÄRDEN

ANNUAL REPORT 1996

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FINANCIAL INFORMATION 1997

A three-month report will be issued on April 29, 1997, a six-month report on August 20, 1997, and a nine-month report on November 4, 1997.

This Annual Report is a translation of the Swedish original.

ANNUAL GENERAL MEETING

TIME AND PLACE

The Annual General Meeting will be held at 2 p.m. on Tuesday, April 29, 1997, at the Grand Hotel, Vinterträdgården, in Stockholm.

WHO IS ENTITLED TO PARTICIPATE?

To be entitled to participate in the Annual General Meeting, stockholders must be listed on the printout of the stockholders' register made by the Swedish Securities Register Center (VPC AB) on April 18, 1997, and give notice of their intention to participate in the Meeting no later than 3 p.m. on Friday, April 25, 1997.

Owners of Convertible Participating Notes (CPNs) are welcome to attend the Meeting, provided they give prior notice.

HOW TO BECOME REGISTERED IN THE STOCKHOLDERS' REGISTER

Shares can be either owner-registered or trustee-registered. Owner-registered holdings are listed under the names of stockholders in the stockholders' register. Stockholders whose shares are managed by a trustee, such as a bank's custody services department, may have chosen to have their shares registered in the name of their trustee. Requests to have trustee-registered shares re-registered in the stockholder's name are to be made to the trustee. To be registered in the stockholders' register by April 18, 1997, and thereby be entitled to participate in the Meeting, stockholders with trustee-registered shares must request such re-registration in ample time before the above-mentioned date.

NOTICE OF ATTENDANCE

Notice of intention to participate in the Annual General Meeting can be made in writing to AB Industrivärden (publ.), Box 5403, S-114 84 Stockholm, Sweden, by phone at +46-8-666 64 00 or by fax at +46-8-661 46 28, not later than 3 p.m. on Friday, April 25, 1997.

DIVIDEND

The ordinary dividend for 1996 will be paid to stockholders who are listed in the stockholders' register on the record date. The Board of Directors proposes May 5, 1997, as the record date. Provided that the Annual General Meeting approves the Board's proposal, dividend payments are expected to be made via VPC on May 13, 1997. Payment of CPN interest for 1996 will be made at the same time as the dividend payment.

ANALYSTS WHO MONITOR INDUSTRIVÄRDEN

Stockbrokers

Alfred Berg Fondkommission	Magnus Behm	+46-8-723 58 00
AROS Securities	Christian Wierup	+46-8-458 56 21
Carnegie Fondkommission	Fredrik Grevelius	+46-8-676 88 00
Enskilda Corporate	Henrik Sporje	+46-8-763 80 00
Erik Penser Fondkommission	Anders Roslund	+46-8-463 80 21
Fischer Partners Fondkommission	Håkan Persson	+46-8-463 85 00
Handelsbanken Markets	Christer Beckard	+46-8-701 24 36
James Capel & Co.	Viking Kjellström	+46-8-454 55 21
Matteus Fondkommission	Nils Sandstedt	+46-8-613 42 00
SBC Warburg	Per Afrell	+46-8-453 73 00
Swedbank Fondkommission	Karl-Mikael Syding	+46-8-790 25 27
Öhman Fondkommission	Anders Westin	+46-8-402 50 00

Credit Rating of Commercial Paper Program

Standard & Poor's Nordisk Rating	Peter Nilsson	+46-8-440 59 00
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HIGHLIGHTS

- Consolidated earnings after financial items totaled SEK 1,417 M (1,765). Gains on sales of stocks accounted for SEK 687 M (1,281) of this total.
- The stockholding in PLM was reduced from 45 percent to 23 percent in accordance with previously announced intentions. The sale yielded a capital gain of SEK 508 M.
- The wholly owned subsidiary Elitfönster merged with Myresjöfönster, a Skanska subsidiary, at the beginning of the year. Industrivärden sold its stockholding at the end of the year.
- Earnings after financial items, but before gains on sales of stocks and nonrecurring items, totaled SEK 738 M (484).
- The value of the portfolio of listed stocks on December 31, 1996, was SEK 17,752 M (13,775). Adjusted for purchases and sales, the portfolio's value rose 36 percent (20) from the beginning of the year. The General Index rose 38 percent (18).
- Net worth at year-end was estimated at SEK 455 (333) per share and CPN. Net worth at February 28, 1997, was estimated at SEK 501 per share and CPN.
- The holding company discount, i.e., the difference between the Company's net worth and its stock price, decreased from 38 percent at the beginning of the year to 31 percent at year-end.
- Industrivärden's stock price gained 51 percent for the year, compared with a 38 percent rise in the General Index.
- The Board of Directors proposes that the dividend be raised by SEK 2.00 to SEK 13.00 per share. Interest per CPN would thus be SEK 14.95.



Above: a pictorial representation of Industrivärden's various business activities, beginning with the Portfolio of Listed Stocks, Inductus, Indutrade and Fundament.

TO OUR STOCKHOLDERS

The stock market's valuation of holding companies has been a hot discussion topic in the market during the 1990s. This is due to the performance of holding company stocks and, above all, the high discount on them.

At Industrivärden we are keenly aware of the fact that our stock's price trend during most of the '90s has been anything else but satisfactory. Against this background it has been all that much more gratifying to follow the valuation of Industrivärden by the market recently.

STOCK PRICE ROSE 51 PERCENT

Industrivärden's Class A shares gained a full 51 percent in value in 1996, compared with 38 percent for the general index. At the same time, the so-called holding company discount – i.e., the difference between our net worth and our stock price – fell from 38 percent at the beginning of the year to 31 percent at year-end. The favorable price trend and the reduction of the holding company discount have continued during the beginning of 1997.

Granted, Industrivärden has constantly sold at a discount since its introduction on the stock market more than 50 years ago. And although the same has applied for other holding companies, it has been difficult – not to say impossible – to come up with a satisfactory explanation or quantify the underlying reasons for the discount. As a result of the debate on the valuation of holding companies, however, it has become increasingly apparent for the market that the high discount cannot be justified, which has contributed to our favorable price trend.

ACTIVE OWNERSHIP

The recent years' debate in the stock market has not focused solely on holding companies. Corporate governance is another topic that has become the subject of greater attention and discussion. Naturally, at Industrivärden we understand the relevance of this debate, even though it is not new to us. Active ownership and fundamental analysis have long been key concepts in the management of our holdings. Moreover, demands that greater consideration be given to stockholders' views and preferences are in our best interest, since the very core of our business is to be a stockholder.

Like other listed companies, our business mission is to create growth in stockholder value. In recent years a number of listed companies in Sweden have tried to enhance stockholder value through such measures as market listings for subsidiaries, share redemptions, and so on. These ideas are not new to us, which we showed in 1995 when we let our stockholders buy shares in PLM at a reduced price. We are eagerly studying the effects of programs currently being introduced in the market. However, at the moment we feel we are not ready to present, for instance, a stock redemption. One reason among many is that we want to study the proposed legislation that would allow Swedish companies to buy back their own stock.



Clas Reuterskiöld, President and CEO

VALUE APPRECIATION ON A PAR WITH THE INDEX

Regardless of the measures taken in an attempt to influence a stock's price, a business's current and future total economic gain is always the most relevant valuation element. During the past year, and throughout the entire '90s for that matter, the growth in the value of our assets – after taking dividend payments into account – has largely corresponded to the market index. Naturally our goal is to outperform the index, so in that sense we have not been entirely successful. In my view, however, we have favorable conditions to do so in the coming years in view of the quality and future potential of the companies in which we have invested capital. In other words – we believe we will be able to provide a satisfactory return on assets for our stockholders.

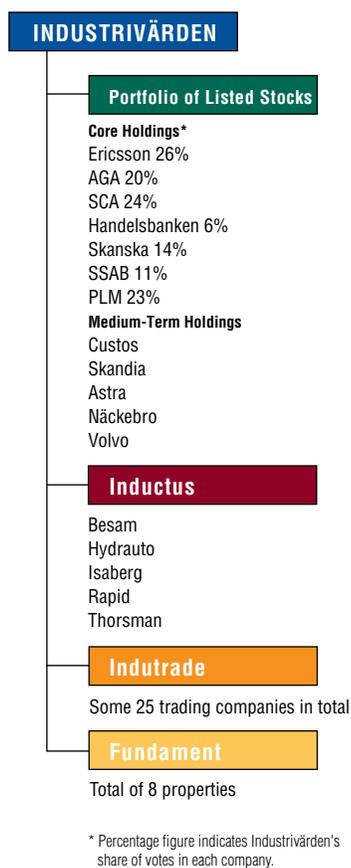
According to economic theory, a stock's price is determined by the present value of future dividends. That is one reason why the stock market wants com-

panies to state their dividend policies. However, virtually all the criteria presented by companies suffer from the weakness that they contain a number of essential restrictions on how the policies are to be applied in the future. Consequently, interpreting these is far from easy, and their usefulness as a basis for valuation decreases.

FAVORABLE DIVIDEND GROWTH

An alternative way of determining a company's dividend aspirations is to study its dividend growth from an historical perspective. At Industrivärden we have had a favorable dividend trend ever since our market introduction in 1944, in the sense that we have never canceled or even reduced our dividend. Thus our stockholder dividend has been raised on 42 occasions and remained unchanged on the remaining 10. Good dividend growth is an ambition for the future as well. For the 1996 fiscal year, it has been proposed that the dividend be raised by SEK 2.00 or 18 percent, to SEK 13.00 per share. This means that Industrivärden continues its ambition to provide a direct yield that is better than the average for the Stockholm Stock Exchange.

INDUSTRIVÄRDEN – AN OVERVIEW



AB Industrivärden is a publicly held industrial holding company that owns listed stocks and stocks in wholly owned subsidiaries. The subsidiaries are active in engineering, trading and management of own real estate. This diversification is a natural feature of the holding company, since the objective is to offer stockholders a spread of risk in their Industrivärden investment.

Swedish holding companies have a special tax status in which the key elements are exemption from capital gains taxes on sales of stocks and the right to deduct dividend payments. In order to be granted this tax status, a company must exclusively – or almost exclusively – manage securities and thereby offer its stockholders a spread of risk in their investment. The company must also have a broad base of ownership.

BUSINESS CONCEPT, GOALS AND STRATEGIES

Industrivärden's business concept is to invest in Swedish stock exchange-listed companies and wholly owned Swedish subsidiaries. Through active ownership Industrivärden's aim is to create shareholder value by striving for strong operating earnings and long-term structural transformation.

The holdings in the portfolio of listed stocks consist of Swedish stocks and are broken down into core holdings and medium-term holdings. The core holdings must be large enough to give Industrivärden a substantial share of the votes in the respective companies and thus the opportunity to exercise influence over the companies through active board representation. This active ownership is exercised by making sure Industrivärden's involvement is engaged, well-informed and demanding. The holdings in the portfolio of listed stocks are the subject of continuous, fundamental analysis.

Industrivärden's financial objective is to achieve a higher effective yield than the average for the Stockholm Stock Exchange, with a debt ratio in the Parent Company that is lower than 20 percent of the market-valued assets. Industrivärden also strives to provide a stockholder dividend which, in relation to the stock's market price, is higher than the market average.

The strategy for Industrivärden's stock portfolio is to invest in a limited selection of stocks that are judged to have high yield potential, both in terms of value appreciation and dividends. The risk is limited in that the holdings are distributed across several industries, the composition of which deviates from the market as a whole. Moreover, as a basic principle Industrivärden does not conduct any short-term equity trading.

In addition to investments in the stock portfolio, Industrivärden also invests in wholly owned subsidiaries with favorable growth potential and a cash flow that can contribute to stockholder dividends paid out by the Parent Company.

INVESTMENT ORIENTATION

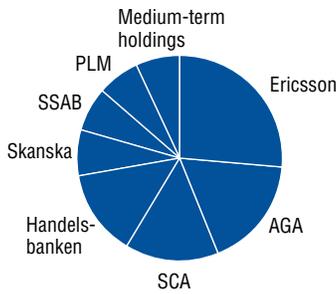
The portfolio of listed stocks consists primarily of core holdings – companies in which Industrivärden is the largest or one of the largest stock-

Parent Company's Assets and Capital Structure, Dec. 31, 1996
SEK per share and CPN

	Assets	Liabilities and Stockholders' Equity
Net worth		Net debt 15
455	Listed stocks 371	Stockholders' equity* 455
	Inductus 58	
	Indutrade 21	
	Fundament 20	

*Reported stockholders' equity, CPN loans and surplus values.

Composition of the Portfolio of Listed Stocks



holders, thus warranting representation on the respective companies' boards. These include AGA, Ericsson, Handelsbanken, PLM, SCA, Skanska and SSAB. The combined market value of the core holdings on December 31, 1996, was SEK 16,549 M.

In addition to the core holdings, the portfolio of listed stocks also includes a limited number of medium-term holdings. The goal of these investments is to achieve good value appreciation while maintaining a high degree of liquidity in the investments. The investment horizon is two to three years. The guiding principle is management based on analysis. The medium-term portfolio at year-end 1996 consisted of five stockholdings with a combined market value of SEK 1,203 M.

The total market value of the portfolio of listed stocks on December 31, 1996, was SEK 17,752 M, corresponding to approximately 80 percent of the estimated value of Industrivärden's total assets.

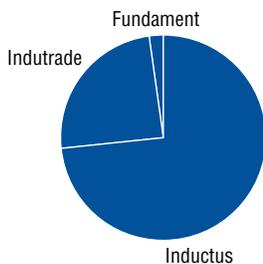
WHOLLY OWNED SUBSIDIARIES COMPLEMENT PORTFOLIO OF LISTED STOCKS

Approximately 20 percent of Industrivärden's assets are in wholly owned subsidiaries. These complement the portfolio of listed stocks and give the Group access to a steady cash flow, thus contributing to the goal of paying a high dividend.

The strategy is to acquire and improve companies through a long-term focus and to realize achieved value appreciation at a suitable point in time. Divestitures come into consideration when it is judged that a given subsidiary would be able to develop better in another industrial environment or as a listed company.

The operating subsidiaries are to be Swedish industrial or trading companies with a substantial degree of international activity.

Group Invoicing Per Business Unit



INDUCTUS

Inductus consists of five engineering companies – Besam, Hydrauto, Isaberg, Rapid and Thorsman.

In 1996 Inductus had sales of SEK 4,064 M, with 3,840 employees, mainly in Sweden, Germany and the U.K.

Inductus accounted for approximately 10 percent of the value of Industrivärden's total assets at year-end 1996.

INDUTRADE

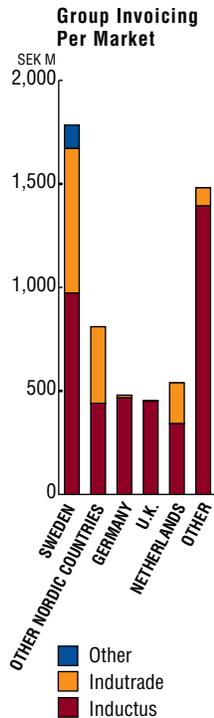
Indutrade is Industrivärden's trading group and includes some 25 companies. The business concept is to supply imported products and specialized technical expertise. Indutrade is active in Sweden, Norway, Denmark, Finland, the Baltic countries, Russia, the Netherlands and Belgium. Sales in 1996 totaled SEK 1,372 M, with 694 employees.

Indutrade accounted for approximately 5 percent of the value of Industrivärden's total assets at year-end 1996.

**Industrivärden's Subsidiaries
Around the World**

- Besam
- Hydraulto
- Isaberg
- Rapid
- Thorsman
- Indutrade
- Fundament





FUNDAMENT

Industrivärden's commercial real estate holdings are managed by Fastighets AB Fundament. The holdings consist of eight well situated properties, mainly in the Greater Stockholm area. The value of the properties is estimated at SEK 950 M, corresponding to a direct yield of 8 percent.

Fundament accounted for approximately 5 percent of the value of Industrivärden's total assets at year-end 1996.

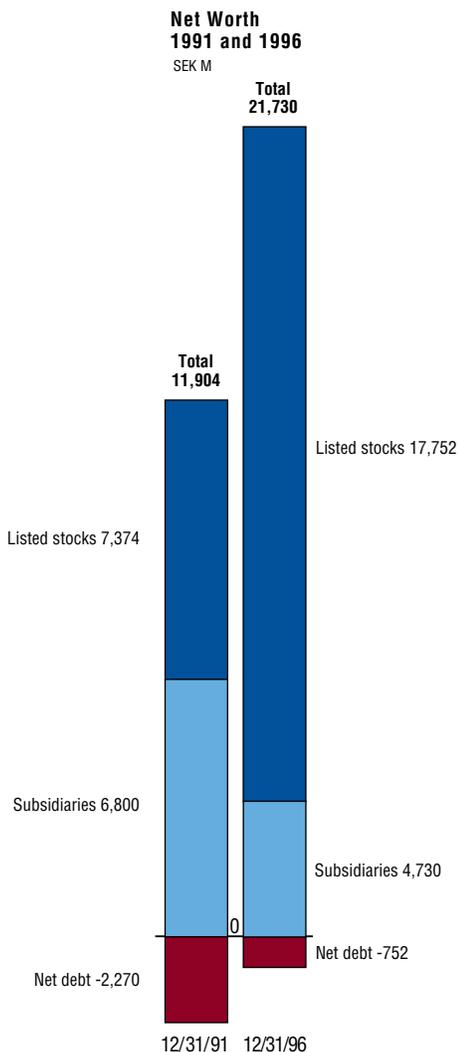
NET WORTH

The stock market traditionally values holding companies based on their inherent wealth. Industrivärden therefore attaches great importance to calculations of this wealth – the Group's net worth. This calculation is made from a parent company perspective, whereby the portfolio of listed stocks is valued at the current market value and the wholly owned industrial and trading companies are normally valued according to current P/E multiples. The value of buildings held for investment purposes is based on a long-term yield requirement. For a more detailed description, see the section entitled "Market Valuation of Industrivärden's Assets" on page 69.

The chart at left illustrates the size and composition of net worth at the end of 1991 and 1996, respectively.

A number of major transactions have been carried out during the past five-year period:

- PLM, which was a wholly owned subsidiary in 1991, was introduced on the stock market in 1995.
- Investment AB Bahco, which was included in the portfolio of listed stocks in 1991, became a wholly owned subsidiary in 1992.
- In 1992 the industrial operations of Bahco and Dacke were joined together, forming the Inductus group of industrial companies.
- As part of an expressed strategy of consolidation, the number of subsidiaries in Inductus has decreased through divestitures and mergers, from twelve companies in 1992 to five in 1996.
- The stockholding in Euroc (now called Scancem) was divested in 1994.
- A substantial stockholding in SSAB was acquired in 1994.
- A medium-term stock portfolio was built up in 1995 and 1996, with holdings in Astra, Custos and Skandia, among others.



Total net worth has risen from SEK 11.9 billion at year-end 1991 to SEK 21.7 billion at year-end 1996, or by 82 percent. Adjusted for dividends paid out, net worth rose 122 percent during the 1990s. For the sake of comparison, it can be mentioned that the Stockholm Stock Exchange's yield index, which includes dividends, rose by 128 percent during the same period. Thus Industrivärden's adjusted net worth has developed on a par with the Stockholm Stock Exchange as a whole during the 1990s.

PORTFOLIO OF LISTED STOCKS

The portfolio of listed stocks consists primarily of core holdings – companies in which Industrivärden is the largest or one of the largest stockholders. Industrivärden exercises its ownership influence through active board participation. In addition to the core holdings, the portfolio also includes a number of medium-term stockholdings.



Industrivärden is Handelsbanken's third-largest stockholder.

Handelsbanken is one of Scandinavia's leading commercial banks.



Industrivärden is Skanska's second-largest stockholder.

Skanska is a global name in the construction industry today, with experience from operations in close to 100 countries.

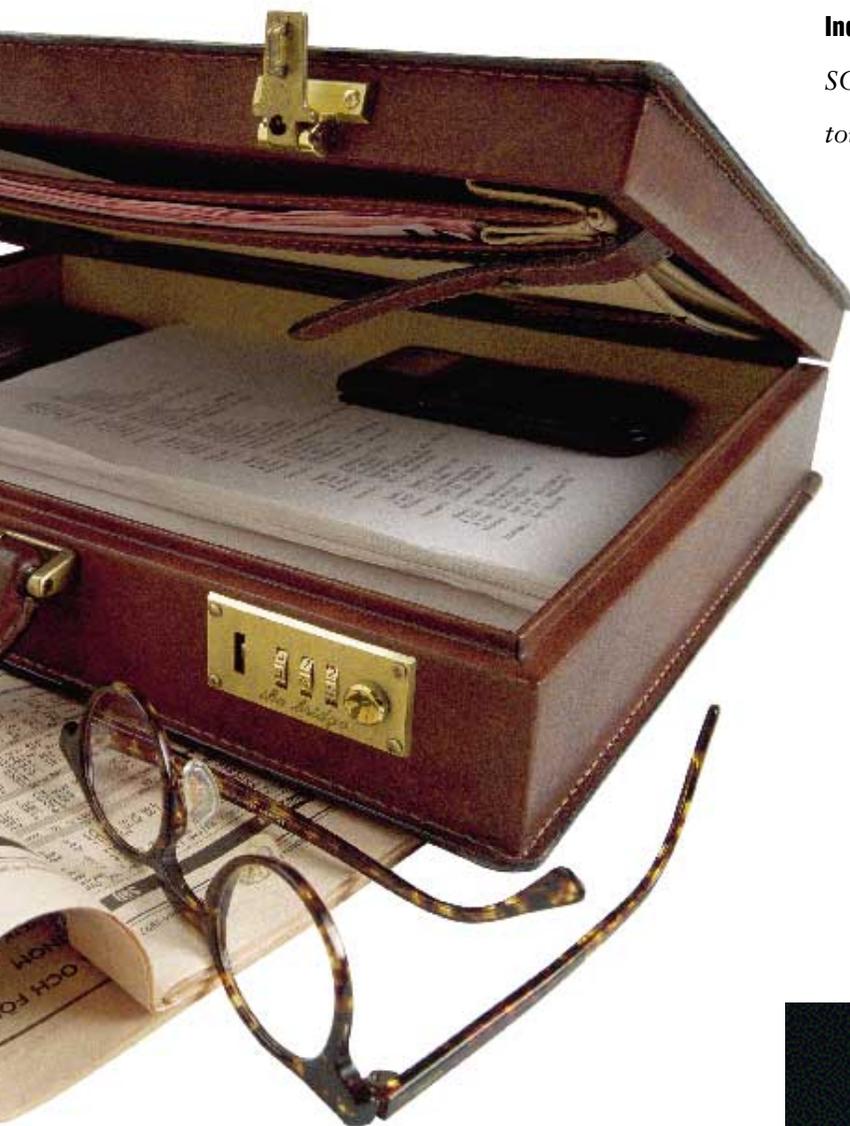




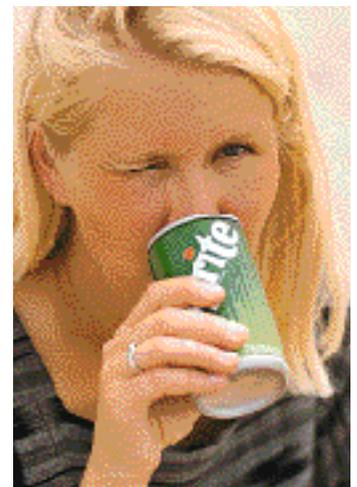
Industrivärden is Ericsson's largest stockholder. *Ericsson's mobile telephone systems were serving some 54 million subscribers at the start of 1997.*



Industrivärden is AGA's second-largest stockholder. *AGA's main products are the gases oxygen, nitrogen and argon.*



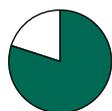
Industrivärden is SCA's largest stockholder. *SCA is shifting the balance of its business towards refined products.*



Industrivärden is PLM's largest stockholder. *PLM is one of Europe's leading manufacturers of beverage cans and glass containers.*

Industrivärden is SSAB's largest stockholder. *SSAB is Scandinavia's leading producer of commercial steel.*





Portfolio's Share
of Industrivärden's
Market-Valued Assets



Olof Wesström,
Portfolio Manager

INVESTMENT ORIENTATION

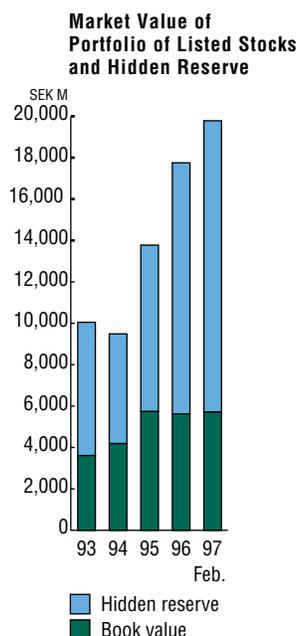
Industrivärden has long been a major, active owner on the Stockholm Stock Exchange, and listed stocks have always accounted for the majority of Industrivärden's assets. The underlying objective has always been – and still is – to exercise active ownership in a small number of major Swedish, listed companies towards the goal of achieving a favorable return that sufficiently compensates for the risk associated with equity investments.

The bulk of the portfolio of listed stocks consists of holdings in companies in which Industrivärden is the largest, or one of the largest, stockholders in terms of votes. Active ownership is exercised primarily through board participation, where Industrivärden contributes to the companies' strategic management and closely monitors their performance in order to achieve a long-term return on its investment that is better than the market average. At the close of 1996 these core holdings consisted of AGA, Ericsson, Handelsbanken, PLM, SCA, Skanska and SSAB.

Aside from the core holdings, investments are made in other stocks that can develop into more long-term holdings or be sold after a few years of good share price performance. Additions to the core portfolio, as well as medium-term investments, are intended to complement the existing portfolio by raising the return and changing the portfolio's risk. The underlying conditions for the investments are scrutinized on a continuous basis, and when fundamental changes occur, changes are also made in the core holdings. The long-term nature of Industrivärden's active ownership does not exclude shifts in the core holdings. Thus ten years ago, at the end of 1986, AGA, Astra, Ericsson, Dacke, Handelsbanken, SCA and Volvo were the seven largest holdings in the portfolio of listed stocks. Also in association with the core holdings, complementary, medium-term investments are made in shares with weak voting power or in highly liquid Class A shares. However, Industrivärden does not engage in short-term trading.

Industrivärden's active ownership in a limited number of major holdings, as well as the complementary medium-term investments, entails stock picking. The goal of stock picking is to find stocks that outperform the index. Stock picks – and decisions to hold or sell a stock – are based on fundamental analysis, i.e., analyses of companies and their business environment from an economic and financial perspective. During the past year Industrivärden's resources dedicated to such research were strengthened considerably.

By virtue of the underlying investment focus of the listed stock portfolio, Industrivärden is a long-term owner in Swedish industry with the aim of taking active ownership responsibility. Industrivärden has the experience of industrial ownership and the financial means required for this task. Industrivärden's stockholders have a stake in a well-composed, balanced portfolio of stocks in large, well managed, listed companies.



INDUSTRIVÄRDEN'S PORTFOLIO OF LISTED STOCKS

	Value, SEK M Dec. 31, 1996	SEK per share and CPN
Ericsson	4,726	98
AGA	3,092	65
SCA	2,601	54
Handelsbanken	2,431	51
Skanska	1,266	26
SSAB	1,253	26
PLM	1,180	25
Custos	412	9
Skandia	386	8
Astra	177	4
Näckebro	145	3
Volvo	83	2
Total	17,752	371

The future prospects of these companies are monitored and influenced through active board participation. Industrivärden's stockholders also benefit from the experience and contact network that have been built up over a long time in this area.

CORE HOLDINGS

At the end of 1996 the seven core holdings accounted for roughly 95 percent of the market value of the portfolio of listed stocks. In **Ericsson**, the largest holding at present, Industrivärden has long been the largest stockholder in terms of votes. Ericsson is a leader in one of today's most celebrated, development-intensive industries. The rapid growth in the markets for mobile and wired telecommunications equipment, coupled with Ericsson's strong earnings and stock price trend, makes for an exciting element in the portfolio of listed stocks.

AGA is a global supplier of industrial and medical gases. Its business is distinguished by steady, high earnings growth with relatively low risk and a limited impact from general economic developments. As a result, AGA shares, as a sizable post in Industrivärden's listed stock portfolio, combine the desirable qualities of value appreciation and price stability.

SCA is a well structured international company with a base in one of Sweden's traditional core industries, forestry. Sales today are primarily in the finished products segment, and the company's base of raw materials is balanced between virgin and recycled fiber. Like most forest-industry companies, profitability over the business cycle has been unsatisfactory. During the past year SCA's stock began recovering some of its earlier weak price trend. The company's structure took on a partly new dimension through the acquisition of PWA. The strong rate of change shown in recent years makes the outlook for a good share price trend favorable.

Due to its exposure to the financial markets, the holding in **Handelsbanken** is highly dependent on macroeconomic developments in Sweden. This is not the case for most of the other core holdings in the portfolio. Handelsbanken is reassuringly well-managed and emerged from the difficult years in the early Nineties in considerably better form than comparable banks. The investment in Handelsbanken also entails exposure to the structural changes currently taking place in the financial services sector.

The holding in **Skanska** represents an investment in construction and real estate through the Swedish company with the broadest international base in this field. Like the investment in the banking sector, this investment is highly dependent on macroeconomic conditions in Sweden, despite Skanska's energetic – and successful – efforts at internationalizing its construction business. Skanska has a strong financial position which enables it to compete for major contracts and balance its business risks.

The **SSAB** holding is an interesting complement to the portfolio in that the company – and thus its stock – has marked cyclical characteristics. In respect of the listed stock portfolio as a whole, the **SSAB** holding contributes only a very limited additional risk, which is well balanced by its anticipated return. Industrivärden's investment has endured longer than just the upside of the steel industry cycle. This is a strong show of confidence in the company's direction and its management. The increasing specialization in the commercial steel segment offers promising future prospects.

In accordance with its previously stated intention, Industrivärden sold roughly 22 percent of the shares in **PLM** in 1996 – to Swedish and international investors – in the second step towards broadening the company's ownership. Industrivärden's stake thereafter amounts to 23 percent in a company whose sales are near the end consumers, is not particularly sensitive to economic swings, and is showing steady, good growth. These qualities give the stock a price-performance profile that is well-suited for the portfolio of core holdings.

MEDIUM-TERM HOLDINGS

As a complement to the core holdings, the portfolio of listed stocks includes a number of medium-term investments. The largest of these is the holding in **Custos**, which was acquired in connection with major ownership changes in that company in late 1995 and early 1996. The motive for the investment, to actively monitor the value of the stockholdings in **SCA** and **Skanska**, in which **Custos** is a major owner, continues to apply. Moreover, **Custos'** new business orientation holds potential for favorable growth in the company's share price.

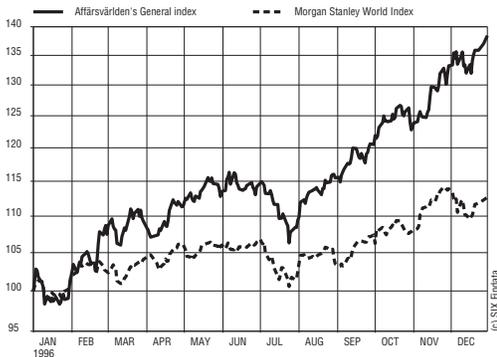
The investment in **Skandia** increases the exposure to the financial services sector in Sweden and its current restructuring. This investment also offers exciting potential through **Skandia's** rapidly growing and profitable Assurance & Financial Services unit.

During the past year **Astra** shares were bought to take advantage of a temporary downturn in the price for a stock that is judged to have good prospects of continuing the fine performance it has shown for a long period. In terms of the portfolio, the addition of **Astra** entails a rise in the anticipated return of the portfolio of listed stocks along with a minimal effect on the anticipated risk.

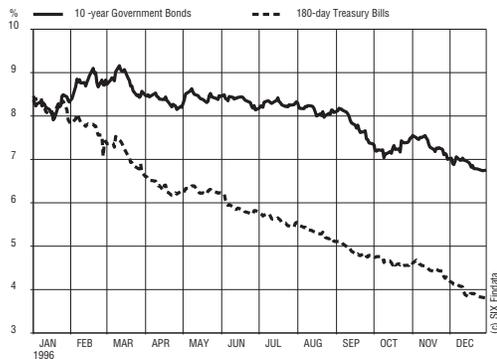
The holding in **Volvo** is another medium-term investment. **Volvo's** dividend of stock in **Swedish Match** is to be included in the investment's yield for 1996; despite this it did not exceed the yield index.

As a **Handelsbanken** stockholder Industrivärden also received stock in the real estate company **Näckebo** in 1996. This stock has been kept in the portfolio. However, in view of the holding in **Skanska** and the wholly owned subsidiary **Fundament**, there is reason to consider Industrivärden's total exposure to the real estate market.

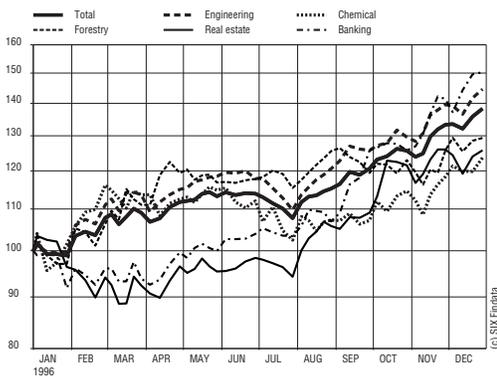
Stockholm Stock Exchange vs. World Index



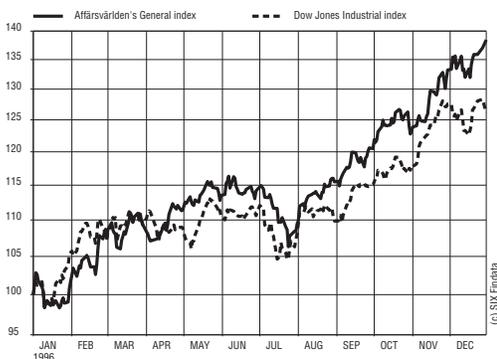
Interest Rate Trend



Index Development in Various Sectors



Stockholm Stock Exchange vs. New York Stock Exchange



THE STOCK MARKET IN 1996

The world's stock markets gained an average of nearly 12 percent (based on the Morgan Stanley Capital International Index, in USD) in 1996. Interest-bearing securities performed considerably weaker internationally, with an average gain of just under 4 percent (according to the Salomon Brothers global index for government bonds). The Swedish stock market was one of the best in the world with a 38 percent rise in the index. The Swedish krona weakened slightly during the year, and thus the rise in the index for the Stockholm Stock Exchange, calculated in USD, was 34 percent. The total yield of the Stockholm Stock Exchange, i.e., value appreciation plus dividends, was 43 percent.

This strong performance during the past year can be credited to the attractive valuation of the Stockholm Stock Exchange at the start, a sharp drop in Swedish interest rates, and a major flow of capital to the market. The dramatic interest-rate drop is attributable to relaxed monetary policies in Europe, interest-rate cuts by the Swedish central bank, and growing confidence in Swedish finance policy. Also, mounting confidence in the success of the EMU project and the subsequent convergence of interest rates in countries with weak currencies on Europe's periphery – including Sweden – with the more stable core of countries in the center of Europe, had an impact on the development. The lower interest rates have a direct effect through lower yield requirements for listed equity investments, and an indirect effect through poorer yields for investments in interest-bearing securities – the chief alternative to equity investments.

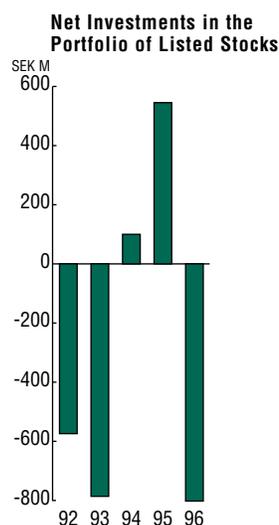
In addition to liquidity and interest rates, stock prices are driven by earnings expectations for listed companies. The past year was characterized by shifting views of the continued economic trend. This is reflected in the month-by-month performance of various sectors. The buffer provided by lower yield requirements, coupled with the major flow of capital to the market, outweighed the uncertainty in profit forecasts.

Trading volume on the Stockholm Stock Exchange also rose 38 percent in 1996, passing SEK 900 billion, and the capital turnover ratio reached 66 percent – a very high level in an international comparison. Net purchases by foreign investors totaled SEK 22 billion, roughly corresponding to the net amount of new issues and introductions during the year. Foreign investors thereafter account for roughly a third of ownership as well as trading in listed Swedish stocks. Parity between the Stockholm Stock Exchange and the New York Stock Exchange has increased and was very high during 1996.

ACTIVITIES DURING THE PAST YEAR

Activities in the portfolio of listed stocks were dominated during the past year by the major divestment of PLM stock. Listed stocks were sold for a combined value of SEK 1,365 M during the year, of which

PORTFOLIO OF LISTED STOCKS



PRICE TREND OF HOLDINGS IN THE PORTFOLIO OF LISTED STOCKS

	Change in value, 1996, %	Share of portfolio value, %
Ericsson	56	27
AGA	11	17
SCA	31	15
Handelsbanken	56 *	14
Skanska	32	7
SSAB	67	7
PLM	26	7
Custos	12	2
Skandia	8	2
Astra	25	1
Näckebo	-	1
Volvo	28 *	0
	36	100

*Including stock dividend.

the largest sales were 9,667,000 shares of PLM, 1,225,000 shares of AGA, 826,000 shares of ASG, and 550,000 shares of Swedish Match.

The divestiture of PLM shares was made in order to further increase the distribution of the company's shares after the sale of 55 percent to Industrivärden's shareholders in 1995.

The sale of shares and convertibles in AGA mainly took place early in the year, whereafter the share price has underperformed the index.

The sales of AGA and PLM have given rise to substantial capital gains. All the ASG shares were sold during the year at satisfactory prices. The Swedish Match stock received as a dividend from Volvo in the spring was sold during the summer.

Capital gains on these sales totaled SEK 679 M (86). As a holding company Industrivärden is exempt from capital gains taxation.

Listed stocks worth SEK 563 M were bought during the year. The largest of these purchases were 1,600,000 Skandia, 536,900 Astra and 363,000 Custos. The further purchases of Skandia and the purchases of Astra Class B shares have performed well after the respective purchase dates.

Net sales of listed stocks totaled SEK 802 M. Thus despite a favorable appraisal of the market outlook, activity in the portfolio was characterized by caution during the year.

In its capacity as the largest owner in PLM and in connection with PLM's return to the stock market, Industrivärden issued stock options to PLM's management in 1996. A total of 110,500 options were issued on July 1 to 14 key managers, who received between 1,000 and 25,000 options each. Each option entitles its holder to buy one share in PLM between July 2, 1996, and July 2, 2001, for a price of SEK 164. The price of each option was set at SEK 10 based on an average share price of SEK 108 during the time period June 24 – June 28. In valuation statements from Handelsbanken Markets and Enskilda Securities, the terms of the options were judged as being commercially well grounded.

Stock lending from the portfolio of listed stocks was initiated during the year in order to raise the yield of the portfolio. This lending is secured through bank commitments, and the loans can be terminated on short notice.

PORTFOLIO PERFORMANCE

The market value of the portfolio of listed stocks on December 31, 1996, was SEK 17,752 M, compared with SEK 13,775 M at the end of 1995. Adjusted for purchases and sales, this entails a 36 percent increase in the portfolio's value. The Affärsvärlden General Index (which is based on bid prices) gained 38 percent during the same period. The price performance of the various holdings is shown in the table at left. The stock prices of Ericsson, Handelsbanken (including the dividend of Näckebo) and SSAB outperformed the index. The stock price development of primarily

*PORTFOLIO OF LISTED STOCKS
ON DECEMBER 31, 1996*

	Class	Number	Market value, SEK M	Share of portfolio value, %
Ericsson	A	21,930,000	4,726	27
AGA	A	28,615,000	2,947	17
	B	1,425,000	145	
SCA	A	18,232,000	2,525	15
	B	550,000	76	
SHB	A	12,405,000	2,431	14
Skanska*	A	2,772,132	836	7
	B	1,425,000	430	
SSAB	A	10,700,000	1,214	7
	B	340,000	39	
PLM		10,000,000	1,180	7
Custos	A	2,838,000	412	2
Skandia		2,000,000	386	2
Astra	B	536,900	177	1
Näckebo	A	1,240,500	145	1
Volvo	B	550,000	83	0
Total			17,752	100

* 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.

AGA, but also of SCA, Skanska and PLM, was worse than the index. At year-end the difference between the market value and the book value of the portfolio of listed stocks, the so-called hidden reserve, was SEK 12,029 M (8,039). As a result of sales during the year, the hidden reserve was reduced by SEK 679 M in capital gains.

From the end of 1996 through February 28, 1997, the adjusted portfolio value rose by 13 percent, compared with 12 percent for the Affärsvärlden General Index.

Dividends from the holdings of listed stocks totaled SEK 490 M during the year, of which SEK 101 M pertained to stock in Näckebo received from Handelsbanken, and SEK 10 M to stock in Swedish Match from Volvo.

THE PORTFOLIO'S YIELD AND RISK

The yield of the portfolio of listed stocks has been calculated as the change in value during a number of periods linked together, and purchases and sales of listed stocks during each period have been deducted or added. By adding dividends received from the listed stocks held in each period – which in the calculation are assumed to be invested in those same stocks – the total yield, or effective yield of the portfolio of listed stocks is arrived at. The portfolio's total yield in 1996 was just under 40 percent. This was lower than the index, which had a total yield of just over 43 percent. The portfolio's poorer performance was mainly attributable to the holding in AGA and also the SCA holding.

Judging the achieved yield requires an understanding of the risk in the portfolio. In this context, risk pertains to fluctuations in the portfolio's yield – that is, better as well as poorer yields. The risk can be calculated as expected fluctuations, where the expectations are based on the historical trend, as well as on fundamental data of each stock. Industrivärden's actively managed portfolio of listed stocks includes a limited number of substantial ownership stakes. A concentrated portfolio of this type can be expected to show a higher level of risk than an index portfolio. The level of risk in the portfolio can be changed continuously through shifts in investments.

The risk associated with a stock portfolio can be calculated either in advance through forecasting, or by measuring the actual outcome. The realized risk for Industrivärden's portfolio of listed stock in 1996 was slightly below the risk level for the index. Both the portfolio's and market's risk were very low in a historic comparison during the past year. To answer the question of whether the achieved yield corresponded to the risk within the portfolio, a so-called risk-adjusted yield can be calculated. The year 1996 was characterized by strong price growth and unusually low fluctuations in yields. The risk-adjusted yield was thus very good for the index as well as for Industrivärden's portfolio of listed stocks. The portfolio's risk-adjusted yield was fractionally below the market's.

CORE HOLDINGS IN THE PORTFOLIO OF LISTED STOCKS

The following pages contain a description of the seven companies whose shares make up the core holdings in Industrivärden's portfolio of listed stocks, namely, AGA, Ericsson, Handelsbanken, PLM, SCA, Skanska and SSAB.

The core holdings accounted for about 95 percent of the portfolio's total market value at year-end 1996. Their performance is thus decisive in determining the growth in value of the listed portfolio.

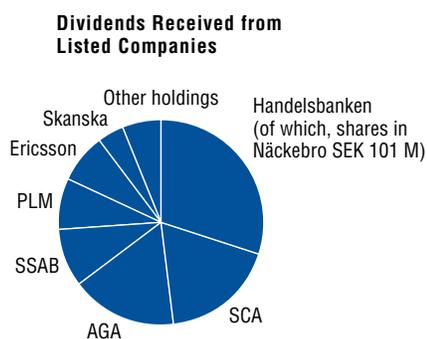
The combined market value of the core holdings on December 31, 1996, was SEK 16.5 billion. The combined market capitalization of these seven companies at that same date was approximately SEK 360 billion, accounting for roughly 21 percent of total market capitalization on the Stockholm Stock Exchange.

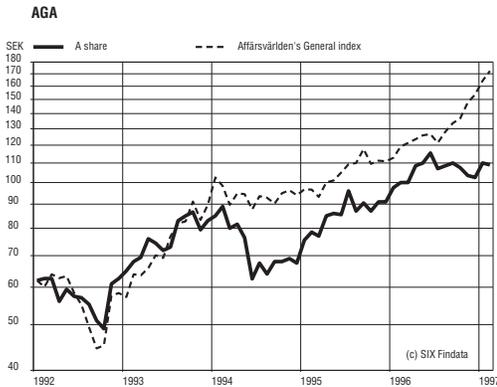
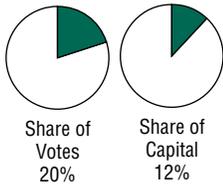
Industrivärden's share of the capital and votes in the respective companies, after full dilution, accompanies the descriptions of each core holding below. The descriptions also include the companies' earnings per share according to their own calculations, and their proposed dividends for 1996. The share price for each company in relation to the General Index during the past five years is shown in the accompanying charts.

Comparisons of the performance of the core holdings have been made with the General Index, as this is customary. A more correct comparison would have been to compare the share price development adjusted for dividends with the Yield Index.

The makeup of the core holdings deviates from the overall composition of the stock market. The packaging industry, represented by PLM, the forest-products industry through SCA, and the real estate and construction sector, through Skanska, account for a larger portion of Industrivärden's equity investments than for the market as a whole.

The chart at left shows the dividends received from the listed portfolio, totaling SEK 490 M (254) in 1996.





Industrivärden is AGA's second-largest stockholder. AGA's stock has performed worse than the general index during the past five-year period, mainly due to the dividend of Frigoscandia shares in 1994, which were valued at SEK 25 at the time of the dividend.

AGA

AGA is one of the five largest gas companies in the world. The group produces and supplies gases and services to the industrial, medical and specialty gas markets in some thirty countries in Europe, Latin America, and in the U.S. AGA's business concept is to offer products and systems that improve customers' productivity, safety, indoor environments and the quality of their products, while contributing to a cleaner outdoor environment.

AGA's most important products are oxygen, nitrogen and argon, which account for about half of sales revenue. AGA has more than a million customers in a highly differentiated market. This broad customer base, the geographic distribution of its business, and the wide range of uses for its products provide stability and low sensitivity to economic trends.

Sales outside Sweden account for nearly 90 percent of total. AGA has a long tradition of operations in Latin America and is a leading industrial gas company in the region.

THE YEAR IN REVIEW

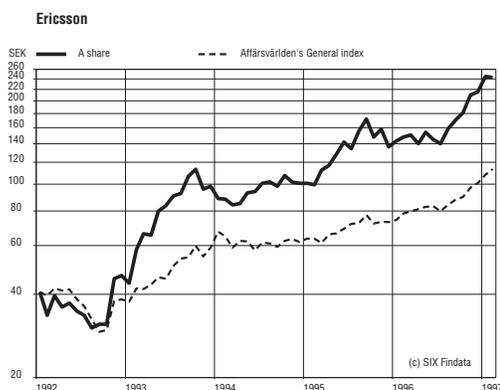
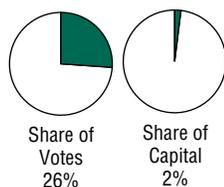
- Economic growth was weak in most of AGA's markets. This, combined with the stronger Swedish krona, led to a 3 percent drop in invoiced sales. Earnings after financial items, excl. capital gains, decreased by 17 percent to SEK 1,757 M as a result of negative currency effects and nonrecurring costs, among other factors.
- The stockholding in Gullspång Kraft, accounting for 34 percent of the capital, was sold for a capital gain of SEK 1,794 M.

SEK M	1996	1995
Invoiced sales	12,860	13,271
Earnings after net financial items, excl. capital gains	1,757	2,108
Earnings per share, excl. capital gains (SEK)	5.11	6.31
Proposed dividend per share (SEK)	2.70	2.70

AGA'S STOCK

AGA's stock is listed on the Stockholm Stock Exchange as well as in London, Tokyo and Switzerland. The share price rose 11 percent in 1996, and trading volume on the Stockholm Stock Exchange totaled approximately SEK 9 billion. AGA's market capitalization was approximately SEK 25 billion at year-end 1996.

CORE HOLDINGS IN THE PORTFOLIO OF LISTED STOCKS



Industrivärden is Ericsson's largest stockholder. This holding dates back to 1944, when Industrivärden was established. During the past five years Ericsson's stock has performed considerably better than the index, thereby contributing substantially to the portfolio's yield.

ERICSSON

Ericsson is world-renowned for its advanced systems for wired and mobile telecommunications. Other products include business communications, defense systems and components. The company is the world's leading supplier of equipment for telecommunication systems with accompanying terminals.

The fastest-growing product segment is mobile telecommunications, in which Ericsson is a world leader with a market share of more than 40 percent. At the start of 1997 Ericsson's mobile telephone systems were serving some 54 million customers.

Ericsson has had very strong growth in volume and earnings in recent years, mainly due to its success in mobile telephony. More than half of sales are generated from products that did not exist on the market three years ago. In recent years Ericsson has invested intensively in technological development. Total technology expenditure amounts to approximately 20 percent of sales. More than 18,000 people in 23 countries are engaged in Ericsson's R&D activities.

The most important geographic markets are the U.S., Sweden, China, the United Kingdom and Italy. Sales outside Sweden account for nearly 90 percent of total.

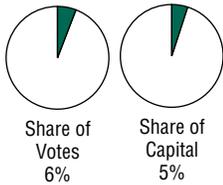
THE YEAR IN REVIEW

- Order bookings rose 31 percent. Order bookings for mobile telephony rose approximately 50 percent.
- The number of employees working with mobile telephony increased by more than 12,000 persons, 5,000 of whom were transferred from other Ericsson business units.

SEK M	1996	1995
Invoiced sales	124,266	98,780
Earnings after net financial items, excl. minority interest	10,152	7,615
Earnings per share (SEK)	7.27	5.83
Proposed dividend per share (SEK)	2.50	1.75

ERICSSON'S STOCK

Ericsson's stock is listed on the Stockholm Stock Exchange and nine other bourses in Europe and the U.S. The share price rose 56 percent in 1996, and trading volume totaled approximately SEK 118 billion. Ericsson's market capitalization was approximately SEK 203 billion at year-end 1996.



Industrivärden is Handelsbanken's third-largest stockholder. During the past five-year period Handelsbanken's stock has performed on a par with the index of bank stocks and slightly better than the General Index. The value of Näckebro's stock at the time of the dividend in May 1996 was about SEK 8 per Handelsbanken share.

HANDELSBANKEN

Handelsbanken is one of the leading commercial banks in Scandinavia. A distinguishing characteristic of Handelsbanken is its decentralized organizational structure. This delegation of responsibility has contributed to superior cost effectiveness and credit analysis capabilities.

Handelsbanken is a universal bank offering all types of banking services for business and private clients alike, including traditional deposits and lending, real estate mortgages, payment facilities, investment banking, trading, factoring, leasing and life insurance.

Responsibility for the individual customers rests with the local branch offices, where customers receive qualified, coordinated service from all of Handelsbanken's units. The branch offices are also fully responsible for the profitability of total business with customers.

Handelsbanken's operations are concentrated in Sweden. Universal banking operations have also been established in Norway and Finland through wholly owned subsidiary banks. Handelsbanken also has representative offices in Australia, France, Japan, China, Switzerland, the United Kingdom, Germany and the U.S.

THE YEAR IN REVIEW

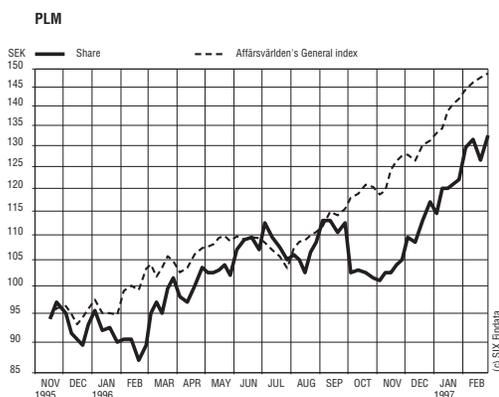
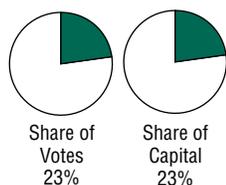
- The real estate company Näckebro, which was formed as a receiving company for repossessed collateral during Sweden's financial crisis, was distributed to Handelsbanken's stockholders after being capitalized in the amount of SEK 3 billion.
- In December a cash offer of SEK 23 billion was made for all the shares in Stadshypotek. Since the offer has been accepted by more than 98 percent of Stadshypotek's shareholders, Handelsbanken will be the largest company in the Swedish mortgage lending market.

SEK M	1996	1995
Total operating revenue	15,510	14,309
Operating income	6,719	5,045
Earnings per share (SEK)	21.32	15.38
Proposed dividend per share (SEK)	5.00	3.75

HANDELSBANKEN'S STOCK

Handelsbanken's stock is listed on the Stockholm Stock Exchange. The share price rose 42 percent in 1996, and trading volume totaled approximately SEK 15 billion. Including the dividend of Näckebro shares the increase in value was 56 percent. Handelsbanken's market capitalization was approximately SEK 47 billion at year-end 1996. Näckebro's market capitalization was approximately SEK 3 billion.

CORE HOLDINGS IN THE PORTFOLIO OF LISTED STOCKS



In autumn 1995 Industrivärden made an offer to its stockholders to acquire 55 percent of the shares in PLM at a price of SEK 72 per share. In spring 1996 Industrivärden sold an additional 22 percent of the shares in PLM. The price trend after the stock market introduction in November 1995 is shown in the chart.

PLM

PLM is one of Europe's leading consumer packaging companies. The company develops, manufactures and markets containers made of metal, glass and plastic. PLM's customers are primarily in the European beverage and food industries.

Operations are divided into three business areas: beverage cans, glass packages and plastic packages. Following the establishment of operations in Poland and the Czech Republic, PLM has a total of 14 production units in 10 European countries. PLM is Europe's fourth-largest manufacturer of beverage cans and the fifth-largest manufacturer of glass packages. In the plastic packaging segment, PLM is Europe's second-largest manufacturer of refillable PET bottles. Sales outside Sweden account for approximately 85 percent of total.

Developing recycling systems for all types of packaging has always been a key element in PLM's strategy. PLM allocates substantial human and financial resources to environmental matters and recycling systems.

From 1988 to 1995, when PLM was a wholly owned subsidiary of Industrivärden, the company embarked on a sweeping restructuring. As a result, the share of sales to the beverage industry rose from 40 to 80 percent.

In autumn 1995 Industrivärden sold 55 percent of the shares in PLM to its stockholders at a favorable price. In spring 1996 an additional 22 percent of PLM's shares were sold, to Swedish and foreign institutional investors.

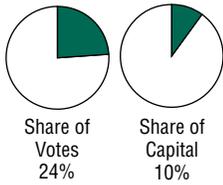
THE YEAR IN REVIEW

- The cold summer throughout most of Europe resulted in lower demand for beverage packaging.
- PLM acquired a glassworks in Poland with annual capacity of 400 million glass containers. A sizable investment was also made in a new plant for refillable PET bottles in the Czech Republic.

SEK M	1996	1995
Invoiced sales	8,179	8,486
Earnings after net financial items, excl. minority interest	475	519
Earnings per share (SEK)	8.18	8.48
Proposed dividend per share (SEK)	2.00	2.00

PLM'S STOCK

PLM's stock has been listed on the Stockholm Stock Exchange since autumn 1995. The stock price rose by 26 percent in 1996, and trading volume totaled approximately SEK 3 billion. PLM's market capitalization was approximately SEK 5 billion at year-end 1996.



Industrivärden is SCA's largest stockholder. SCA's stock has performed below the index during the past five years, mainly due to its performance in 1994 and 1995.

SCA

SCA is one of Europe's largest forest-products companies following the 1995 acquisition of a majority shareholding in the German company PWA. The group's principal products are hygiene products, packaging and graphic paper.

Corrugated fiber board in bulk and finished packaging, and hygiene products such as tissue paper, sanitary napkins and diapers, account for roughly 65 percent of sales. Highly processed printing paper and sawn timber are other important products. SCA uses equal amounts of recycled fiber and virgin growth in its production.

SCA's business concept is to achieve profitability from a base of products with high value added. This has led to a decrease in the cyclical element of the traditional forest-products industry. The strategic focus is to grow the business through a greater share of processed products and to strive for a leading position in these market segments. The focal point has thus been shifted away from traditional forest products.

The most important geographic market is Western Europe, with a concentration in Germany, the U.K., Sweden and France. Sales outside Sweden account for approximately 90 percent of total.

THE YEAR IN REVIEW

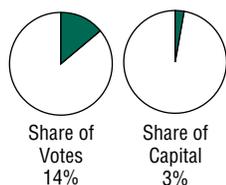
- An agreement was reached with Kimberly-Clark, whereby SCA swapped its loss-generating French diaper manufacturer Peaudouce for a tissue plant in England. The earnings trend for hygiene products is favorable.
- Coordination of activities continued with the German company PWA, which was acquired in 1995. PWA's corrugated board business was transferred to SCA, whose tissue operations were transferred to PWA.
- Earnings have been hurt by a weak price trend for liner and paper products.

SEK M	1996	1995
Invoiced sales	55,405	65,317
Earnings after net financial items	3,573	5,731
Earnings per share (SEK)	10.71	17.55
Proposed dividend per share (SEK)	5.25	4.75

SCA'S STOCK

SCA's stock is listed on the Stockholm Stock Exchange. In addition, an American Depositary Receipt program was started in 1995 in the U.S. The share price rose by 31 percent in 1996, and trading volume totaled approximately SEK 10 billion. SCA's market capitalization was approximately SEK 27 billion at year-end 1996.

CORE HOLDINGS IN THE PORTFOLIO OF LISTED STOCKS



Industrivärden is Skanska's second-largest stockholder. Skanska's stock has performed on a par with the index during the past five years, although with large positive and negative deviations.

SKANSKA

Skanska is one of the largest construction and real estate companies in Europe and North America, with traditions as an industrial company extending back more than a century. Operations involve construction, prefabrication, real estate management, treasury management and management of a stock portfolio. The company has a very strong financial position on account of extensive property holdings and a substantial portfolio of listed stocks. Skanska is one of Sweden's largest private real estate owners and also has an international portfolio of properties in the rest of Europe and the U.S. Skanska is the largest stockholder in Sandvik and, together with the Norwegian company Aker, in Scancem (formerly Euroc). Skanska is SKF's second-largest stockholder.

Today Skanska is a global name in the construction industry with experience in close to 100 countries. In addition to Sweden, the U.S., Finland and Denmark are also considered to be home markets for Skanska. Skanska has been able to compensate in large part for the weak Swedish construction market in recent years through its rapidly expanding foreign construction activities. The share of foreign revenues has risen from about 10 percent at the end of the 1980s to about 45 percent today.

In autumn 1995 Skanska signed one of the largest contracts in its history – the Öresund Bridge consortium. This order to the Skanska-led consortium is worth about SEK 6.5 billion.

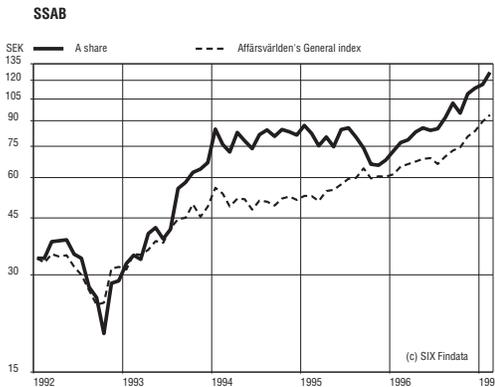
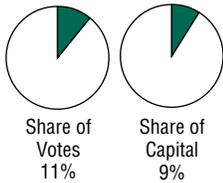
THE YEAR IN REVIEW

- Skanska increased its shareholding in Scancem from 24 percent to 33 percent through an investment of SEK 1.2 billion. In addition, Skanska sold its 25 percent shareholding in Graningevarken with a capital gain of SEK 1.6 billion.
- The industrial operations were strengthened through the acquisition of the construction materials company Skåne-Gripen, which has a considerable amount of foreign business.

SEK M	1996	1995
Invoiced sales	47,872	38,608
Earnings after net financial items	5,172	2,573
Earnings per share (SEK)	32.35	12.80
Proposed dividend per share (SEK)	10.00	5.00

SKANSKA'S STOCK

Skanska's stock is listed on the Stockholm Stock Exchange. The share price rose 32 percent in 1996, and trading volume totaled approximately SEK 11 billion. Skanska's market capitalization was approximately SEK 38 billion at year-end 1996.



Industrivärden is SSAB's largest stockholder. SSAB's business is characteristically cyclical. During the time Industrivärden has owned this stock, it has performed better than the index, with the exception of 1995, when the stock price fell in anticipation of an economic downturn which occurred in 1996.

SSAB

SSAB is Scandinavia's leading manufacturer of flat products in the commercial steel industry. Production consists primarily of thin sheet metal and heavy plate. Sheet metal is further processed for construction applications and for the engineering industry. Heavy plate is used for the manufacture and maintenance of machines. Activities at Plannja Hardtech are mainly focused on side-impact protection beams for the auto industry.

Thin sheet is an international commodity. SSAB exports more than 60 percent of its production, primarily to Western Europe.

SSAB Tunnbrät is an integrated steel company with ore metallurgy activities in Luleå and thin sheet manufacture in Borlänge. SSAB Oxelösund develops, manufactures and markets heavy plate.

SSAB is active in the Swedish commercial-steel market through Tibnor, a partly owned steel trading company. Most of Tibnor's products are bought externally, however.

Sales outside Sweden account for about 45 percent of total.

THE YEAR IN REVIEW

- Steel consumption in Western Europe culminated during the autumn of 1995. Weak order bookings in 1996 have led to falling prices and lower production. Profitability has lowered, although from a very high level.
- Capital expenditures remain at a continued high level, SEK 1,281 M (1,069). The largest project decided on during the year pertained to a SEK 1,300 M investment in a development plan for the thin sheet operations. SSAB plans to invest SEK 500 M in Plannja Hardtech, of which SEK 440 M pertains to a new production unit in North America which will begin operating in 1998.

SEK M	1996	1995
Invoiced sales	17,408	19,004
Earnings after net financial items	2,091	3,832
Earnings per share (SEK)	11.60	21.30
Proposed dividend per share (SEK)	4.00	4.00

SSAB'S STOCK

SSAB's stock is listed on the Stockholm Stock Exchange. The share price rose 67 percent in 1996, and trading volume totaled approximately SEK 8 billion. SSAB's market capitalization was approximately SEK 15 billion at year-end 1996.

INDUSTRIVÄRDEN AND THE ENVIRONMENT

As a holding company Industrivärden must make demands on the environmental work of the listed companies in which it is a major owner as well as on the environmental activities of its wholly owned subsidiaries.

ENVIRONMENTAL POLICY FOR COMPANIES IN THE PORTFOLIO OF LISTED STOCKS

Through its board representation Industrivärden encourages the seven listed companies in the core portfolio to adopt environmental policies that gradually decrease the impact on the natural environment. Below is a brief account of points that the respective companies want to stress, as abstracted from the environment sections of their most recent annual reports.



AGA's business, the production and distribution of gases, is at the core an operation with little environmental impact. However, operations require a considerable amount of energy in both production and distribution. In some cases AGA installs production equipment at its customers' premises. Using modern technology, this leads to lower energy consumption and fewer transports. During the year an environmental management system for a plant was certified in accordance with the ISO 14001 standard. Additionally, environmental reviews were begun at all AGA subsidiaries.

Ericsson has for many years been making use of life cycle analyses to determine the environmental impact of its products throughout their useful lives. For example, according to one life cycle analysis, the environmental impact of a modern, digital radio base station in mini-format is less than one-fourth of that of an older transmitter/receiver in a radio base station. Moreover, the modern station has three times the capacity, which lowers the environmental impact per unit down to a twelfth.

Ericsson continuously carries out internal environmental audits. These have resulted in, among other things, that the company has entirely eliminated CFCs as solvents in its printed circuit board production.

Today all of Ericsson's larger companies are quality certified in accordance with the ISO 9000 standard. Ericsson is now preparing to introduce an environmental management system in accordance with the new ISO 14001 standard.

Handelsbanken affiliated itself with the International Chamber of Commerce's Business Charter for Sustainable Development in 1995 and signed the UN's environmental declaration for banks. The guiding point in these environmental guidelines is that Handelsbanken has committed itself to take measures – as long as it is technically and economically feasible – toward having as little environmental impact as possible. Additionally, credit risk assessment now includes weighing in any environmental risks associated with a borrower's business. The criteria for this has been incorporated into Handelsbanken's lending rules.

PLM works actively with life cycle analyses for packaging and distribution systems in the markets in which it is active. Studies carried out

by scientific institutes clearly indicate that, from an environmental-impact standpoint, recyclable beverage containers with efficient recycling systems are comparable to refillable packages.

PLM is a member of the European Recovery and Recycling Association and runs programs for the collection and processing of household waste for recycling in ten EU countries. An expressed objective for PLM is that all operating plants will be certified in the near future according to the ISO 14000 standard for environmental management systems.

According to SCA's environmental policy, SCA is to take responsibility for the environment, environmental matters are to be taken into account in decisions, environmental responsibility is to be included in operational responsibility, and information is to be open and freely accessible. SCA's strategic council has decided to strengthen the company's commitment to sustainable development in the coming years by increasing its recycling operations, creating new products based on renewable resources, and identifying new methods designed to reduce the use of non-renewable resources. An evaluation according to the EU's Environmental Management and Audit Scheme (EMAS) is currently being carried out at all SCA units.

Skanska is a member of the World Business Council for Sustainable Development. The key elements in Skanska's environmental policy are responsibility, long-range perspective and an overall view. Every business unit has been charged with developing an action-oriented environmental program.

SSAB develops, manufactures and markets high-grade steel that fulfills important technical and financial needs. Other metals and industrial supplies are also marketed to a limited extent. All activities within the Group are to be conducted according to the principles of conservation and efficiency with respect to raw materials, energy, and other natural resources. Environmental work aimed at achieving sustained development of steel use in society is a vital prerequisite of business activities. SSAB's objective is to have a prominent position in the steel industry with respect to the environmental compliance of its products and processes.

ENVIRONMENTAL POLICY FOR SUBSIDIARIES

Industrivärden is currently drafting a central environmental policy for wholly owned subsidiaries. Environmental work at Inductus, Indutrade and Fundament today is conducted individually by the respective companies, which have adopted environmental policies with demands on manufacturing processes as well as the work environment.

In general, discharges to the environment of various waste products from manufacturing processes shall have as little environmental impact as possible. The objective is that the products made by the companies will not have any adverse environmental impact during their use or after they are discarded.

INDUCTUS

Inductus consists of five medium-sized industrial companies in the light-engineering sector.



Besam is the world's largest supplier of door automation. *Revolving door at the entrance to Sky City at Stockholm's Arlanda International Airport.*

Thorsman is the Scandinavian market leader in electrical trunking and cable support materials. *Control panel with outlets for electricity, phone, oxygen, etc., for a hospital intensive care ward.*



H
factorer of cylinders for mobile hydraulics. *Cleanliness control of hydraulic cylinders at Hydrauto's development laboratory.*





been organized into flow groups with total responsibility for the end-products.



Rapid is the largest European manufacturer of medium-sized mills for recycling plastic.





Inductus' Share
of Industrivärden's
Market-Valued Assets

Board of Directors:

*Carl-Erik Feinsilber (Chairman),
Jan Blomberg, Lena Blomkvist,
Carl-Olof By, Bo Damberg,
Jan Ekman, Ulla Heikkilä,
Tyrone Lindquist, Clas Reuterskiöld
(President) and Anders Unger.*

Clas Reut
President



The Inductus group included five companies during the year, comprising some 40 subsidiaries in Sweden and abroad. The average number of employees was 3,840, of whom 1,950 were outside Sweden.

OBJECTIVE AND BUSINESS CONCEPT

Inductus is a group of medium-sized industrial companies in the light-engineering sector. The Inductus units are required, among other things, to have a certain minimum size, a market-leading position, an international focus and good prospects for organic growth. Good earnings capacity and profitability are also required. Moreover, the operations should not be too capital-intensive.

STRUCTURAL CHANGES

At the beginning of the year Elitfönster merged with Myresjöfönster and Combiglas. The new company, called Elit Fönster, was jointly owned (50/50) during the year by Industrivärden and Myresjö, a Skanska subsidiary. At the end of the year Myresjö acquired Industrivärden's stockholding.

Isaberg acquired the Dutch retailer Zobel, with sales of approximately SEK 30 M and ten employees. The acquisition puts Isaberg in direct contact with the Dutch market.

Besam made the decision to wind up its safety products business in France. The safety products business, which is outside Besam's area of focus, has operated at a loss in recent years.

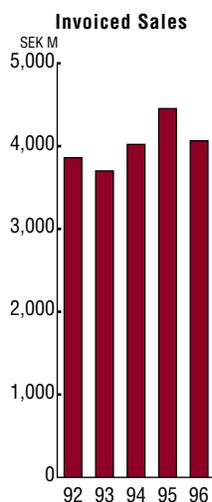
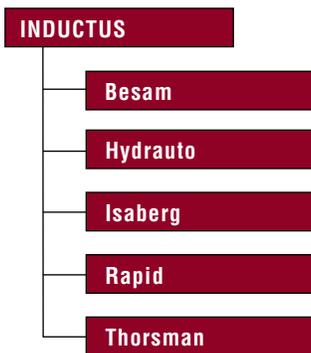
Thorsman sold its raised access floor business in the U.K. Yearly sales amounted to approximately SEK 120 M, with some 40 employees.

INDUCTUS IN SUMMARY

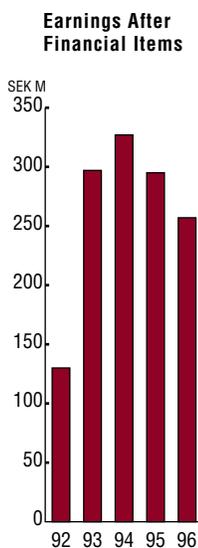
SEK M	1996	1995	1994	1993	1992
Invoiced sales	4,064	4,466	4,033	3,701	3,861
Of which, outside Sweden, %	76	71	73	72	65
Earnings after depreciation	268	319	346	312	175
Earnings after financial items	257	295	327	297	130
Return on capital employed, %	18	21	22	19	11
Capital expenditures	210	175	138	109	137
Visible equity ratio, %	34	47	48	47	38
Average number of employees	3,840	4,279	3,967	3,945	4,948
Of whom, outside Sweden	1,950	1,943	1,842	1,659	2,048

ORGANIZATION

Inductus' operations are highly decentralized, and each company in the group is fully responsible for its earnings and capital budgeting. This means that each company must have a complete organizational structure and thus may not be dependent on continuous operative support from corporate management.



For comparable units, invoiced sales have risen by an average of 11 percent a year from 1992–96.



The strategy of decentralization and management by objective has proved to work well for Inductus. A thoroughly implemented, decentralized management strategy is especially important in enabling decisions to be made as near to the market as possible.

Inductus' corporate management concentrates on strategic planning as well as business management and control using a highly developed planning and reporting system.

INTERNATIONALIZATION

A high degree of internationalization is a key element in Inductus' strategy. The combination of weak demand in the home market and the exchange rate trend has led to a greater share of foreign invoicing in recent years.

Besam, Isaberg and Rapid sell more than 90 percent of their production outside Sweden. The corresponding portion for Thorsman is about two-thirds. Hydrauto has a substantial amount of indirect export.

MARKET POSITION

Besam is the world's largest supplier of door automation. Thorsman is a leader in its home market of the Nordic countries in several product areas, including material and trunking for electrical installations, telecommunications, lighting masts, and ladders. Isaberg is a world-leading manufacturer of staplers. Rapid has a strong position in Europe and the U.S. with its mills for recycling plastic waste. Hydrauto is one of Scandinavia's largest manufacturers of cylinders for mobile hydraulics.

INVOICED SALES AND EARNINGS

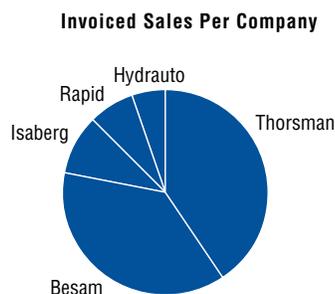
The general industrial trend in Inductus' most important markets in the Nordic countries and the rest of Europe took a turn for the worse in 1996. The Inductus companies, which have a high degree of export, were also hurt by the strengthening of the Swedish krona during the year.

Invoiced sales amounted to SEK 4,064 (4,466) M, a decrease of 2 percent for comparable units. Measured at constant exchange rates, however, invoiced sales rose by 6 percent for comparable units.

Earnings after financial items were SEK 257 M (295). Return on capital employed was 18 percent (21).

The earnings decrease was attributable in large part to the strengthening of the Swedish krona. The total negative impact of the stronger Swedish currency on earnings was approximately SEK 60 M, relating mainly to Besam and Thorsman. Hydrauto also had a part in the earnings decline, with weak growth in volume and high development costs for a new product line. Isaberg's earnings improved on the preceding year due to greater volume and improved productivity in manufacturing. Rapid is showing a good trend in volume and improved earnings. Of the Inductus group's invoiced sales, 24 percent pertained to Sweden, 11 percent to the other Nordic countries, 47 percent to other European countries and 18 percent to the rest of the world.

INDUCTUS



RETURN ON CAPITAL

The profitability requirement for Inductus companies is that they should generate an average return on capital employed of at least 20 percent over a business cycle. Three of the five subsidiaries exceeded this target in 1996. For the group as a whole, return on capital employed was 18 percent (21).

THE INDUCTUS COMPANIES

SEK M	Invoiced sales		Earnings after net financial items		Return on capital employed, %	
	1996	1995	1996	1995	1996	1995
Besam	1,525	1,590	82	112	18	27
Elitfönster	-	344	-	-18	-	neg
Hydrauto	205	246	-15	14	neg	20
Isaberg	388	381	34	24	26	16
Rapid	295	272	27	26	27	30
Thorsman	1,651	1,620	123	135	23	24
Other	-	13	6	2		
Total	4,064	4,466	257	295	18	21

Besam

PRODUCTS

Besam is active in door automation, including automated swinging and sliding doors with impulse sensors, and revolving doors. Door automation accounts for about 95 percent of total sales. Service and maintenance of installed systems account for a rising share of these sales. The product line also includes electronic locking systems for hotels and offices.

Automatic door openers are used both indoors and in building entrances. The largest application areas are supermarkets, retail chains, terminals, hospitals and other public buildings.

MARKETS

The use of door automation has been steadily rising for many years. The market for door automation is expected to continue expanding geographically and in terms of application areas. As the world's largest provider of door automation, Besam is cultivating all the major markets in the Western world and is the market leader in Sweden, the U.S., the U.K. and the Benelux countries, among others.

Besam has subsidiaries in 18 countries in Europe, the U.S. and South-east Asia, plus some 30 independent distributors. In all, business outside Sweden accounted for 92 percent of sales in 1996 and 77 percent of the work force.



Bertil Samuelsson, b. 1933
President since 1962

SEK M	1996	1995	1994	1993	1992
Invoiced sales	1,525	1,590	1,505	1,329	935
Earnings after net financial items	82	112	105	135	88
Return on capital employed, %	18	27	25	36	30
Average number of employees	1,497	1,434	1,327	1,156	1,023

COMPETITORS

The chief competitors are in the U.S. (Stanley, Door-O-Matic, Horton and Gyro-Tech), Germany (Dorma and Geze) and Switzerland (Tormax and Record). Japan also has several manufacturers.

THE BESAM CONCEPT

The Besam concept is built on four cornerstones:

- product development is conducted by Besam AB
- component manufacture is handled by subcontractors
- the marketing strategy is established by Besam AB
- product sales and service are handled by Besam's own subsidiaries.

This concept gives the company great flexibility in production with a minimal capital requirement, at the same time that the various markets can be handled according to local conditions.

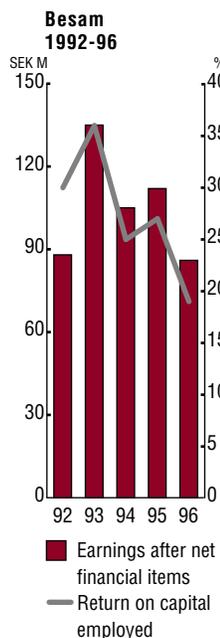
PRODUCTION

Besam has assembly plants in Sweden, Germany and the U.S.

BUSINESS TREND 1996

The trend in volume was stable, with a 4 percent rise in invoiced sales when measured at constant exchange rates. However, due to the considerable strengthening of the Swedish krona during the year, sales and earnings decreased in nominal terms. The safety products operations in France are being wound up. Earnings for the year were charged with wind-up costs of SEK 21 M.

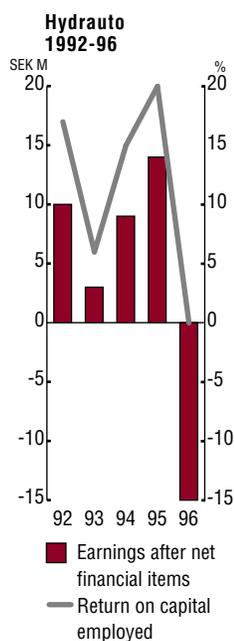
Earnings after net financial items totaled SEK 82 M (112). Return on capital employed was 18 percent (27). Excluding wind-up costs, return on capital employed exceeded 20 percent.





Olov Larsson, b. 1950
President since 1989

SEK M	1996	1995	1994	1993	1992
Invoiced sales	205	246	197	154	175
Earnings after net financial items	-15	14	9	3	10
Return on capital employed, %	neg	20	15	6	17
Average number of employees	238	246	212	213	288



Hydrauto

PRODUCTS

Hydrauto works with customized valve and cylinder components for mobile hydraulics. The company's products are used mainly in mobile cranes and construction machinery.

MARKETS

Hydrauto's largest customer is the Hiab Group, which accounted for 57 percent of sales in 1996. Hiab, the world's largest manufacturer of mobile cranes, purchases most of its valves and cylinders from Hydrauto.

COMPETITORS

The main competitors in Sweden for cylinders are Voac and Dacke Hydraulik, while for valves the primary competitors are Voac and Nordhydraulik. Foreign competitors include the German companies Pacoma, Montan and Weber, and the British companies Cascade and Edbro. Most of the major machine manufacturers in Europe make their own cylinders, although several have shown interest in alternative supplies.

DEVELOPMENT POTENTIAL

In an effort to broaden its customer base, Hydrauto is focusing on the new construction cylinder product area. This work is being conducted through a cooperation agreement with the Japanese company Kayaba, one of the world's leading manufacturers of hydraulic cylinders. The agreement gives Hydrauto access to a design and production technique developed by Kayaba. During the year Hydrauto signed a delivery contract for construction cylinders with a yearly volume of approximately SEK 65 M. Deliveries will start in 1997.

MANUFACTURING

Manufacturing takes place at Hydrauto's plant in Skellefteå, Sweden.

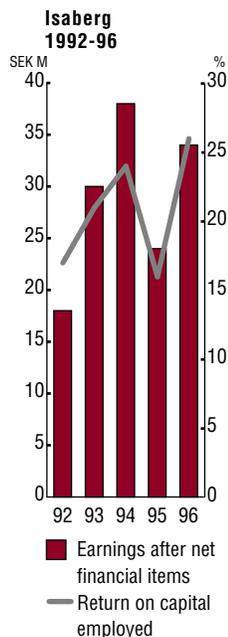
BUSINESS TREND 1996

Hydrauto's sales decreased by 17 percent. The low level of activity, combined with high development costs for the Kayaba project, led to a sharp drop in earnings, to SEK -15 M (14). The development costs for the Kayaba project have been carried forward in the amount of SEK 13 M, net after depreciation for the year. However, in the Inductus group's earnings, all development costs are reported as overhead.



Pelle Holm, b. 1942
President since 1990

SEK M	1996	1995	1994	1993	1992
Invoiced sales	388	381	368	339	292
Earnings after net financial items	34	24	38	30	18
Return on capital employed, %	26	16	24	21	17
Average number of employees	547	553	551	504	485



Isaberg

PRODUCTS

Isaberg is a supplier of staplers and narrow-gauge staples to the office and tool markets. The product line includes manual and electric staplers. Table-top staplers and stapling pliers are used in offices. Stapling guns and hammers are used to fasten textiles, molding, moisture-barrier film and tar paper. For the office machine market, Isaberg develops staplers for incorporation into copying machines, among other things.

MARKETS

Isaberg is the largest company in Europe in its product area. Its products are sold in more than 100 countries, and more than 90 percent of sales are outside Sweden. The most important markets are Europe and North America. Isaberg's Rapid brand is well known and has the broadest market coverage in the world.

COMPETITORS

The industry consists of a handful of global, brand-name producers with strong positions in their home markets, like Arrow, Petrus, Rexel, Novus, Swingline and Bostich. Some local manufacturing also takes place in certain markets.

DEVELOPMENT POTENTIAL

A fundamental problem for Isaberg is that sales to end-customers in most markets are handled by distributors. By establishing its own sales companies in France, Germany and the U.K., Isaberg has created the potential for greater market shares and thus higher production volume in the Swedish plants. The Dutch retailer Zobel was acquired during the year, giving Isaberg direct access to the Dutch market.

Isaberg has developed a specially designed electric stapler with a patented staple cassette for incorporation into office copying machines. Deliveries of staplers for copying machines got under way during the year and are expected to rise significantly in the years immediately ahead, as is the aftermarket for staple cassettes.

PRODUCTION

Isaberg's staplers are manufactured in Hestra and Östra Frölunda, Sweden, while staples are manufactured in Lutzelbourg, France.

BUSINESS TREND 1996

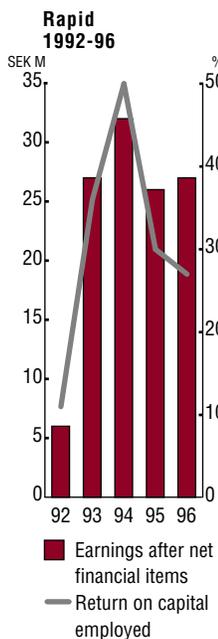
Growth in volume was favorable, mainly for newly developed products.

Earnings after net financial items totaled SEK 34 M (24). Return on capital employed was 26 percent (16). The earnings improvement can be credited to a rise in sales volume and improved production efficiency.



Karl-Valter Fornell, b. 1942
President since 1991

SEK M	1996	1995	1994	1993	1992
Invoiced sales	295	272	220	186	133
Earnings after net financial items	27	26	32	27	6
Return on capital employed, %	27	30	50	36	11
Average number of employees	242	239	201	162	151



Rapid

PRODUCTS

Rapid's products consist of small and medium-sized thermoplastic granulating mills, which are used to grind production waste from molds and rejected plastic products. The milled plastic is returned directly to the manufacturing process, thereby eliminating waste. Thermoplastic can be reused essentially without limit.

MARKETS

Rapid is a market leader in Europe and the U.S. A special venture has been in progress for a couple of years in the Far East. Rapid has sales companies in Germany, France and the U.S., with local representation in Singapore.

COMPETITORS

The main competitors are Nelmor and Cumberland (U.S.), Herbolt, Palman and Getecha (Germany), Tria (Italy), and CMB (France).

DEVELOPMENT POTENTIAL

Rapid's unique value lies in its high market share for small and medium-sized granulating mills, and in its know-how on the efficient manufacture of high-quality, low-noise mills. The market for recycling plastic raw material in manufacturing processes offers the best business opportunities. Rapid focuses exclusively on this niche and has stayed away from the plastic refuse segment, such as for recycled bottles.

PRODUCTION

Rapid's mills are manufactured in Sweden at plants in Bredaryd and Värnamo. The company has had an assembly plant in the U.S. for many years, and an additional one was put in operation in early 1997.

BUSINESS TREND 1996

Invoiced sales rose by 8 percent during the year. Earnings after net financial items amounted to SEK 27 M (26). Return on capital employed was 27 percent (30).

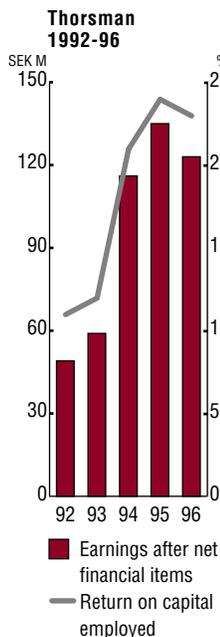
Thorsman

Thorsman's products include installation materials, such as plugs, clips, electrical boxes and cable seal systems. Thorsman also sells installation systems, such as cable trunking, service poles, floor-boxes, cable support systems and cable trays. Customized products with pre-assembled outlets for electricity, telecommunications and computer hookups is a rapidly growing product category. Other product areas are ladders and masts for lighting and communications.



Jan Cedwall, b. 1946
President since 1980

SEK M	1996	1995	1994	1993	1992
Invoiced sales	1,651	1,620	1,431	1,206	1,162
Earnings after net financial items	123	135	116	59	49
Return on capital employed, %	23	24	21	12	11
Average number of employees	1,316	1,332	1,213	1,196	1,298



MARKETS

Thorsman has own sales companies in the Nordic countries, Germany, the Netherlands, the U.K. and Ireland. The company has a high market share in the Nordic countries, Ireland and the Netherlands. Thorsman is ranked as a medium-sized company in the U.K., while its market share in Germany is small.

COMPETITORS

Thorsman is active in many different product areas and markets, and thus it has a great number of competitors. Major competitors in the installation materials business are Nordic Lexel Group, German Würth and Bettermann, English Tower and Finnish Ensto. The main competitors in the installation systems segment are van Geel (Netherlands), Ackermann and Tehalit (Germany). In the cable support and cable tray business, the chief competitors are German Bettermann, Dutch van Geel and Swedish MP-verken.

PRODUCTION

Thorsman's products are manufactured at plants in Sweden, the Netherlands, the U.K. and Ireland. In Sweden, plastic-based products are manufactured in Nyköping, aluminum trunking and preassembled products in Växjö, cable support systems and cable trays in Mora and Jokkmokk, ladders in Nässjö, and masts in Mora. The Drogheda plant in Ireland specializes in automated manufacture of plugs and clips. Sheet metal-working for trunking is conducted in Blackburn, England. Cable trays are the main product manufactured in Hoorn, the Netherlands.

DEVELOPMENT POTENTIAL

The chief development potential lies in the sales success of newly developed products, like Frontline brand electrical trunking, which Thorsman can deliver in finished units in a choice of designs, colors and materials, and Indusign service poles, which provide industrial outlets for electricity, telecommunications and computer networks.

BUSINESS TREND 1996

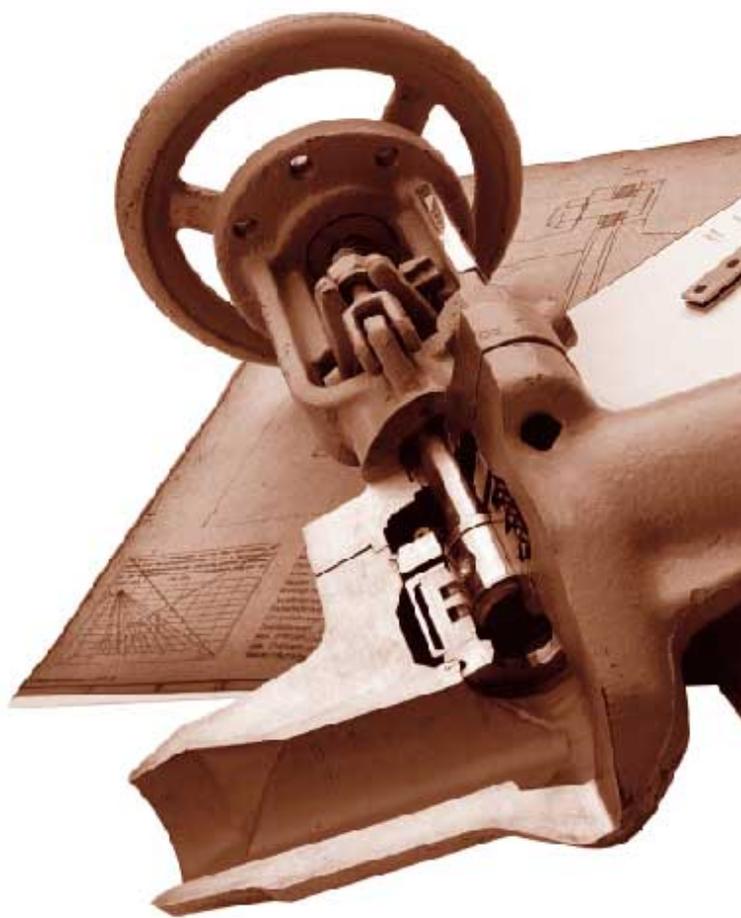
Earnings after net financial items totaled SEK 123 M (135). Return on capital employed was 23 percent (24). Due to the strengthening of the Swedish krona during the year, invoiced sales and earnings decreased in nominal terms. For comparable units and excluding changes in exchange rates, volume rose 6 percent. The cable support materials unit showed improvements in volume and earnings in Sweden as a result of continued high industrial investment. Earnings were charged with a total of SEK 18 M for restructuring costs incurred in connection with production rearrangements, closure of a German subsidiary, and the relocation of the ladder operations to Nässjö.

INDUTRADE

Indutrade consists of some twenty-five trading companies in Sweden, Norway, Finland, Denmark, the Baltic countries, Russia and the Benelux countries, with a focus on the import and sale of qualified industrial components in the respective countries.



Newly acquired Ventim markets valves and instruments, such as this valve from Klinger for a combined heating and power plant.



A control valve from Gestra.



Analyses and quality assurance are carried out in Indutrade's own laboratories in the areas of silicon/adhesives technology and filtration.

The Dutch company Aluglas is one of the leading distributors of packaging and sealing techniques for pharmaceuticals and cosmetics in the Benelux countries.



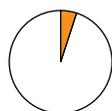
ETP Transmission has developed hydraulic tension joint products for machine design and industrial wood-working and metal-working.



Pall Corporation, in the U.S., a world-leader in filtration techniques, is represented by Indutrade in Sweden, Finland, Denmark and the Netherlands.



Colly Company is one of the leading trading companies in the Nordic countries for mechanical fastening components, among other things.



Indutrade's Share
of Industrivärden's
Market-Valued Assets

Board of Directors:

*Clas Reuterskiöld (Chairman),
Leif Andersson, Carl-Olof By,
Jan Carlborg, Eva Mauritzsson,
Börje Nordenö, Johan Rapp and
Gunnar Tindberg (President).*



Gunnar
Tindberg
Pres

Indutrade's business concept is to import and sell technically qualified industrial components for which customers have a recurring need. Suppliers consist of international companies with brand-name products and major development resources, as well as niche manufacturers. Most of the products are leaders in their respective segments.

The aim is to provide products with substantial value added in the form of technical competence in component selection, logistics, product combinations, customer training, technical documentation and technical problem-solving. For Indutrade it is essential to analyze the customers' needs, offer products with a high technical content and to be able to show the products' total usefulness to the customer above and beyond their direct technical function.

Indutrade offers a high degree of technical expertise, a wide range of products and many well established brands. The principal markets are Sweden, Denmark, Finland, the Netherlands and Belgium. The company also does business in Norway, the Baltic countries and Russia.

STRUCTURAL CHANGES

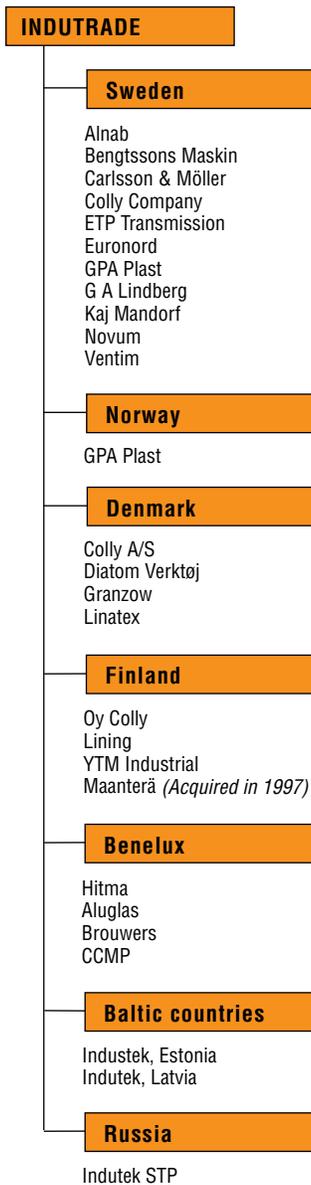
During the year Indutrade acquired Ventim, a company that represents a number of leading European manufacturers in the area of process and flow technology. Sales amount to SEK 61 M, with about 30 employees. Ventim is part of a flow technology group within Indutrade together with Alnab, GPA and Euronord, which were acquired in 1994 and 1995.

Several new agencies were added during the year. Hitma took over an agency that provides instrumentation to the process industry, the Danish company Diatom acquired a hand-tools agency and Alnab took over an agency for concentration sensors and control valves. Novum launched a newly developed range of voltage surge protection and potential equalization devices. At the beginning of 1997 G A Lindberg and Diatom signed an agreement for a new adhesive agency.

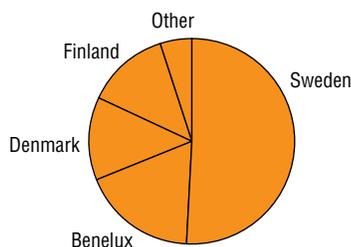
In early 1997 Indutrade acquired the Finnish company Maanterä, with agencies in the metalcutting industry. Maanterä's invoiced sales in 1996 amounted to approximately SEK 50 M, with good profitability.

INDUTRADE IN SUMMARY

SEK M	1996	1995	1994	1993	1992
Invoiced sales	1,372	1,311	1,087	829	730
Of which, outside Sweden, %	49	59	62	58	58
Earnings after depreciation	99	105	127	66	48
Earnings after financial items	93	97	118	61	47
Return on capital employed, %	20	21	29	19	18
Capital expenditures	31	41	27	14	14
Visible equity ratio, %	35	30	31	37	34
Average number of employees	694	617	563	512	515



Invoiced Sales Per Market



ORGANIZATIONAL STRUCTURE AND MANAGEMENT PHILOSOPHY

Indutrade consists of some 25 companies with sales ranging from SEK 25–300 M and between 25 and 125 employees. Indutrade’s management philosophy is to delegate earnings responsibility to the companies or units that generate the business.

The ratios most often used in analyzing profitability of the operating units are volume growth, profit margin and earnings after depreciation. Return on capital employed is also calculated for each of the subsidiaries.

Indutrade’s financial target is to continue growing, organically as well as through acquisitions, while ensuring that the group’s average return on capital employed amounts to a minimum of 20 percent over a business cycle. The return in 1996 was 20 percent (21).

PRODUCTS AND MARKETS

Indutrade’s business concerns primarily the import and sale of technological components to industrial companies with a recurring need in the Nordic and Benelux countries. The products are targeted primarily at local industry. Sales of ordinary consumer goods and capital goods are very limited. The product program is made up of the following nine product areas:

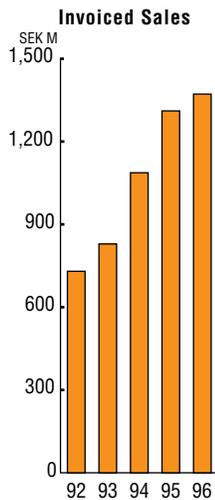
- Transmission and materials handling
- Mechanical assembly technology
- Silicones, adhesives, sealants and lubricants
- Filtration and process/water technology
- Tools and engineering
- Structural plastics
- Electrical components
- Compressed air, pneumatics and control technology
- Glass and packaging technology.

In addition to qualified technical products and advanced problem-solving by specialized sales engineers, customers are offered technical support by well equipped laboratories. Some of the group’s companies provide technical service and product improvement assistance from their own workshops.

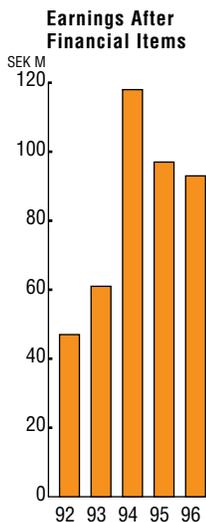
The suppliers are mainly from Western Europe, the U.S. and Japan. As a rule the Indutrade companies have exclusive agency agreements for their respective geographic markets. Indutrade requires that its suppliers are stable companies with leading positions in their respective product niches, that they are actively engaged in product development, and that they have resources for technical problem-solving.

The customers of the Indutrade companies represent a cross-section of industry in the respective countries, with a concentration in the en-

INDUTRADE



Invoiced sales have risen by an average of 17 percent per year in 1992-96.



gineering sector. Growing customer groups are found in the pharmaceutical, food, and process industries.

INVOICED SALES AND EARNINGS

The economic trend was weak in all geographic markets, leading to a decline in volume for certain units.

Total invoiced sales in 1996 amounted to SEK 1,372 M, an increase of SEK 61 M. For comparable units, invoiced sales decreased 8 percent, mainly due to currency fluctuations. New agencies and acquisitions accounted for 13 percent of growth so that the net figure was an increase of 5 percent.

Indutrade's earnings after financial items totaled SEK 93 M (97). Earnings of the flow technology group (Alnab, GPA, Euronord and Ventim) improved, while the Danish company Linatex posted a non-recurring cost in the form of a capital loss on a property sale. The Dutch firm Hitma had an exceptionally strong year in 1995; this was not repeated in 1996. Also, the Swedish firm Colly Company had a severe downturn in earnings. Net financial income improved due to lower interest rates and a positive cash flow.

SWEDEN

The Swedish operations accounted for 55 percent (48) of Indutrade's invoiced sales and thus represent the largest single market. Business is conducted in all product areas except compressed air, pneumatics, and glass and packaging technologies.

The downturn for the export industry led to lower order bookings for Indutrade. Total invoiced sales of the Swedish operations in 1996 amounted to SEK 762 M, a decline of 1 percent from 1995 for comparable units. The flow technology group is one bright spot, contributing to an 19 percent increase in invoiced sales compared with the preceding year.

Earnings after financial items improved by SEK 11 M to SEK 82 M.

Indutrade in Sweden
Alnab
Bengtssons Maskin
Carlsson & Möller
Colly Company
ETP Transmission
Euronord
GPA Plast
G A Lindberg
Kaj Mandorf
Novum
Ventim

Indutrade in Denmark
Colly A/S
Diatom Verktøj
Granzow
Linatex

Indutrade in Norway
GPA Plast

Indutrade in Finland
Oy Colly
Lining
YTM Industrial
Maanterä

Indutrade in the Baltic countries
Industek, Estonia
Indutek, Latvia

Indutrade in Russia
Indutek STP

Indutrade in the Benelux countries
Netherlands
Hitma
Aluglas
Brouwers
Belgium
CCMP

DENMARK

Granzow is active in compressed air, pneumatics and control technologies, while Linatex specializes in structural plastics. Colly works with process technologies, and Diatom markets mechanical assembly products as well as silicones, adhesives, sealants and lubricants.

Danish industry experienced weak economic growth during the year, and demand for agency products fell.

Indutrade's invoiced sales in Denmark amounted to SEK 185 M, compared with SEK 202 M in 1995. Earnings after financial items decreased from SEK 11 M to SEK 4 M, following nonrecurring costs of SEK 7 M.

FINLAND AND THE BALTIC COUNTRIES

Indutrade operates in three areas in the Finnish market: filtration and water technology, engineering, and hydraulics and lubricants.

Invoiced sales in Finland amounted to SEK 190 M, a volume increase of 12 percent compared with 1995. However, earnings after financial items decreased from SEK 19 M in 1995 to SEK 13 M.

In recent years Lining has established subsidiaries in Estonia, Latvia, and St. Petersburg, Russia. These work primarily in the area of water technology. Total invoiced sales in the Baltic countries and Russia were modest, however.

BENELUX

Indutrade is represented by the Hitma group in the Netherlands and by CCMP in Belgium. Hitma's companies are active in filtration and process technology, and glass and packaging technology, while the CCMP group works with silicones, adhesives, sealants, lubricants, and industrial chemicals.

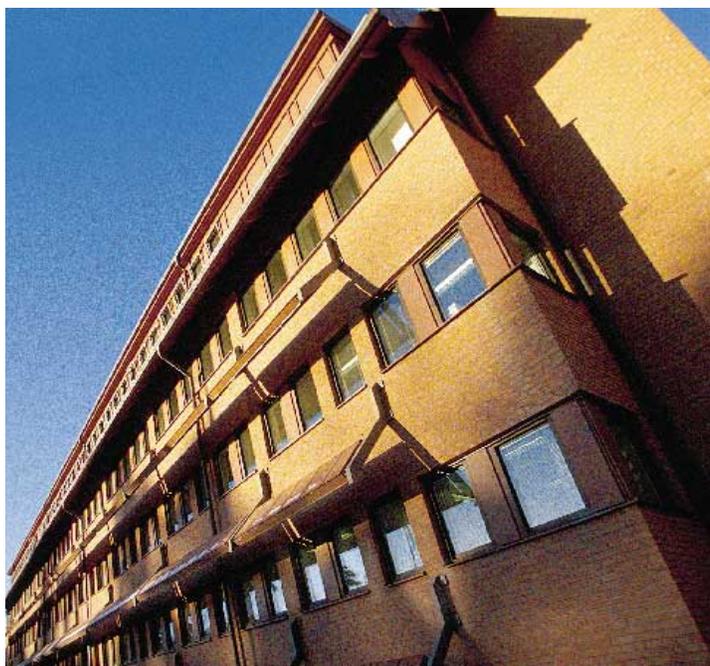
Demand in the Belgian and Dutch markets was weak in 1996. Total invoiced sales in the Benelux region amounted to SEK 245 M (338), and earnings after net financial items were SEK 10 M (26). In the preceding year there were project deliveries from Hitma which were not repeated in 1996. Furthermore, a salt agency was divested in late 1995.

FUNDAMENT

Fundament owns and manages eight commercial properties covering some 120,000 square meters of leasable space, including 108,000 square meters in the Stockholm area.



Industrivärden's head offices are part of the *Havssvalget 1* property at *Storgatan 10* in Stockholm. The property is owned by AB *Industrivärden* but managed by *Fundament*.



Storseglet 3 is situated in Stockholm's *Gröndal* district.

Newly renovated offices in the Nöten 4 property in Solna.



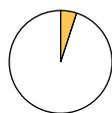
Nöten 4, in Solna, is the largest holding in Fundament's portfolio, with a total floor area of 58,000 square meters.



Pärnet 8 property in Solna.



Newly renovated hotel room at Scandic Hotel Winn in Karlstad, Sweden.



Fundament's Share
of Industrivärden's
Market-Valued Assets

*Board of Directors: Carl-Olof By
(Chairman), Sven Hamberg,
Per Jungkvist, Jan Spetz and
Per Wärnegård (President).*



Fundament's real estate holdings consist of eight well situated, high-standard buildings. Six of these are located in the Stockholm area, and one each in Malmö and Karlstad. The combined area amounts to approximately 120,000 square meters, 108,000 square meters of which are purely commercial premises in the Stockholm area. No changes were made in the company's real estate holdings during the year.

Major renovation work on parts of the Nöten 4 property in Solna and the Storseklet 3 property in Stockholm was carried out during the year to adapt the premises to new tenants. Major maintenance was also carried out at the Negern 2 property in Karlstad, which houses a hotel with some 200 rooms that are in first-class condition following this work. Refurbishment of the heating and ventilation systems was carried out at the Nöten 4 and Päronet 8 buildings in Solna. Investments have been made in new, computerized fan systems which are controlled by a central operating and control system. The new systems have a high degree of heat recovery. A new cooling system based on an environment-friendly, water-based technology, has been installed.

VACANCY RATE

The vacancy rate, measured in relation to total rental value, was 7 percent at the end of 1997. New leases for vacant premises in the Storseklet 3 building in Stockholm and the Nöten 4 premises in Solna were signed during the year. More than half of the leasing contracts remain in effect until after the year 2002.

THE MARKET

A basic requirement for being able to attract new tenants in recent years is that the property owner is willing to cater to prospective tenants' preferences by rebuilding and adapting the premises.

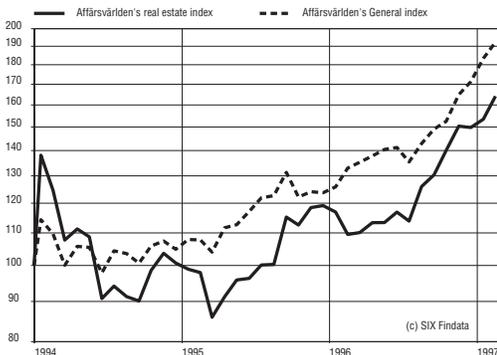
Demand for high-quality space remained strong in the Stockholm area. Rents for centrally located real estate are rising.

Interest rates fell successively during the year, however, effective interest rates are still high. The market index for real estate stocks rose 26 percent. This was lower than the General Index, which rose 38 percent.

FUNDAMENT IN SUMMARY

SEK M	1996	1995	1994	1993	1992
Rental income	110	106	114	116	133
Earnings before depreciation	68	81	89	94	101
Earnings after depreciation	55	69	77	82	89
Earnings after financial items	36	50	54	51	51
Market value of properties, less mortgaging	680	710	800	760	900

Real Estate Sector Development Compared with the General Index



The trend in the real estate market during the past three years can be illustrated by the fact that SEK 100 invested in an average real estate stock in early 1994 was worth SEK 150 at the end of 1996. (The corresponding values for an average listed stock were SEK 100 and SEK 175, respectively.) The average growth was 15 percent per year (21 percent for an average listed stock).

EARNINGS AND VALUATION

Fundament's rental income in 1996 was largely unchanged at SEK 110 M (106). Earnings before depreciation decreased to SEK 68 M (81) as a result of major renovation and adaptation costs. An increase in borrowing, together with falling interest rates, entailed that net interest expense was unchanged at SEK -19 M. Earnings after financial items were SEK 36 M (50).

Total costs for renovation work amounted to SEK 31 M, of which SEK 12 M has been carried forward.

As in 1995, no external appraisal of the property holdings was performed. Assuming a yield of 8 percent, the property value amounts to SEK 950 M (1,000). A change of one percentage point of the interest rate would affect the calculated value by approximately SEK 120 M. The book value is SEK 589 M (590). Mortgages amount to SEK 272 M (290), or 29 percent (29) of the estimated market value.

PROPERTY HOLDINGS

STOCKHOLM

Diana 2, Brunnsgränd 2-4, Nygränd 1-5.
Built 1600s-1700s. Site area: 690 m².
Floor area: 3,171 m².
Rental income: SEK 4.5 M.
Tax assessment value: SEK 26.9 M.

Storseglet 3, Bryggvägen 16-18.
Built 1985-86.
Site area: 4,554 m².
Floor area: 6,751 m².
Rental income: SEK 15.5 M.
Tax assessment value: SEK 35.4 M.

Åsnen 2, Sköntorpsvägen 27-31.
Built 1958-60.
Site area: 5,245 m² (leasehold).
Floor area: 12,832 m².
Rental income: SEK 6.7 M.
Tax assessment value: SEK 23.4 M.

Sandberget 2 and 7,
Luntmakargatan 94-96.
Built 1905-10.
Site area: 856 m².
Floor area: 2,121 m².
Rental income: SEK 1.8 M.
Tax assessment value: SEK 15.5 M.

SOLNA

Nöten 4, Albygatan 111-115,
Tritonvägen 17-27.
Built 1971-74. Site area: 13,996 m².
Floor area: 58,050 m².
Rental income: SEK 47.5 M.
Tax assessment value: SEK 289.0 M.

Pärnet 8, Albygatan 108-110,
Korta gatan 2-12, Torggatan 5-9.
Built 1976-78. Site area: 6,727 m².
Floor area: 23,500 m².
Rental income: SEK 22.4 M.
Tax assessment value: SEK 125.2 M.

MALMÖ

Domarringen 1, Boplatsgatan 2.
Built 1976, 1983.
Site area: 12,127 m².
Floor area: 1,655 m².
Rental revenue: SEK 0.6 M.
Tax assessment value: SEK 4.1 M.

KARLSTAD

Negern 2, Norra Strandgatan 9,
Östra Torggatan 20.
Built 1983, 1990.
Site area: 2,482 m².
Floor area: 10,580 m².
Rental revenue: SEK 11.4 M.
Tax assessment value: SEK 48.0 M.

TOTAL, FUNDAMENT

Site area 46,677 m².
Floor area: 118,666 m².
Rental income: SEK 110.4 M.
Tax assessment value: SEK 567.3 M.

Reported tax assessment values pertain to property tax rates in 1996.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors and President of AB Industrivärden (publ.) herewith submit their annual report for the 1996 fiscal year.

CHANGES IN GROUP STRUCTURE

Industrivärden and Skanska's subsidiary Myresjö formed a jointly owned company from their respective subsidiaries, Elitfönster and Myresjöfönster, in which the two parties each owned 50 percent of the shares during the year. At the end of 1996 Myresjö acquired Industrivärden's remaining shareholding in the new company, Elit Fönster.

At Inductus, Besam decided to wind up the French safety products business, Isaberg acquired the Dutch retailer Zobel and a minority interest in the French sales company Rapid Sign, and Thorsman sold its raised-access floor business in the U.K.

Indutrade acquired Ventim, which sells control valves and equipment for flow measurement and automation.

INVOICED SALES AND EARNINGS

Consolidated invoiced sales amounted to SEK 5,547 M (5,893). For comparable units, invoiced sales were unchanged compared with the preceding year. Measured at constant exchange rates, invoiced sales rose approximately 6 percent. Invoiced sales outside Sweden amounted to 68 percent (67) of total.

Consolidated earnings before financial items amounted to SEK 1,538 M (2,023). This includes gains on sales of listed stocks, totaling SEK 679 M (86), of which a capital gain on the sale of 22 percent of the shares in PLM amounted to SEK 508 M. Earnings for the preceding year included a capital gain of SEK 1,195 M on the sale of 55 percent of the shares in PLM, which was reported as a nonrecurring item.

Dividends from the portfolio of listed stocks rose by SEK 236 M to SEK 490 M (254). This figure includes extra dividends from Handelsbanken and Volvo, totaling SEK 111 M, in the form of shares in Näckebro and Swedish Match, respectively.

Net financial items improved by SEK 137 M to SEK -121 M (-258). Earnings after financial items totaled SEK 1,417 M (1,765).

The interest expense for CPN loans amounted to

SEK 73 M (120). In the preceding year SEK 58 M pertained to the value of CPN owners' purchase rights in connection with the sale of 55 percent of the shares in PLM. After taxes of SEK -58 M (-29) and minority interests of SEK 0 (-1), reported net earnings for the fiscal year were SEK 1,286 M (1,615).

Excluding sales of listed stocks and nonrecurring items, earnings after net financial items totaled SEK 738 M (484).

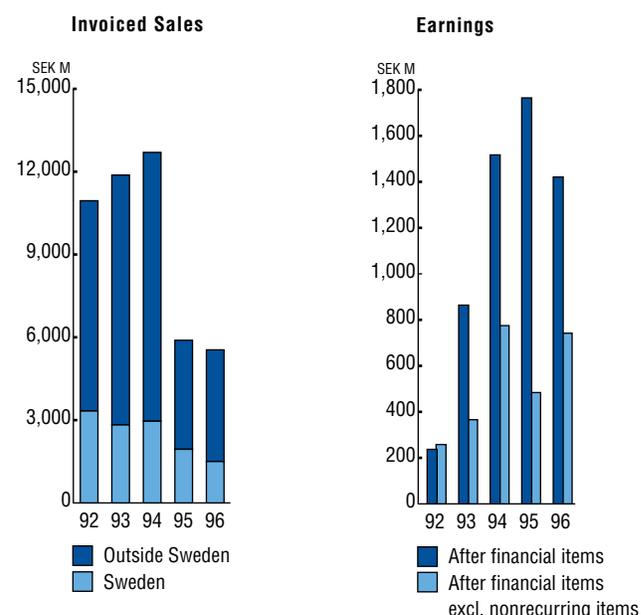
A breakdown of the Group's invoiced sales and earnings after financial items by business unit is provided in a table on page 50.

CAPITAL EXPENDITURES

Capital expenditures during the year in machinery and real estate amounted to SEK 266 M (236), and scheduled depreciation totaled SEK 183 M (199).

FINANCING AND EQUITY RATIO

The Group's liquid funds amounted to SEK 478 M (407). Interest-bearing liabilities decreased by SEK 766 M to SEK 1,546 M (2,312), including pension liabilities of SEK 191 M (248). Of total interest-bearing liabilities, SEK 770 M (516) consisted of long-term loans, including SEK 56 M (151) in utilized overdraft facilities. Net borrowing decreased by SEK 837 M to SEK 1,068 M.



The visible equity ratio was 73 percent (65), while the adjusted equity ratio, which includes surplus values of listed stocks and real estate, was 88 percent (81).

EMPLOYEES

The average number of employees in the Group was 4,561 (4,918), of whom 2,309 (2,293) were outside Sweden. Of the decrease in the number of employees, changes in the Group's composition accounted for 426. A breakdown of the number of employees, and information on wages, salaries and remuneration paid to the Chairman of the Board and President, among others, are provided in note 16.

PORTFOLIO OF LISTED STOCKS

The portfolio of listed stocks was worth SEK 17,752 M (13,775) at year-end 1996. The hidden reserve amounted to SEK 12,029 M (8,039). Purchases of listed stocks during the year totaled SEK 563 M (820), while sales totaled SEK 1,365 M (275). Thus, stocks were sold for a net amount of SEK 802 M (+545). Capital gains on sales of stocks from the listed portfolio amounted to SEK 679 M (86), of which the sale of 22 percent of the shares in PLM accounted for SEK 508 M.

Adjusted for purchases and sales, the portfolio's value increased by 36 percent (20) during the year. The General Index rose by 38 percent (18) during the same period.

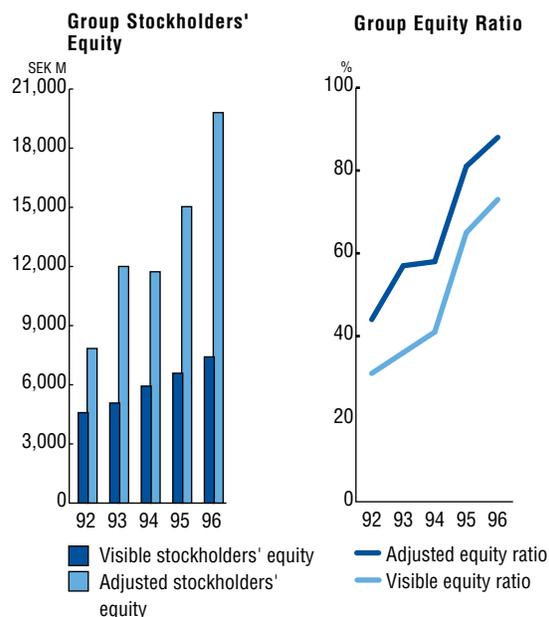
Dividend income amounted to SEK 490 M (254). Of this total, SEK 111 M pertained to extra dividends in the form of shares in Närkebro and Swedish Match.

Major purchases of stocks were 1,600,000 Skandia, 536,900 Astra B, and 363,000 Custos A. Major sales were 9,667,000 PLM, 300,000 AGA A, 925,000 AGA B, 826,000 ASG B, and 550,000 Swedish Match.

INDUCTUS

Inductus' invoiced sales amounted to SEK 4,064 M (4,466), a decrease of 2 percent for comparable units. Measured at constant exchange rates, invoiced sales rose approximately 6 percent. Earnings after financial items totaled SEK 257 M (295).

The decline in earnings is largely attributable to the strengthening of the Swedish krona. In total the stronger krona has impacted Inductus' earnings nega-



tively in an amount of approximately SEK 60 M, mainly attributable to Besam and Thorsman.

The return on capital employed was 18 percent (21).

Besam's invoiced sales, measured at constant exchange rates, rose 4 percent. Earnings were lower than a year earlier after costs for the discontinuation of the safety products business in France and negative currency effects.

Thorsman's invoiced sales, measured at constant exchange rates, rose 6 percent. Thorsman reported slightly lower earnings than a year ago after negative currency effects and costs for coordinating operations with Wibe.

Isaberg has had favorable growth in volume and improved productivity in manufacturing. Earnings improved on the preceding year.

Rapid reported good growth in volume and an earnings improvement compared with the preceding year.

Hydrauto was hurt by a sharp decline in demand from its principal customer. As a result of this, in combination with continued high development efforts, the company reported a loss for the year.

Inductus' capital expenditures amounted to SEK 210 M (175), and scheduled depreciation totaled SEK 131 M (146).

INDUTRADE

Indutrade's invoiced sales amounted to SEK 1,372 M (1,311), a decrease of 8 percent for comparable units. Measured at constant exchange rates, invoiced sales decreased by 3 percent.

Earnings after financial items amounted to SEK 93 M (97). Return on capital employed was 20 percent (21).

Indutrade's capital expenditures amounted to SEK 31 M (41), and scheduled depreciation totaled SEK 23 M (24).

FUNDAMENT

Fundament's rental income totaled SEK 110 M (106).

Earnings after financial items totaled SEK 36 M (50). Earnings were charged with property renovation costs of SEK 19 M (10).

PARENT COMPANY

The Parent Company, AB Industrivärden, manages the Group's portfolio of listed stocks and the subsidiary shareholdings.

The Parent Company's dividend income amounted to SEK 492 M (259), of which SEK 490 M (254) was from listed companies. Including capital gains of SEK 685 M (1,005) on sales of stocks and a profit from the merger of subsidiaries with the Parent Company, etc., earnings amounted to SEK 1,394 M (1,472).

After management costs and a positive balance of net financial items, earnings after financial items totaled SEK 1,449 M (1,669). After costs for CPN interest, totaling SEK 73 M (SEK 120 M, of which SEK 58 M pertained to the value of CPN holders' purchase rights in connection with the sale of 55 percent of the shares in PLM) earnings before taxes amounted to SEK 1,376 M (1,549). After taxes of SEK -8 M (0), a net profit of SEK 1,368 M (1,549) is reported for the year.

EVENTS AFTER THE END OF THE FISCAL YEAR

In early 1997 Indutrade acquired the Finnish trading company Maanterä, with agencies in the metalcutting industry. Maanterä reported invoiced sales of SEK 50 M in 1996, with good profitability.

CONSOLIDATED INCOME STATEMENT

SEK M	Note	1996	1995
Invoiced sales		5,547	5,893
Manufacturing, selling and administrative costs		-4,973	-5,187
Nonrecurring items	1	-	1,195
Operating earnings before depreciation		574	1,901
Scheduled depreciation	2	-205	-218
Operating earnings after depreciation		369	1,683
Dividend income from listed stocks		490 *	254
Capital gains on sales of listed stocks		679	86
Earnings before financial items		1,538	2,023
Interest income		50	67
Interest expense (excl. CPN interest)		-158	-305
Other financial items		-13	-20
Earnings after financial items		1,417	1,765
CPN interest	3	-73	-120
Earnings before taxes and minority interests		1,344	1,645
Taxes	4	-58	-29
Minority interests	5	0	-1
Net earnings for the year		1,286	1,615

* Extra dividend income of SEK 111 M in the form of Näckebro and Swedish Match shares.

BREAKDOWN BY BUSINESS UNIT

SEK M	Invoiced sales		Earnings after financial items	
	1996	1995	1996	1995
Inductus	4,064	4,466	257	295
Indutrade	1,372	1,311	93	97
Fundament	110	106	36	50
Dividends from listed stocks	-	-	490	254
Other, net	1	10	-138	-212
	5,547	5,893	738	484
Nonrecurring items	-	-	-	1,195
Capital gains on sales of listed stocks	-	-	679	86
	5,547	5,893	1,417	1,765

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Consolidated invoiced sales were unchanged for comparable units. In the preceding year Elitfönster was included as a wholly owned subsidiary with invoiced sales of SEK 344 M.

Invoiced sales were hurt by the strengthening of the Swedish krona on average in relation to other currencies. Measured at the preceding year's exchange rates, invoiced sales rose 6 percent for comparable units.

Operating expenses decreased by 4 percent, largely due to the stronger Swedish krona.

Earnings for the year include no nonrecurring items. Earnings for the preceding year included a capital gain of SEK 1,195 M on the sale of 55 percent of the shares in PLM, which was reported as a nonrecurring item.

Dividend income from listed stocks rose SEK 236 M to SEK 490 M. Of the year's dividend income, a total of SEK 111 M consisted of extra dividends in the form of shares in Näckebro – attributable to the Handelsbanken shareholding – and shares in Swedish Match, attributable to the Volvo shareholding. During the year dividends from PLM and Custos were added with a total of SEK 51 M.

Capital gains on sales of listed stocks rose from SEK 86 M to SEK 679 M. Of this figure, SEK 508 M pertained to the sale of 22 percent of the shares in PLM. The Group's net interest expense and other financial items improved from SEK –258 M, net, to SEK –121 M, net. The main reason for the improvement is that the proceeds from the sale of 77 percent of the shares in PLM in autumn 1995 and spring 1996 were primarily used to repay interest-bearing liabilities.

Earnings after financial items decreased from SEK 1,765 M to SEK 1,417 M. The main reason for the decline is that total capital gains on sales of stocks were SEK 594 M lower than in the preceding year. Excluding sales of listed stocks and nonrecurring items, earnings after net financial items totaled SEK 738 M (484), as shown in a separate table. Inductus' earnings after financial items decreased from SEK 295 M to SEK 257 M, although they rose slightly at constant exchange rates.

CPN interest decreased from SEK 120 M to SEK 73 M. In the preceding year, SEK 58 M pertained to the value of CPN owners' purchase rights in connection with the sale of 55 percent of the shares in PLM.

The tax charge for the year was SEK –58 M (–29). Of this total, company taxes accounted for SEK –60 M (–63) and deferred taxes for SEK 2 (34). Of company taxes, SEK –16 M (–3) pertained to Swedish taxes and SEK –44 (–60) to foreign taxes.

CONSOLIDATED BALANCE SHEET

SEK M	Note	Dec. 31, 1996	Dec. 31, 1995	SEK M	Note	Dec. 31, 1996	Dec. 31, 1995
ASSETS				LIABILITIES AND STOCK-HOLDERS' EQUITY			
Current assets				Current liabilities			
Cash and bank		361	406	Accounts payable, trade		359	425
Short-term investments		117	1	Other short-term noninterest-bearing liabilities	8	650	774
Accounts receivable, trade		1,032	1,070	Short-term interest-bearing liabilities	9	585	1,548
Prepaid expenses and accrued income		57	65	Total current liabilities		1,594	2,747
Other receivables		89	70				
Inventories		895	997	Long-term debt			
Total current assets		2,551	2,609	Long-term noninterest-bearing liabilities	10	163	121
Fixed assets				Long-term interest-bearing liabilities	11	770	516
Stocks and participations	6	5,778	5,754	Pension provision	12	191	248
Long-term receivables		52	47	Total long-term debt		1,124	885
Goodwill	7	116	118	Convertible participating debenture loan	3	450	450
Machinery and equipment	7	547	593	Minority interests		0	3
Buildings	7	938	975	Stockholders' equity	13		
Land and land improvements	7	112	113	<i>Restricted stockholders' equity</i>			
Construction in progress	7	19	13	Capital stock	14	858	858
Total fixed assets		7,562	7,613	Restricted reserves		1,059	1,079
Total assets		10,113	10,222			1,917	1,937
				<i>Unrestricted stockholders' equity</i>			
				Unrestricted reserves		3,742	2,585
				Net earnings for the year		1,286	1,615
						5,028	4,200
				Total stockholders' equity		6,945	6,137
				Total liabilities and stockholders' equity		10,113	10,222
				Assets pledged	15	277	402
				Contingent liabilities		14	40

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

Liquid funds, i.e., the items “Cash and bank” and “Short-term investments,” increased by SEK 71 M to SEK 478 M, mainly due to net sales of listed stocks.

Trade accounts receivable, inventories, and other current assets amounted to a total of SEK 2,073 M (SEK 2,202 M at the beginning of the year). Inventory’s share of invoiced sales for the year decreased from 17 percent to 16 percent, while the corresponding share for trade accounts receivable rose from 18 percent to 19 percent.

Stocks and participations refer mainly to the book value of the Group’s holdings of listed stocks. Net sales during the year totaled SEK 802 M (+545) and consisted mainly of the sale of 22 percent of the shares in PLM. The market value of the portfolio of listed stocks, adjusted for purchases and sales, rose 36 percent, while the General Index rose 38 percent.

Other fixed assets, i.e., primarily machinery, equipment, and real estate, decreased from SEK 1,859 M to SEK 1,784 M, mainly on account of structural changes. New capital expenditures during the year totaled SEK 266 M and scheduled depreciation totaled SEK 183 M (excluding goodwill).

Current liabilities decreased from SEK 2,747 M to SEK 1,594 M. The decrease pertains mainly to short-term, interest-bearing liabilities, which were successively amortized with cash generated from sales of listed stocks.

Long-term debt rose by SEK 239 M to SEK 1,124 M as a result of new medium-term borrowing totaling SEK 535 M.

On the whole, net borrowings decreased by SEK 837 M to SEK 1,068 M. A reallocation has been made from current liabilities to long-term debt with regard to the low long-term interest rate.

Stockholders’ equity rose by SEK 808 M to SEK 6,945 M. The increase pertains to net earnings for the year, totaling SEK 1,286 M, less the dividend payout of SEK 472 M for 1995. As total assets were roughly unchanged the visible equity ratio increased from 65 to 73 percent.

PARENT COMPANY
INCOME STATEMENT

SEK M	Note	1996	1995
<i>Dividend income</i>			
Listed companies		490	254
Other companies		2 492	5 259
<i>Capital gains on sales of stocks</i>			
– in listed companies		679	86
– in subsidiaries		6	1,849
Other nonrecurring items	1	217	–722
Earnings before administrative costs			
Administrative costs		1,394	1,472
		–48	–21
Earnings before financial items			
		1,346	1,451
<i>Interest income</i>			
Subsidiaries		228	421
Others		41 269	52 473
<i>Interest expense</i>			
Subsidiaries		–21	–26
Others		–117 –138	–204 –230
Other financial items		–28	–25
Earnings after financial items			
		1,449	1,669
CPN interest	3	–73	–120
Earnings before taxes			
		1,376	1,549
Taxes		–8	0
Net earnings for the year			
		1,368	1,549
<hr/>			
Pledged assets		6	11
Contingent liabilities		6	6

PARENT COMPANY
BALANCE SHEET

SEK M	Note	Dec. 31, 1996	Dec. 31, 1995
ASSETS			
Current assets			
Cash and bank		137	197
Short-term investments		114	–
Receivables from subsidiaries		981	949
Prepaid expenses and accrued income		2	4
Other receivables		24	0
Total current assets		1,258	1,150
Fixed assets			
Office equipment		0	1
<i>Stocks</i>			
– in subsidiaries	6	645	2,255
– in listed companies	6	5,636	5,649
– in other companies	6	51	4
Receivables from subsidiaries		2,592	1,036
Other long-term receivables		6	6
Total fixed assets		8,930	8,951
Total assets		10,188	10,101
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Liabilities to subsidiaries		272	500
Other short-term noninterest-bearing liabilities	8	129	104
Short-term interest-bearing liabilities	9	436	1,450
Total current liabilities		837	2,054
Long-term debt			
Liabilities to subsidiaries		7	6
Long-term noninterest-bearing liabilities	11	555	150
Pension provision	12	21	19
Total long-term debt		583	175
Convertible participating debenture loan			
	3	450	450
Stockholders' equity			
<i>Restricted stockholders' equity</i>			
Capital stock	14	858	858
Legal reserve		721	721
		1,579	1,579
<i>Unrestricted stockholders' equity</i>			
Earnings brought forward		5,371	4,294
Net earnings for the year		1,368	1,549
		6,739	5,843
Total stockholders' equity		8,318	7,422
Total liabilities and stockholders' equity		10,188	10,101

STATEMENTS OF CHANGES IN FINANCIAL POSITION GROUP AND PARENT COMPANY

SEK M	Group		Parent Company	
	1996	1995	1996	1995
Source of funds				
Earnings before taxes and minority interests	1,344	1,645	1,376	1,549
Depreciation charged to these earnings	205	218	–	–
Taxes	–58	–29	–8	–
Dividend to stockholders	–472	–937	–472	–937
	1,019	897	896	612
Change in working capital				
Increase/decrease in liquid funds (-/+)	–71	31	–54	55
Increase/decrease in current receivables (-/+)	27	–2	–54	–352
Increase/decrease in inventories (-/+)	102	–142	–	–
Increase/decrease in current liabilities (+/-)	–1,153	–531	–1,217	–539
PLM's working capital on January 1	–	656	–	–
	–1,095	12	–1,325	–836
Change in fixed assets				
Investments in stocks and participations	–800	–1,727	–810	–1,737
Sales of stocks and participations	783	180	866	1,114
Capital expenditures	–266	–236	–	–
Exchange rate differences on fixed assets	3	–10	–	–
Stockholders' contribution and other changes	122	–12	1,521	–1,655
PLM's balance on January 1	–	3,392	–	–
	–158	1,587	1,577	–2,278
Surplus/deficit to be financed (+/-)	–234	2,496	1,148	–2,502
Change in financing				
Increase/decrease in long-term receivables (-/+)	–5	–20	–1,556	2,970
Increase/decrease in long-term debt (+/-)	239	–455	408	–468
PLM's balance on January 1	–	–2,021	–	–
Financing	234	–2,496	–1,148	2,502

MAJOR SUBSIDIARIES

SEK M	Besam	Hydrauto	Isaberg	Rapid
INCOME STATEMENTS				
Invoiced sales	1,525	205	388	295
Manufacturing, selling and administrative costs	-1,402	-204	-330	-257
Scheduled depreciation	-33	-12	-22	-8
Earnings after depreciation	90	-11	36	30
Financial income and expense	-8	-4	-2	-3
Earnings after financial items	82	-15	34	27
Appropriations	-1	15	-29	-17
Taxes	-16	-	-1	-4
Net earnings for the year	65	0	4	6
BALANCE SHEETS				
Assets				
Liquid funds	40	0	15	9
Accounts receivable	443	57	122	69
Inventories	215	36	59	52
Total current assets	698	93	196	130
Machinery and equipment	86	48	67	31
Real estate	84	16	21	18
Other	42	14	15	-
Total fixed assets	212	78	103	49
Total assets	910	171	299	179
Liabilities and stockholders' equity				
Short-term noninterest-bearing liabilities	345	24	127	101
Short-term interest-bearing liabilities	162	78	42	-
Total current liabilities	507	102	169	101
Long-term noninterest-bearing liabilities	-	13	7	-
Long-term interest-bearing liabilities	89	6	31	14
Total long-term debt	89	19	38	14
Stockholders' equity	314	50	92	64
Total liabilities and stockholders' equity	910	171	299	179

SEK M	Thorsman	Indutrade	Fundament
INCOME STATEMENTS			
Invoiced sales	1,651	1,372	110
Manufacturing, selling and administrative costs	-1,450	-1,235	-42
Scheduled depreciation	-67	-38	-13
Earnings after depreciation	134	99	55
Financial income and expense	-11	-6	-19
Earnings after financial items	123	93	36
Appropriations	-96	-42	-13
Taxes	-7	-15	-2
Net earnings for the year	20	36	21

BALANCE SHEETS

Assets

Liquid funds	52	93	16
Accounts receivable	323	282	5
Inventories	280	252	-
Total current assets	655	627	21
Machinery and equipment	193	61	1
Real estate	117	61	589
Other	29	73	2
Total fixed assets	339	195	592
Total assets	994	822	613

Liabilities and stockholders' equity

Short-term noninterest-bearing liabilities	434	267	80
Short-term interest-bearing liabilities	70	10	172
Total current liabilities	504	277	252
Long-term noninterest-bearing liabilities	33	19	1
Long-term interest-bearing liabilities	119	240	105
Total long-term debt	152	259	106
Stockholders' equity	338	286	255
Total liabilities and stockholders' equity	994	822	613

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

Principles of Consolidation

The consolidated financial statements apply to the Parent Company and all companies in which the Parent Company directly or indirectly owns more than 50 percent of the voting rights. Industrivärden follows the recommendations of the Swedish Financial Accounting Standards Council.

The consolidated balance sheet is prepared according to the purchase method. This entails that the Parent Company's acquisition value of stocks in subsidiaries is eliminated against the subsidiaries' stockholders' equity at the time of acquisition. Thus only earnings that have arisen after the date of acquisition are included in the Group's stockholders' equity. Stockholders' equity in acquired subsidiaries is determined on the basis of a market valuation of assets and liabilities at the time of acquisition. If necessary, an appropriation is made at the time of acquisition for restructuring costs (a restructuring reserve). In cases where the acquisition value of stocks in subsidiaries exceeds the acquired stockholders' equity in accordance with the above, the difference (surplus value) is reported as a goodwill item in the balance sheet. Goodwill is amortized over a ten-year period.

The consolidated financial statements include no appropriations or untaxed reserves. Instead, deferred taxes on these items are included in the year's tax expense or tax liability, respectively.

Translation of Foreign Subsidiaries' Accounts

Assets and liabilities of foreign subsidiaries are translated to Swedish kronor (SEK) at year-end exchange rates. Income statements of foreign subsidiaries are translated at the average exchange rate for the year. Translation differences are transferred directly to stockholders' equity and do not affect earnings for the year. To reduce the Group's currency exposure, stockholders' equity in foreign subsidiaries is hedged by loans in foreign currencies. In the consolidated financial statements, exchange rate differences are offset against translation differences that arise in the foreign companies' stockholders' equity. See also the section, "Financing and Currency Matters."

Translation of Receivables and Liabilities in Foreign Currencies

Receivables and liabilities in foreign currencies are valued at the year-end exchange rate. Receivables or liabilities that are hedged are valued at the hedge rate. Unrealized exchange gains and losses have been taken to earnings. Unrealized exchange gains on long-term receivables/liabilities are allocated to a foreign exchange reserve after making the necessary offsetting.

Inventories

The Group's inventories are reported at the lower of cost or market value.

Depreciation

Machinery and equipment have been depreciated according to plan based on their acquisition values. The depreciation rates are based on the estimated economic lives of the assets. As a rule, investment properties are depreciated by the highest amount allowed by tax rules.

Nonrecurring Items

For comparison purposes, attention should be paid to certain events and transactions which are reported separately in the income statement as "Nonrecurring items." This item is included in operating earnings and is specified in a note. For the sake of comparison, in the Five-Year Summary in the annual report, extraordinary items for the years 1992–93 have been reclassified as nonrecurring items.

DEFINITIONS OF TERMS AND KEY RATIOS

Net worth: Net book values of assets plus hidden reserves in listed stocks, stocks in subsidiaries and buildings held for investment purposes (deferred tax not deducted).

Hidden reserves: The difference between the market value and book value of listed stocks and buildings held for investment purposes.

Capital expenditures: Expenditures capitalized in existing units' balance sheets.

Return on capital employed: Earnings after depreciation plus interest income and dividends, in relation to average total assets less average noninterest-bearing liabilities.

Direct yield: Dividend per share in relation to the price of Class A shares on December 31.

Visible equity: Reported stockholders' equity and CPN loans.

Adjusted equity: Visible stockholders' equity and hidden reserves.

Visible equity ratio: Visible stockholders' equity and minority interests in relation to total assets.

Adjusted equity ratio: Visible stockholders' equity and minority interests plus hidden reserves, in relation to total assets and hidden reserves.

Earnings per share: Earnings after taxes, divided by the number of shares after full dilution, i.e., the number of shares outstanding plus the maximum number of shares that would be added with the conversion of existing CPNs. The tax expense is charged to consolidated earnings after financial items and minority interests, adjusted for tax-exempt capital gains on sales of stocks, tax-deductible dividends paid (1994: tax-exempt dividend income) and a standard income assumption in accordance with applicable tax rules for holding companies. Full tax is equal to reported tax.

FINANCING AND CURRENCY MATTERS

Organizational Matters

Industrivärden's subsidiaries are independently responsible for the management of their financial risks within the limits set by the Parent Company in a financial policy approved by the Board of Directors. The subsidiaries manage their risks primarily in relation to Industrivärden's finance unit, which is a central unit of the Parent Company and serves as the Group's internal bank.

Flows of Foreign Currencies

The Industrivärden Group's industrial and trading operations consist of Swedish companies engaged in trade both to and from Sweden, as well as foreign companies engaged in their own cross-border trade.

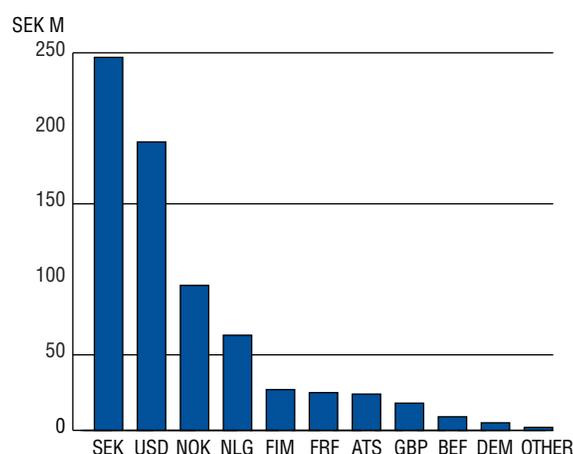
Of the Industrivärden Group's invoiced sales, 32 percent are derived from Sweden, 55 percent from the rest of Europe, and 13 percent from the rest of the world.

Exports from Sweden in 1996 amounted to approximately SEK 1,350 M. About 75 percent of this was invoiced in foreign currencies. In cases where invoicing is made in Swedish kronor, the prices are set according to the conditions in the respective markets. The same goes for the Group's imports to Sweden, which totaled SEK 645 M in 1996. Approximately 85 percent of these were invoiced in foreign currencies. The foreign subsidiaries invoice most of their sales in their local markets.

Since the Group's Swedish units conduct substantial trade abroad, the value of the Swedish krona in relation to other currencies has a significant impact on consolidated earnings. The Group's net currency flows to and from Sweden in 1996 are illustrated in the chart on the next page.

Each business unit is responsible for its own currency management. The business units' currency flows to and from Sweden are then matched, and the net flows are hedged to varying degrees in Industrivärden's internal bank. The Group's net flows, in turn, are matched and hedged to varying degrees in the banking system, ordinarily from 50 to 70 percent. The hedges are made for a period not exceeding the coming 15 months.

Net Currency Flows in the Swedish Operations in 1996



Financing

The principle rule within the Group is that the Swedish subsidiaries finance their operations through loans from the Parent Company, and the foreign subsidiaries primarily through local borrowing. Due to its size, the Parent Company can effectively manage its total lending portfolio in the Swedish and international markets in order to obtain the best possible outcome with regard to interest rates and risk.

AB Industrivärden's short-term borrowing consists primarily of a SEK 1.5 billion domestic Commercial Paper Program. Medium-term borrowing consists of a SEK 1 billion uncommitted Medium-Term Note program and a USD 175 M Revolving Multicurrency Facility. Loans raised in foreign currencies are swapped to Swedish kronor. Industrivärden's commercial paper program has received Standard & Poor's highest credit rating, K1.

Of AB Industrivärden's total confirmed credit limit of approximately SEK 3 billion, about SEK 0.4 billion was utilized at year-end (year-end 1995: approx. SEK 0.3 billion). Additionally, a total of SEK 7 billion is available through unconfirmed credit facilities.

Reported stockholders' equity in foreign subsidiaries is hedged through loans in the currencies of the respective companies. In the consolidated balance sheet, translation differences in subsidiaries' stockholders' equity have been offset against exchange rate differences in corresponding loans.

YEAR-END EXCHANGE RATES

The most important exchange rates used in the consolidated accounts are listed below:

	Year-end rate		Average rate	
	1996	1995	1996	1995
GBP	11.57	10.30	10.46	11.27
USD	6.86	6.66	6.70	7.14
DEM	4.41	4.63	4.45	4.98
FRF	1.31	1.36	1.31	1.43
NLG	3.92	4.13	3.97	4.45
DKK	1.15	1.20	1.16	1.27
NOK	1.06	1.05	1.04	1.13
FIM	1.47	1.52	1.46	1.64

The ECU index changed from 118 to 116 between December 31, 1995, and December 31, 1996. Had Industrivärden's consolidated income statement for 1995 been consolidated at average exchange rates for 1995, invoiced sales would have been approximately SEK 350 M higher and earnings after net financial items would have improved by approximately SEK 60 M.

NOTES

(Amounts in SEK M unless stated otherwise)

Note 1 Nonrecurring Items

No nonrecurring items were reported by the Group. Nonrecurring items for the Parent Company consisted of a profit of SEK 224 M from the merging of subsidiaries with the Parent Company and of a shareholders' contribution of SEK -7 M.

Note 2 Scheduled Depreciation

Group	1996	1995
Goodwill	22	19
Machinery and equipment	152	166
Buildings	30	32
Land improvements	1	1
	205	218

Note 3 Convertible Participating Debenture Loan

AB Industrivärden raised a convertible debenture loan through the issuance of convertible participating notes (CPNs) in connection with the Company's acquisition of stock in and convertible debentures issued by PLM AB. The terms of the loan are described in the prospectus issued in December 1987. The loan matures in 2028. Each CPN has a par value of SEK 92, which is equivalent to the conversion price of one share. Interest is paid yearly, in arrears, to CPN holders on the fifth banking day after the record date for dividends (the interest maturity date). The interest per CPN amounts to 115 percent of the dividend per share decided by the Annual General Meeting for the previous fiscal year. The liability is equivalent to the par value of 4,888,933 CPNs. Earnings are charged with the estimated CPN interest based on the year's proposed dividend.

Note 4 Taxes

Group	1996	1995
Company income taxes	-60	-63
Deferred taxes	2	34
	-58	-29

Note 5 Minority Interests

The minority stockholders' share in income amounts to:

	1996	1995
Earnings after financial items	0	3
Net earnings for the year	0	1

Note 6 Stocks and Participations

Parent Company holdings of stocks and participations in subsidiaries:

	Share of capital %	Number of shares	Par value SEK 000	Book value SEK 000
Exportvärden AB	100	100,000	10,000	70,000
Fast. AB Fisketorget	100	38,250	3,825	73,244
Fast. AB Fundament	100	1,000,000	20,000	109,877
Fast. AB Pärönrådet	100	1,000	100	75,101
Gedevo AB	100	1,000	100	16,905
Herus AB	100	5,000	5,000	5,000
Hydrauto AB	100	150,000	15,000	30,749
Inductus AB	100	500	50	4,042
Industrivärden				
Service AB	100	10,000	1,000	1,220
Indutrade AB	100	25,000	25,000	137,301
Indutrade Fast. AB	100	2,950	295	38,489
Nordinvest AB	100	100,000	10,000	74,741
Persöner Material- hantering AB	100	1,800	1,800	7,334
Other				1,346
				645,349

Parent Company holdings of stocks in other companies:

AB Biodisk	36.5	62,064	62	19,206
AB L M Ericsson Finans	5.0	8,998	1,620	3,491
Ericsson Export & Project Finance AB	4.7	220,000	22,000	26,395
Stockholms Fondbörs AB	1.4	20,742	1,037	1,943
				51,035

Parent Company holdings of stocks in listed companies:

	Number of shares	Par value SEK 000	Current value SEK 000	Book value SEK 000
AGA A	28,615,000	143,075	2,947,345	704,422
AGA B	1,425,000	7,125	145,350	64,616
Astra B	536,900	1,342	176,640	143,790
Custos A	2,838,000	70,950	411,510	337,979
Ericsson A	21,930,000	54,825	4,725,915	1,191,896
Näckebro A	1,240,500	62,025	145,139	100,481
PLM*	10,000,000	100,000	1,180,000	466,515
SCA A	18,232,000	182,320	2,525,132	788,163
SCA B **	550,000	5,500	76,175	62,303
SHB A com	12,405,000	124,050	2,431,380	450,686
Skandia	2,000,000	10,000	386,000	346,591
Skanska A	2,772,132	27,721	835,798	251,579
Skanska B	1,425,000	14,250	429,638	130,703
SSAB A	10,700,000	267,500	1,214,450	488,470
SSAB B	340,000	8,500	38,760	29,441
Volvo B	550,000	2,750	82,775	78,632

Parent Company holdings of stocks in listed companies***	17,752,007	5,636,267
Group adjustment		86,571

Group holdings of stocks in listed companies****	5,722,838
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continued

NOTES

Note 6 cont., Stocks and Participations

Group holdings of stocks and participations in other companies:

	Share of capital %	Number of shares	Par value SEK 000	Book value SEK 000
Biodisk AB	36.5	62,064	62	19,206
AB L M Ericsson Finans	5.0	8,998	1,620	3,491
Ericsson Export & Project Finance AB	4.7	220,000	22,000	26,395
Miki-Cipro Ltd., Japan	50.0	200	JPY 50	318
Milltronic Ltd.		6,000	CAD 60	522
Nordberg Kapital Inc	15.0	3,325	USD 33	1,000
Sci Rue de Canal	50.0	100	7	1,079
Stockholms Fondbörs AB	1.4	20,742	1,037	1,943
Other stocks and participations*****				828
				54,782

Total, Industrivärden Group:

Stocks in listed companies	5,722,838
Stocks and participations in other companies	54,782
	5,777,620

* Industrivärden has issued a total of 110,500 call options for PLM stock. Each call option entitles the bearer to purchase one share of PLM stock for SEK 164. The total book value of the corresponding shares is SEK 5,155,000. The total value of the exercise price and premium charged as a liability is SEK 19,277,000. See also p. 14.

** Industrivärden – together with the other major stockholders of SCA – issued a total of 301,000 call options for SCA Class B stock; Industrivärden accounted for 105,350 of these options. Each call option entitles the bearer to purchase one share of SCA Class B stock for SEK 178. The total book value of the corresponding shares is SEK 11,934,000. The total value of the exercise price and premium charged as a liability is SEK 20,333,000.

*** At the end of 1996, stock loans consisted of 79,000 shares of PLM, 159,000 shares of SHB Class A, 130,700 SSAB Class A, 215,000 SSAB Class B, and 333,700 Volvo Class B stock, all of which were included in the portfolio of stocks.

**** Within the balance item the book values have been redistributed in order to rectify write-ups and write-downs made in the preceeding years.

***** Holdings with book value below SEK 300,000.

Note 7 Fixed Assets and Goodwill

Group	Goodwill	Machinery and equipment	Buildings	Land and land improvements	Construction in progress	Total
Acquisition values						
Opening balance, Jan. 1, 1996	225	1,596	1,268	109	13	3,211
Investments during the year	20	183	38	2	43	286
Company acquisitions		6	5	1		12
Company divestitures		-157	-70	-4	-5	-236
Sales and disposals	-3	-91	-39	-1	-1	-135
Transferred from construction in progress		7	25		-32	0
Reclassifications			-6	5	1	0
Exchange rate differences		-4	-1	-1		-6
Closing balance, Dec. 31, 1996	242	1,540	1,220	111	19	3,132
Undepreciated amount of revaluations						
Opening balance, Jan. 1, 1996			20	11		31
Depreciation for the year						
Closing balance, Dec. 31, 1996			20	11		31
Accumulated scheduled depreciation						
Opening balance Jan. 1, 1996	107	1,003	313	7		1,430
Depreciation for the year	22	152	30	1		205
Write-downs		6				6
Company acquisitions		3	1			4
Company divestitures		-103	-29			-132
Sales and disposals	-3	-67	-11			-81
Reclassifications			-2	2		0
Exchange rate differences		-1				-1
Closing balance, Dec. 31, 1996	126	993	302	10		1,431
Planned residual value						
Dec. 31, 1995	118	593	975	113	13	1,812
Dec. 31, 1996	116	547	938	112	19	1,732

The tax assessment value of Swedish real estate was SEK 787 M (973).

Note 8 Other Short-Term Noninterest-Bearing Liabilities

Group	1996	1995
Tax liability	26	9
Accrued expenses and prepaid income	437	539
Other noninterest-bearing liabilities	187	226
	650	774

Parent Company		
Accounts payable, trade	1	1
Accrued expenses and prepaid income	128	103
	129	104

Note 9 Current Interest-Bearing Liabilities

Group	1996	1995
Commercial paper	–	50
Bond issues	100	104
Current portion of long-term debt	27	26
Other interest-bearing liabilities	458	1,368
	585	1,548

Parent Company		
Commercial paper	–	50
Bond issues	100	104
Other interest-bearing liabilities	336	1,296
	436	1,450

Note 10 Long-Term Noninterest-Bearing Liabilities

Group	1996	1995
Deferred tax liability	82	90
Other noninterest-bearing liabilities	81	31
	163	121

Note 11 Long-Term Interest-Bearing Liabilities

Group	1996	1995
Bond issues	200	100
Utilized overdraft facilities	56	151
Other interest-bearing liabilities	514	265
	770 *	516

Parent Company		
Bond issues	200	100
Utilized overdraft facilities	20	50
Other interest-bearing liabilities	335	–
	555	150

*Maturity dates:

Utilized overdraft facilities	56
Other credits maturing	
– 1998	69
– 1999	635
– 2000	9
– Later	1
Total	770

Total granted overdraft facilities, SEK 1,324 M (1,318).

Note 12 Pension Provision

Group	1996	1995
PRI pensions	135	184
Other pensions	56	64
	191	248

Parent Company		
PRI pensions	4	3
Other pensions	17	16
	21	19

Note 13 Stockholders' Equity

	Group		Parent Company	
	1996	1995	1996	1995
Restricted stockholders' equity				
Opening balance	1,937	1,623	1,579	1,579
New issue (including conversions)	0	0	0	0
Transferred to/from unrestricted stockholders' equity, net	–22	322	–	–
Translation differences	2	–8	–	–
	1,917	1,937	1,579	1,579

Unrestricted stockholders' equity				
Opening balance	4,200	3,860	5,843	5,231
Stockholder dividend	–472	–429	–472	–429
Discount on sale of PLM shares to own stockholders	–	–508	–	–508
Transferred to/from restricted stockholders' equity, net	22	–322	–	–
Translation differences	–8	–16	–	–
Net earnings for the year	1,286	1,615	1,368	1,549
	5,028	4,200	6,739	5,843
Total stockholders' equity	6,945	6,137	8,318	7,422

Note 14 Capital Stock

The capital stock on December 31, 1996, consisted of 42,912,813 shares with a par value of SEK 20 each; of these, 31,225,147 were Class A shares and 11,687,666 Class C shares. In 1996 32 new shares were issued through conversion of convertible participating notes. See further "Industrivärden's Stock and CPNs." on page 66.

Note 15 Pledged Assets

	1996	1995
Mortgages in own properties	185	297
Chattel mortgages	84	86
Other	8	19
	277	402

Note 16 Average Number of Employees; Wages, Salaries and Remuneration

Average number of employees in the Group

	1996		1995	
<i>Sweden</i>				
Burlöv	24	21	Nyköping	253
Gislaved	291	290	Nässjö	59
Gothenburg	53	19	Skellefteå	239
Helsingborg	60	55	Stockholm	165
Jokkmokk	30	29	Svenljunga	96
Landskrona	302	283	Uppvidinge	–
Linköping	31	26	Värnamo	184
Mora	277	284	Växjö	103
Norsjö	–	132	Other	85
Total, Sweden			2,252	2,625
(Of whom, women)			(477)	(575)
<i>Outside Sweden</i>				
Austria	56	52	Italy	26
Belgium/Luxembourg			Netherlands	357
Denmark	188	203	Norway	52
Finland	135	120	Singapore	31
France	250	284	Spain	30
Germany	303	339	U.K.	369
Ireland	75	72	USA	344
			Other	47
Total, outside Sweden			2,309	2,293
(Of whom, women)			(544)	(540)
Total, Group			4,561	4,918
(Of whom, women)			(1,021)	(1,115)

Wages, Salaries and Remuneration

	Board of Directors and President		Others	
	1996	1995	1996	1995
Parent Company*	5	4	8	7
Subsidiaries in Sweden	28	25	494	551
Total, Sweden	33	29	502	558
Subsidiaries in:				
Austria	1	2	16	16
Belgium/Luxembourg	1	1	16	16
Denmark	5	6	67	79
Finland	4	4	32	32
France	2	4	55	59
Germany	4	4	107	121
Ireland	1	1	17	15
Italy	1	1	5	5
Netherlands	4	4	92	100
Norway	2	2	13	12
Singapore	1	1	3	4
Spain	1	1	5	4
U.K.	4	4	69	69
USA	4	5	107	95
Other	1	3	10	12
Total, subsidiaries outside Sweden	36	43	614	639
Total, Group	69	72	1,116	1,197

*In accordance with the decision of the Annual General Meeting in 1996, the members of the Board of Directors have received fees totaling of SEK 1,350,000. Of this total, the Chairman received SEK 450,000. In addition, one of the directors was paid a fee of SEK 150,000 for serving as chairman of Group companies.

The President has been paid a salary and other benefits amounting to SEK 3,395,710. Fees from external directorships that the President has held and that have been directly linked to his position have been paid to the Company. The President is entitled to pension according to the national ITP plan from 60 years of age, based on premium payments made for previous pension agreements. The terms of his pension from 65–75 years of age entail a level of pay, including general pension benefits, that is equivalent to approximately 45 percent of his salary. In addition, the President is entitled to a yearly direct pension amounting to approximately 4 times the so-called base amount (1 base amount in 1996 = SEK 36,200) from 60 to 75 years of age, accrued from previous employment in Group companies. The Company must give three years' notice if it should terminate the President's employment.

Of the other four members of the executive management, three are entitled to pension from 60 years of age. Two of these are entitled to severance pay equivalent to two years' salary.

AUDITORS' REPORT

We have examined the Annual Report, the Consolidated Financial Statements, the Accounting Records and the Administration by the Board of Directors and President for 1996. Our examination was carried out in accordance with generally accepted auditing standards.

PARENT COMPANY

The Annual Report has been prepared in accordance with the Swedish Companies Act.

We recommend

that the Income Statement and Balance Sheet be adopted,
that the unappropriated earnings be distributed in accordance with the proposal of the Board of Directors and,
that the Members of the Board of Directors and the President be discharged from personal liability for the fiscal year.

GROUP

The Consolidated Financial Statements have been prepared in accordance with the Swedish Companies Act.

We recommend

that the Consolidated Income Statement and Consolidated Balance Sheet be adopted.

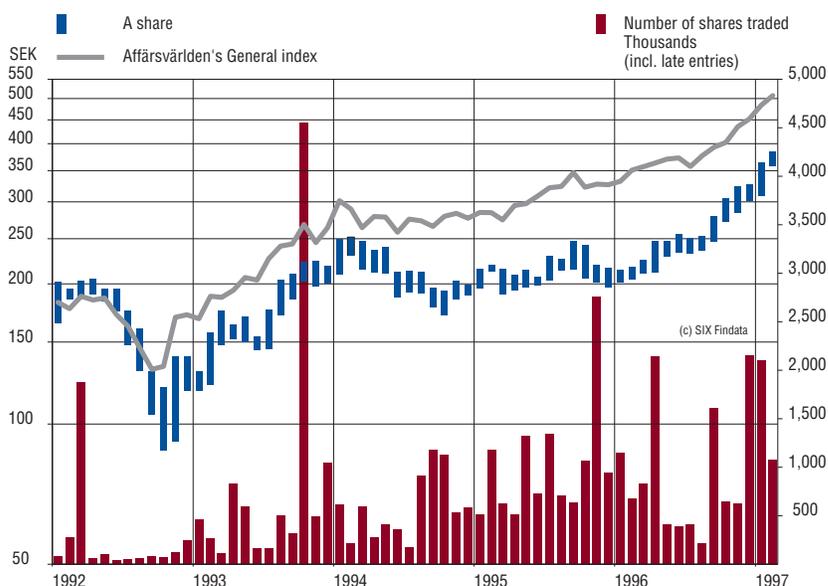
Stockholm, March 14, 1997

Bertil Edlund
Authorized Public Accountant

Ulf Pernvi
Authorized Public Accountant

INDUSTRIVÄRDEN'S STOCK AND CPN'S

Price Development for the Industrivärden Share



INDUSTRIVÄRDEN'S STOCK

Industrivärden's stock is listed on the Stockholm Stock Exchange. The price of the A-share rose 51 percent during the year, with trading volume amounting to approximately SEK 6 billion. At year-end Industrivärden's market capitalization was approximately SEK 15 billion including CPNs with a total market value of approximately SEK 2 billion.

INDUSTRIVÄRDEN'S STOCK

The number of shares and breakdown by class is shown in the table on the next page.

Each Class A share carries entitlement to one vote, while each Class C share carries entitlement to one-tenth of a vote. All shares carry equal entitlement to a share of the Company's assets and profits. The shares have a par value of SEK 20 each. Both classes of stock are listed on the Stockholm Stock Exchange.

Industrivärden's stock performed considerably better than the market average in 1996. The index rose 38 percent during the year, while Industrivärden's Class A shares gained 51 percent, from SEK 206 to SEK 312 per share. The total effective yield, including dividends, was 59 percent in 1996, compared with 43 percent for the overall market.

The Class A shares' beta value, which specifies how much more or less the stock price fluctuates in relation to the index, was 1.4 in 1996.

Trading in Industrivärden stock on the Stockholm Stock Exchange during 1996 amounted to SEK 5.8 billion, corresponding to a turnover rate of 53 percent.

INDUSTRIVÄRDEN'S CONVERTIBLE PARTICIPATING NOTES (CPN'S)

In 1988 Industrivärden raised a convertible debenture loan through the issuance of convertible participating notes (CPNs). The loan matures on January 31, 2028.

Class A and C convertible participating notes are listed on the Stock-

GROWTH OF CAPITAL STOCK

SEK M	Capital stock	Number of shares
1987 Conversion	548.6	27,431,694
Exercise of warrants	548.7	27,433,920
1988 Conversion	549.4	27,472,262
Exercise of warrants	552.3	27,614,803
1989 Stock dividend	692.6	34,631,057
Conversion of CPNs	701.6	35,081,607
Exercise of warrants	703.5	35,173,672
1990 Conversion of CPNs	705.0	35,250,390
Exercise of warrants	705.2	35,259,851
1991 Conversion of CPNs	710.8	35,541,101
Exercise of warrants	760.8	38,038,886
1992 Conversion of CPNs	761.0	38,051,694
1993 Conversion of CPNs	778.7	38,935,870
1994 Conversion of CPNs	858.2	42,911,222
1995 Conversion of CPNs	858.3	42,912,781
1996 Conversion of CPNs	858.3	42,912,813

holm Stock Exchange. CPNs can be converted to shares at any time.

CPN holders are invited to attend Industrivärden's Annual General Meeting but are not entitled to vote.

The yield is paid in the form of interest per CPN. This interest amounts to 115 percent of the dividend per share decided by the Annual General Meeting for the previous fiscal year. CPN interest is paid at the same time as the stock dividend.

The number of CPNs and breakdown by class is shown in the table below. Each CPN may be converted to one share of the same class. CPNs have a par value of SEK 92 each.

Trading in Industrivärden's CPNs on the Stockholm Stock Exchange during 1996 amounted to SEK 0.1 billion, corresponding to a turnover rate of 7 percent.

INDUSTRIVÄRDEN'S CAPITAL STOCK

Number of shares	Par value, SEK M	Percentage share of	
		votes	shares
31,225,147 Class A shares	624.5	96	73
11,687,666 Class C shares	233.8	4	27
42,912,813	858.3	100	100

INDUSTRIVÄRDEN'S CPN'S

Number of CPNs	Par value, SEK M	Percentage share of number of CPNs
2,132,478 A CPNs	196.2	44
2,756,455 C CPNs	253.6	56
4,888,933	449.8	100

TREND IN DIVIDEND AND CPN INTEREST

SEK	1996	1995	1994	1993	1992
Dividend	13.00 ¹	11.00	10.00	9.00	8.00
Annual growth in dividend, % ²	18	10	11	13	0
CPN interest	14.95 ¹	12.65	11.50	10.35	9.20

¹ Proposed by the Board of Directors.

² Average dividend growth during the past five years was 10.2 percent.

CAPITAL STOCK DEVELOPMENT

A total of 32 CPNs were converted to stock during the year. No additional conversions were made after the accounting date up until the record date on January 20, 1997. The total number of shares that carry entitlement to the dividend for 1996 is 42,912,813. The growth in capital stock is shown in the table above.

DIVIDEND AND CPN INTEREST

The Board of Directors has proposed that the Annual General Meeting declare a dividend of SEK 13.00 per share (11.00). Consequently, CPN interest would amount to SEK 14.95 (12.65) per CPN. The Board's proposal entails average annual dividend growth during the past five years of 10.2 percent. The trend in the dividend and CPN interest is shown in a table on page 67.

ESTIMATED NET WORTH

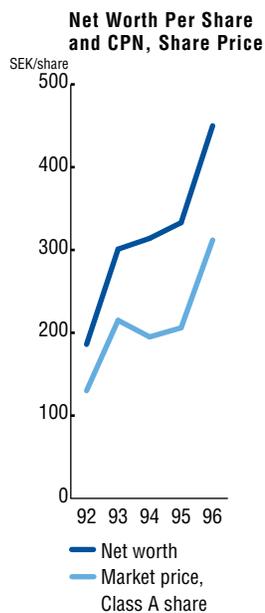
Net worth is a measure of the stockholders' and CPN holders' combined net wealth, which is defined as the difference between the actual and/or estimated market values of assets and liabilities.

Subsidiaries' market values are estimated by Industrivärden. The basis for calculating the value of the Company's net worth is described on the next page.

Net worth at December 31, 1996, was calculated at SEK 21.7 billion, or SEK 455 per share and CPN. The development of net worth during the past five years is shown in the table and chart below.

The difference between net worth and the stock price makes up the so-called holding company discount. At the end of 1992 this amounted to 30 percent of net worth, rising to 38 percent at the end of 1995. As a result of the strong rise in Industrivärden's stock price in 1996, the holding company discount decreased to 31 percent at year-end.

By the end of February, 1997, the discount had diminished further to 26 percent.



COMPOSITION AND GROWTH OF NET WORTH

SEK/share	1996	1995	1994	1993	1992
<i>Assets</i>					
Listed stocks	371	288	198	210	136
Industry and trading	79	59	150	120	84
Real estate held for investment purposes	20	21	23	23	27
	470	368	371	353	247
<i>Liabilities and stockholders' equity</i>					
Net indebtedness	15	35	57	52	61
Stockholders' equity*	455	333	314	301	186
	470	368	371	353	247
Net worth	455	333	314	301	186
Market price, Class A shares, Dec. 31	312	206	195	215	130
"Holding company discount," %**	31	38	38	29	30

* Reported stockholders' equity, CPN loans and surplus values.

** The difference between the share price and net worth, expressed as a percentage of net worth.

THE LARGEST STOCKHOLDERS

Industrivärden has approximately 20,000 stockholders. Taking CPN holders into account, the total number of investors in the Company's stock and CPNs is approximately 22,000. Institutional investors, such as pension foundations, insurance companies and investment funds, own approximately 85 percent of the shares.

	OWNERSHIP AT DECEMBER 31, 1996	
	Number of shares	Percentage of Votes shares
SCA	4,348,066	13.4 10.1
Fifth National Pension Fund	2,297,400	7.1 5.4
Öresund	1,722,730	5.3 4.0
Handelsbanken's Pension Fund	1,630,000	5.0 3.8
Handelsbanken's Pension Foundation	1,600,000	4.9 3.7
AMF	3,865,107	4.4 9.0
Swiss Bank	1,599,764	4.4 3.7
AGA	1,401,000	4.3 3.3
Hedelius and Wallander's Foundation	1,250,000	3.9 2.9
IKEA Finance SA	1,116,201	3.4 2.6
SPP	2,083,727	2.4 4.9
Oktagonen	580,000	1.8 1.4
Swedbank's Funds	359,897	1.1 0.8
Trygg-Hansa	365,400	1.1 0.9
Folksam	1,225,000	1.0 2.9
Skandia Life	478,784	1.0 1.1
	25,923,076	64.6 60.4

CALCULATING THE MARKET VALUE OF INDUSTRIVÄRDEN'S ASSETS

In the Parent Company's balance sheet, the book values of listed stocks and stocks in subsidiaries have been replaced by the corresponding actual or estimated market values. Net worth has thereafter been calculated as the difference between the market values of assets and liabilities in the balance sheet. An alternative approach would be to start with the Group's adjusted stockholders' equity as reported in the balance sheet and add the estimated hidden reserves (the difference between the estimated market values and the book values reported by the Group).

In this way, an estimate can be obtained on what the Group's stockholders' equity would amount to if the assets were to be divested on a particular date. Since holding companies are exempt from capital gains taxes on sales of stocks, the calculations do not include any standard tax assumption. In this connection, the simplified assumption has been made that Industrivärden will remain an independent company, and thus any deferred tax associated with a change in tax status as a holding company does not need to be taken into account.

Valuation of the Listed Stock Portfolio

The portfolio of listed stocks has been reported at its actual market value on the accounting date. The holding of Skanska Class A shares, which have strong voting power and are not listed, has been valued at the same price as the Class B shares.

Valuation of the Industrial and Trading Operations

The industrial and trading operations have been given an estimated market value by multiplying the year's earnings after net financial items – less a standard 28 percent tax – by a P/E multiple for engineering companies at the end of the respective fiscal year according to the Affärsvärlden equities indicator.

Naturally, there are more sophisticated models for determining a company's value. The advantage of Industrivärden's choice of model is its relative simplicity. However, there have been occasions when earnings for the year and/or the P/E multiple have been extremely high or low, whereby Industrivärden has decided to adjust the values to a more realistic level. Thus in calculating net worth for 1996, a P/E multiple of 15 has been used, even though the P/E multiple in the Affärsvärlden equities indicator was higher.

Valuation of Real Estate

The commercial real estate belonging to Fundament is valued on the basis of a direct yield requirement in which the properties' net operating income is used to calculate the properties' market values. In this case, net operating income is defined as earnings before depreciation; the direct yield requirement at December 31, 1996, has been estimated at 8 percent.

INDUSTRIVÄRDEN'S BOARD OF DIRECTORS



Bo Rydin



Inga-Britt Ahlenius



Carl-Erik Feinsilber



Tom Hedelius



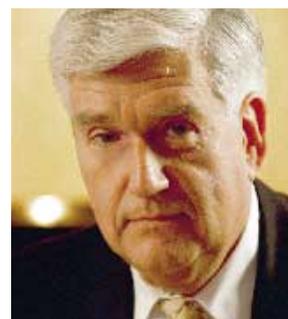
Sverker Martin-Löf



Stig Ramel



Clas Reuterskiöld



Björn Wolrath

Bo Rydin

Chairman. MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering, b.1932, Stockholm. Director since 1973. Chairman of the Board of SCA and Graninge. Deputy Chairman of the Board of Svenska Handelsbanken and Skanska. Director of IBM EMEA Board, Scancem and SAS Sverige AB. Stockholding: 6,167.

Inga-Britt Ahlenius

MBA, b. 1939, Danderyd. Director General and Head of the National Audit Bureau. Director since 1994. Director of the Royal Swedish Academy of Engineering Sciences, the Industrial Council for Social and Economic Studies, and the First National Swedish Insurance Pension Fund.

Carl-Erik Feinsilber

LLB, b. 1931, Lidingö. Director since 1988. Director of Bonnierföretagen, Svenska Handelsbanken and SSAB. Stockholding: 2,500.

Tom Hedelius

Deputy Chairman. MBA, Honorary Doctor of Economics, b. 1939, Stockholm. Director since 1991. Chairman of the Board of Svenska Handelsbanken and Bergman & Beving. Deputy Chairman of the Board of AGA and Ericsson. Director of SCA, SAS Sverige AB and Volvo. Stockholding: 1,000.

Sverker Martin-Löf

Doctor of Engineering, b. 1943, Stockholm. President, Chief Executive Officer and Director of SCA. Deputy director since 1993, elected director in 1996. Director of AGA, Ericsson, the Federation of Swedish Industries and the Swedish Employers' Confederation.

Stig Ramel

LLB, b. 1927, Solna. Director since 1972. Chairman of the Board of Air Liquide Gas AB. Director of Beijer Alma, Erasteel Kloster AB, Eramet (France) and Brandy Wine Fund (USA). Stockholding: 1,500.

Clas Reuterskiöld

President and Chief Executive Officer of Industrivärden. MBA, b. 1939, Stocksund. Director since 1994. Chairman of the Board of PLM. Director of AGA, Ericsson, Handelsbanken and SCA. Stockholding: 12,755.

Björn Wolrath

M. Pol. Sc. b. 1943, Stockholm. Director of Skandia. (President and CEO of Skandia until Dec. 31, 1996.) Director since 1996. Chairman of the Board of the Swedish Insurance Federation. Deputy Chairman of Telia AB. Director of Stockholm Stock Exchange and Stockholm University.

COMMITTEES

Nominating committee for the Board of Directors: Bo Rydin, Tom Hedelius and Björn Wolrath.

Emolument committee, to decide the salaries, benefits and pensions for the president and executive management: Bo Rydin and Tom Hedelius.

AUDITORS

Bertil Edlund

Authorized Public Accountant,
Öhrlings Coopers & Lybrand AB.

Ulf Pernvi

Authorized Public Accountant,
Öhrlings Coopers & Lybrand AB.

DEPUTY AUDITORS

Margareta Essén

Authorized Public Accountant,
Öhrlings Coopers & Lybrand AB.

Bertil Johanson

Authorized Public Accountant,
Öhrlings Coopers & Lybrand AB.

EXECUTIVE MANAGEMENT

Clas Reuterskiöld, b. 1939, President
and Chief Executive Officer. Employed
by Industrivärden since 1994.
Stockholding: 12,755.

Carl-Olof By, b. 1945. Executive Vice
President and Chief Financial Officer.
Employed by Industrivärden since 1990.
Stockholding: 2,000.

Olof Wesström, b. 1947. Responsible for
managing the portfolio of listed stocks.
Employed by Industrivärden since 1982.
Stockholding: 2,000.

Thomas Nordvall, b. 1944. General
Counsel. Employed by Industrivärden
since 1992.
Stockholding: 600.

Lennart Engström, b. 1959. Strategic
Planning and Analysis. Employed by
Industrivärden since 1996.
Stockholding: 2,000.

SENIOR EXECUTIVES

Jan Spetz, b. 1956. Group Controller.
Employed by Industrivärden since 1990.
Stockholding: 1,300.

Lars von Celsing, b. 1946. Head of
Finance. Employed by Industrivärden
since 1992.

SUBSIDIARY PRESIDENTS

Inductus

Clas Reuterskiöld, b. 1939.
President since 1990.
Stockholding: 12,755.

Indutrade

Gunnar Tindberg, b. 1938. President
since 1990.

Fundament

Per Wärnegård, b. 1951. President since
1989.



Lennart Engström, Carl-Olof By,
Clas Reuterskiöld, Olof Wesström
and Thomas Nordvall.

GROUP SUMMARY

SEK M	1996	1995	1994	1993	1992
Income Statements					
Invoiced sales	5,547	5,893	12,700	11,879	10,948
Nonrecurring items	–	1,195	263	–	8
Earnings after depreciation	369	1,683	1,229	794	686
Dividends from listed stocks	490	254	362	162	213
Capital gains/losses on sales of listed stocks	679	86	325	498	–29
Earnings after financial items	1,417	1,765	1,517	864	237
Earnings before taxes and minority interests	1,344	1,645	1,461	811	147
Net earnings for the year	1,286	1,615	1,250	752	158
Balance Sheets					
Current assets	2,551	2,609	5,141	5,047	4,965
Fixed assets	7,562	7,613	9,436	9,145	9,765
Current noninterest-bearing liabilities	1,009	1,199	2,677	2,234	2,323
Current interest-bearing liabilities	585	1,548	2,589	3,314	4,514
Long-term noninterest-bearing liabilities	163	121	349	349	439
Long-term interest-bearing liabilities	770	516	2,489	2,621	2,182
Pension provision	191	248	536	558	646
CPN loans	450	450	450	816	897
Minority interests	0	3	4	41	39
Stockholders' equity	6,945	6,137	5,483	4,259	3,690
Total assets	10,113	10,222	14,577	14,192	14,730
Key Ratios					
Visible stockholders' equity	7,395	6,587	5,933	5,075	4,587
Adjusted stockholders' equity	19,774	15,034	11,732	12,002	7,841
Net worth	21,730	15,899	15,000	14,386	8,868
Visible equity ratio, %	73	65	41	36	31
Adjusted equity ratio, %	88	81	58	57	44
Capital expenditures	266	236	664	474	1,023
Average number of employees	4,561	4,918	9,572	10,325	11,737
of whom, outside Sweden	2,309	2,293	5,895	6,270	6,910
SEK per share and CPN					
Earnings per share after full tax	28.40	36.30	27.30	16.80	5.20
Visible stockholders' equity	154	138	124	106	96
Adjusted stockholders' equity	413	315	245	251	164
Net worth	455	333	314	301	186
Stock price, December 31					
Class A shares	312	206	195	215	130
Class C shares	305	199	189	213	120
Dividend	13.00 *	11.00	10.00	9.00	8.00
Dividend growth, % per year	18	10	11	13	0
Direct yield, %	4.2	5.3	5.1	4.2	6.1
CPN interest	14.95 *	12.65	11.50	10.35	9.20

* Proposed by the Board of Directors.

ADDRESSES

INDUSTRI- VÄRDEN

AB Industrivärden
Storgatan 10
Box 5403
S-114 84 Stockholm
Tel +46-8-666 64 00
Fax +46-8-661 46 28
Internet: <http://www.industrivarden.se>
President: Clas Reuterskiöld

INDUCTUS

Besam AB
Lodjursgatan 10
Box 131
S-261 22 Landskrona
Tel +46-418-510 00
Fax +46-418-238 00
Internet:
<http://193.13.15.2/besam>
President: Bertil Samuelsson

Hydrauto AB
Svedjevägen 4
Box 801
S-931 28 Skellefteå
Tel +46-910-848 00
Fax +46-910-849 70
President: Olov Larsson

Isaberg Rapid AB
Metallgatan 15
Box 115
S-330 27 Hestra
Tel +46-370-33 95 00
Fax +46-370-33 95 02
Internet: <http://www.isaberg-rapid.com>
President: Pelle Holm

Maskin AB Rapid
Repslagarevägen 10
Box 543
S-331 25 Värnamo
Tel +46-370-69 40 50
Fax +46-370-69 40 61
Internet: <http://www.webspi.com/rapid/>
President: Karl-Valter Fornell

Thorsman & Co AB
Tillverkarvägen 2, Arnö
Box 1010
S-611 29 Nyköping
Tel +46-155-26 50 00
Fax +46-155-975 15
Internet: <http://www.thorsman.se>
President: Jan Cedwall

AB Wibe
Wibevägen 1
Box 401
S-792 27 Mora
Tel +46-250-280 00
Fax +46-250-188 55
President: Göthe Östlund

INDUTRADE

Indutrade AB
Raseborgsgatan 9
Box 6044
S-164 06 Kista
Tel +46-8-703 02 00
Fax +46-8-752 79 39
President: Gunnar Tindberg

Alnab Armatör AB
Ögärdesvägen 4
S-433 86 Partille
Tel +46-31-44 94 50
Fax +46-31-44 24 55
President: Peter Eriksson

Bengtssons Maskin AB
Företagsvägen 14
Box 501
S-232 24 Arlöv
Tel +46-40-43 54 00
Fax +46-40-43 02 71
President: Nils-Erik Johannesson

AB Carlsson & Möller
Garnisonsgatan 45
Box 22161
S-250 22 Helsingborg
Tel +46-42-25 38 00
Fax +46-42-18 47 22
President: Joachim Otto

CCMP N.V.
Katwilgweg 15
B-2050 Antwerpen 5
Belgium
Tel +32-3 254 07 00
Fax +32-3 254 03 25
President: Piet Steenkist

Colly Company AB
Raseborgsgatan 9
Box 6042
S-164 06 Kista
Tel +46-8-703 01 00
Fax +46-8-750 46 28
President: Hans Lövgren

Oy Colly Company AB
Valimotie 8
Box 3
FIN-01511 Vantaa
Finland
Tel +9358-9 476 25 11
Fax +9358-9 476 25 301
President: Björn Lindström

Diatom Verktøj A/S
Avedøreholmen 84
DK-2650 Hvidovre
Denmark
Tel +45-36 77 36 00
Fax +45-36 77 36 33
President: Christian Paulsen

ETP Transmission AB
Roxtorpsgatan 14
Box 1120
S-581 11 Linköping
Tel +46-13-24 71 00
Fax +46-13-14 47 08
President: Börje Peterson

Euronord WTM AB
Tredje Tvärgatan 3
Box 667
S-801 27 Gävle
Tel +46-26-18 40 30
Fax +46-26-10 55 60
President: Claes Höök

GPA Plast AB
Brovägen 5
Box 24
S-262 07 Hjärnarp
Tel +46-431-544 25
Fax +46-431-546 66
President: Jan Hammarstedt

GPA Plast A/S
Verkstedsvn. 23
Postboks 427
N-1401 Ski
Norway
Tel +47-64 87 69 20
Fax +47-64 87 69 09
President: Guttorm Thoresen

Granzow A/S
Ejby industrivej 26
DK-2600 Glostrup
Denmark
Tel +45-43 20 26 00
Fax +45-43 20 26 99
President: Per Buchwald

Hitma BV
Anton Philipsweg 1
Postbus 175
NL-1420 AD Uithoorn
Netherlands
Tel +31-29 756 80 11
Fax +31-29 756 23 41
President: Piet Steenkist

AB Kaj Mandorf
Metallvägen 20
Box 241
S-435 25 Mölnlycke
Tel +46-31-38 27 00
Fax +46-31-88 55 128
President: Kaj Mandorf

Linatex A/S
Vejlegårdsvej 38
DK-2665 Vallensbæk Strand
Denmark
Tel +45-43 53 88 44
Fax +45-43 53 11 62
President: Joachim Otto

G A Lindberg AB
Raseborgsgatan 9
Box 6044
S-164 06 Kista
Tel +46-8-703 02 00
Fax +46-8-751 40 41
President: Gunnar Tindberg

Oy Lining AB
Riihikuja 5
FIN-01720 Vantaa
Finland
Tel +358-9 4764 611
Fax +358-9 4764 6220
President: Kaj Österlund

Maanerä Oy
Keinumäenkuja 2
FIN-01510 Vantaa
Finland
Tel +358-9-615 322
Fax +358-9-6153 2350
President: Kauko Kokkonen

AB Novum
Mörsaregatan 8
S-254 66 Helsingborg
Tel +46-42-15 10 30
Fax +46-42-16 16 66
President: Lars Nordström

Ventim AB
Flygplatsvägen 19
Box 726
S-391 27 Kalmar
Tel +46-480-290 00
Fax +46-480-857 80
President: Conny Petersson

YTM Industrial Oy
Riihikuja 5
FIN-01720 Vantaa
Finland
Tel +358-9 4764 613
Fax +358-9 4764 6440
President: Kaj Österlund

FUNDAMENT

Fastighets AB Fundament
Brunnsgränd 4
Box 2006
S-103 11 Stockholm
Tel +46-8-23 14 15
Fax +46-8-23 16 10
President: Per Wärnegård



AB Industrivärden (publ)

Storgatan 10

Box 5403

S-114 84 Stockholm

Sweden

Phone +46-8-666 64 00

Telefax +46-8-661 46 28

www.industrivarden.se